

1Q 2021 Results ČSOB Group

Business Unit Czech Republic



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ČSOB Group: Key Figures

Update on the impact of the COVID-19 pandemic

ČSOB services operate smoothly

ČSOB services remained physically accessible in nearly all branches.

Digital interactions have accelerated as more clients prefer to use our online solutions. Mobile banking active users increased +38% Y/Y and Internet banking users increased 4% Y/Y in 1Q. Number of transactions entered via mobile banking increased +60% Y/Y and online sales of accounts more than doubled.

Supporting Czech economy

After the **loan moratoria** expired at the end of October 2020, we continue helping our clients on individual basis. Total number and volume of requests for **instalment deferrals** significantly decreased in 1Q 2021 and represent only **0.3% of total loan portfolio** (volume) at the end of March.

We are supporting firms and entrepreneurs with the **COVID guaranteed loans**. Total approved volume financed through programs COVID II, Prague, III and Plus increased to **CZK 12.4bn**.

Consistent high quality of loan portfolio

The ratio of non-performing loans remained at low 2.16% of the loan book at the end of March 2021.

In 1Q 2021 **ČSOB recorded CZK 331m net release in loan loss provisions** driven mainly by Corporate segment. The full collective COVID-19 expected credit losses have been recorded in 2020.

Robust liquidity and capital buffers allow ČSOB to face today's challenges with high confidence.

Safety of clients and employees

Strong recommendation for **work from home** continued in first quarter on the background of worsened pandemic situation. In average **70%** of staff worked from home.

All employees whose presence at the workplace is necessary are repeatedly tested. From the beginning of the year until the end of April we did almost **50ths COVID-19 tests of employees** and less than **0.3% were positive**.

Higher net profit thanks to positive contribution from financial instruments at fair value and net impairment releases, robust capital and liquidity

ČSOB group key indicators		2018	2019	2020	1Q 2020	1Q 2021
Profitability	Net profit (CZK bn)	15.8	19.7	8.5	2.1	2.7
	Return on equity	17.5%	20.7%	8.2%	8.6%	10.3%
Liquidity	Loan to deposit ratio	76.3%	79.4%	71.6%	77.6%	75.7%
	Net stable funding ratio	161.4%	161.5%	170.6%	161.3%	164.0%
Capital	Tier 1 (CET1) ratio	18.0%	19.2%	23.7%	19.9%	24.3%
Impairments	Credit cost ratio	0.03%	0.04%	0.67%	0.02%	-0.16%
Cost efficiency	Cost / income ratio	47.9%	44.9%	54.6%	67.4%	66.6%

Business indicators

Loan portfolio reached **CZK 795bn** (0% Y/Y). **Group deposits** increased to **CZK 1,142bn** (+12% Y/Y). **Assets under management** increased to **CZK 255bn** (+10% Y/Y). Number of **active clients** increased **+83ths** Y/Y. Number of **mobile banking active users** increased **+38%** Y/Y and **number of transactions entered via mobile banking** increased **+60%** Y/Y.

Operating income

Operating income grew to **CZK 8.5bn** in 1Q 2021 (+4% Y/Y). Net interest income and net fee and commission income decreased Y/Y. Net results from financial instruments at fair value improved, impacted by negative booking of market value adjustments in the previous year.

Operating expenses

Operating expenses increased to **CZK 5.6bn** in 1Q 2021 (+3% Y/Y), **operating expenses excluding banking taxes decreased -2% Y/Y** and **banking taxes grew +26% Y/Y**. Staff expenses decreased -5% Y/Y while general administrative expenses without banking taxes increased +3% Y/Y. Average number of **FTEs** decreased **-292** Y/Y.

Impairments

Credit cost ratio in 1Q 2021 declined to **-16 bps** (-18 bps Y/Y). Total impairments amounted to **CZK -329m** (net release).

Net profit

As a result of the above-mentioned factors, ČSOB's **net profit** came in at **CZK 2.7bn** (+28% Y/Y) in 1Q 2021.

Liquidity & Capital

ČSOB maintains strong capital position and excellent liquidity ratios. **CET1 ratio** reached **24.3%**. **Loan to deposit ratio** decreased Y/Y to **75.7%**. The **short-term liquidity ratio LCR** increased to **148.7%** and the **long-term liquidity ratio NSFR** was **164.0%**

Sustainability

ČSOB signed **Memorandum of Czech Banking Association for sustainable finance** in March 2021. **ČSOB Campus** won the category of **Environmentally friendly project in Best of Realty 2020 competition**. In **Socially responsible investments**, the volume of SRI funds increased **+14% Q/Q**. **Direct coal-related finance** dropped to 1% of 2016 exposure.

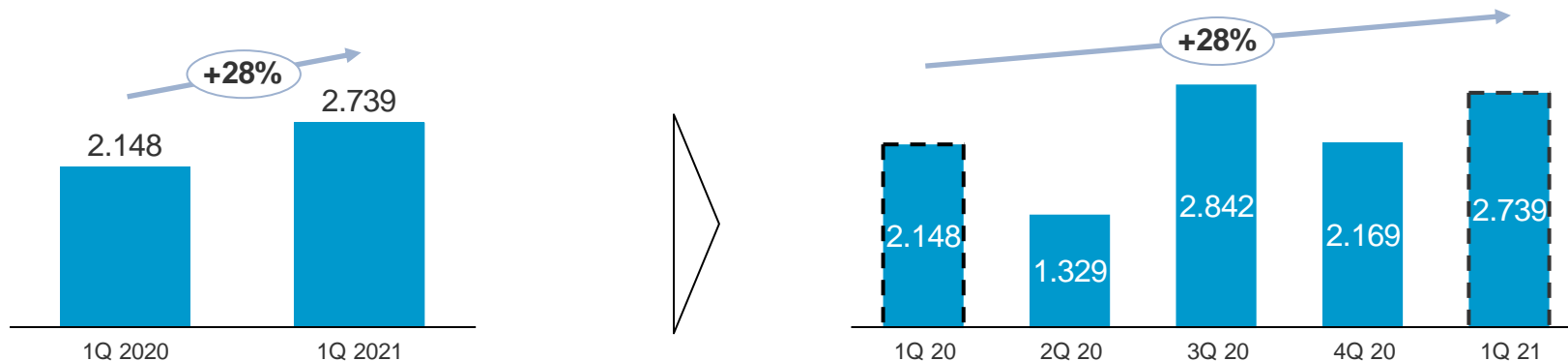
Achievements & Highlights

Global Finance awarded ČSOB as **the Best Bank in the Czech Republic for 2021**. **Euromoney** awarded ČSOB as **the Best Private bank** in the Czech Republic.

