

1Q 2018 Results ČSOB Group

Business Unit Czech Republic

EU IFRS Unaudited Consolidated
17 May 2018



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ČSOB Group: Key Figures

Despite decreasing net profit, core operating income improved

ČSOB group key indicators		2015	2016	2017	1Q 2017	1Q 2018
Profitability	Net profit (CZK bn)	14.0	15.1	17.5	4.7	4.0
	Return on equity	16.4%	17.3%	19.3%	20.9%	17.2%
Liquidity	Loan to deposit ratio	79.3%	79.4%	77.7%	74.8%	73.5%
	Net stable funding ratio	134.9%	150.9%	146.0%	143.5%	147.7%
Capital	(Core) Tier 1 ratio	19.1%	18.2%	17.2%	17.1%	17.9%
Impairments	Credit cost ratio	0.18%	0.11%	0.02%	-0.02%	0.01%
Cost efficiency	Cost / income ratio	48.2%	46.0%	43.7%	43.8%	48.5%

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.

Excellent loan quality, solid growth in business volumes, expanding client base

Business indicators

The **loan portfolio** (incl. ČMSS) increased to **CZK 662bn** (+4% Y/Y) driven by mortgages, consumer finance, SME and leasing. **Group deposits** (incl. ČMSS) grew to **CZK 955bn** (+14% Y/Y). Total **assets under management** reached **CZK 203bn** (+5% Y/Y). The number of **ČSOB group's clients** rose +7 thousand Y/Y.

Operating income

Operating income reached **CZK 9.4bn** in 1Q 2018 (-3% Y/Y) as a result of lower other operating income (mainly higher base in 1Q 2017 due to one-off gain from legal case and negative valuation adjustments in 1Q 2018). **Core operating income increased +2% Y/Y** driven mainly by net interest income from deposits.

Operating expenses

Operating expenses increased to **CZK 4.6bn** in 1Q 2018 (+7% Y/Y) mainly due to higher distribution expenses (linked to the new partnership agreement with Czech Post), marketing and higher staff expenses driven by wage adjustments and variable remuneration.

Impairments

Credit cost ratio for 1Q 2018 stood at **1 bps** (Ytd. annualized, +3 bps Y/Y) thanks to the ongoing excellent loan quality.

Net profit

As a result of the above mentioned factors, ČSOB's **net profit** came in at **CZK 4.0bn** (-14% Y/Y) in 1Q 2018.

Liquidity & Capital

Loan to deposit ratio decreased Y/Y to **73.5%**.
Tier 1 ratio stood at **17.9%** and **net stable funding ratio** (NSFR) reached **147.7%**.

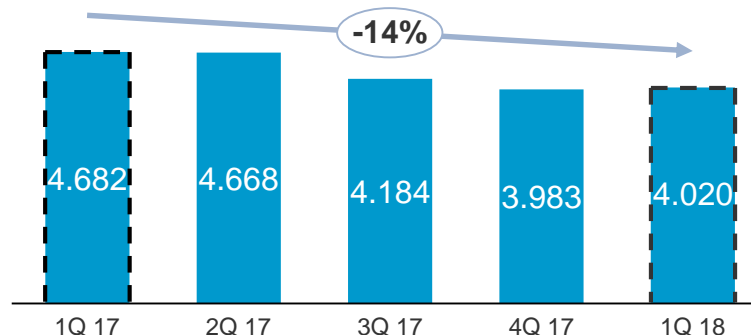
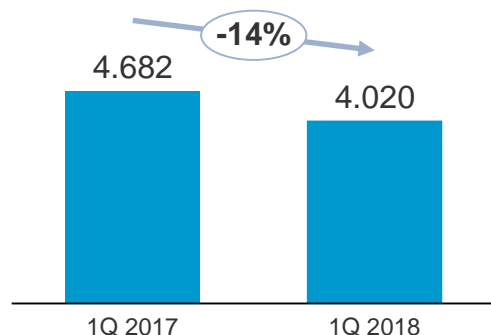
Achievements

ČSOB was awarded **the Best Bank** (by Global Finance and EMEA Finance) and **the Best Private Bank** (by Euromoney) in the Czech Republic for the year 2018 and won the Randstad Award for the **Most Attractive Employer in Banking and Financial Services** in the Czech Republic. In April, ČSOB acquired the largest services comparator website "**Ušetřeno.cz**" to strengthen its **services beyond banking and insurance**. Newly launched platform **ČSOB NaDoma connects the banking services with other technologies** that allow to remotely control smart devices in the households.

The Y/Y net profit declined, while core operating income improved

Net profit

CZK bn



Net profit for 1Q 2018 decreased to CZK 4.0bn (-14% Y/Y) as a result of lower other operating income (higher base in 1Q 2017 due to one-off gain from legal case and negative valuation adjustments in 1Q 2018), higher operating expenses and total impairments. **Core operating income increased +2% Y/Y** driven mainly by net interest income from deposits and solid growth in business volumes.

The low level of impairment on financial assets at amortised cost reflects ongoing excellent loan quality.

In 1Q 2018, **the return on equity (ROE) reached 17.2%**, down from 20.9%, driven by higher average equity and lower net profit.

Notes (gross impact):

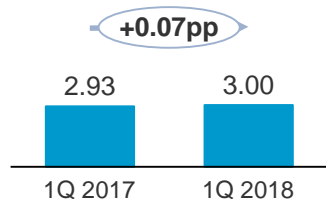
1Q 2017 one-off item: gain from historical legal case (CZK +0.4bn)

4Q 2017 one-off item: impairment on software (CZK -0.2bn)

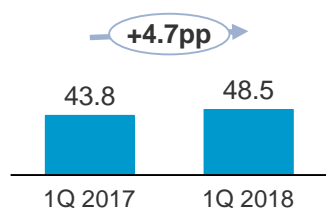
Increasing net interest margin and excellent loan quality

Profitability

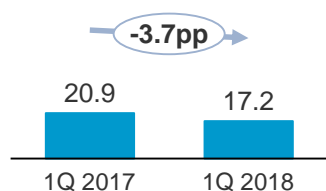
Net interest margin* (%)



Cost / income ratio (%)

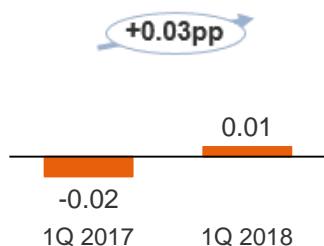


ROE (%)

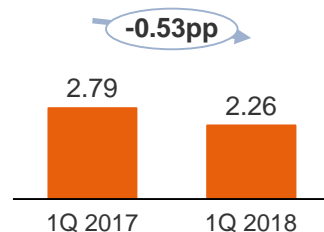


Loan portfolio quality

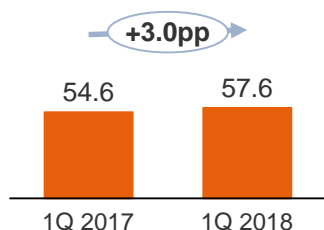
CCR, Ytd. annualized (%)



NPL ratio (%)

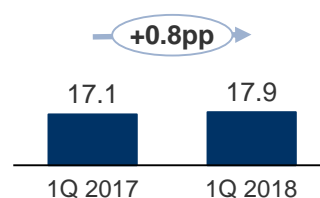


NPL coverage ratio (%)

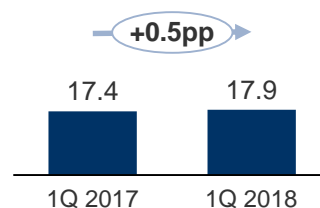


Capital

(Core) Tier 1 ratio (%)

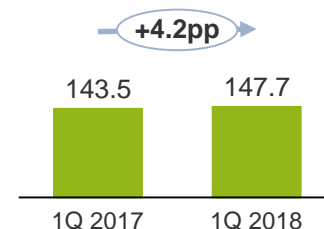


Total capital ratio (%)

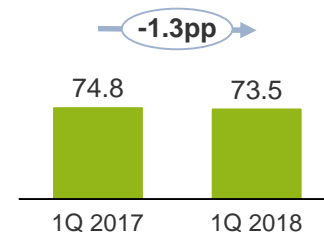


Liquidity

Net stable funding ratio (%)



Loan to deposit ratio (%)



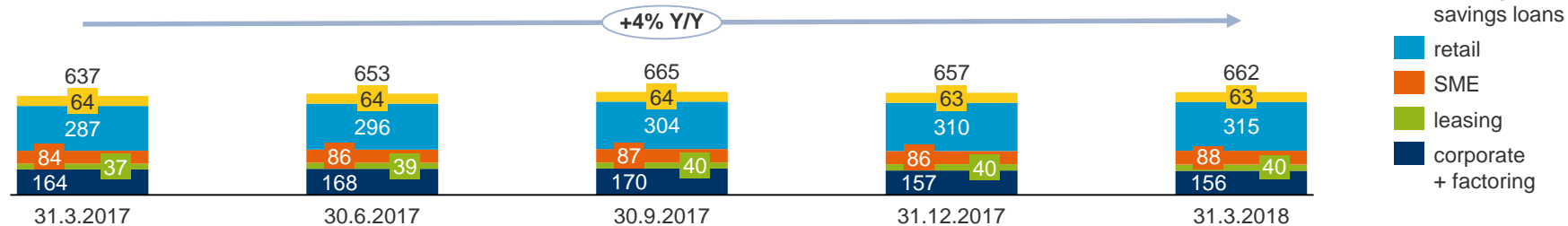
* As of 1Q 2018, calculation of Net interest margin has been changed, see updated definition in Appendix. In order to provide comparable figures, 2017 has been restated retrospectively.

