

1Q 2019 Results ČSOB Group

Business Unit Czech Republic

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ČSOB Group: Key Figures

Higher net profit driven by net interest income and sale of ČSOB AM

Excellent loan quality

ČSOB group key indicators		2016	2017	2018	1Q 2018	1Q 2019
Profitability	Net profit (CZK bn)	15.1	17.5	15.8	4.0	4.8
	Return on equity	17.3%	19.3%	17.5%	17.2%	20.8%
Liquidity	Loan to deposit ratio	79.4%	77.7%	76.3%	73.5%	72.1%
	Net stable funding ratio	150.9%	146.0%	161.4%	147.7%	174.1%
Capital	Tier 1 (CET1) ratio	18.2%	17.2%	18.0%	17.9%	19.0%
Impairments	Credit cost ratio	0.11%	0.02%	0.03%	0.01%	-0.02%
Cost efficiency	Cost / income ratio	46.0%	43.7%	47.9%	48.5%	47.7%

Note:

As of 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 for year 2016.

Higher net profit driven by net interest income and sale of ČSOB AM

Excellent loan quality and solid growth in loan volumes

Business indicators

The **loan portfolio** (incl. ČMSS) increased to **CZK 700bn** (+5% Y/Y) driven mainly by mortgages, corporate loans, and consumer finance. **Group deposits** (incl. ČMSS) decreased to **CZK 929bn** (-3% Y/Y) due to lower repo operations with institutional clients. **Client deposits increased +3% Y/Y**. Total **assets under management** increased to **CZK 224bn** (+10% Y/Y). The number of **active clients** increased **+54ths** Y/Y.

Operating income

Operating income reached **CZK 10.5bn** in 1Q 2019 (+12% Y/Y). The Y/Y growth was driven by increasing net interest income (+24% Y/Y) and one-off gains from sale of ČSOB Asset Management and historical legal case which were partially offset by lower net fee and commission income and trading income.

Operating expenses

Operating expenses increased to **CZK 5.0bn** in 1Q 2019 (+10% Y/Y) due to higher banking tax (+23% Y/Y), higher staff expenses (+5 % Y/Y), higher marketing, higher professional fees and consolidation of "Ušetřeno.cz".

Impairments

Credit cost ratio for 1Q 2019 stood at **-2 bps** (Ytd. annualized, -3bps Y/Y) thanks to the ongoing excellent loan quality. In 1Q 2019, **loan loss provisions** were **released** in the amount of **CZK 42m** driven mainly by higher releases in Retail and SME segments. **Other impairments** decreased Y/Y to **CZK 11m (net creation)** due to lower creation in ČSOB Leasing.

Net profit

As a result of the above mentioned factors, ČSOB's **net profit** came in at **CZK 4.8bn** (+20% Y/Y) in 1Q 2019.

Liquidity & Capital

Loan to deposit ratio decreased Y/Y to **72.1%**.
Tier 1 ratio stood at **19.0%** and **net stable funding ratio** (NSFR) reached **174.1%**.

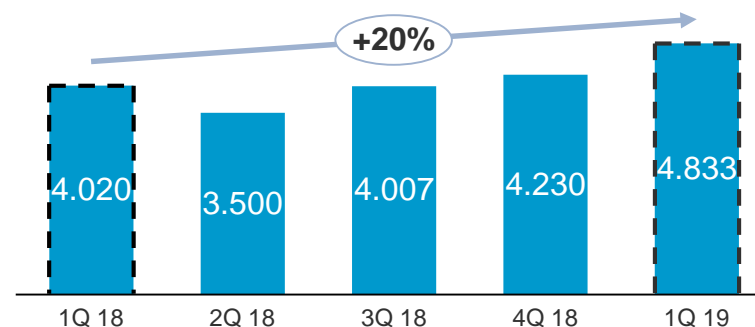
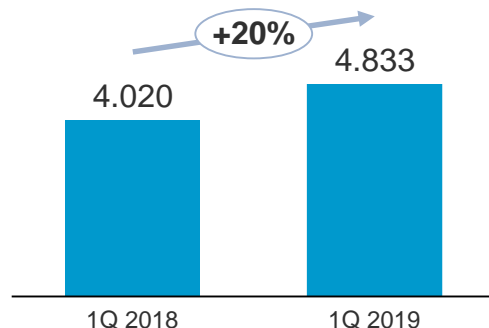
Achievements & Highlights

On 15 April 2019, ČSOB reached an agreement to **acquire 45% stake in the building savings bank ČMSS** from Bausparkasse Schwäbisch Hall and thus assume 100% ownership control of ČMSS. ČSOB set up MallPay joint venture with Mall Group which will improve financial services for clients in online shopping. ČSOB newly offers for all retail clients to get the loan fully online and have the money on their account within few minutes.

The Y/Y net profit increase influenced by higher NII and sale of ČSOB AM

Net profit

CZK bn



1Q 2019 **net profit** reached **CZK 4.8bn** (+20% Y/Y). The results reflect higher net interest income positively influenced by increase of market rates in 2018 and one-off gains from sale of ČSOB Asset management and historical legal case, while net fee and commission income and trading income decreased Y/Y.

The return on equity (ROE) reached **20.8%**, up from 17.2% driven by higher net profit.

Notes (gross impact):

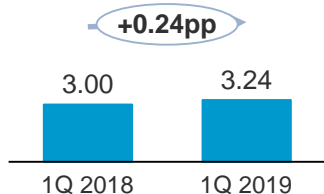
4Q 2018 one-off item: gain from historical legal case (CZK +0.2bn)

1Q 2019 one-off items: gain from historical legal case (CZK +0.2bn), sale of ČSOB AM (CZK +0.6bn)

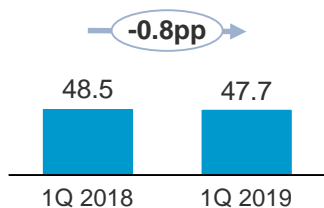
Increasing net interest margin and excellent loan quality

Profitability

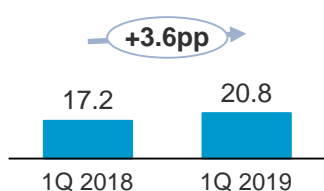
Net interest margin (%)



Cost / income ratio (%)

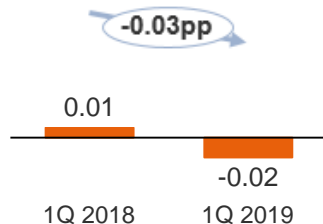


ROE (%)

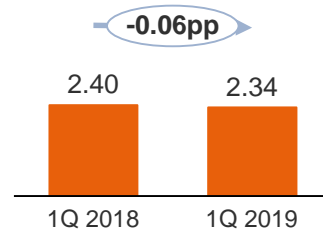


Loan portfolio quality

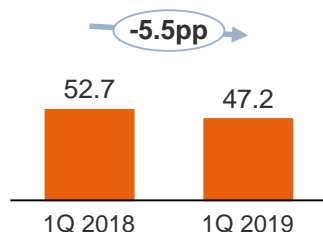
CCR, Ytd. annualized¹ (%)



NPL ratio¹ (%)

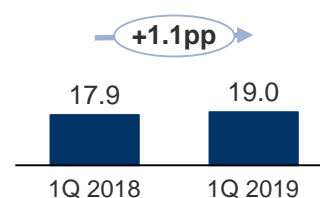


NPL coverage ratio¹ (%)

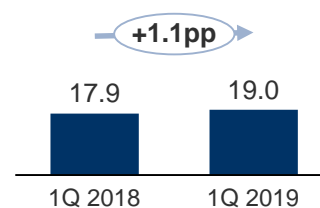


Capital

Tier 1 (CET 1) ratio (%)

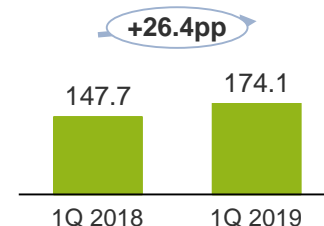


Total capital ratio (%)

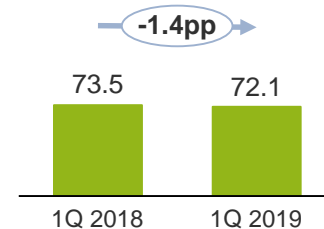


Liquidity

Net stable funding ratio² (%)



Loan to deposit ratio (%)



¹ Since 1H 2018, the definition of Credit risk: loan portfolio used for calculation has been changed. See explanation on page 41.

The 31.03.2018 ratios according to the old definition: CCR 0.01%, NPL ratio 2.26%, NPL coverage ratio 57.6%.

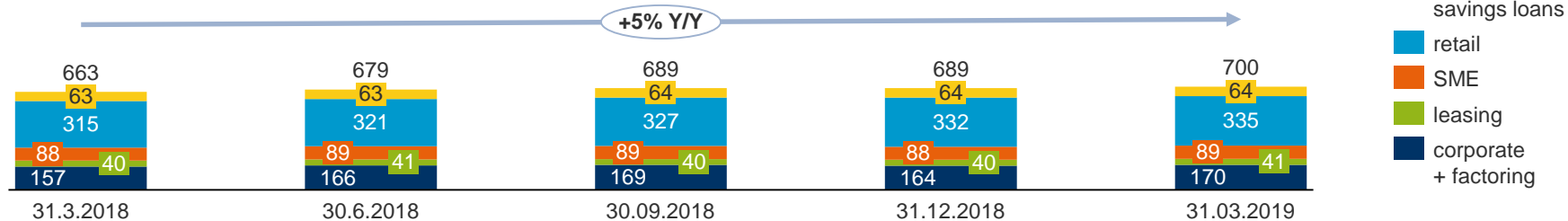
² Since 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

Loans, deposits and assets under management

Solid growth in loans and assets under management

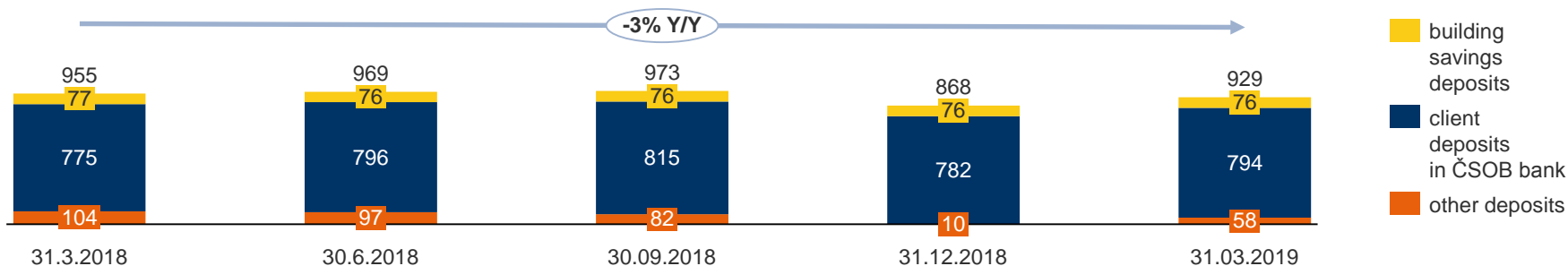
Loan portfolio¹

CZK bn



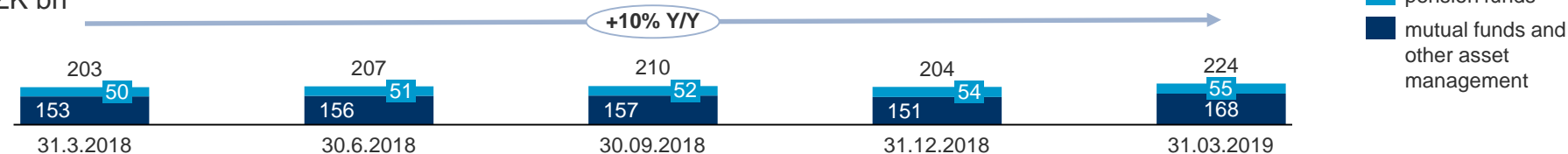
Group deposits²

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. The outstanding volumes of corporate loans and leasing on 31.3.2018 were restated due to new definition of Credit risk: loan portfolio. See explanation on page 41.