Higher net profit thanks to positive contribution from financial instruments at fair value and net impairment releases

Net profit

CZK bn



1Q 2021 **net profit** increased to **CZK 2.7bn**. The Y/Y increase was a result of higher net results from financial instruments at fair value (impacted by negative booking of market value adjustments in the previous year) and net impairment releases, partly offset by lower net interest income, net fee and commission income and higher banking taxes.

The return on equity (ROE) increased to **10.3%** (+1.7pp Y/Y) thanks to higher net profit.

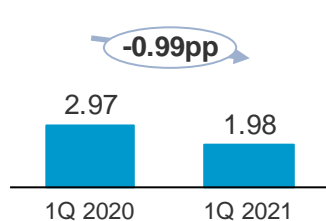
Notes (gross impact):

2Q 2020 one-off item: modification loss (-0.1bn CZK)

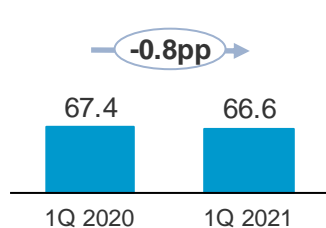
Decreasing net interest margin, stable NPL ratio, robust capital position and excellent liquidity ratios

Profitability

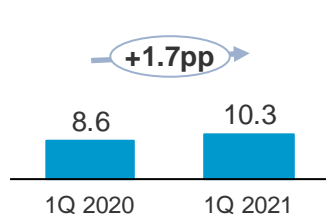
Net interest margin (%)



Cost / income ratio (%)

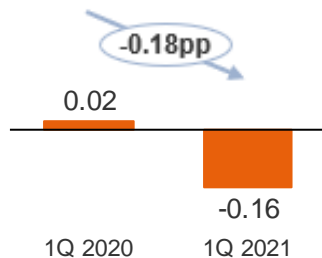


ROE (%)

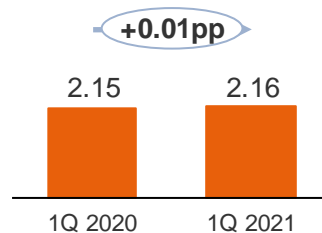


Loan portfolio quality

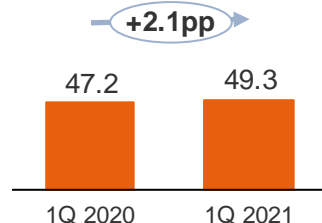
CCR, Ytd. annualized (%)



NPL ratio (%)

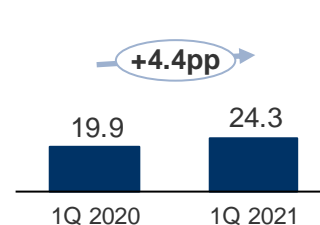


NPL coverage ratio (%)

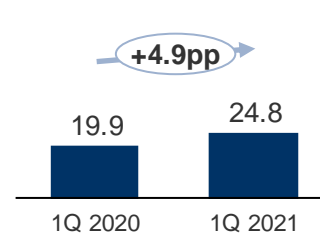


Capital

Tier 1 (CET 1) ratio (%)

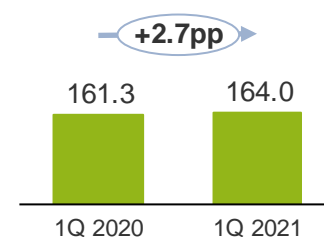


Total capital ratio (%)

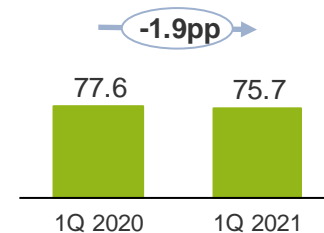


Liquidity

Net stable funding ratio¹ (%)



Loan to deposit ratio (%)