Loans, deposits and assets under management

Solid growth in business volumes

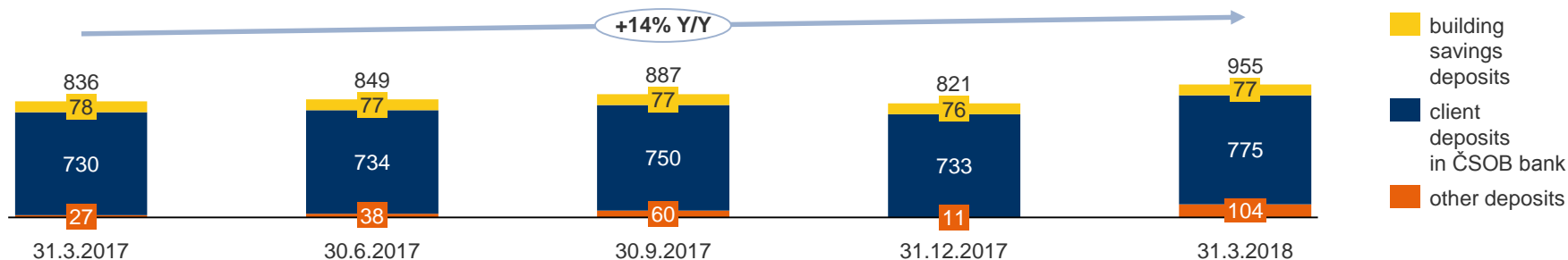
Loan portfolio¹

CZK bn



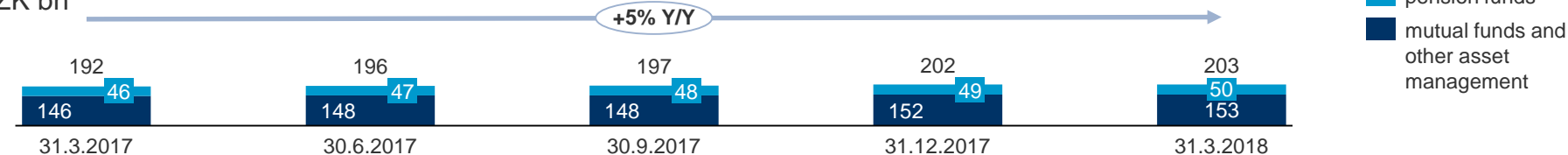
Group deposits²

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

1. The implementation of IFRS 9 Financial Instruments standard

„IFRS 9 Financial Instruments“ is effective for periods beginning on 1 January 2018. The profit and loss statement and balance sheet as of 31 March 2018 are reported in line with the standard.

Its implementation addressed:

- Classification and measurement of financial instruments (Phase 1)
Financial assets are measured either at amortised cost, fair value through other comprehensive income (OCI), or at fair value through profit or loss. Classification and measurement of financial assets under IFRS 9 depends on the specific business model in place and the assets' contractual cash flow characteristics.
Financial liabilities are classified and measured either at amortised cost or at fair value through profit or loss.
- Impairment of financial assets (Phase 2)
IFRS 9 introduces a three-stage model based on changes in credit quality since initial recognition.

2. Reclassification of remuneration paid to Czech Post

The year-on-year comparison is influenced by accounting **reclassification of remuneration paid to Czech Post**, whereby its main part shifted from operating income (namely distribution fees under net fee and commission income) to operating expenses (namely general administrative expenses) due to the new partnership agreement with Czech Post from 1 January 2018;

3. Reclassification of network income

The year-on-year comparison is influenced by accounting **reclassification of network income** from net gains from financial instruments at fair value through profit and loss to net fee and commission income, in line with the KBC group methodology. Note that network income refers to income received from margins earned on FX transactions carried out by the network for clients.

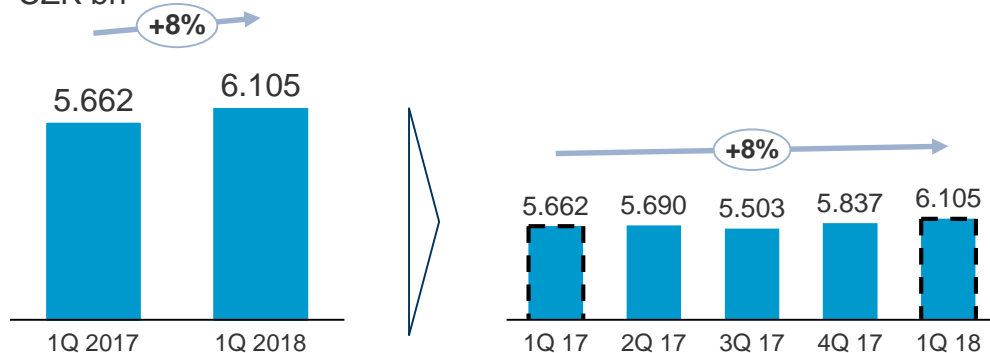
Neither the profit and loss statement or the Balance sheet were adjusted retrospectively.

Net interest income and Net interest margin

Higher net interest income as well as improved margin

Net interest income (NII)

CZK bn

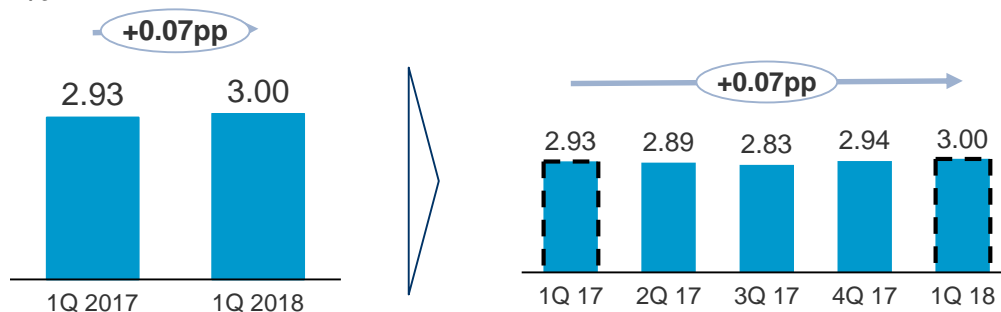


1Q 2018 **net interest income** increased **+8% Y/Y** as a result of:

- (+) NII from deposits (in all segments)
- (-) NII from loans (driven by mortgages and corporate loans)
- (+) other NII

Net interest margin (NIM)*

%



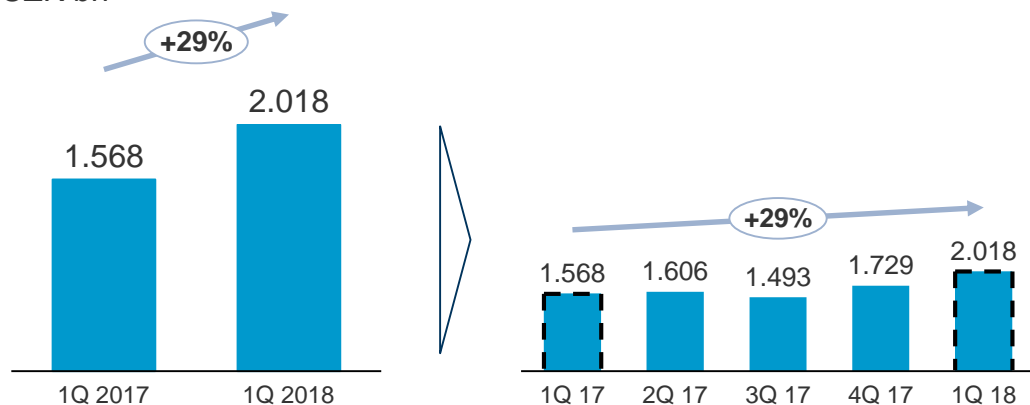
1Q 2018 **net interest margin** reached **3.00%** (+0.07pp Y/Y) thanks to higher reinvestment yields and active management of funding costs, partly offset by ongoing pressure on lending margins.

	2015	2016	2017	1Q 2018
Net interest margin (Ytd., %)*	(3.01)	3.00 (2.93)	2.90 (2.98)	3.00

Higher net fee and commission income mainly thanks to payments and asset management

Net fee and commission income (NFCI)

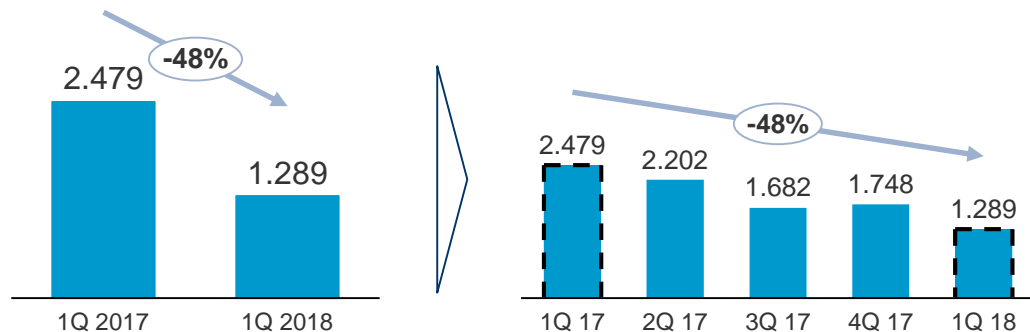
CZK bn



1Q 2018 **net fee and commission income** increased **+29% Y/Y**. Adjusted for the shift of network income* and lower distribution fees*, **net fee and commission income** would increase **+3% Y/Y** mainly thanks to higher domestic payments and asset management fees, while loan and account fees decreased Y/Y.

Other**

CZK bn



The **48% Y/Y** decrease of item “**Other**” was influenced mainly by the following drivers:

- (-) one-off gain from historical legal case in 1Q 2017,
- (-) negative valuation adjustments,
- (-) shift of network income* to NFCI as of 2018,
- (+) strong performance of financial markets.

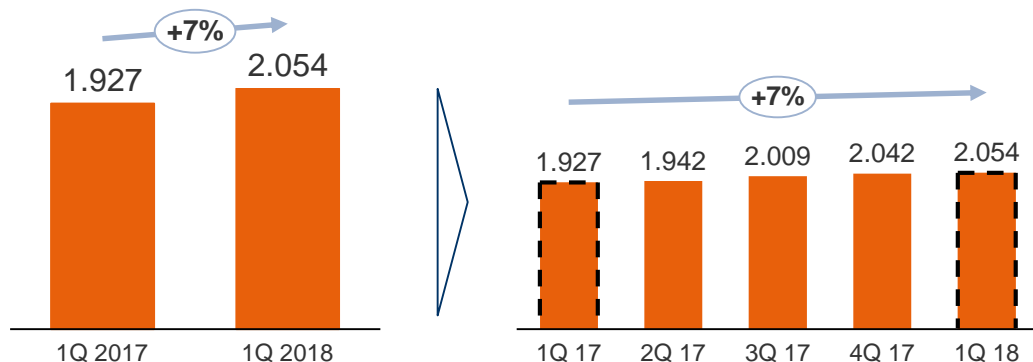
* See methodological note on page 10.