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

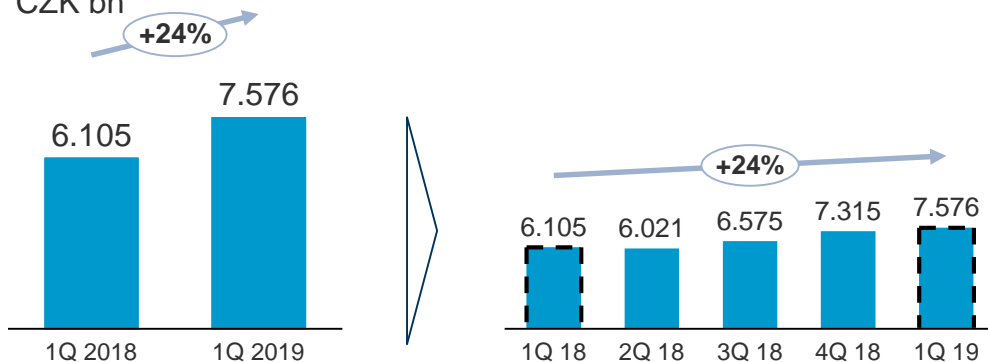
ČSOB Group: Financial Overview

Net interest income and Net interest margin

Increasing net interest income as well as improved margin

Net interest income (NII)

CZK bn



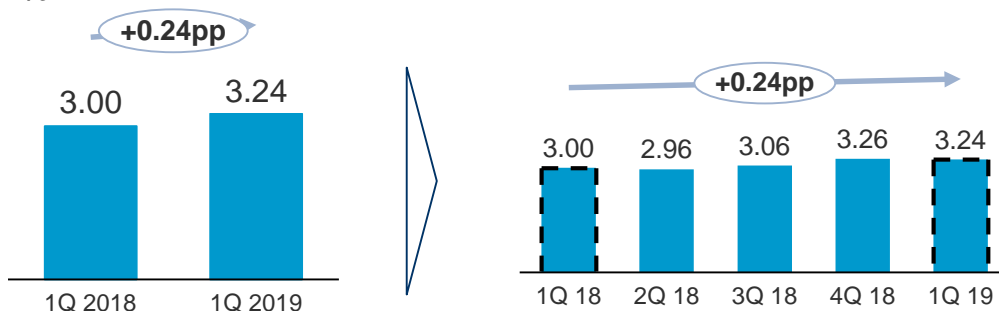
1Q 2019 **net interest income** increased **+24% Y/Y** as a result of:

- (+) NII from deposits
- (+) other NII
- (-) NII from loans

The increase of NII was partially influenced by short-term operations at financial markets, which had negative effect in trading income.

Net interest margin (NIM)*

%



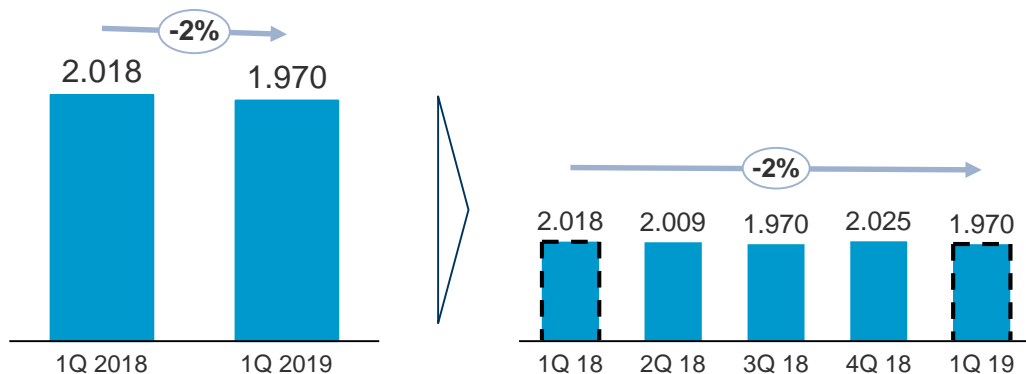
In 1Q 2019, **net interest margin** reached **3.24%** (+0.24pp Y/Y) thanks to higher reinvestment yields, partly offset by ongoing pressure on lending margins.

	2016	2017	2018	1Q 2019
Net interest margin (Ytd., %)*	3.00 (2.93)	2.90 (2.98)	3.07 n/a	3.24 n/a

Net fee and commission income decrease driven by lower payment fees

Net fee and commission income (NFCI)

CZK bn

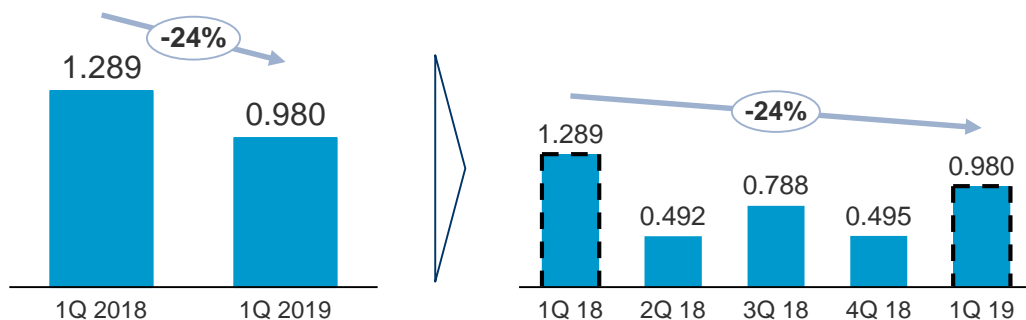


1Q 2019 net fee and commission income decreased **-2% Y/Y** as a result of:

- (+) higher account fees and fees on payment cards,
- (+) consolidation of “Ušetřeno.cz”,
- (-) lower fees on payments, asset management fees and increased distribution fees.

Other¹

CZK bn



The **-24% Y/Y** decrease of item “**Other**” was influenced by following factors:

- (+) one-off gain from sale of ČSOB AM,
- (+) one-off gain from historical legal case,
- (-) short-term operations at financial markets, which had positive effect on NII,
- (-) valuation adjustments.

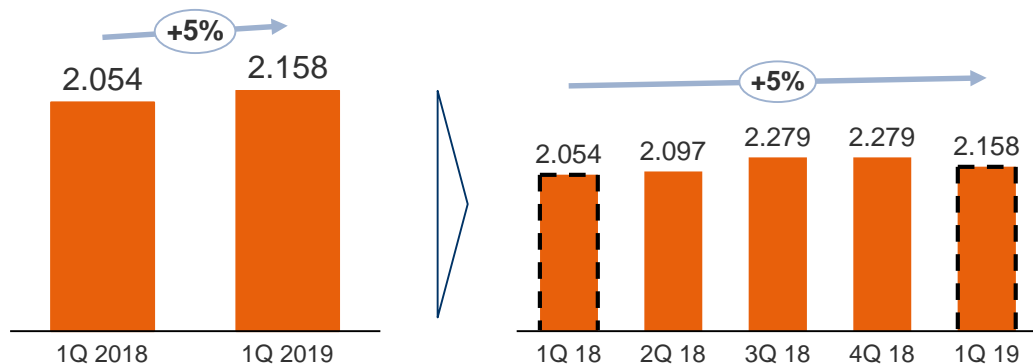
¹ Other = Net gains from financial instruments at fair value through profit and loss + net realized gains from financial instruments at fair value through other comprehensive income (OCI) + dividend income + income and expense from operating lease + other net income

Staff and General administrative expenses

Higher staff expenses driven by wage adjustments

Staff expenses

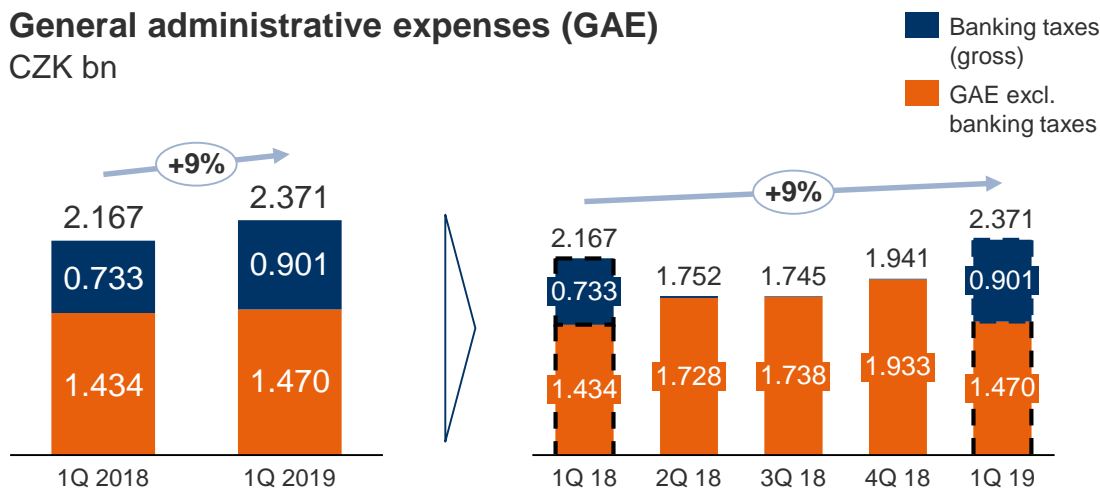
CZK bn



1Q 2019 **staff expenses** increased **+5% Y/Y** due to wage adjustments and lower capitalization while the lower average number of FTE (-1% Y/Y) had a positive impact.