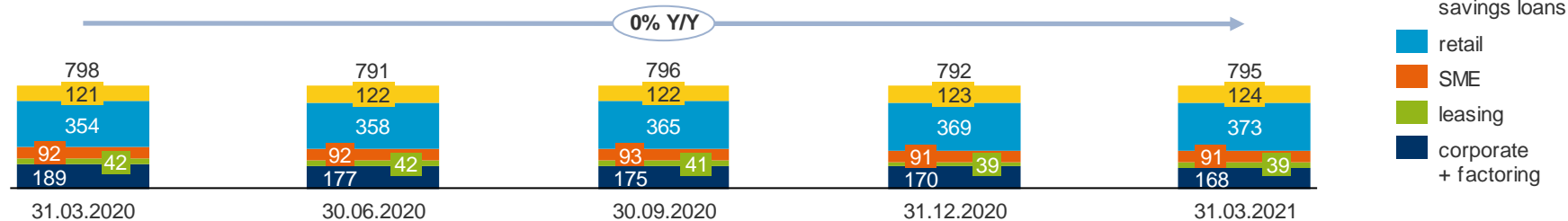


Loans, deposits and assets under management

Strong growth of deposits and assets under management

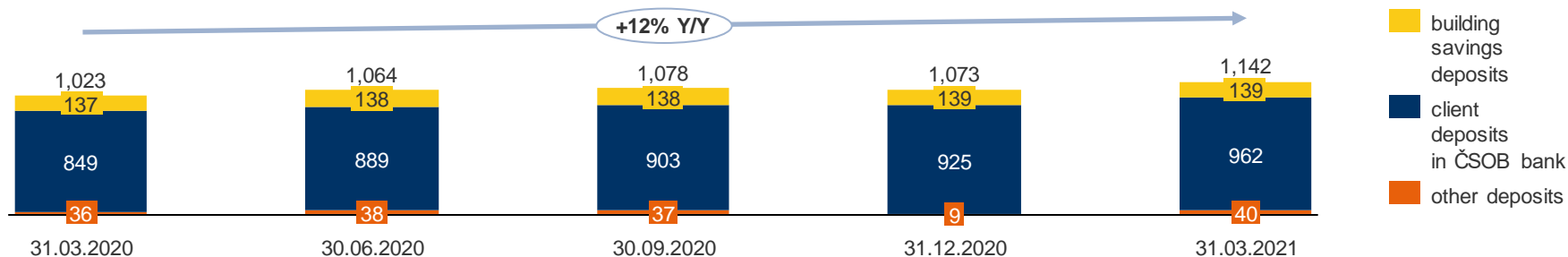
Loan portfolio¹

CZK bn



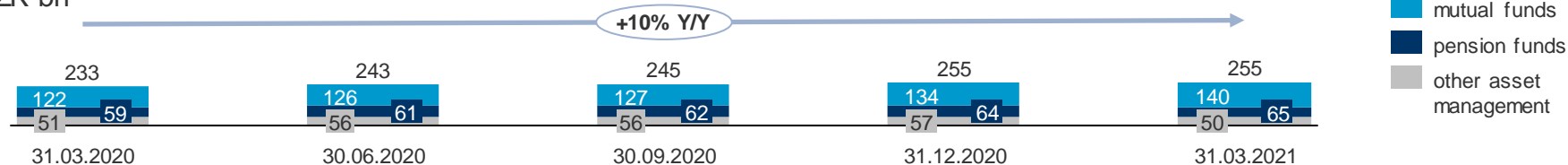
Group deposits²

CZK bn



Total assets under management³

CZK bn



¹ Item Loans and receivables 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.

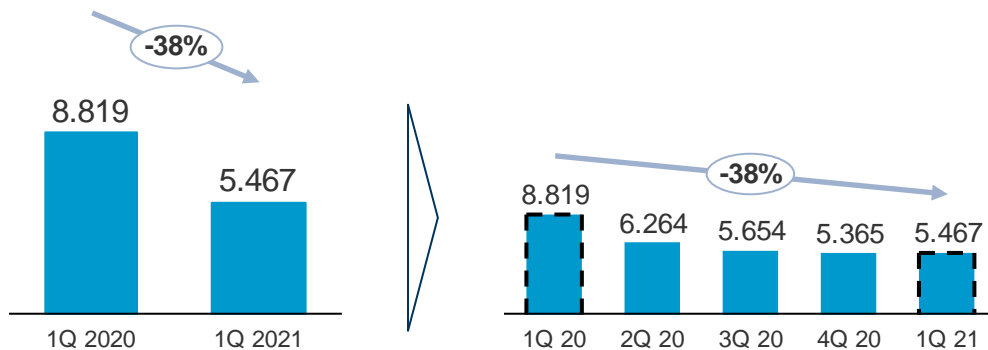
³ As of 1Q 2021 assets under management are reported in new structure, previous periods were restated.

ČSOB Group: Financial Overview

Y/Y decreasing net interest income and net interest margin, however improved Q/Q

Net interest income (NII)

CZK bn

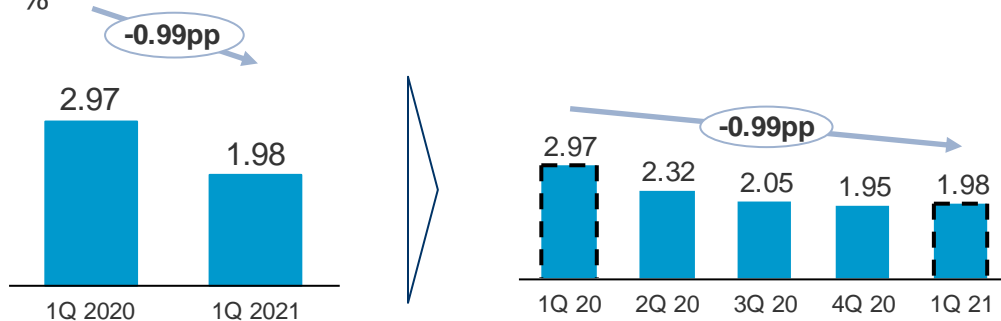


1Q 2021 **net interest income** decreased **-38% Y/Y** and improved **+2% Q/Q**. Y/Y decline was a result of:

- (-) NII from deposits due to CNB repo cuts
- (-) other NII impacted by lower interest rate environment and short-term operations at financial markets
- (-) slightly lower NII from loans

Net interest margin (NIM)*

%



In 1Q 2021, **net interest margin** reached **1.98%** (-99bps Y/Y) driven mainly by the NII from deposits. NIM improved +3bps Q/Q.

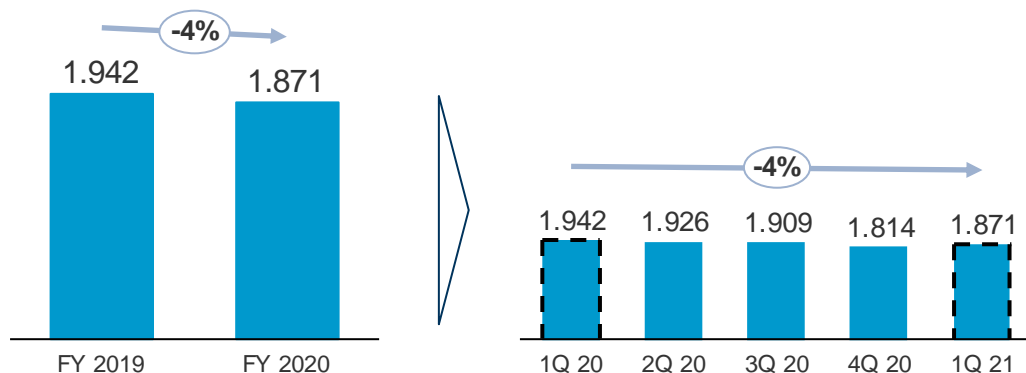
	2018	2019	2020	1Q 2021
Net interest margin (Ytd., %)	3.07	3.02	2.31	1.98

Net fee and commission income and Other

Lower NFCI linked to lower economic activity

Net fee and commission income (NFCI)