** Other = Net gains from financial instruments at fair value through profit and loss + net realized gains from financial instruments at fair value through other comprehensive income (OCI) + dividend income + income from operating lease + expense from operating lease + other net income

Staff expenses driven by wage adjustments and higher variable remuneration

Staff expenses

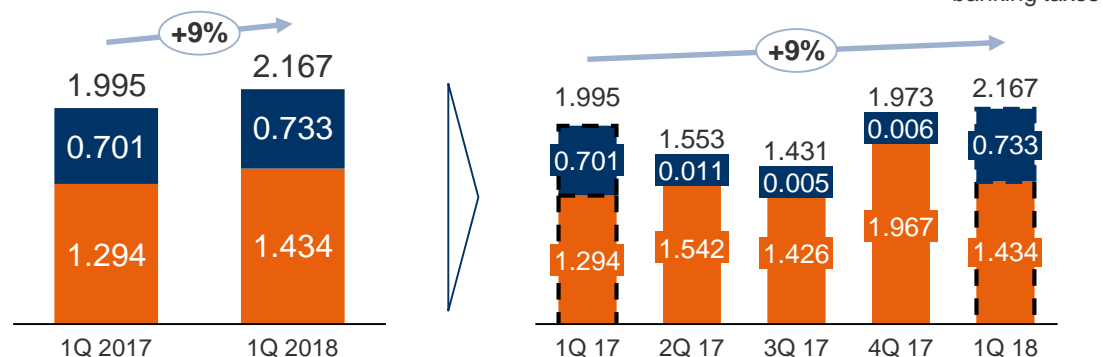
CZK bn



1Q 2018 **staff expenses** increased **+7% Y/Y** due to wage adjustments, higher variable remuneration and higher average number of FTEs.

General administrative expenses (GAE)

CZK bn



1Q 2018 **general administrative expenses** increased **+9% Y/Y**. **Adjusted** for higher distribution expenses*, **general administrative expenses** would increase **+4% Y/Y** mainly due to higher marketing expenses.

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

Cost/income ratio increased to **48.5%** (+4.7pp Y/Y).

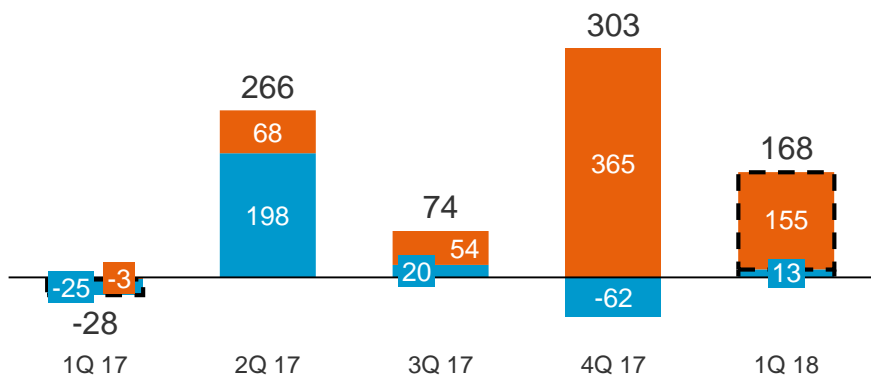
Impairments and NPL

Excellent loan quality

Total impairments

CZK m

■ other impairments (see note)
■ impairments on financial assets at amortised cost



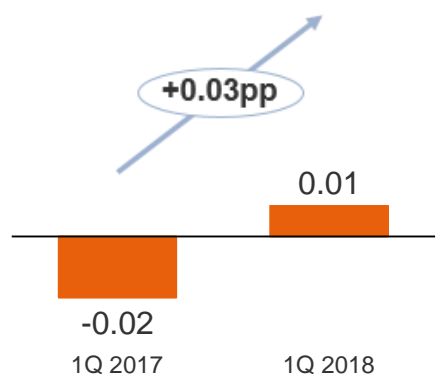
In 1Q 2018, **impairments on financial assets at amortised cost** reached low level of **CZK 13m (net creation)**, compared to a net release of CZK 25m in the same period last year.

Other impairments increased Y/Y to **CZK 155m (net creation)**, compared to a net release of CZK 3m in the same period last year, due to revaluation of leased cars in ČSOB Leasing.

Credit cost ratio for 1Q 2018 reached **1 bps** (Ytd., annualized; +3 bps Y/Y).

CCR, Ytd. annualized

%



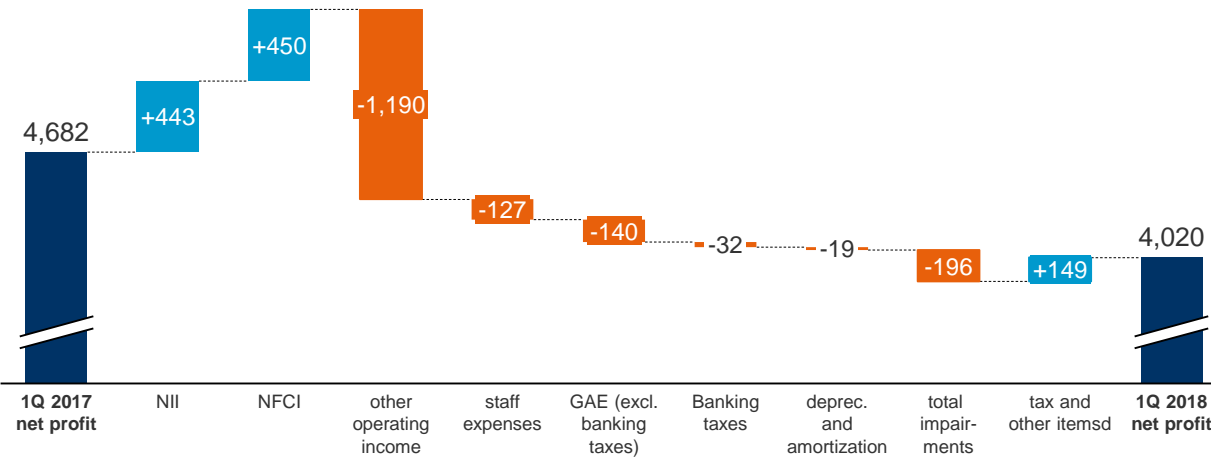
Risk view on structure of the loan portfolio

	31.3.2018	
IFRS 9 distribution	Amount (CZK bn)	Share on total loans
Total loans	598.8	100%
Stage 1 - performing	551.4	92%
Stage 2 - underperforming	33.9	6%
Stage 3 - non-performing loans	13.5	2%

Wrap up of net profit drivers

Ytd. net profit (Y/Y)

CZK m



The main difference between 1Q 2018 and 1Q 2017 net profit was caused by the following drivers:

On the **positive side**:

- higher NII thanks to NII from deposits (in all segments) and other NII
- higher NFCI as a result of shift of network income, lower distribution fees, higher domestic payments and asset management fees

On the **negative side**:

- lower other operating income due to one-off gain from historical legal case in 1Q 2017, shift of network income and negative valuation adjustments
- higher total impairments driven by other impairments linked to the revaluation of leased cars in ČSOB Leasing
- higher GAE due to higher distribution and marketing expenses
- higher staff expenses linked to wage adjustments, higher variable remuneration and higher average number of FTEs

Quarterly net profit (Q/Q)

CZK m



The main difference between 1Q 2018 and 4Q 2017 net profit was caused by the following drivers:

On the **positive side**:

- higher NII driven by other NII (thanks to ALM income) and NII from deposits (in all segments)
- higher NFCI as a result of shift of network income, lower distribution fees, higher domestic payments and asset management fees
- lower GAE (excl. banking taxes) thanks to seasonally lower marketing and ICT expenses as well as professional fees

On the **negative side**:

- higher banking taxes due to full-year contribution entirely booked in the first quarter
- lower other operating income mainly due to shift of network income and negative valuation adjustments

Capital Solid capital position

Consolidated, CZK m	31.3.2017	31.12.2017	31.3.2018
Total regulatory capital	70,908	69,098	69,637
- (Core) Tier 1 Capital	69,702	69,098	69,637
- Tier 2 Capital	1,206	0	0
Total capital requirement	32,546	32,182	31,149
- Credit risk	25,959	25,043	24,038
- Market risk	2,038	2,589	2,265
- Operational risk	4,550	4,550	4,846
Total RWA	406,829	402,278	389,361
(Core) Tier 1 ratio	17.1%	17.2%	17.9%
Total capital ratio	17.4%	17.2%	17.9%

(Core) Tier 1 capital remained broadly flat with IFRS 9 having only minimal impact.

Tier 2 capital decreased to zero as a result of methodology change in line with CRR.

Total RWA decreased Y/Y due to lower credit risk requirements as a result of Corporate segment: mainly lower relative weight due to repayments, collateral registration as well as shift from non-performing to performing loans.

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 = (Core) Tier 1 + Tier 2

ČSOB Group: Business Overview

Gaining market share in consumer lending and insurance

1st

2nd

3rd

4th

Total Loans¹	19.6%	↓
Building savings loans ¹	43.5%	↓
Building savings deposits ¹	39.7%	↑
Mortgages ¹	28.4%	→
Leasing ¹	18.8%	↓

Total Deposits¹	20.2%	↑
Mutual funds ¹	22.1%	↓
Factoring ²	24.1%	↓

Pension funds ³	14.2%	↑
SME/corporate loans ¹	14.8%	↓
Consumer lending ^{1,4}	11.6%	↑

Insurance ⁵ - combined	7.3%	↑
Non-life insurance ⁵	6.9%	↑
Life insurance ⁵	8.0%	↑

Arrows show Y/Y change. Market shares as of 31 March 2018, except for mutual, pension funds and factoring which are as of 31 December 2017.

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.

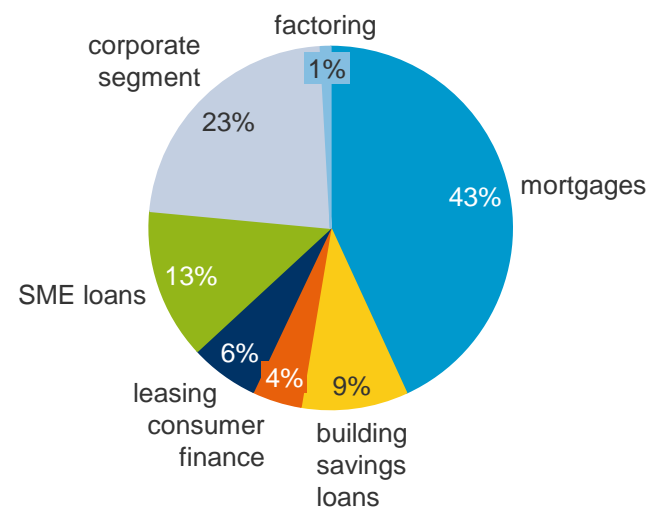
Sources and detailed definitions are provided in Appendix.