General administrative expenses (GAE)

CZK bn



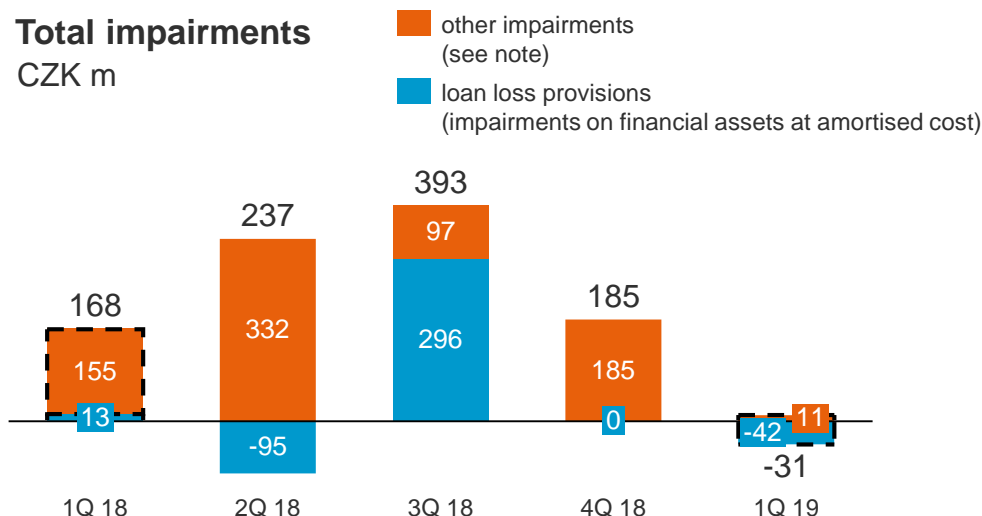
1Q 2019 **general administrative expenses** increased **+9% Y/Y** driven by higher banking tax, higher marketing, higher professional fees and consolidation of “Ušetřeno.cz”.

Cost/income ratio decreased to **47.7%** (-0.8pp Y/Y).

Impairments and NPL

Excellent loan quality

Total impairments CZK m

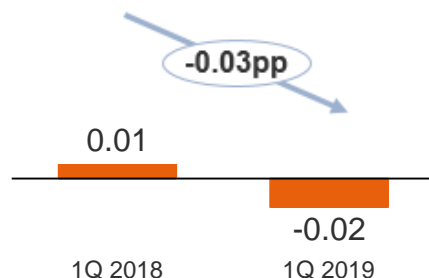


In 1Q 2019, **loan loss provisions** decreased to **CZK -42m (net release)** driven mainly by higher releases in Retail and SME segments.

Other impairments decreased Y/Y to **CZK 11m**, compared to CZK 155m in the same period last year, due to the effect of revaluation of leased cars (operating leasing) in 2018.

Credit cost ratio* for 1Q 2019 reached **-2 bps** (Ytd., annualized; -3 bps Y/Y).

CCR, Ytd. annualized* %



Risk view on structure of the loan portfolio

	31.3.2019	
IFRS 9 distribution	Amount (CZK bn)	Share on total loans
Loan portfolio (incl. ČMSS)	699.7	100%
Stage 1 - performing	644.6	92%
Stage 2 - underperforming	37.5	5%
Stage 3 - non-performing loans	17.6	3%

Notes:

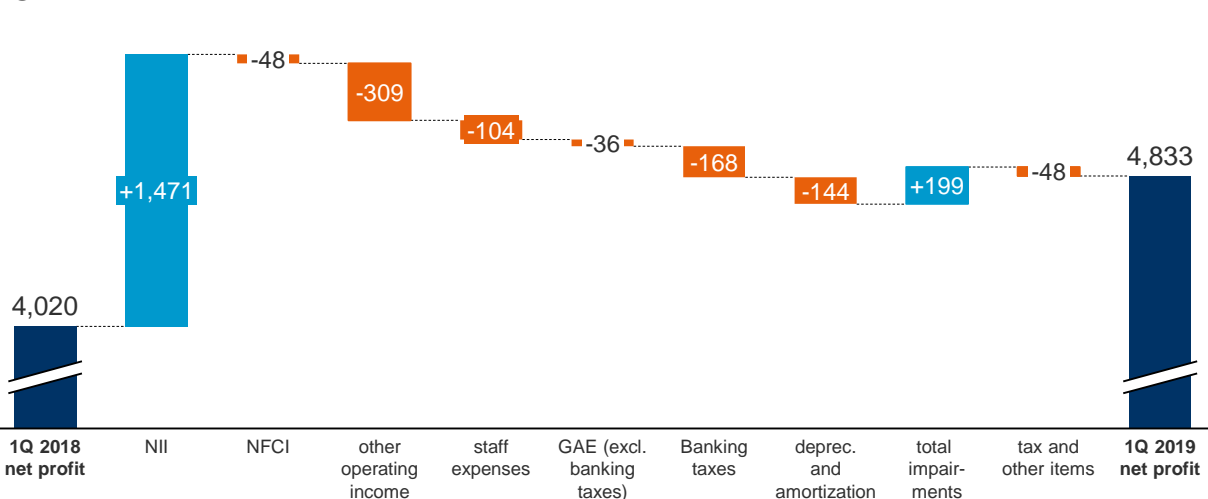
Figures in graphs: (+) net creation/cost and (-) net release/revenue.
Other impairments include impairments on tangible and intangible assets.

* As of 1H 2018, the definition of Credit risk: loan portfolio used for calculation has been changed. See explanation on page 41. According to the old definition, the CCR of 1Q 2018 was 0.01%.

Wrap up of net profit drivers

Ytd. net profit (Y/Y)

CZK m



The main difference between 1Q 2019 and 1Q 2018 net profit was caused by the following drivers:

On the **positive side**:

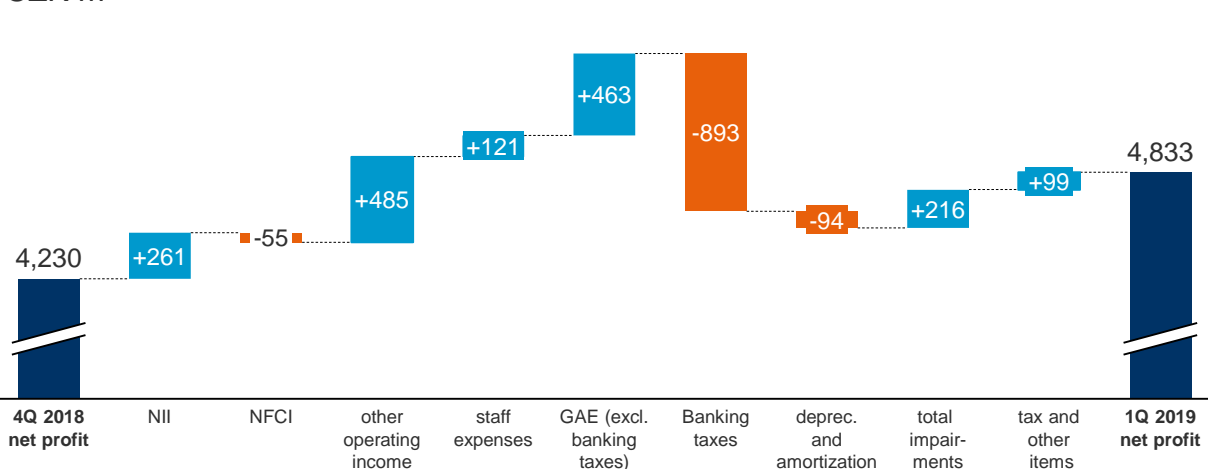
- higher NII thanks to NII from deposits and other NII
- lower total impairments driven by lower creation in ČSOB Leasing and higher releases in Retail and SME segments

On the **negative side**:

- lower other operating income due to lower trading income and valuation adjustments, partially offset by sale of ČSOB AM and one-off gain from historical legal case
- higher staff expenses linked to wage adjustments and lower capitalization compared to 2018
- higher banking taxes due to higher regulatory requirement

Quarterly net profit (Q/Q)

CZK m



The main difference between 1Q 2019 and 4Q 2018 net profit was caused by the following drivers:

On the **positive side**:

- higher NII driven by NII from deposits and other NII
- higher other operating income due to sale of ČSOB AM and one-off gain from historical legal case
- lower total impairments driven by lower creation in ČSOB Leasing and release in Corporate segment
- lower staff expenses due to higher accruals in 4Q 2018 and booking of restructuring reserve in 4Q 2018
- lower GAE due to implementation of IFRS 16 and lower marketing expenses compared to 4Q 2018

On the **negative side**:

- lower NFCI as a result of lower payment fees and loan fees, partially offset by lower distribution fees
- higher banking taxes due to full-year contribution entirely booked in 1Q

Capital

Solid capital position

Consolidated, CZK m	31.3.2018	31.12.2018	31.3.2019
Total regulatory capital	69,637	69,148	72,482
- (Common Equity) Tier 1 Capital	69,637	69,148	72,482
- Tier 2 Capital	0	0	0
Total RWA	389,361	383,254	382,211
- Credit risk	300,470	312,054	309,733
- Market risk	28,311	10,620	9,262
- Operational risk	60,580	60,580	63,216
(Common Equity) Tier 1 ratio	17.9%	18.0%	19.0%
Total capital ratio	17.9%	18.0%	19.0%

The Y/Y increase of **(Common Equity) Tier 1 capital** due to interim profit retention which was partly compensated by the increase in deductible items (mainly IRB shortfall).

Total RWA decreased Y/Y mainly due to optimization of market risk position within KBC Group which was partially compensated by the volume increase in the credit risk portfolio.

Notes:

Total RWA (risk weighted assets) = credit risk RWA + market risk RWA + operational risk RWA

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, insurance and mutual funds

1st

2nd

3rd

4th

Building savings loans ¹	41.4%	↓
Building savings deposits ¹	39.6%	→
Mortgages ^{1,6}	27.5%	↓

Total Loans¹	19.3%	↓
Total Deposits¹	19.7%	↓
Mutual funds ¹	23.7%	↑
Factoring ²	22.9%	↓
Leasing ¹	17.0%	↓

Pension funds ³	14.4%	↑
SME/corporate loans ¹	14.4%	↓
Consumer lending ^{1,4,6}	12.8%	↑

Insurance ⁵ - combined	7.8%	↑
Non-life insurance ⁵	7.6%	↑
Life insurance ⁵	8.1%	↑

Arrows show Y/Y change. Market shares as of 31 March 2019, except for mutual funds (estimate for February 2019), pension funds and leasing which are as of 31 December 2018. 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. ⁶ Since 1Q 2019, market shares in mortgages and consumer lending are influenced by methodological change in CNB reporting.