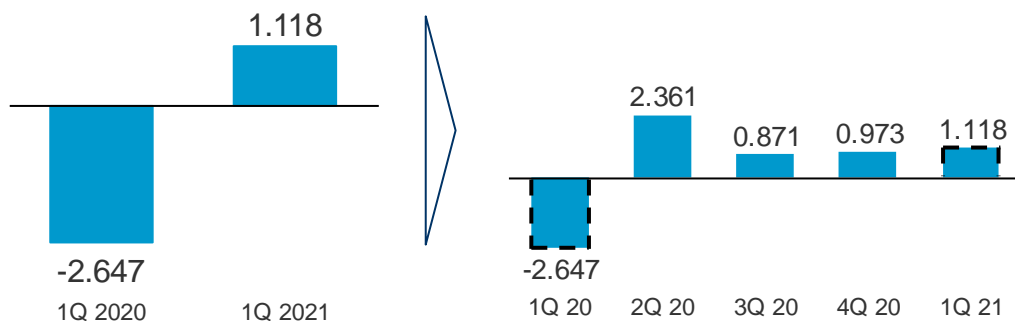
CZK bn



1Q 2021 net fee and commission income decreased **-4% Y/Y** and improved **+3% Q/Q**. The Y/Y decline was a result of lower fees on payment cards, account fees and domestic payments linked to lower economic activity due to COVID-19 pandemic, higher fee and commission expense, partly offset by higher asset management fees.

Other¹

CZK bn



Y/Y increase of item “**Other**” was influenced by following factors:

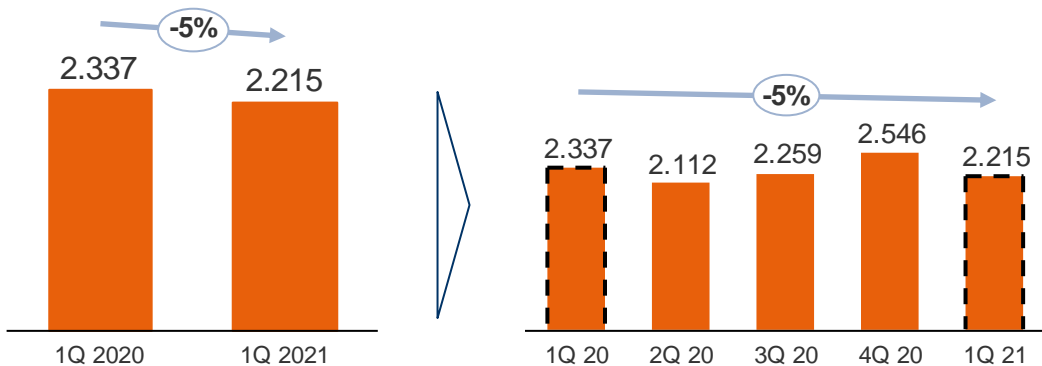
- (+) markedly improved result from financial instruments at FVPL (as the 1Q of previous year was impacted by negative booking of market value adjustments)
- (+) short term operations at financial markets
- (-) sale of bonds in 1Q 2020.

Staff and General administrative expenses

Decreasing staff expenses, higher banking taxes

Staff expenses

CZK bn

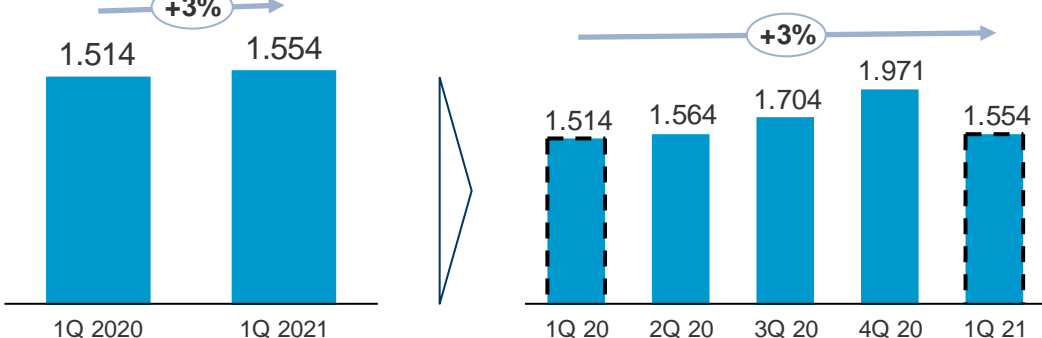


1Q 2021 **total operating expenses** increased **+3% Y/Y**, **operating expenses excluding banking taxes** decreased **-2% Y/Y**.

1Q 2021 **staff expenses** decreased **-5% Y/Y** thanks to lower accruals for bonuses and lower average number of FTEs (-3% Y/Y), partly compensated by wage adjustments.

General administrative expenses (GAE) – excl. banking taxes

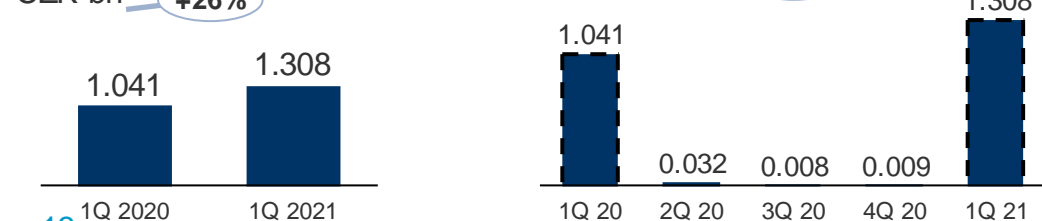
CZK bn



In 1Q 2021 **general administrative expenses** (excl. banking taxes) increased **+3% Y/Y** driven by higher ICT costs while lower marketing costs had a positive impact.

Banking taxes (gross)

CZK bn



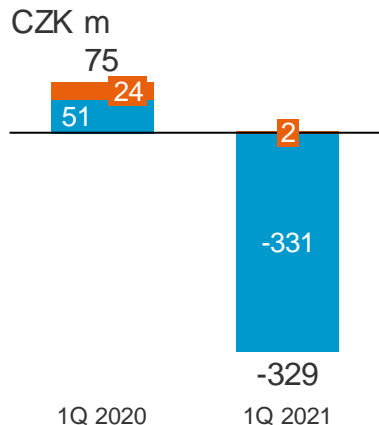
1Q 2021 **banking taxes** grew **+26% Y/Y**.