The Y/Y growth driven by mortgages, consumer finance, SME and leasing

Gross outstanding volumes, CZK bn	31.3.2017	31.3.2018	Y/Y
Loan portfolio (incl. ČMSS/building savings loans)	637.1	661.5	+4%
Retail Segment			
Mortgages ¹	262.4	285.4	+9%
Consumer finance	25.0	29.1	+16%
Building savings loans ²	64.3	62.7	-2%
SME/Corporate Segment			
Corporate loans ³	159.1	149.7	-6%
SME loans	83.7	88.3	+5%
Leasing	37.3	40.4	+8%
Factoring	5.3	5.9	+11%
Loan portfolio (excl. ČMSS/building savings loans)	572.8	598.8	+5%

31.3.2018
(incl. ČMSS/building savings loans)

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



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

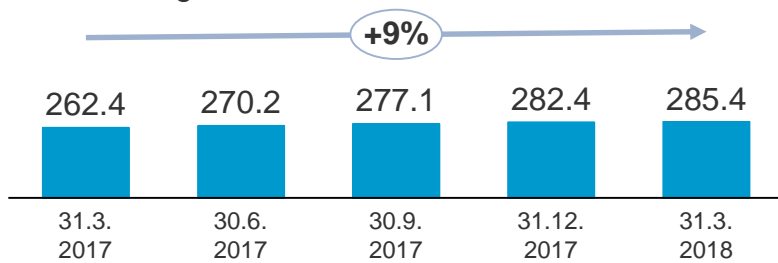
² The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

³ Including credit-replacing bonds.

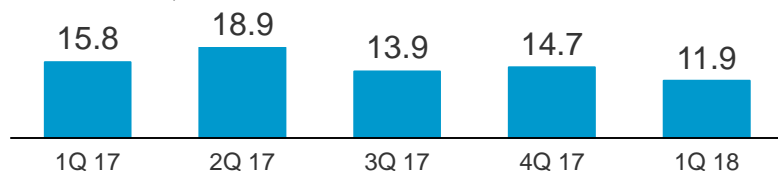
Solid growth of mortgage outstanding volumes, however new sales weakened

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

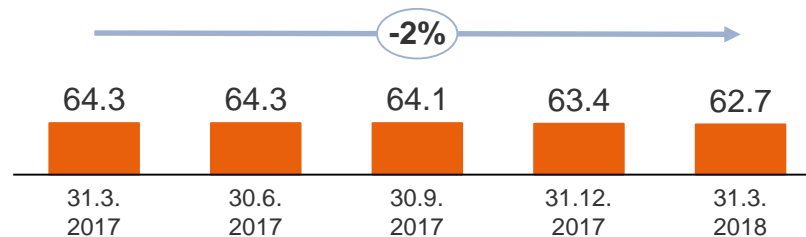


The **outstanding volume of mortgages** increased **+9% Y/Y**. The demand was influenced by rising but still low interest rates and increasing real estate prices.

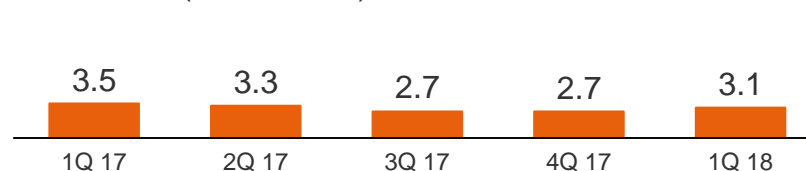
In 1Q 2018, ČSOB provided almost **6 thousand new mortgages** (-26% Y/Y) in the total amount of **CZK 12bn** (-25% Y/Y). The market decreased -14% Y/Y in the number and -9% Y/Y in the total amount of new mortgages.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn

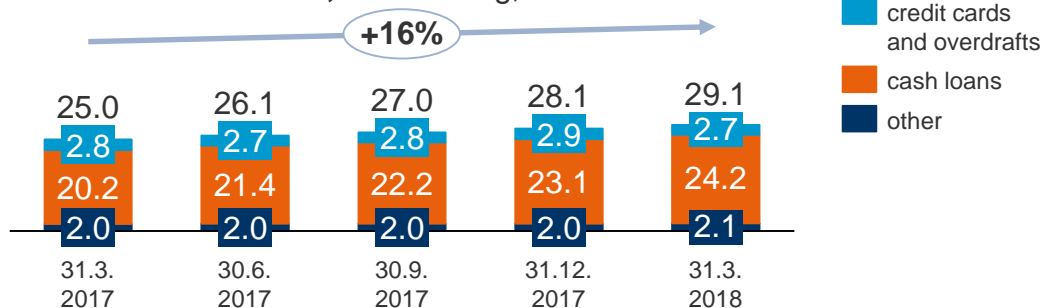


The outstanding **building savings loan portfolio** declined **-2% Y/Y**, while the market increased **+4% Y/Y**.

In 1Q 2018, **new sales** decreased **-12% Y/Y** mainly due to tightening of underwriting standards and increased **+15% Q/Q** thanks to improved attractiveness of ČMSS's product offer on the market of housing loans.

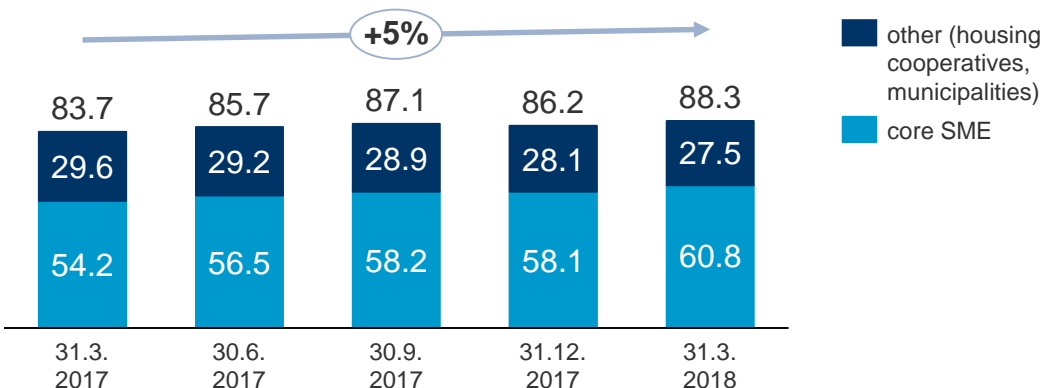
Double-digit growth in consumer finance, solid growth in SME and leasing

Consumer finance, outstanding, CZK bn



Consumer finance grew **+16% Y/Y** driven by cash loans (+20% Y/Y) thanks to improved attractiveness of ČSOB's product offer (pricing, conditions, processing) for both existing and new clients. The growth was also supported by online initiated loans, which are gradually increasing and exceeded 10% share.

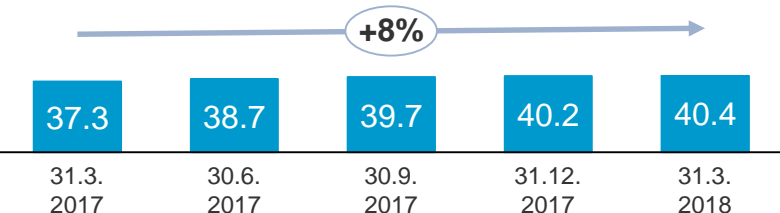
SME loans, outstanding, CZK bn



SME loans increased **+5% Y/Y** driven by an expansion in core SME lending (micro, small and mid-sized companies, +12% Y/Y).

The loan volume provided to housing cooperatives and municipalities decreased Y/Y, however ČSOB remains market leader in housing cooperatives segment.

Leasing, outstanding*, CZK bn

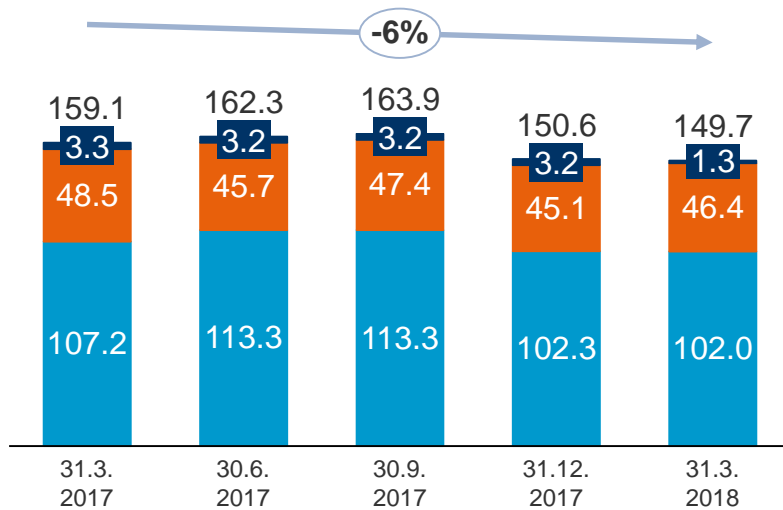


Outstanding volumes in **ČSOB Leasing** increased **+8% Y/Y**. The primary drivers were machinery & equipment financing mainly in the corporate and SME segments and car loans.

Extraordinary repayments of corporate loans mainly in financial sector

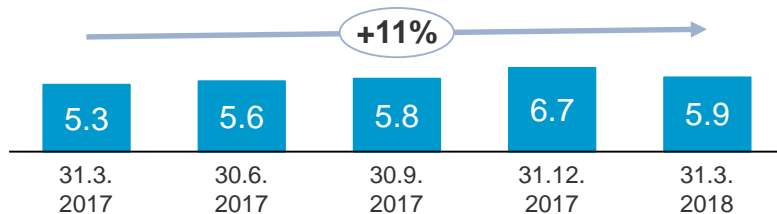
Corporate loans Outstanding, CZK bn

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



Outstanding volumes of **corporate loans** decreased **-6% Y/Y** due to extraordinary repayments mainly in financial sector. The most significant Y/Y loan decline besides financial sector was recorded in: oil, gas & other fuels, real estate, machinery & heavy equipment.