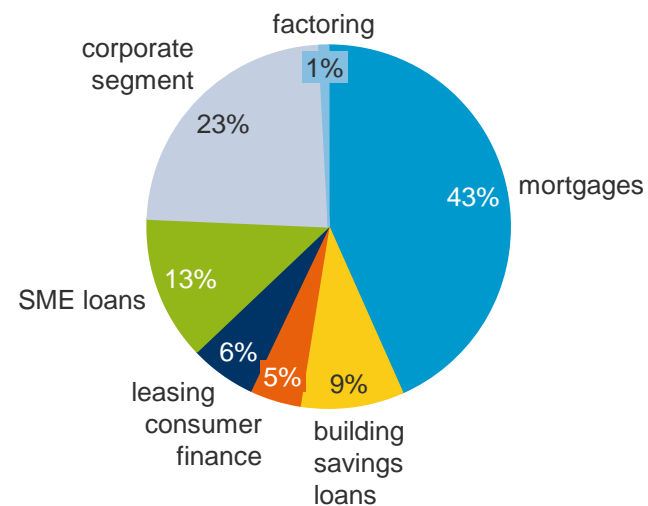
Sources and detailed definitions are provided in Appendix.

The Y/Y growth driven by mortgages, corporate loans and consumer finance

Gross outstanding volumes, CZK bn	31.3.2018	31.3.2019	Y/Y
Loan portfolio (incl. ČMSS/building savings loans)	663.2	699.7	+5%
Retail Segment			
Mortgages ¹	285.4	303.3	+6%
Consumer finance	29.1	31.8	+9%
Building savings loans ²	62.7	64.4	+3%
SME/Corporate Segment			
Corporate loans ³	151.5	164.1	+8%
SME loans	88.3	89.5	+1%
Leasing ³	40.3	40.8	+1%
Factoring	5.9	6.0	+2%
Other ⁴	37.5	41.8	+11%
Credit risk: loan portfolio (excl. ČMSS/building savings loans)	637.9	677.1	+6%

31.3.2019
(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.

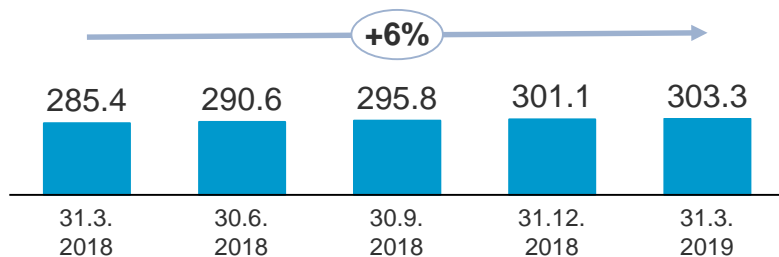
³ Including credit-replacing bonds. The outstanding volume on 31.3.2018 was restated due to new definition of Credit risk: loan portfolio. See explanation on page 41.

⁴ Including off-balance sheet items and ALM/financial markets exposures. See explanation on page 41.

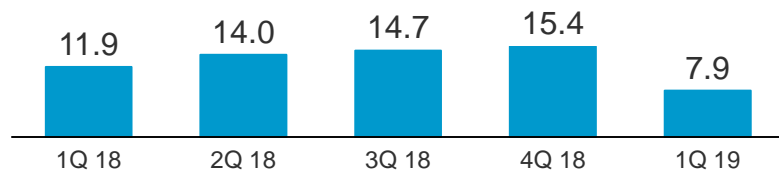
Solid growth of mortgage as well as building savings loans volumes

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

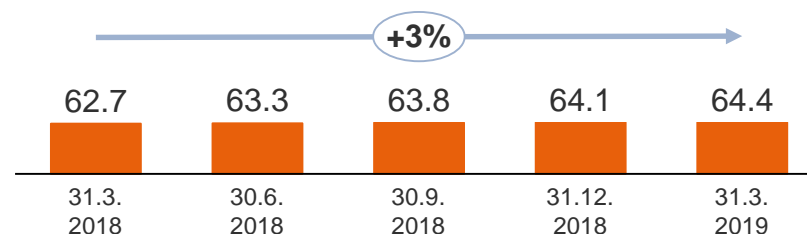


The **outstanding volume of mortgages** increased **+6% Y/Y**. The demand was influenced by rising interest rates and real estate prices and by CNB measures on loan-to-value, debt-to-income and debt service-to-income ratios.

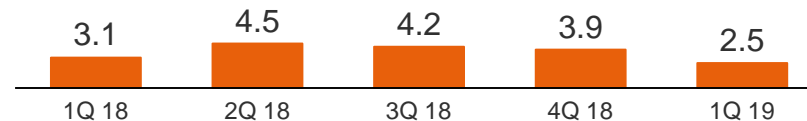
In 1Q 2019, ČSOB provided over **3 thousand new mortgages** (-38% Y/Y) in the total amount of **CZK 7.9bn** (-34% Y/Y). The market decreased -35% Y/Y in the number and -29% Y/Y in the total amount of new mortgages.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn



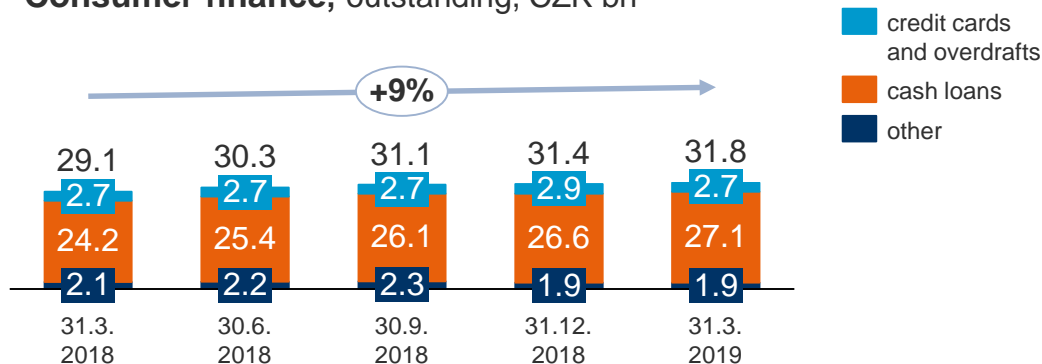
The outstanding **building savings loan portfolio** increased **+3% Y/Y**, while the market increased **+8% Y/Y**.

In 1Q 2019, **new sales** decreased **-19% Y/Y**. The decrease was influenced mainly by the impact of new CNB regulations and the overall decline of demand for housing loans.

Consumer finance, SME loans, Leasing

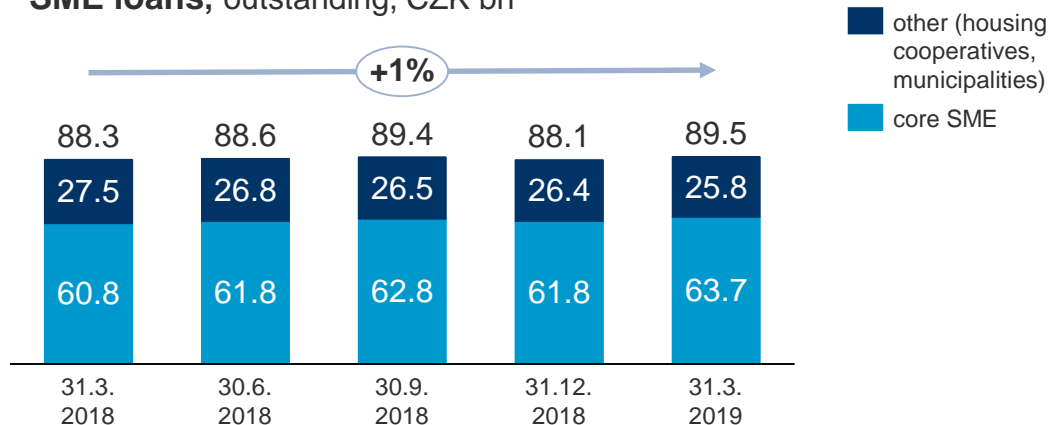
Growth in consumer finance and core SME

Consumer finance, outstanding, CZK bn



Consumer finance grew **+9% Y/Y** driven by cash loans (+12% Y/Y) thanks to continued attractiveness of ČSOB's product offer for both existing and new clients.

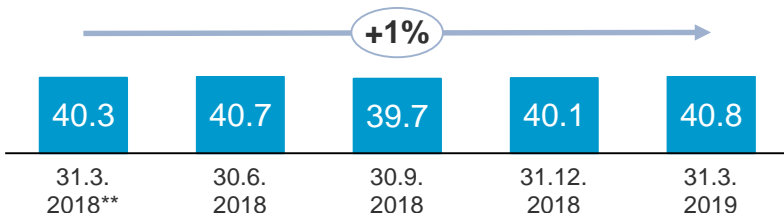
SME loans, outstanding, CZK bn



SME loans increased **+1% Y/Y** driven by expansion in core SME lending (micro, small and mid-sized companies, +5% Y/Y).

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

Leasing, outstanding*, CZK bn

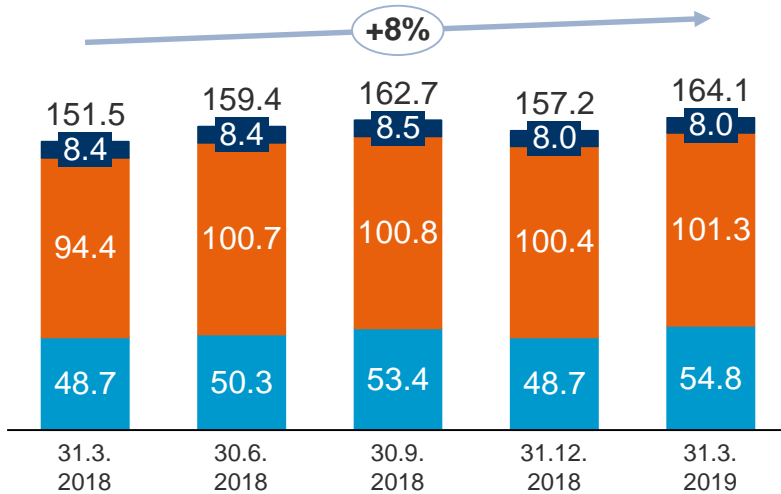


Outstanding volumes in **ČSOB Leasing** increased **+1% Y/Y** thanks to machinery & equipment, partially offset by weaker heavy transportation as well as car financing.

Growth of outstanding volumes of corporate loans

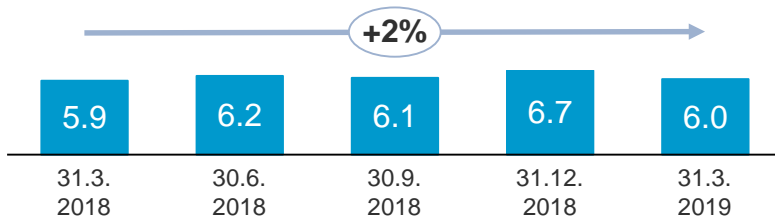
Corporate loans
Outstanding, CZK bn

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



Outstanding volumes of **corporate loans** increased **+8% Y/Y** due to new drawings in sectors of **real estate** and **food & beverages**.