Cost/income ratio increased to **66.6%**

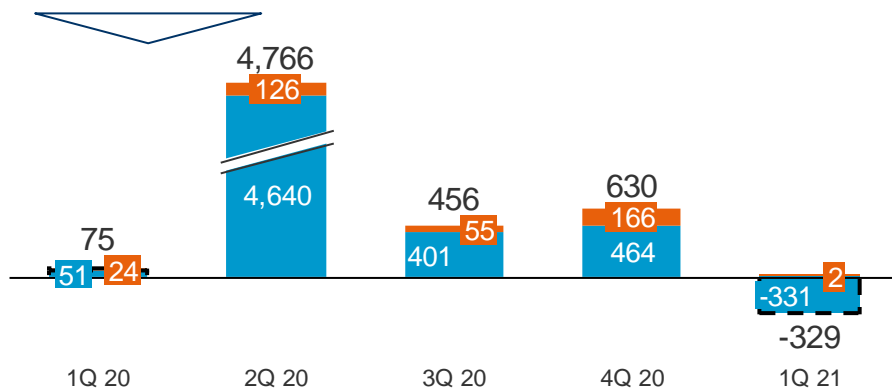
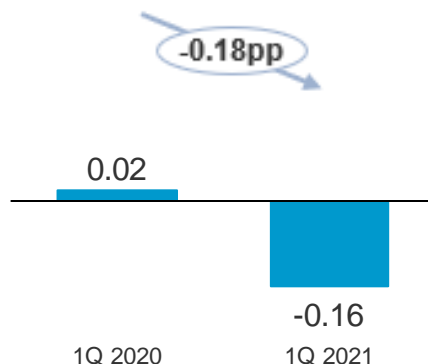
Impairments and NPL

Consistent high quality of loan portfolio

Total impairments



CCR, Ytd. annualized %



■ other impairments
(see note)

■ loan loss provisions
(impairments on financial assets at amortised cost)

Notes:

Figures in graphs: (+) net creation/cost and (-) net release/revenue.

Other impairments include impairments on tangible and intangible assets.

In 1Q 2021, **loan loss provisions** amounted to **CZK -331m** (net release) driven mainly by Corporate segment.

Other impairments decreased Y/Y to **CZK 2m**.

Credit cost ratio for 1Q 2021 reached **-0.16%** (Ytd., annualized; -18 bps Y/Y).

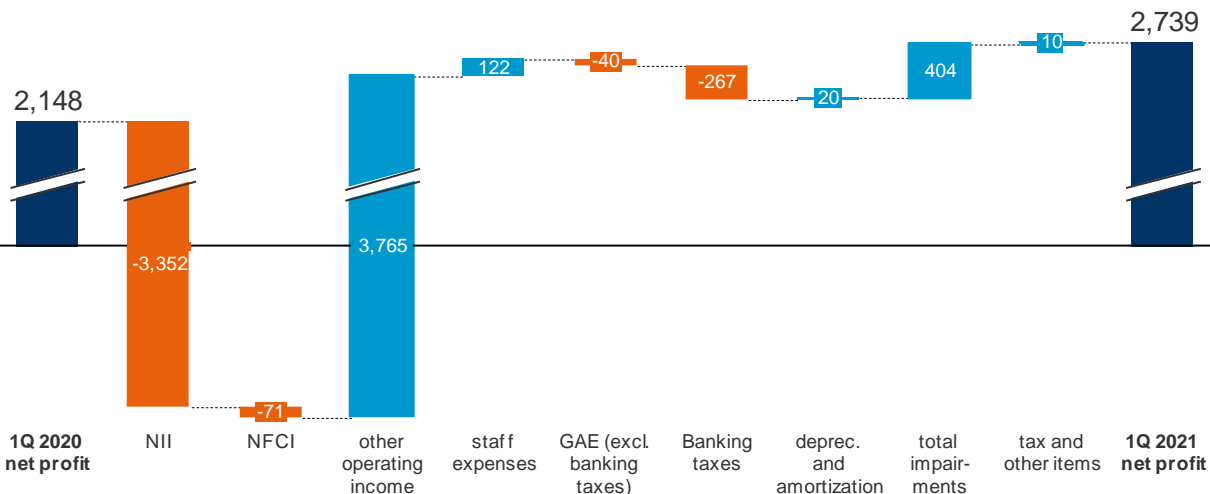
Risk view on structure of the loan portfolio

	31.3.2021	
IFRS 9 distribution	Amount (CZK bn)	Share on total loans
Loan portfolio	794.7	100%
Stage 1 - performing	722.3	91%
Stage 2 - underperforming	54.8	7%
Stage 3 - non-performing loans	17.7	2%

Wrap up of net profit drivers

Net profit (Y/Y)

CZK m



The main difference between 1Q 2021 and 1Q 2020 net profit was caused by the following drivers:

On the **positive side**:

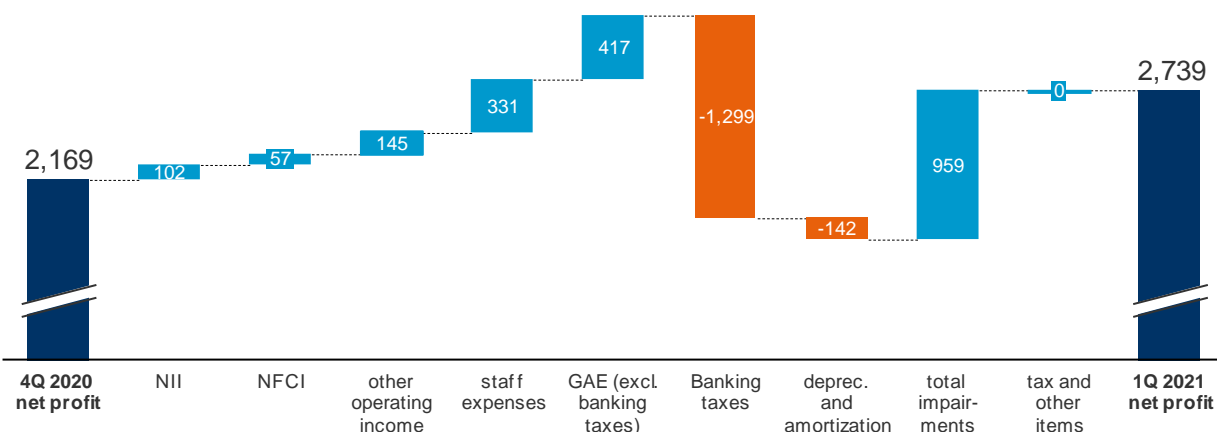
- improved result from financial instruments at FVPL (as the 1Q of previous year was impacted by negative booking of market value adjustments)
- lower total impairments driven mainly by releases in Corporate
- lower staff expenses thanks to lower accruals for bonuses and lower average number of FTEs
- depreciation and amortization
- tax and other items