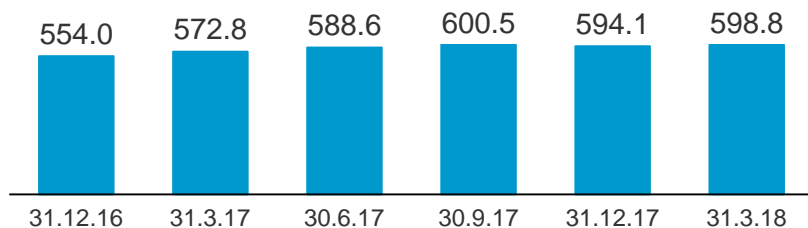
Factoring Outstanding, CZK bn



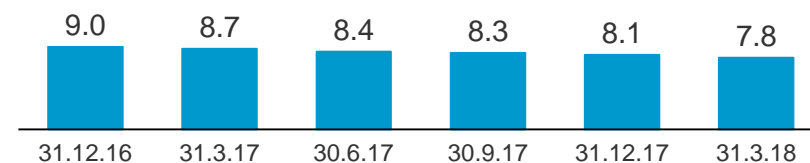
Factoring outstanding volumes increased **+11% Y/Y** thanks to a gradually growing client base.

Record-low NPL ratio of 2.3% reflecting excellent loan quality

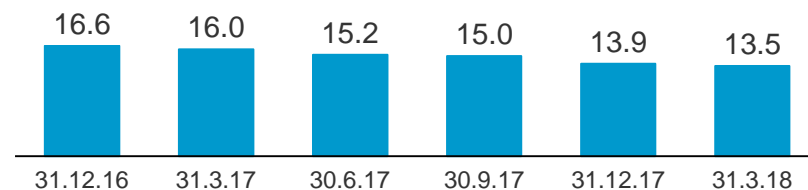
Loan portfolio (excl. ČMSS) (CZK bn)



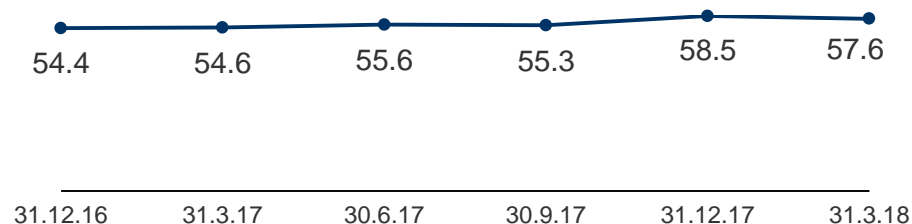
Allowances for loans and leases¹ (CZK bn)



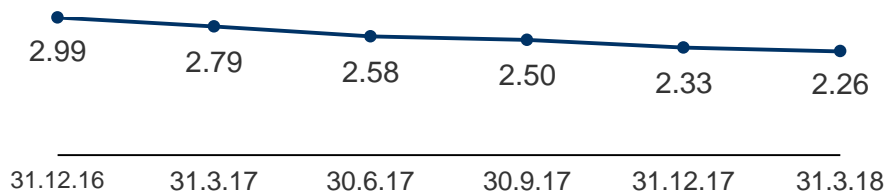
Non-performing loans (CZK bn)



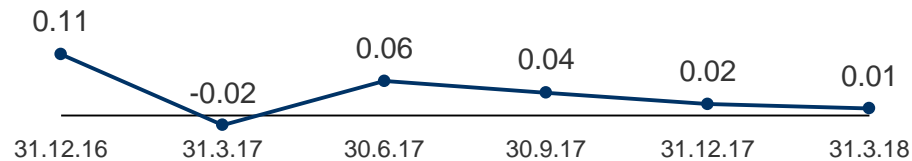
NPL coverage ratio (%)



NPL ratio (%)



Credit cost ratio² (%)



¹ Allowances for on-balance sheet items (Stage 3 only).

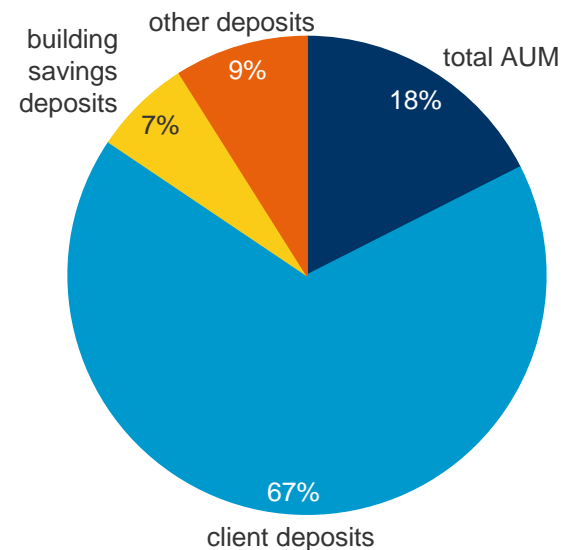
² Ytd. annualized, including off-balance sheet items.

Group deposits and Total assets under management

Strong growth of group deposits as well as AUM

Outstanding volumes, CZK bn	31.3.2017	31.3.2018	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	835.5	954.9	+14%
Client deposits	730.4	774.6	+6%
<i>Current accounts</i>	494.3	518.5	+5%
<i>Savings deposits</i>	217.8	215.8	-1%
<i>Term deposits</i>	18.3	40.4	>+100%
Other deposits	27.5	103.7	>+100%
Building savings deposits ¹	77.7	76.6	-1%
Total AUM	192.5	203.0	+5%
Pension funds ²	46.4	50.3	+8%
Mutual funds and other AM ³	146.1	152.8	+5%

31.3.2018
(incl. ČMSS/building savings deposits)

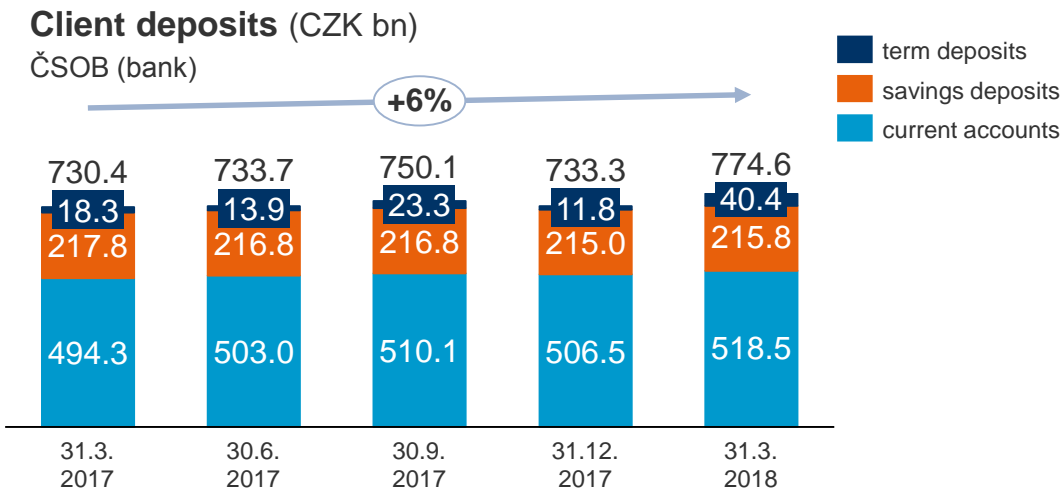


¹ ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

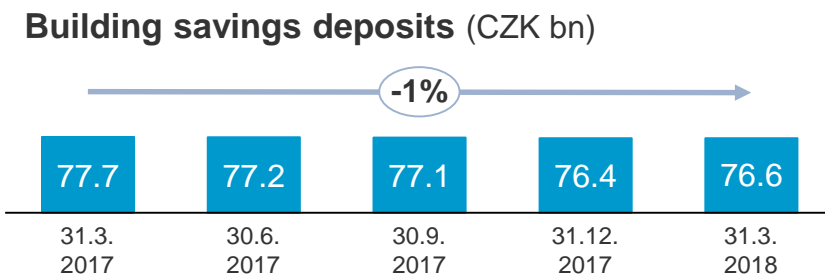
² Liabilities to pension fund policy holders.

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

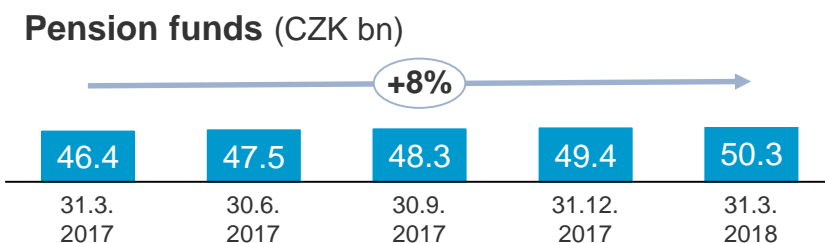
Growth in client deposits driven by current accounts and term deposits



The **6% Y/Y** growth of **client deposits** was largely driven by **current accounts** (+5% Y/Y) and **term deposits** (>+100%). **Saving deposits** slightly decreased -1% Y/Y.



The **building savings deposits** decreased -1% Y/Y, while market decreased -2% Y/Y.



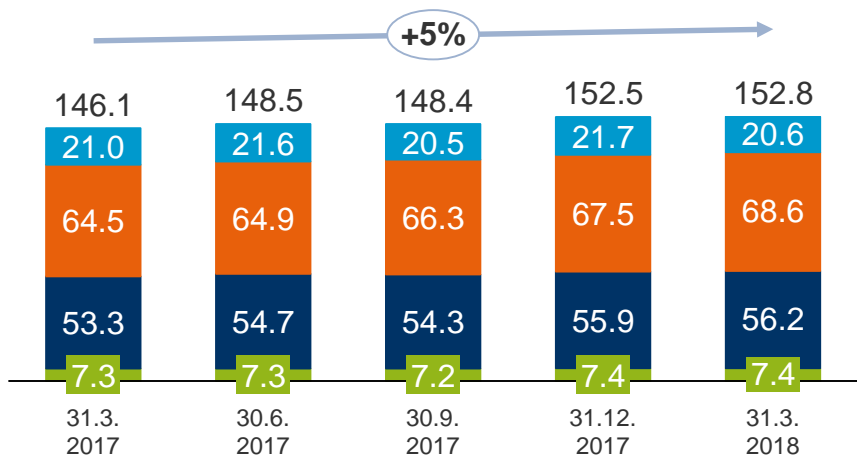
The volume of **pension funds** increased **+8% Y/Y** driven mainly by new sales and higher clients' monthly contribution.