Factoring
Outstanding, CZK bn



Factoring outstanding volumes increased **+2% Y/Y** thanks to gradually growing client base.

Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

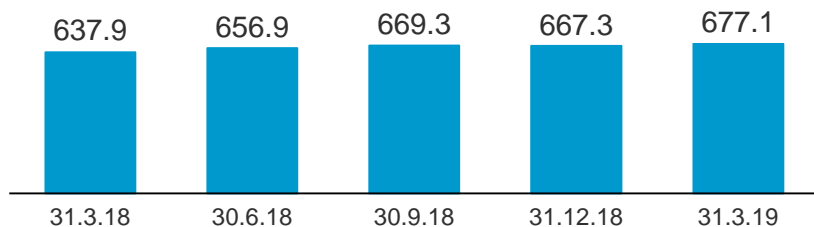
* Beginning 31.12.2018 specialized finance is reported instead of structured finance.

**The outstanding volumes on 31.3.2018 were restated due to new definition of Credit risk: loan portfolio. See explanation on page 41.

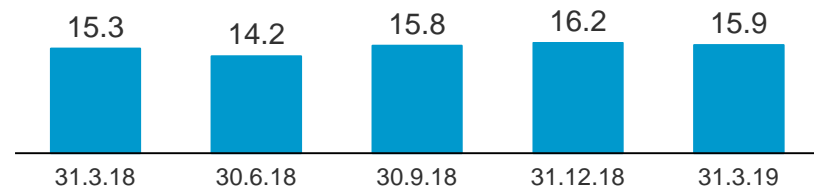
Credit risk under control

Excellent loan quality

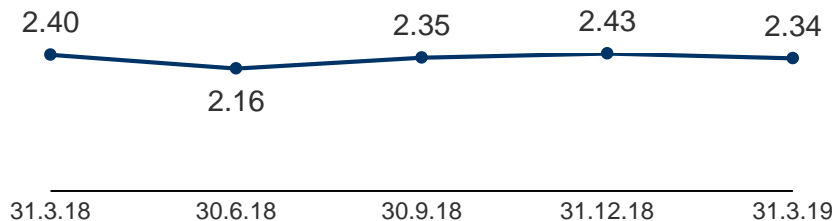
Credit risk: loan portfolio (excl. ČMSS)¹ (CZK bn)



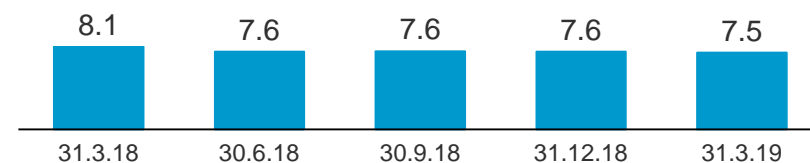
Non-performing loans¹ (CZK bn)



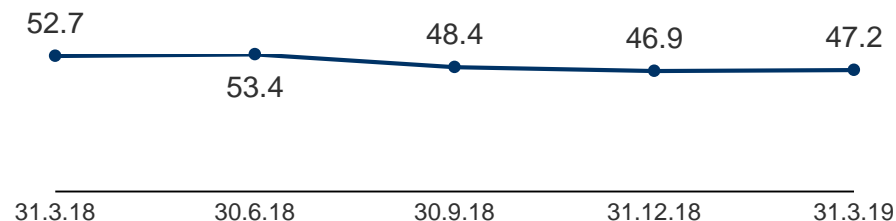
NPL ratio¹ (%)



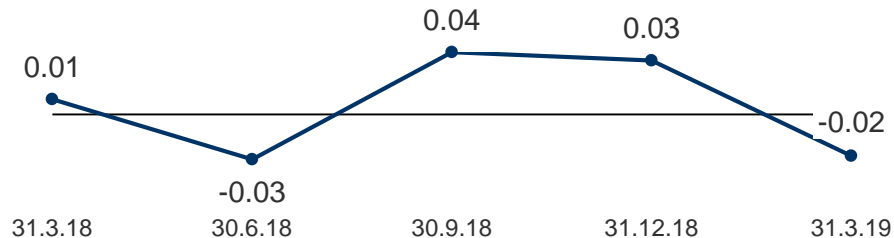
Allowances for loans and leases^{1,2} (CZK bn)



NPL coverage ratio¹ (%)



Credit cost ratio¹ (%)



¹ As of 30 June 2018, definition of Credit risk: loan portfolio has been changed, it includes on-balance sheet and off-balance sheet items. The scope additionally includes the following elements: bank exposure (money market placements, documentary credit, accounts), unauthorized overdrafts and reverse repo (excl. central bank exposure). The values for 31.3.2018 were restated according to new definition. The ratios according to the old definition as of 31.3.2018: Credit cost ratio 0.01%, NPL ratio 2.26%, NPL coverage ratio 57.6%.

² Stage 3 only.

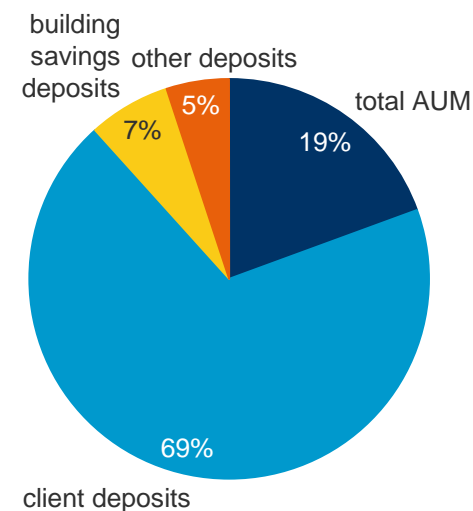
Group deposits and Total assets under management

Strong growth of assets under management

Outstanding volumes, CZK bn	31.3.2018	31.3.2019	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	954.9	928.6	-3%
Client deposits	774.6	794.0	+3%
<i>Current accounts</i>	518.5	547.7	+6%
<i>Savings deposits</i>	215.8	208.2	-4%
<i>Term deposits</i>	40.4	38.2	-5%
Other deposits	103.7	58.2	-44%
Building savings deposits ¹	76.6	76.4	0%
Total AUM	203.0	223.5	+10%
Pension funds ²	50.3	55.2	+10%
Mutual funds and other AM ³	152.8	168.3	+10%

31.3.2019
(incl. ČMSS/building savings deposits)

The other deposits predominantly consist of repo operations with institutional clients which show -44% Y/Y decline.



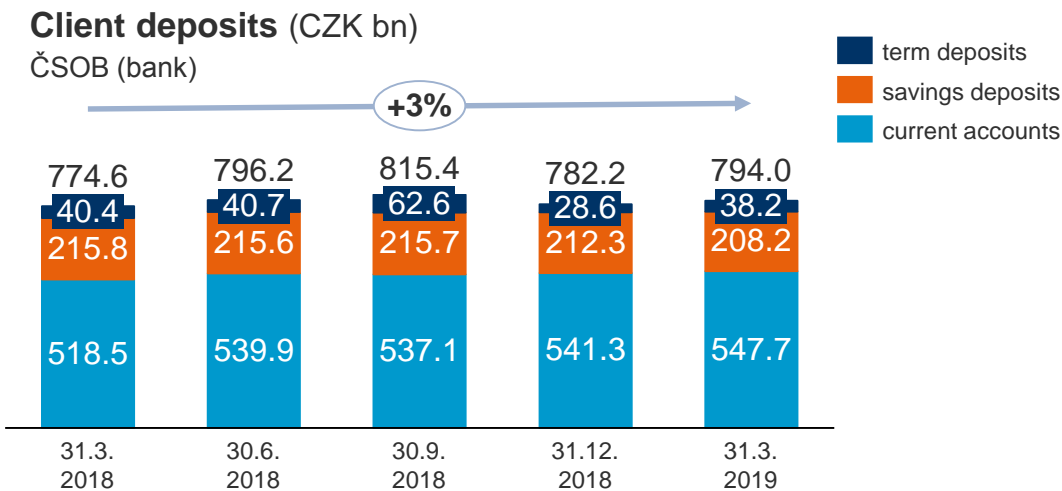
¹ ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

² Liabilities to pension fund policy holders.

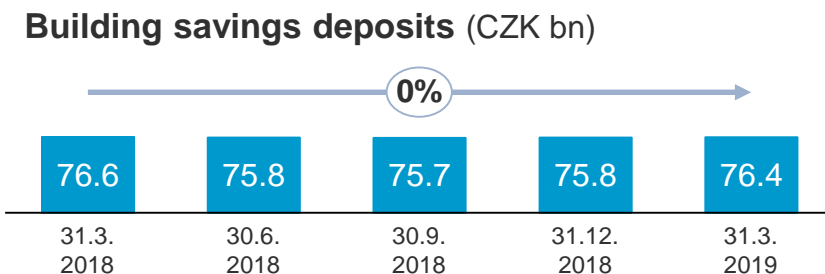
³ Item "Mutual funds and other AM" includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak local funds managed in Czech Republic.

Client deposits, Building savings deposits and Pension funds

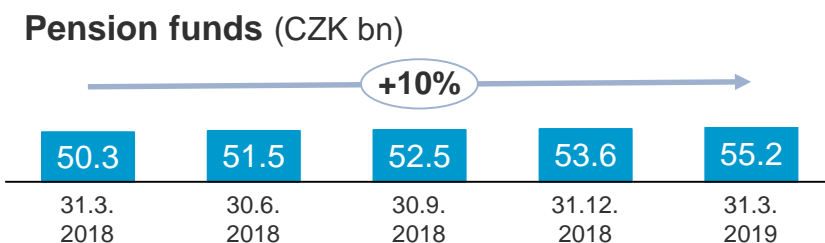
Growth in client deposits driven by current accounts



The **3% Y/Y** growth of **client deposits** was driven by **current accounts** (+6% Y/Y) while both **savings** and **term deposits** decreased (-4% Y/Y and -5% Y/Y respectively).



The **building savings deposits** remained flat Y/Y.



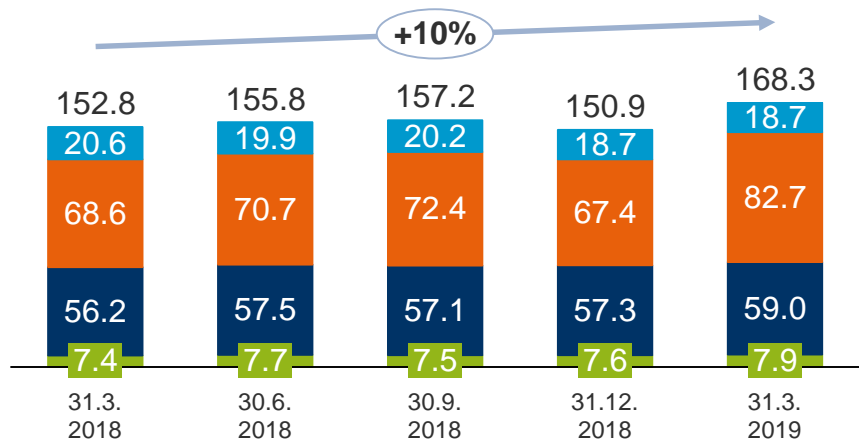
The volume of savings in **pension funds** increased **+10% Y/Y** driven mainly by higher average pension savings per client.