On the **negative side**:

- lower NII mainly due NII from deposits and other NII
- higher banking taxes
- lower NFCI linked to lower economic activity
- higher GAE influenced by ICT costs, partly compensated by lower marketing costs

Net profit (Q/Q)

CZK m



The main difference between 1Q 2021 and 4Q 2020 net profit was caused by the following drivers:

On the **positive side**:

- lower total impairments driven mainly by releases in Corporate and SME segment
- lower GAE as a result of change in capitalization policy and lower marketing costs
- lower staff expenses thanks to lower accruals for bonuses
- higher other operating income
- higher NII due to other NII and NII from deposits
- higher NFCI influenced by asset management and foreign payments

On the **negative side**:

- higher banking taxes
- depreciation and amortization

Capital

Strong capital position

Consolidated, CZK m	31.3.2020	31.12.2020	31.3.2021
Total regulatory capital	84,562	99,075	98,304
- (Common Equity) Tier 1 Capital	84,562	97,191	96,503
- Tier 2 Capital	0	1,884	1,801
Total RWA	424,385	410,027	396,649
- Credit risk	354,801	342,805	329,280
- Market risk	238	423	569
- Operational risk	69,347	66,799	66,799
(Common Equity) Tier 1 ratio	19.9%	23.7%	24.3%
Total capital ratio	19.9%	24.2%	24.8%

The Y/Y increase of (Common Equity) **Tier 1** capital due to inclusion of full 2019 and 2020 profit.
Increase in **Tier 2** capital caused by an excess of provisions (related to COVID-19) over expected losses.

Total RWA decreased Y/Y.
Decrease of credit risk is driven by more up to date collateral values in corporate segment.

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 = (Common Equity) Tier 1 + Tier 2

ČSOB Group: Business Overview

Increasing market share in total deposits and consumer finance

1st

Total Loans¹	20.1%	↓
Mortgages ^{1,6}	25.9%	↓
Building savings loans ¹	39.0%	↓
Building savings deposits ¹	39.3%	↑

2nd

Total Deposits¹	20.6%	↑
Mutual funds ¹	22.7%	↓
Factoring ²	18.1%	↓
Leasing ¹	16.8%	↓

3rd

Pension funds ³	14.8%	↑
SME/corporate loans ¹	13.7%	↓
Consumer lending ^{1,4,6}	13.6%	↑

4th

Insurance ⁵ - combined	8.2%	→
Non-life insurance ⁵	8.4%	↑
Life insurance ⁵	7.9%	↓

Arrows show Y/Y change. Market shares as of 31 March 2021, except for mutual funds, pension funds and leasing which are as of 31 December 2020. 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 ČSOBS); 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.

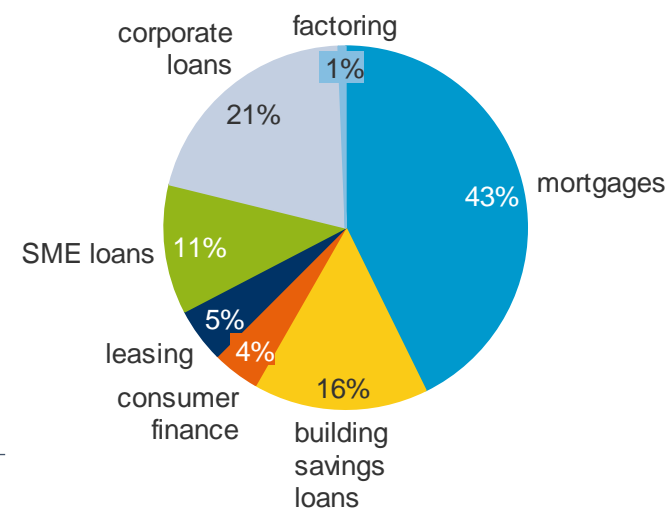
Sources and detailed definitions are provided in Appendix.

Loan growth driven by mortgages

Gross outstanding volumes, CZK bn	31.3.2020	31.3.2021	Y/Y
Loan portfolio	797.7	794.7	0%
Retail Segment			
Mortgages ¹	319.9	339.6	+6%
Consumer finance	34.0	33.6	-1%
Building savings loans ²	120.8	123.5	+2%
SME/Corporate Segment			
Corporate loans ³	183.1	163.1	-11%
SME loans	91.8	91.2	-1%
Leasing	42.0	38.6	-8%
Factoring	6.1	5.1	-17%
Other ⁴	49.0	43.5	-11%
Credit risk: loan portfolio	846.7	838.2	-1%

31.3.2021

More than 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 ČSOBS building savings company.

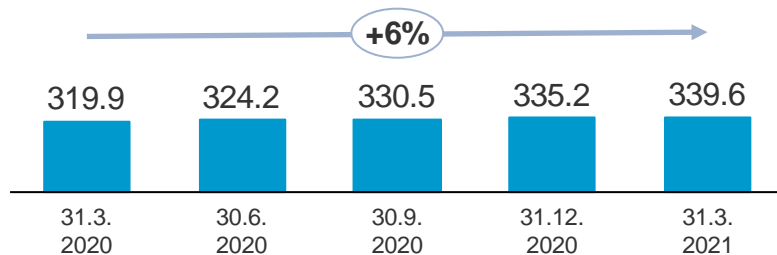
³ Including credit-replacing bonds.