Mutual funds increased +4% Y/Y driven by higher net sales

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

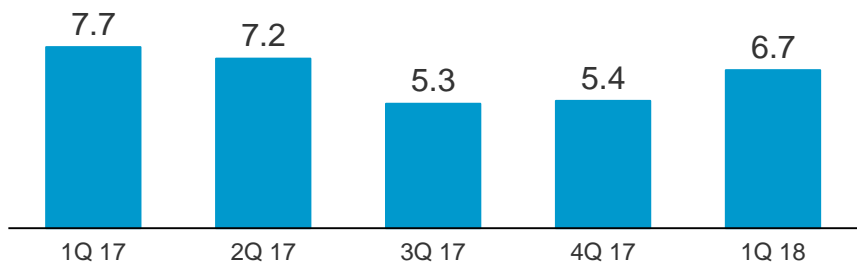


Mutual funds and other AM increased **+5% Y/Y** to **CZK 152.8bn** thanks to growth in all categories but structured/capital protected funds.

AUM in mutual funds increased **+4% Y/Y** as negative performance effect was more than offset by higher net sales.

Mutual funds

New sales, CZK bn



1Q 2018 new sales of mutual funds decreased **-13% Y/Y** mainly due to lower sales of structured and bond funds.

The 24% Q/Q growth was fully driven by higher sales of mixed funds (especially Profile funds and Premium profile funds).

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.

Growing client base supported by ongoing transformation to omni-channel distribution model

	31.3.2017	31.3.2018
ČSOB branches (bank only)	284	268
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB/Era)	218	217
PSB/Era Financial Centers	44	29
ČSOB Private Banking branches	11	11
ČSOB Corporate branches	11	11
ČSOB Pojišťovna branches	94	97
Hypoteční banka centers	29	30
ČMSS advisory centers	304	300
Leasing branches	9	7
PSB outlets of the Czech Post network	ca. 2,900	ca. 2,700
- of which specialized banking counters	152	171
Czech Post franchise outlets	ca. 200	ca. 400
ATMs¹	1,065	1,075
- of which contactless	104	329
ČSOB group's clients (mil.)	3.664	3.671

¹ Including ATMs of cooperating banks.

In 1Q 2018, ČSOB further improved its ATM network. At the end of March 2018, clients could use 1,075 **ATMs** (+10 Y/Y), of which 329 were contactless (+225 Y/Y), 175 enabled cash deposits (+13 Y/Y) and over 90% are customized for visually impaired clients.

Due to the ongoing optimization of the branch network and strengthening of the self-service platforms, some branches were closed or merged as dual branded. The number of **ČSOB branches** reached 268, of which 51 were dual branded (ČSOB + PSB/Era) at the end of March 2018.

Extended portfolio of bank-insurance services at Czech Post is provided at **171 specialized banking counters** (+19 Y/Y).

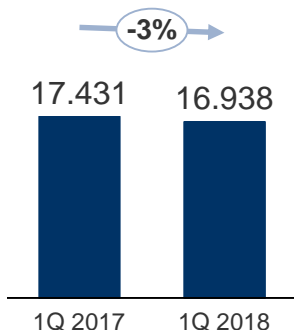
The number of **ČSOB group's clients** increased +7 thousand and the number of **active clients** increased +49 thousand.

Note:

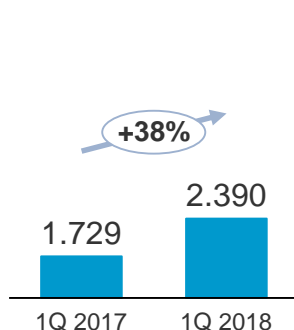
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.

Clients increasingly prefer interactions via Mobile banking

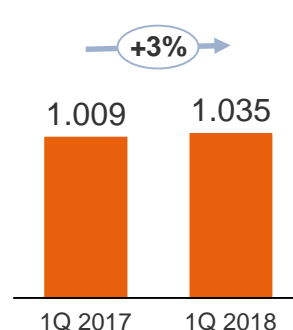
Internet banking transactions
(mil.)



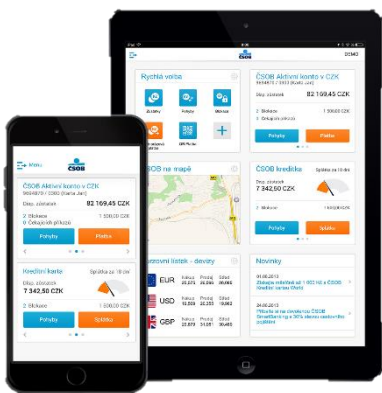
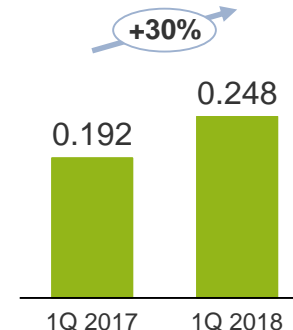
Mobile banking transactions
(mil.)



Internet banking active users
(mil.)



Mobile banking active users
(mil.)



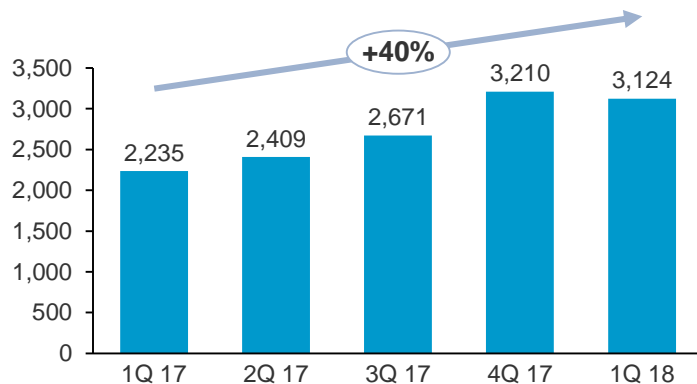
In 1Q 2018, the number of **Mobile banking** active users increased +30% Y/Y, the number of **Internet banking** active users increased +3% Y/Y.

Internet banking transactions decreased -3% Y/Y as clients switch to **Mobile banking** (transactions up +38% Y/Y).

Online initiated sales are sharply increasing

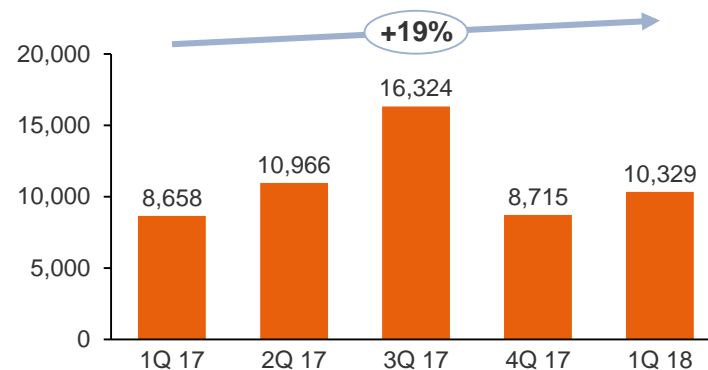
Consumer finance

(pcs)

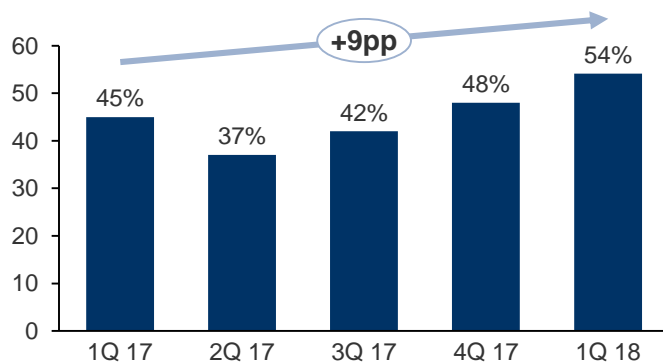


Travel insurance

(pcs)



Share of digitally-signed documents at the branches



Online initiated sales are sharply increasing. In 1Q 2018 over 3 thousand **consumer loans** were initiated online, up +40% Y/Y. Online sales of **travel insurance** increased by +19% Y/Y.

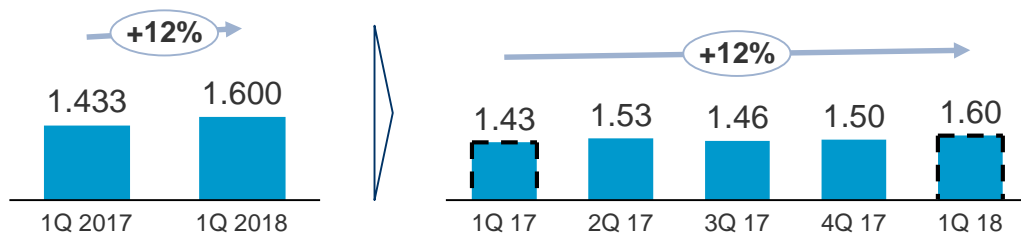
From 2016, ČSOB supports paperless operations at all branches. The share of **digitally-signed documents** at the branches reached 54% in 1Q 2018, up +9pp Y/Y.

ČSOB Pojišťovna: Key figures

Strong growth in non-life as well as life business

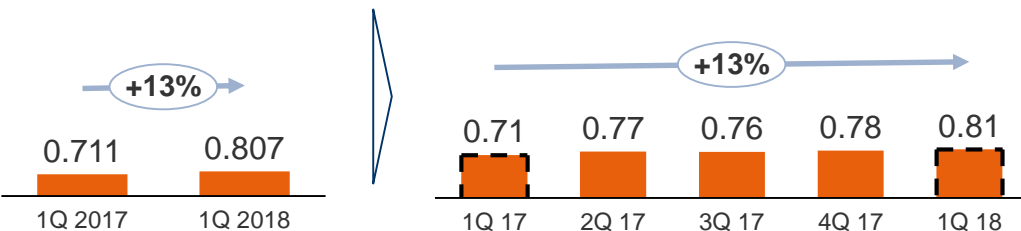
Non-life insurance - gross written premium (GWP)

CZK bn



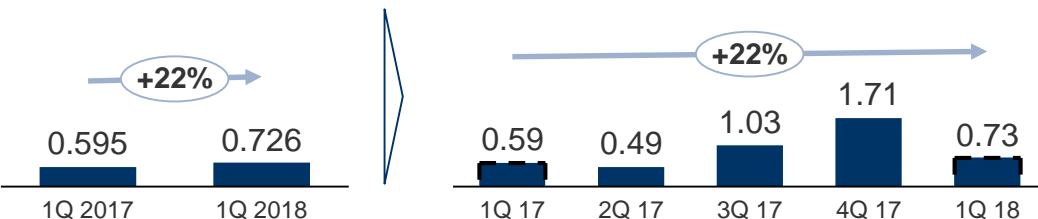
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	1Q 2018	Market position
Non-life insurance	↑ 6.9%	4th
Life insurance	↑ 8.0%	4th

Arrows show Y/Y change.