Mutual funds increased +10% Y/Y driven by new sales and performance effect

Mutual funds and other AM

Outstanding volumes, CZK bn

- AUM in structured/capital protected mutual funds
- AUM in other mutual funds
- other asset management
- AUM of Slovak local funds managed in Czech Rep.

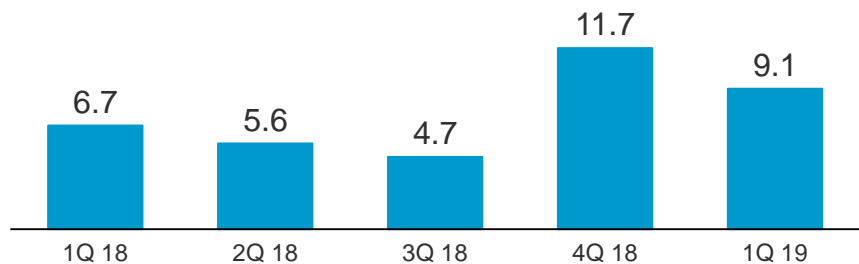


Mutual funds and other AM increased **+10% Y/Y** to **CZK 168.3bn** due to increase in both the mutual funds and other AM driven mainly by the positive effect of new sales supported by the positive performance effect.

1Q 2019 new sales of mutual funds increased **+35% Y/Y** mainly due to continuing good sales of a new bond fund ČSOB Premiéra.

Mutual funds

New sales (gross), CZK bn



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

	31.3.2018	31.12.2018	31.3.2019
Clients of ČSOB's group (mil.)	3.708	3.671	3.667
Clients of Ušetřeno.cz and Top-Pojištění.cz (ths.; YtD.)¹	61	192	52
ČSOB branches (bank only)	268	235	234
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB)	217	203	202
PSB Financial Centers	29	10	10
ČSOB Private Banking branches	11	11	11
ČSOB Corporate branches	11	11	11
ČSOB Pojišť'ovna branches	97	98	98
Hypoteční banka centers	30	30	30
ČMSS advisory centers	300	297	292
Leasing branches	7	7	7
PSB outlets of the Czech Post network	ca. 2,700	ca. 2,600	ca. 2,600
- of which specialized banking counters	171	195	206
Czech Post franchise outlets	ca. 400	ca. 600	ca. 600
ATMs²	1,075	1,063	1,067
- of which contactless	329	405	423

The **number of clients** decreased -41ths Y/Y mainly driven by closing of inactive accounts in October 2018, but the **number of active clients increased +54ths Y/Y**.

At the end of March 2019, clients could use 1,067 **ATMs** (-8 Y/Y), of which 423 were contactless (+94 Y/Y), 215 enabled cash deposits (+40 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 234 (-34 Y/Y), of which 136 were dual branded (ČSOB + PSB) at the end of March 2019.

Extended portfolio of bank-insurance services at Czech Post is provided at **206 specialized banking counters** (+35 Y/Y).

Note:

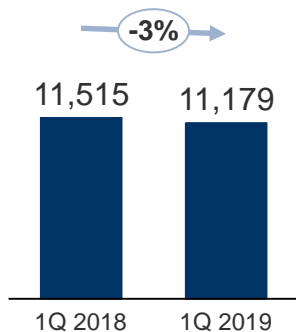
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišť'ovna's tied agents, multi-agents and individual brokers.

¹ Clients who have bought at least one product from the beginning of the year.

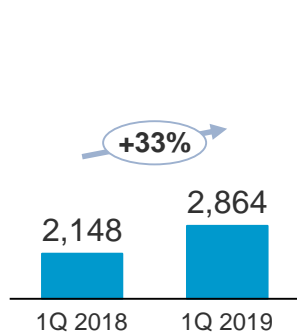
² Including ATMs of cooperating banks.

Number of mobile banking active users and transactions rapidly increasing

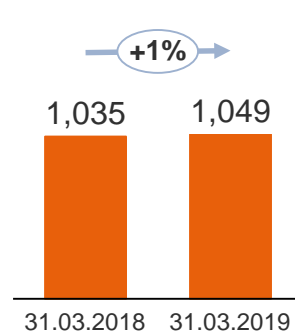
Internet banking transactions* (ths)



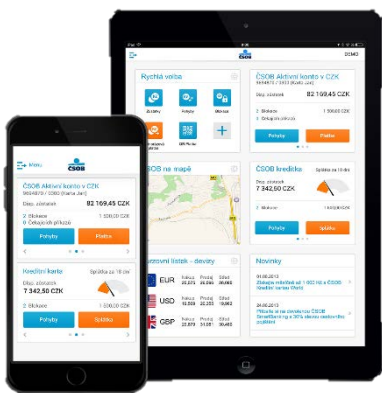
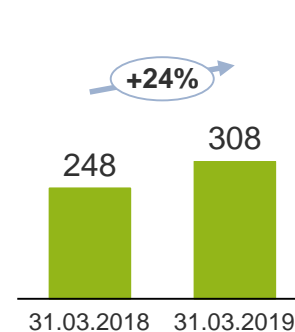
Mobile banking transactions* (ths)



Internet banking active users** (ths)



Mobile banking active users*** (ths)



As of 31 March 2019, the number of **mobile banking** active users increased +24% Y/Y, the number of **internet banking** active users increased +1% Y/Y.

In 1Q 2019, number of transactions entered via **mobile banking** increased +33% Y/Y, while number of transactions via **internet banking** decreased -3% Y/Y.

* The definition for transactions counted has been modified. New definition does not include transactions from standing payment orders.

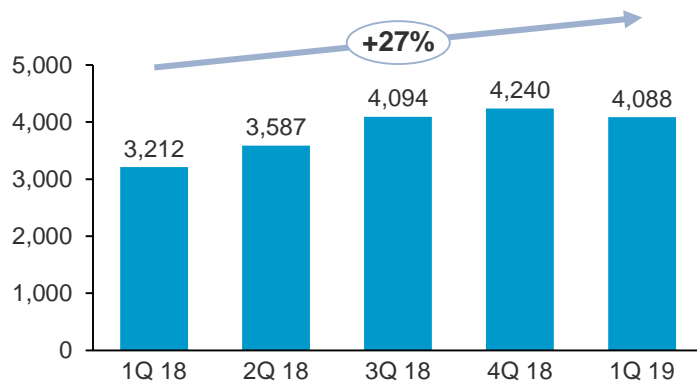
** Internet banking active users are clients who at least once during the last 3 months used internet banking.

*** Mobile banking active users are clients who at least once during the last 3 months used mobile banking.

Online initiated sales are strongly increasing

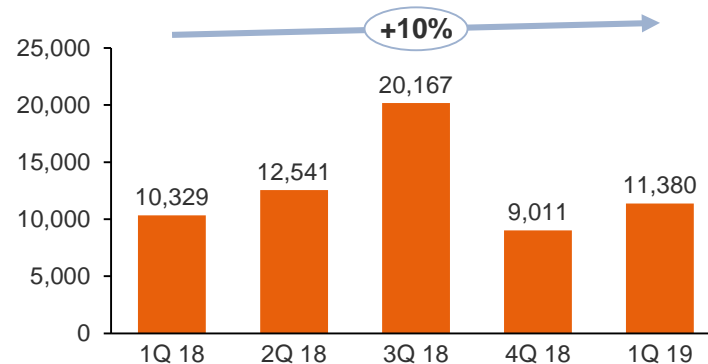
Consumer finance

(pcs)

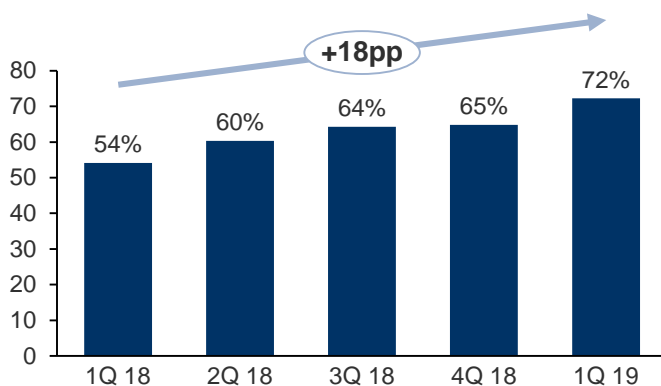


Travel insurance

(pcs)



Share of digitally-signed documents at the branches



In 1Q 2019 more than 4 thousand **consumer loans** were initiated online, up +27% Y/Y. Online sales of **travel insurance** increased by +10% Y/Y.

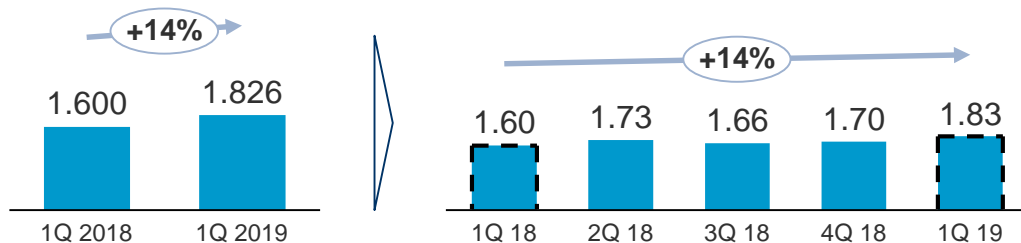
From 2016, ČSOB offers paperless operations at all branches. The share of **digitally-signed documents** at the branches reached 72% in 1Q 2019, up +18pp Y/Y.

ČSOB Pojišťovna: Key figures

Strong growth in non-life as well as in regular life gross written premium

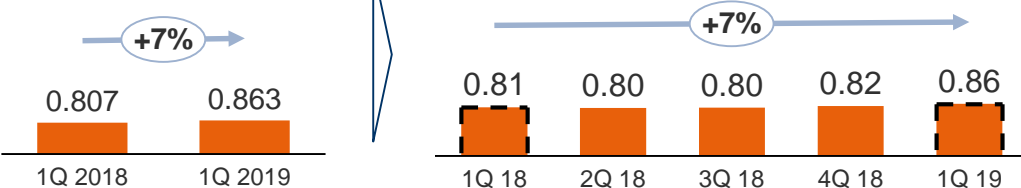
Non-life insurance - gross written premium (GWP)

CZK bn



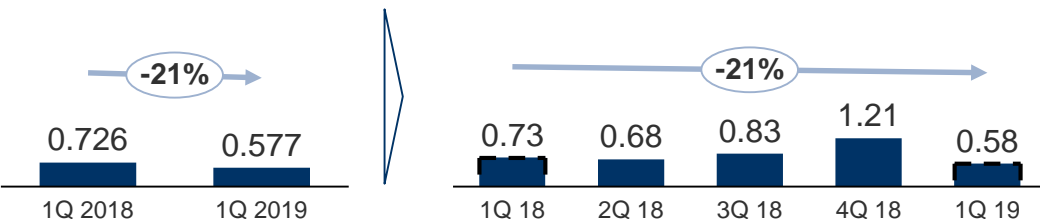
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	1Q 2019	Market position
Non-life insurance	↑ 7.6%	4th
Life insurance	↑ 8.1%	4th

Arrows show Y/Y change.