⁴ Including off-balance sheet items and ALM/financial markets exposures.

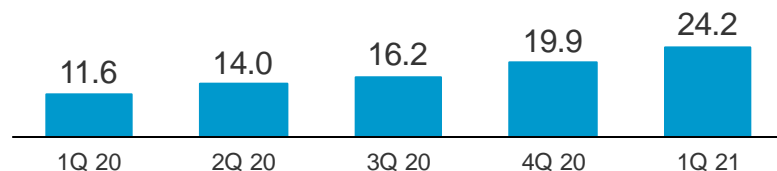
Increasing new sales of mortgages and building saving loans

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

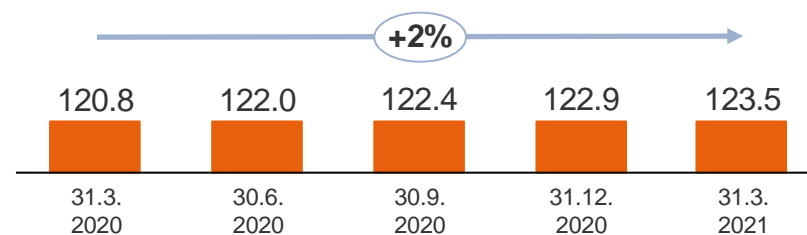


The **outstanding volume of mortgages** increased **+6% Y/Y** supported by strong new volume production.

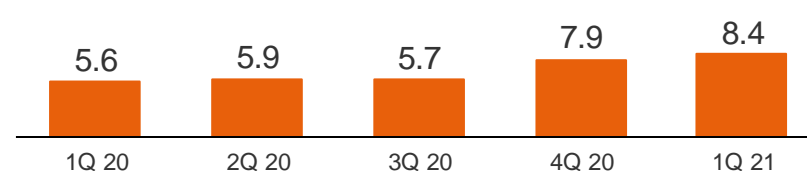
In 1Q 2021, ČSOB provided over **7.5 thousand new mortgages** (+78% Y/Y) in the total amount of **CZK 24.2bn** (+109% Y/Y). The market of new mortgages increased +54% Y/Y in the number and +82% Y/Y in the total amount of new mortgages.

Building savings loans

Outstanding, CZK bn



New sales*, CZK bn



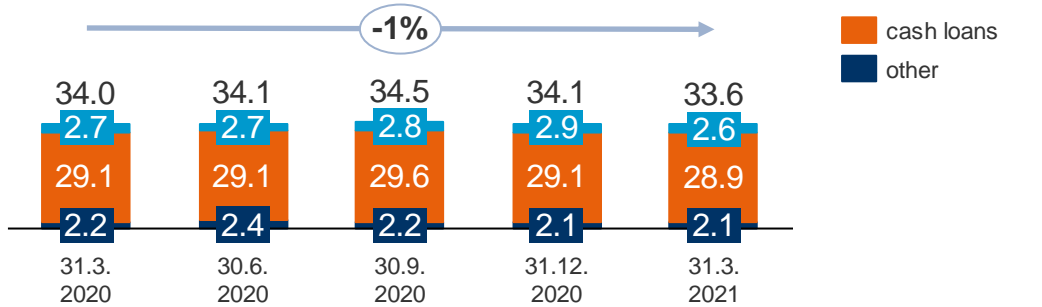
The outstanding **building savings loan portfolio** increased **+2% Y/Y**, while the market increased +5% Y/Y.

In 1Q 2021, **new sales** increased **+49% Y/Y**.

Consumer finance, SME loans, Leasing

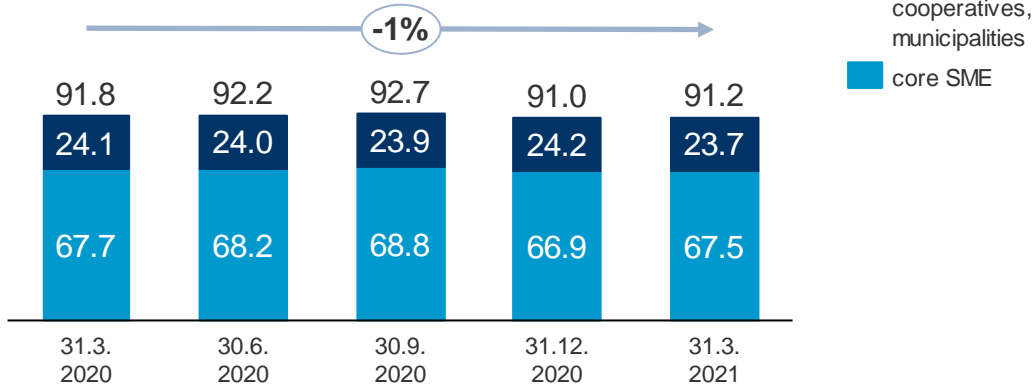
Decrease of outstanding volumes

Consumer finance, outstanding, CZK bn



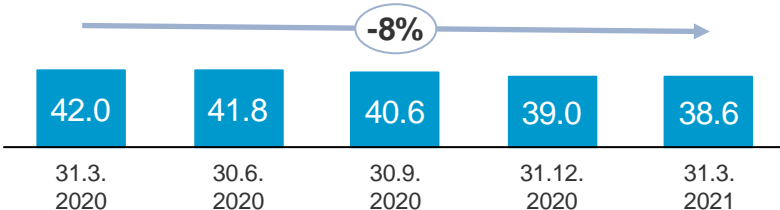
Consumer finance decreased -1% Y/Y driven by cash loans (-1% Y/Y) due to subdued demand affected by the COVID-19 pandemic.

SME loans, outstanding, CZK bn



SME loans decreased -1% Y/Y, driven by housing cooperatives and municipalities (-2% Y/Y) while core SME lending (micro, small and mid-sized companies) remained stable.

Leasing, outstanding*, CZK bn



Outstanding volumes in **ČSOB Leasing** decreased **-8% Y/Y** mainly due to decrease in corporate, SME and financial products for dealers attributable to lower investment appetite affected by pandemic uncertainties.