Non-life insurance

1Q 2018 non-life gross written premium increased **+12% Y/Y** thanks to growth in all product lines, mainly in Property and Motor retail insurance, while the market increased **+6% Y/Y**.

Life insurance

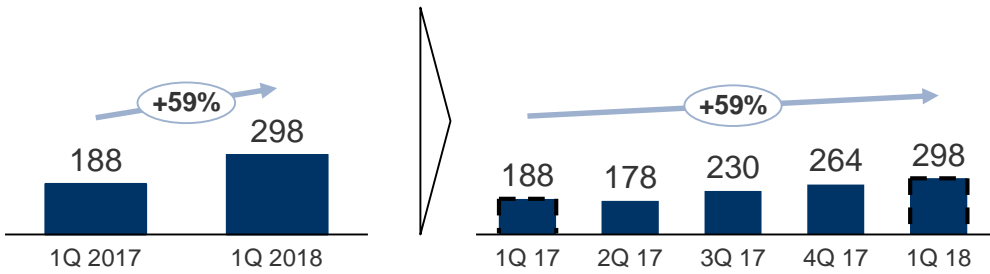
1Q 2018 **regular paid** gross written premium increased **+13% Y/Y** as a result of portfolio stabilization and better profile in lapses of the life contracts, while the market increased **+1% Y/Y**.

1Q 2018 **single paid** gross written premium increased **+22% Y/Y** thanks to the realization of several tranches via ČSOB bank. The market decreased **-27% Y/Y**.

Strong profitability supported by growing gross written premium

Net profit

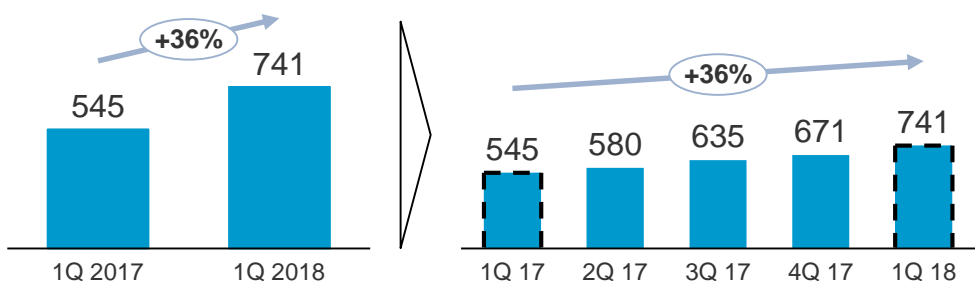
CZK m



1Q 2018 **net profit** increased to **CZK 298m** (+59% Y/Y) driven by better profitability in non-life as well as life business.

Operating income

CZK m

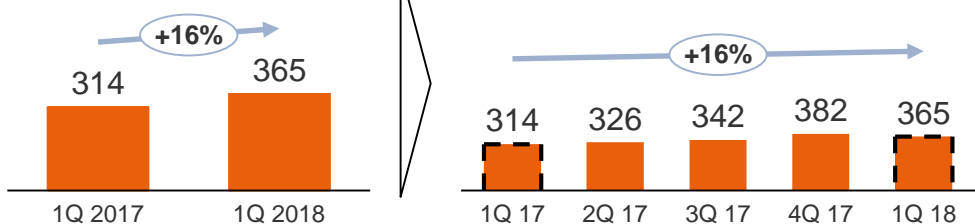


Operating income increased to **CZK 741m** (+36% Y/Y) in 1Q 2018 influenced by the following drivers:

- life: growth in regular paid as well as single paid GWP
- non-life: better claims profile and higher GWP

Operating expenses

CZK m

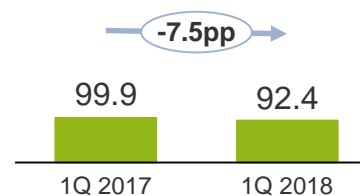


1Q 2018 **operating expenses** increased +16% Y/Y reaching **CZK 365m** driven by investments linked to strategic activities and launch of insurance sale at Czech Post outlets as of 2018.

Non-life combined ratio decreased Y/Y to **92.4%** as no big claims occurred in 1Q 2018.

Non-life combined ratio

(%)



Business Unit Czech Republic

Business Unit Czech Republic

Lower net profit driven by ČSOB group



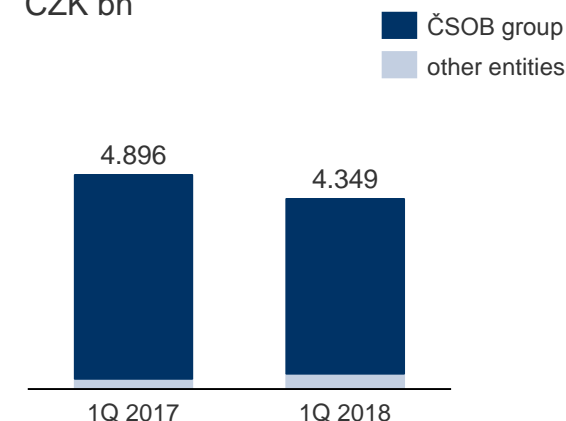
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 1Q 2018 net profit of the Business Unit Czech Republic reached CZK 4.3bn (-11% Y/Y). The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership of 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 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	1Q/1Q
ČSOB group ¹	4.664	4.650	4.164	3.960	3.999	-14%
ČSOB Pojišťovna	0.188	0.178	0.230	0.264	0.298	+59%
ČSOB AM	0.044	0.042	0.048	0.059	0.052	+18%
Total	4.896	4.869	4.442	4.282	4.349	-11%

Appendix

Ratios and other indicators

Ratio / Indicator	31.12.2015	31.12.2016	31.12.2017	31.3.2017	31.3.2018
Net interest margin (Ytd., annualized, %) ¹	n/a (3.01)	3.00 (2.93)	2.90 (2.98)	2.93 (3.04)	3.00 n/a
Cost / income ratio (%)	48.2	46.0	43.7	43.8	48.5
RoE (Ytd., %)	16.4	17.3	19.3	20.9	17.2
RoA (Ytd., %)	1.49	1.42	1.26	1.51	1.15
RoAC, BU Czech Republic (Ytd., %) ²	34.9	37.0	43.0	47.9	39.8
Credit cost ratio (Ytd., annualized, %)	0.18	0.11	0.02	-0.02	0.01
NPL ratio (%)	3.64	2.99	2.33	2.79	2.26
NPL coverage ratio (%)	53.2	54.4	58.5	54.6	57.6
(Core) Tier 1 ratio (%)	19.1	18.2	17.2	17.1	17.9
Total capital ratio (%)	19.4	18.5	17.2	17.4	17.9
Leverage ratio (Basel III, %)	5.25	5.18	4.48	4.13	3.98
Net stable funding ratio (Basel III, %)	134.9	150.9	146.0	143.5	147.7
Liquidity coverage ratio (Basel III, %)	163.4	155.7	146.4	146.0	139.7
Loan to deposit ratio (%)	79.3	79.4	77.7	74.8	73.5

¹ As of 1Q 2018, calculation of Net interest margin has been changed. Year 2016 and 2017 has been restated. Previous values are in brackets.

² Fully-loaded

Profit and loss statement

(CZK m)	1Q	4Q	1Q	Y/Y	Q/Q
	2017	2017	2018		
	IAS 39	IAS 39	IFRS 9		
Net interest income	5,662	5,837	6,105	+8%	+5%
<i>Interest income</i>	6,313	6,892	7,421	+18%	+8%
<i>Interest expense</i>	-651	-1,055	-1,316	>+100%	+25%
Net fee and commission income	1,568	1,729	2,018	+29%	+17%
Net gains from financial instruments at FVPL ¹	1,341	1,376	1,012	-25%	-26%
Other operating income ²	1,138	372	277	-76%	-26%
Operating income	9,709	9,314	9,412	-3%	+1%
Staff expenses	-1,927	-2,042	-2,054	+7%	+1%
General administrative expenses	-1,995	-1,973	-2,167	+9%	+10%
<i>General administrative expenses (excl. banking taxes)</i>	-1,294	-1,967	-1,434	+11%	-27%
<i>Banking taxes</i>	-701	-6	-733	+5%	>+100%
Depreciation and amortisation	-327	-378	-346	+6%	-8%
Operating expenses	-4,249	-4,393	-4,567	+7%	+4%
Impairment losses	28	-303	-168	>-100%	-45%
<i>Impairment on financial assets at amortised cost</i>	25	62	-13	>-100%	>-100%
<i>Impairment on financial assets at fair value through OCI</i>	0	-25	0	n/a	-100%
<i>Impairment on other assets</i>	3	-340	-155	>-100%	-54%
Share of profit of associates	135	139	172	+27%	+24%
Profit before tax	5,623	4,757	4,849	-14%	+2%
Income tax expense	-941	-774	-829	-12%	+7%
Profit for the period	4,682	3,983	4,020	-14%	+1%
Attributable to:					
Owners of the parent	4,682	3,983	4,020	-14%	+1%
Non-controlling interests	0	0	0	n/a	n/a

¹ FVPL = fair value through profit and loss.

² Other operating income = Net realised gains from financial instruments at fair value through other comprehensive income (OCI), dividend income, income and expense from operating lease, other net income.

Note:

In the context of IFRS 9 implementation, several items of profit and loss statement have been renamed: net realized gains from financial instruments at fair value through other comprehensive income (formerly net realized gains on available-for-sale financial assets), impairment on financial assets at amortised cost (formerly impairment on loans and receivables), impairment on financial assets at fair value through other comprehensive income (formerly impairment on available-for-sale securities).

The implementation had very limited impact on year-on-year comparison, year 2017 has not been restated retrospectively.