Non-life insurance

1Q 2019 non-life gross written premium increased **+14% Y/Y** thanks to growth in all product lines, mainly in Industrial Risk, House & Household and Motor insurance, while the market increased +4% Y/Y.

Life insurance

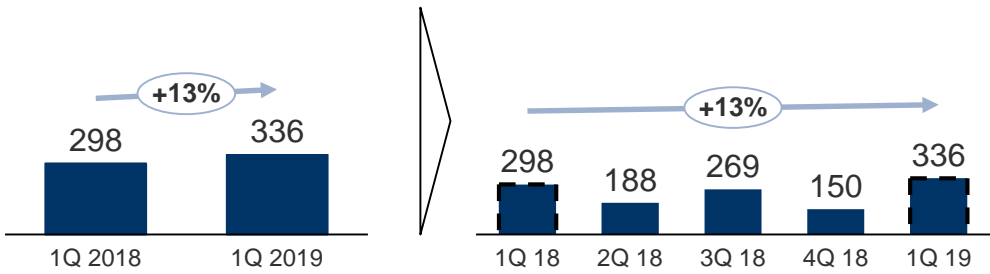
1Q 2019 **regular paid** gross written premium increased **+7% Y/Y** as a result of portfolio stabilization, business increase and better profile in lapses of the life contracts, while the market increased +3% Y/Y.

1Q 2019 **single paid** gross written premium decreased by **-21% Y/Y** due to lower amount of tranches and investment opportunities compared to 1Q 2018. The market decreased -21% Y/Y.

Increasing profitability supported by growing gross written premium

Net profit

CZK m



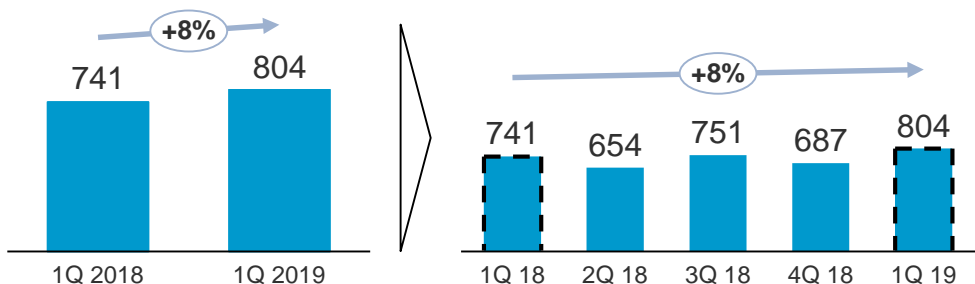
1Q 2019 **net profit** increased to **CZK 336m** (+13% Y/Y) driven by stable life insurance contribution supported by Non-life result. Profit was positively influenced by better financial income and by one-off effect coming from sale of buildings.

1Q 2019 **operating income** increased to **CZK 804m** (+8% Y/Y) influenced by the following drivers:

- life: growth in regular paid GWP and bottom line showed stable profit contribution in Y/Y comparison.
- non-life: Non-life result affected by the windstorm Eberhard and several bigger claims despite Y/Y GWP growth,
- one-off gain from the sale of buildings.

Operating income

CZK m

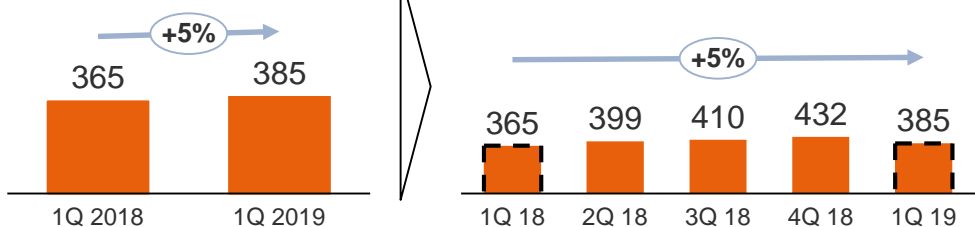


1Q 2019 **operating expenses** increased +5% Y/Y to **CZK 385m** and reality is in line with growth strategy.

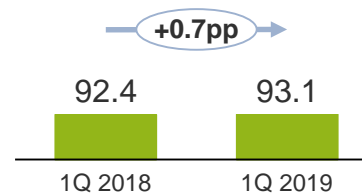
Non-life combined ratio reached 93.1% and increased Y/Y as impact of worse claims ratio.

Operating expenses

CZK m



Non-life combined ratio (%)



Business Unit Czech Republic

Higher net profit driven by both ČSOB group and ČSOB Pojišťovna



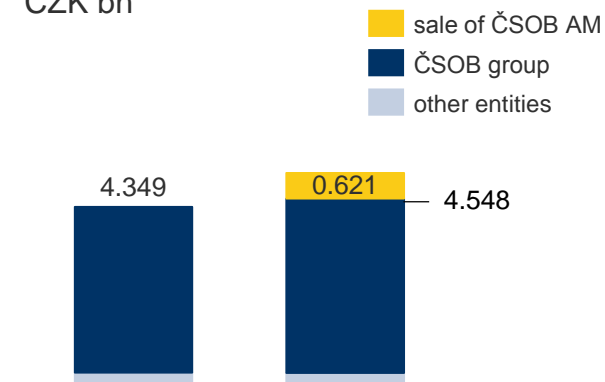
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 1Q 2019 net profit of the Business Unit Czech Republic reached CZK 4.5bn (+5% 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 until 4Q2018 also ČSOB Asset Management (ČSOB AM).²

The ČSOB group consists of ČSOB bank (including 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 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	1Q/1Q	1Q 2018	1Q 2019	1Q/1Q
ČSOB group ¹	3.999	3.475	3.983	4.214	4.833	+21%	3.999	4.833	+21%
of which impact of ČSOB AM sale	-	-	-	-	0.621	-	-	0.621	-
ČSOB group w/o AM sale ¹	3.999	3.475	3.983	4.214	4.212	+5%	3.999	4.212	+5%
ČSOB Pojišťovna	0.298	0.188	0.269	0.150	0.336	+13%	0.298	0.336	+13%
ČSOB AM ²	0.052	0.058	0.059	0.039	-	-	0.052	-	-
Total	4.349	3.721	4.310	4.402	4.548	+5%	4.349	4.548	+5%

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 (until 4Q 2018) 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).

²Since February 13, 2019 Belgium based company KBC Asset Management NV has become the sole shareholder of ČSOB AM through acquiring 100% of its shares from the previous owners – ČSOB and Luxemburg based company KBC Asset Management Participations. ČSOB AM is thus not a part of BU CZ anymore.

Appendix

Ratios and other indicators

Ratio / Indicator	31.12.2016	31.12.2017	31.12.2018	31.3.2018	31.3.2019
Net interest margin (Ytd., annualized, %) ¹	3.00 (2.93)	2.90 (2.98)	3.07 n/a	3.00 n/a	3.24 n/a
Cost / income ratio (%)	46.0	43.7	47.9	48.5	47.7
RoE (Ytd., %)	17.3	19.3	17.5	17.2	20.8
RoA (Ytd., %)	1.42	1.26	1.07	1.15	1.32
RoAC, BU Czech Republic (Ytd., %) ²	37.0	43.0	39.1	39.8	42.5
Credit cost ratio (Ytd., annualized, %) ³	n/a (0.11)	0.02 (0.02)	0.03 n/a	0.01 (0.01)	-0.02 n/a
NPL ratio (%) ³	n/a (2.99)	2.44 (2.33)	2.43 n/a	2.40 (2.26)	2.34 n/a
NPL coverage ratio (%) ³	n/a (54.4)	55.2 (58.5)	46.9 n/a	52.7 (57.6)	47.2 n/a
(Core) Tier 1 ratio (%)	18.2	17.2	18.0	17.9	19.0
Total capital ratio (%)	18.5	17.2	18.0	17.9	19.0
Leverage ratio (Basel III, %)	5.18	4.48	4.26	3.98	3.97
Net stable funding ratio ⁴ (Basel III, %)	150.9	146.0	161.4	147.7	174.1
Liquidity coverage ratio (Basel III, %)	155.7	146.4	136.5	139.7	128.6
Loan to deposit ratio (%)	79.4	77.7	76.3	73.5	72.1

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

² Fully-loaded

³ As of 30 June 2018, the definition of Credit risk: loan portfolio used for calculation has been changed. See explanation on page 41.

The ratios according to the old definition are in brackets.

⁴ As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

Profit and loss statement

(CZK m)	1Q 2018	4Q 2018	1Q 2019	Y/Y	Q/Q
Net interest income	6,105	7,315	7,576	+24%	+4%
<i>Interest income</i>	7,421	10,081	10,498	+41%	+4%
<i>Interest expense</i>	-1,316	-2,766	-2,922	>+100%	+6%
Net fee and commission income	2,018	2,025	1,970	-2%	-3%
Net gains from financial instruments at FVPL ¹	1,012	116	-89	>-100%	>-100%
Other operating income²	277	379	1,069	>+100%	>+100%
Operating income	9,412	9,835	10,526	+12%	+7%
Staff expenses	-2,054	-2,279	-2,158	+5%	-5%
General administrative expenses	-2,167	-1,941	-2,371	+9%	+22%
<i>General administrative expenses (excl. banking taxes)</i>	-1,434	-1,933	-1,470	+3%	-24%
<i>Banking taxes</i>	-733	-8	-901	+23%	>+100%
Depreciation and amortisation	-346	-396	-490	+42%	+24%
Operating expenses	-4,567	-4,616	-5,019	+10%	+9%
Impairment losses	-168	-185	31	>-100%	>-100%
<i>Impairment on financial assets at amortised cost</i>	-13	0	42	>-100%	n/a
<i>Impairment on financial assets at fair value through OCI</i>	0	0	0	n/a	n/a
<i>Impairment on other assets</i>	-155	-185	-11	-93%	-94%
Share of profit of associates	172	106	107	-38%	+1%
Profit before tax	4,849	5,140	5,645	+16%	+10%
Income tax expense	-829	-910	-812	-2%	-11%
Profit for the period	4,020	4,230	4,833	+20%	+14%
Attributable to:					
Owners of the parent	4,020	4,230	4,833	+20%	+14%
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.

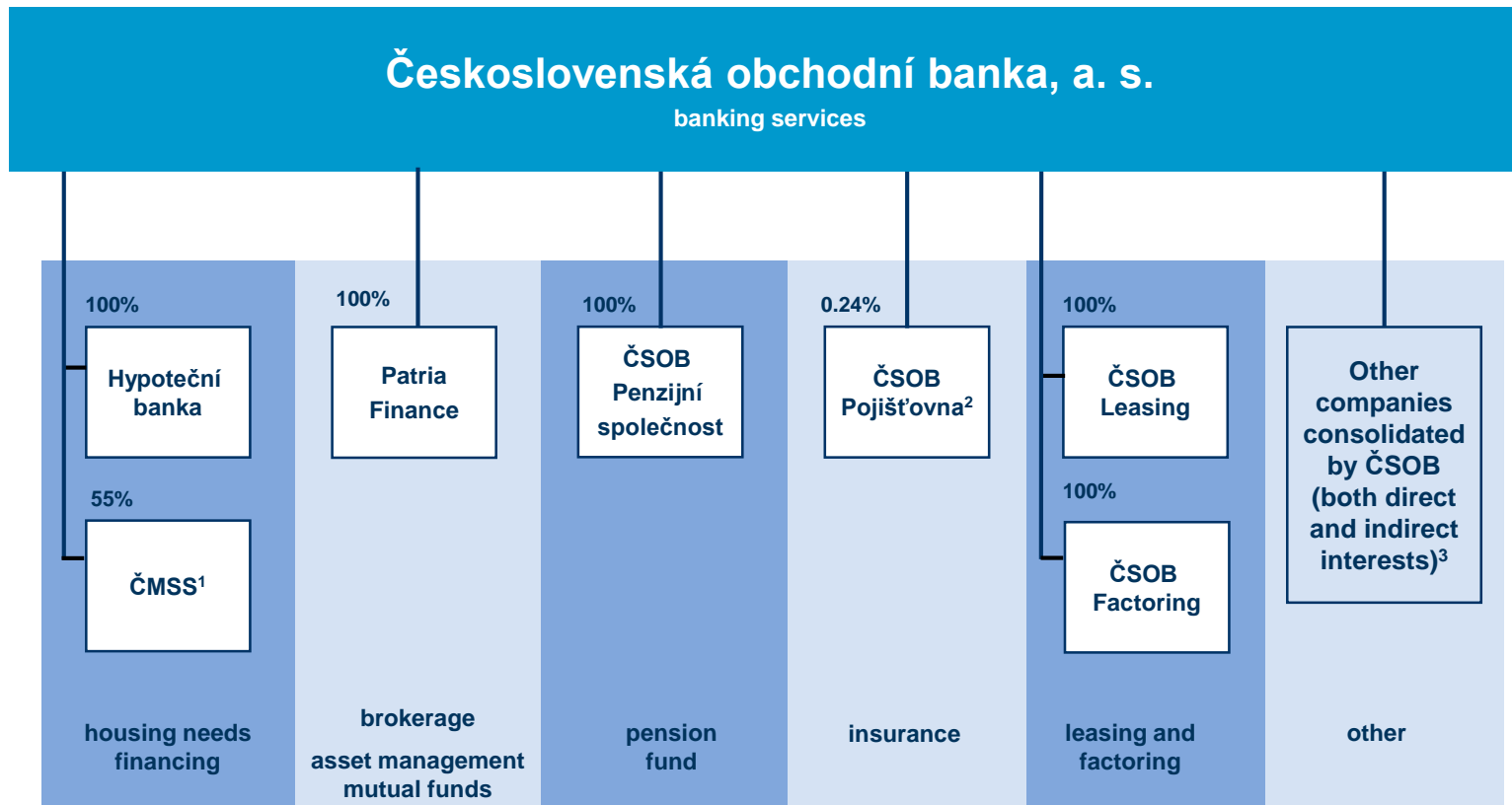
Balance sheet - assets

(CZK m)	31/3 2018	31/12 2018	31/3 2019	Ytd.
Cash and balances with central banks and other demand deposits	23,454	38,610	27,028	-30%
Financial assets held for trading	33,801	19,869	45,965	>+100%
Financial assets held for trading pledged as collateral	3,834	1,676	85	-95%
Financial assets designated at fair value through P/L	0	0	0	n/a
Non-trading financial assets mandatorily at fair value through profit or loss	0	643	248	-61%
Financial assets at fair value through other comprehensive income (OCI)	16,676	15,367	15,006	-2%
Financial assets at fair value through OCI pledged as collateral	1,917	3,286	3,743	+14%
Financial assets at amortised cost - net	1,356,815	1,223,433	1,415,978	+16%
<i>Financial assets at amortised cost to credit institutions - gross</i>	698,710	532,831	707,356	+33%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	667,901	700,025	717,962	+3%
<i>Financial assets at amortised cost - provisions</i>	-9,796	-9,423	-9,340	-1%
Financial assets at amortised cost pledged as collateral	60,205	45,281	39,450	-13%
Fair value adjustments of the hedged items in portfolio hedge	-3,713	-3,905	-3,207	-18%
Derivatives used for hedging	8,334	9,376	9,185	-2%
Current tax assets	177	149	197	+32%
Deferred tax assets	556	365	570	+56%
Investments in associates and joint ventures	4,673	4,482	4,300	-4%
Property and equipment	10,758	10,355	12,755	+23%
Goodwill and other intangible assets	5,806	6,350	6,244	-2%
Non-current assets held-for-sale	41	85	74	-13%
Other assets	2,899	2,616	2,823	+8%
Total assets	1,526,233	1,378,038	1,580,444	+15%

Balance sheet – liabilities and equity

(CZK m)	31/3 2018	31/12 2018	31/3 2019	Ytd.
Financial liabilities held for trading	35,993	33,177	39,291	+18%
Financial liabilities at fair value through P/L	9,775	26,065	30,431	+17%
Financial liabilities at amortised cost	1,368,585	1,212,589	1,396,890	+15%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	191,724	54,653	128,351	>+100%
<i>of which Deposits received from other than credit institut.</i>	878,428	792,625	852,226	+8%
<i>of which Debt securities in issue</i>	298,433	365,311	416,313	+14%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	-3,411	-3,062	-2,789	-9%
Derivatives used for hedging	9,847	10,125	10,904	+8%
Current tax liabilities	631	818	1,122	+37%
Deferred tax liabilities	1,490	984	1,002	+2%
Provisions	894	657	612	-7%
Other liabilities	6,313	4,669	6,160	+32%
Total liabilities	1,430,117	1,286,022	1,483,623	+15%
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	49,857	46,136	50,968	+10%
Financial assets at fair value through OCI - revaluation reserve	348	384	418	+9%
Cash flow hedge reserve	440	25	-36	>- 100%
Parent shareholders' equity	96,116	92,016	96,821	+5%
Minority interest	0	0	0	n/a
Total equity	96,116	92,016	96,821	+5%
Total liabilities and equity	1,526,233	1,378,038	1,580,444	+15%

The ČSOB group in the Czech Republic



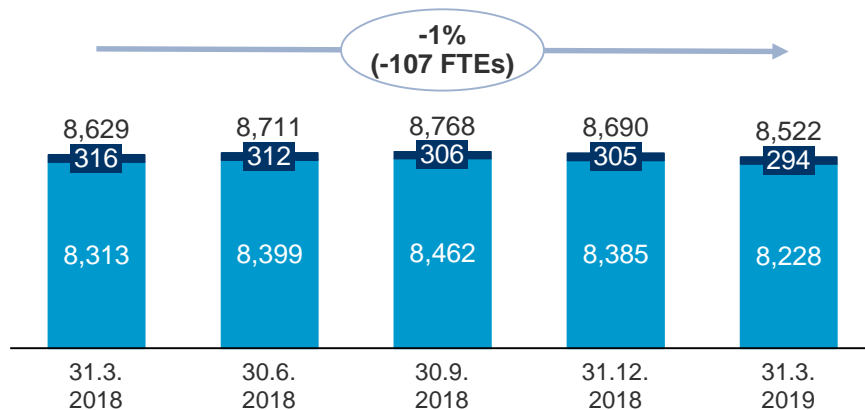
Percentages show ČSOB's ownership interests on company's equity as at 31 March 2019.

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

² 99.76% of shares owned by KBC Insurance; by the equity method consolidation.

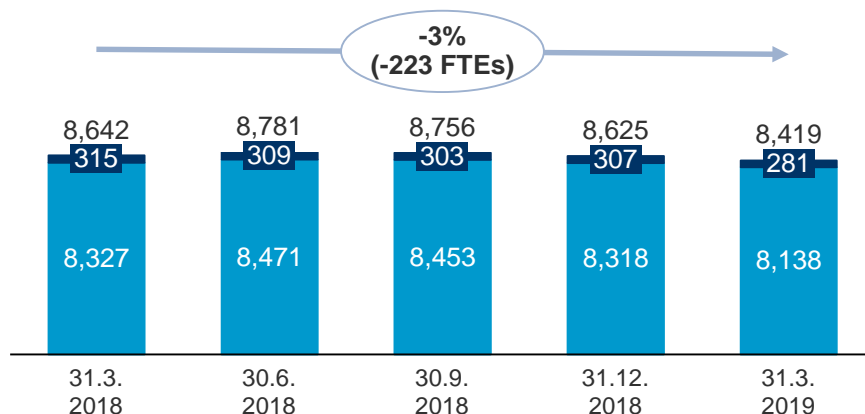
³ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTEs – average



The average number of FTE decreased **-107 Y/Y** influenced by deconsolidation of ČSOB AM (from 03/2019) and lower number of bank FTEs which was partially offset by consolidation of Ušetřeno.cz (from 06/2018).

Number of FTEs – end of the period



The number of FTE at the end of the period decreased **-223 Y/Y** influenced by deconsolidation of ČSOB AM (from 03/2019) and lower number of bank FTEs which was partially offset by consolidation of Ušetřeno.cz (from 06/2018).

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

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 beginning 31 March 2018 are reported in line with the standard.

2. New definition of Credit risk: loan portfolio

As of 30 June 2018, definition of Credit risk: loan portfolio has been changed, it includes on-balance sheet and off-balance sheet items. The scope additionally includes the following elements: bank exposure (money market placements, documentary credit, accounts), unauthorized overdrafts and reverse repo (excl. central bank exposure).

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 Credit risk: loan portfolio in the year (simple average of previous year end and reported period end balances); 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 (incl. off-balance sheet items) / Credit risk: loan portfolio
NPL coverage ratio	Specific allowances for loans and leases (incl. off-balance sheet items) / non-performing loans (incl. off-balance sheet items)
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
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 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.
Credit risk: loan portfolio	Including all payment credit, guarantee credit, standby credit and credit derivatives, granted by ČSOB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.
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 FVOCI portfolio).
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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