Balance sheet - assets

(CZK m)	1/1	31/3	Ytd.
	2018	2018	
	IFRS 9	IFRS 9	
Cash and balances with central banks and other demand deposits	54,499	23,454	-57%
Financial assets held for trading	16,245	33,801	>+100%
Financial assets held for trading pledged as collateral	2,097	3,834	+83%
Financial assets designated at fair value through P/L	0	0	n/a
Financial assets at fair value through other comprehensive income (OCI)	17,167	16,676	-3%
Financial assets at fair value through OCI pledged as collateral	1,681	1,917	+14%
Financial assets at amortised cost - net	1,159,996	1,356,815	+17%
<i>Financial assets at amortised cost to credit institutions - gross</i>	485,269	698,710	+44%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	684,565	667,901	-2%
<i>Financial assets at amortised cost - provisions</i>	-9,838	-9,796	0%
Financial assets at amortised cost pledged as collateral	33,182	60,205	+81%
Fair value adjustments of the hedged items in portfolio hedge	-4,298	-3,713	-14%
Derivatives used for hedging	9,113	8,334	-9%
Current tax assets	149	177	+19%
Deferred tax assets	400	556	+39%
Investments in associates and joint ventures	4,531	4,673	+3%
Property and equipment	11,024	10,758	-2%
Goodwill and other intangible assets	5,816	5,806	0%
Non-current assets held-for-sale	42	41	-2%
Other assets	2,755	2,899	+5%
Total assets	1,314,399	1,526,233	+16%

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:

In the context of IFRS 9 implementation, methodology for classification and measurement of financial instruments has been changed. More information about IFRS 9 implementation on page 10. The year 2017 has not been restated retrospectively. Figures after implementation of IFRS 9 as of 1 January 2018 are presented for the purpose of YtD comparison.

Balance sheet – liabilities and equity

(CZK m)	1/1 2018 IFRS 9	31/3 2018 IFRS 9	Ytd.
Financial liabilities held for trading	34,606	35,993	+4%
Financial liabilities at fair value through P/L	9,498	9,775	+3%
Financial liabilities at amortised cost	1,163,086	1,368,585	+18%
<i>of which Deposits received from central banks</i>	0	0	n/a
<i>of which Deposits received from credit institutions</i>	68,502	191,724	>+100%
<i>of which Deposits received from other than credit institut.</i>	744,448	878,428	+18%
<i>of which Debt securities in issue</i>	350,136	298,433	-15%
<i>of which Subordinated liabilities</i>	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	-3,803	-3,411	-10%
Derivatives used for hedging	10,485	9,847	-6%
Current tax liabilities	387	631	+63%
Deferred tax liabilities	1,549	1,490	-4%
Provisions	983	894	-9%
Other liabilities	5,152	6,313	+23%
Total liabilities	1,221,943	1,430,117	+17%
Share capital	5,855	5,855	0%
Share premium	20,929	20,929	0%
Statutory reserve	18,687	18,687	0%
Retained earnings	45,836	49,857	+9%
Financial assets at fair value through OCI - revaluation reserve	653	348	-47%
Cash flow hedge reserve	496	440	-11%
Parent shareholders' equity	92,456	96,116	+4%
Minority interest	0	0	n/a
Total equity	92,456	96 116	+4%
Total liabilities and equity	1,314,399	1,526,233	+16%

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

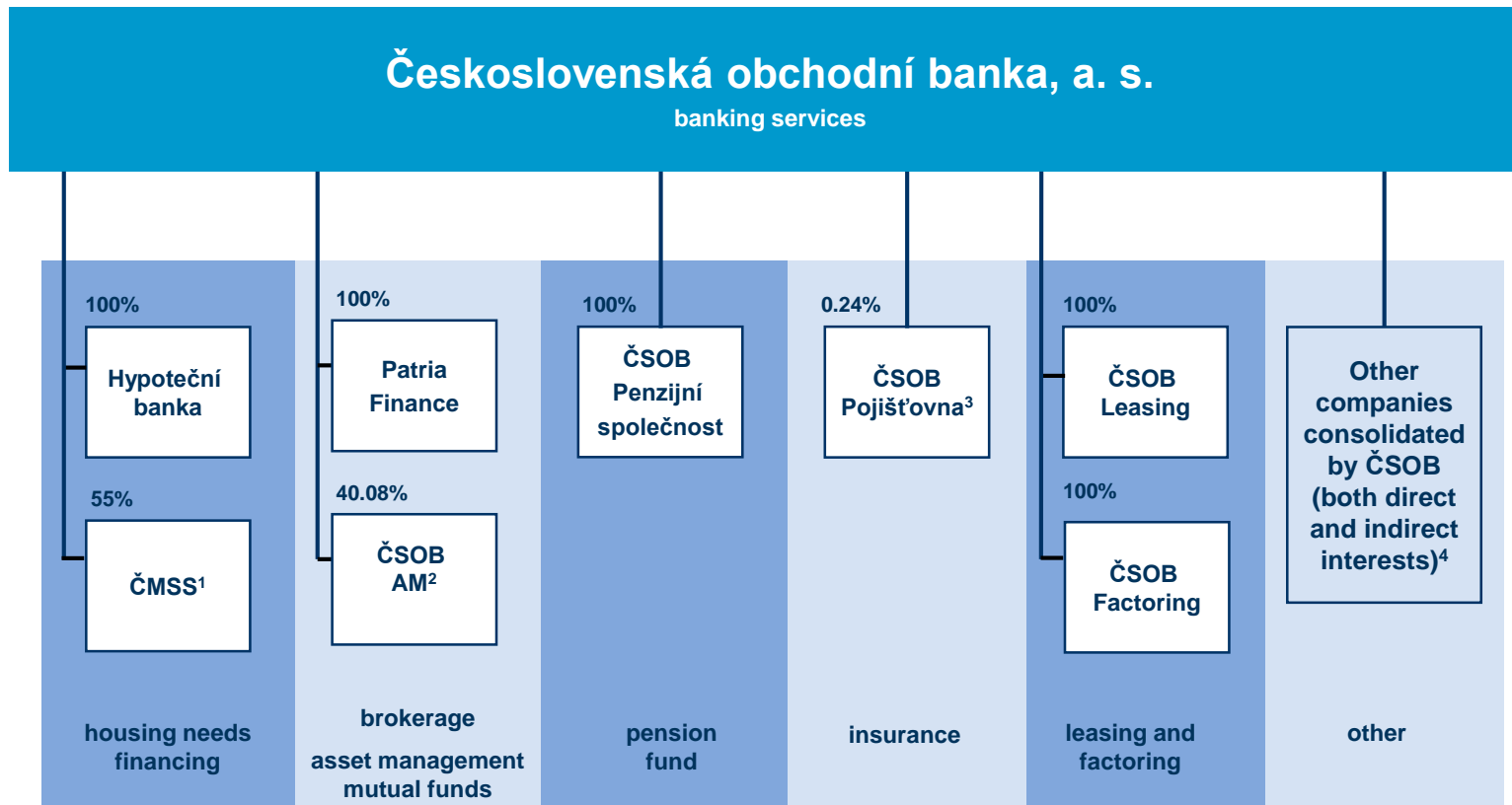
Increase mainly due to repo operations.

Decrease due to deposit bills of exchange.

Note:

In the context of IFRS 9 implementation, methodology for classification and measurement of financial instruments has been changed. More information about IFRS 9 implementation on page 10. The year 2017 has not been restated retrospectively. Figures after implementation of IFRS 9 as of 1 January 2018 are presented for the purpose of YtD comparison.

The ČSOB group in the Czech Republic



Percentages show ČSOB's ownership interests on company's equity as at 31 March 2018.

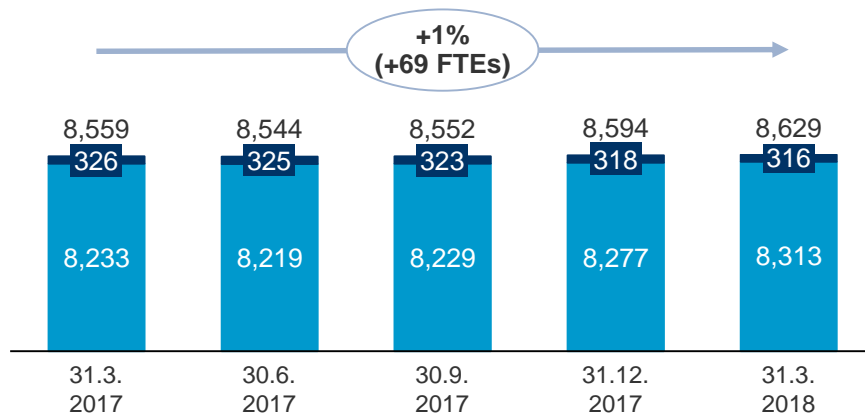
¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

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.

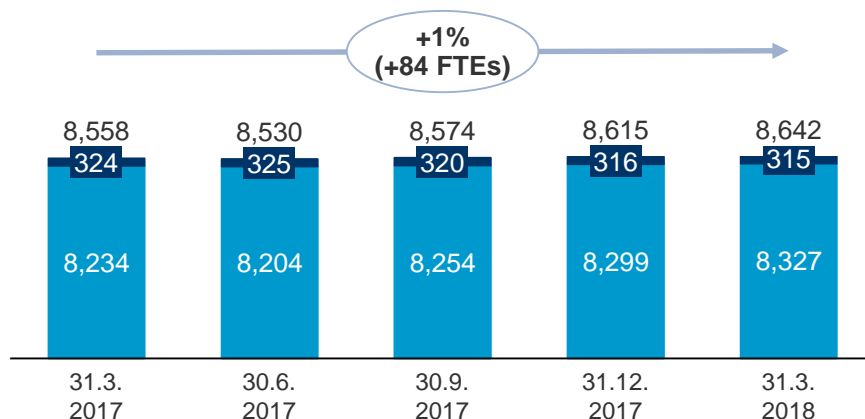
⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTE – average



The average number of FTE increased **+69 Y/Y** influenced by strengthening of the distribution salesforce.

Number of FTE – end of the period



The number of FTE increased at the end of the period **+84 Y/Y**.

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

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	Total 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	IAS 39: 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 IFRS 9: Financial assets at amortised cost to other than credit institutions minus bonds (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 excl. volatile short-term assets used for liquidity management / average interest earnings assets excl. volatile short-term assets used for liquidity management ; 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

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 and Era/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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