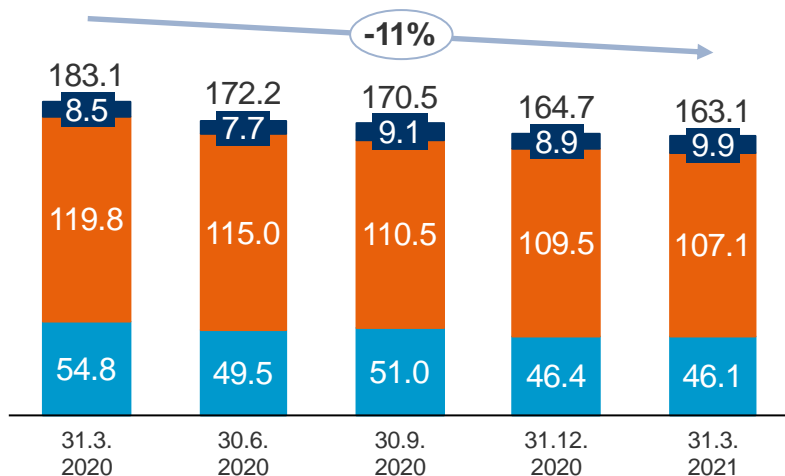
Corporate segment

Decrease of outstanding volumes

Corporate loans

Outstanding, CZK bn

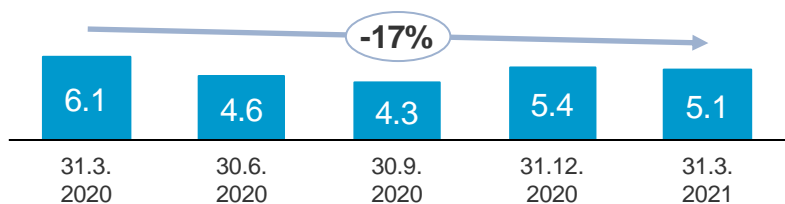
- credit-replacing bonds
- specialized finance
- plain vanilla financing



Outstanding volumes of corporate loans decreased **-11% Y/Y** due to early repayments and lower demand for investment loans due to postponed investments of corporate clients.

Factoring

Outstanding, CZK bn

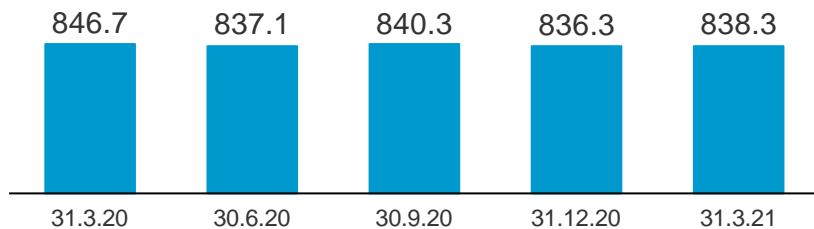


Factoring outstanding volumes decreased **-17% Y/Y** due to the COVID-19 impact on drawing limits.

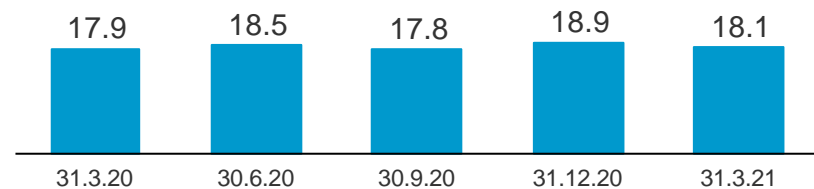
Credit risk

Stable loan portfolio quality

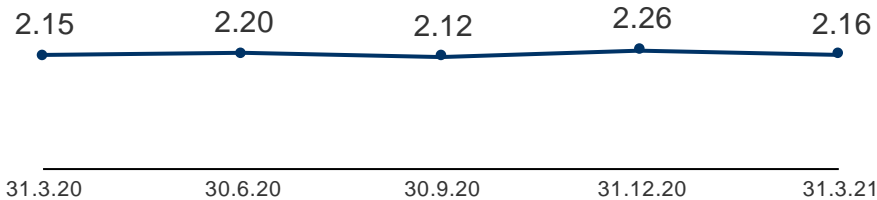
Credit risk: loan portfolio (CZK bn)



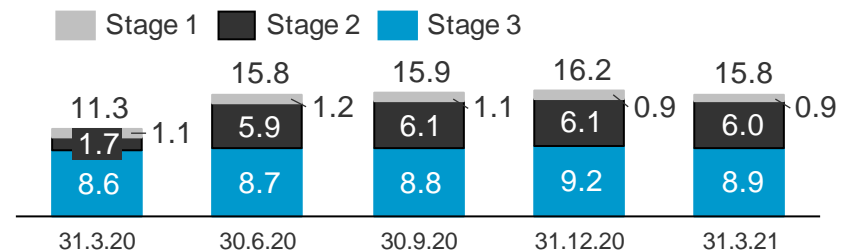
Non-performing loans (CZK bn)



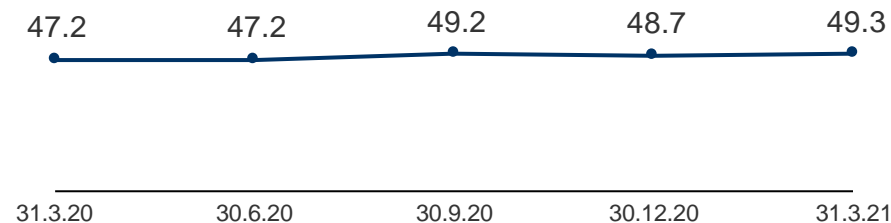
NPL ratio (%)



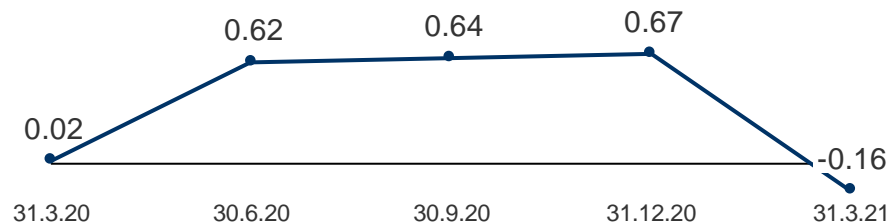
Allowances for loans and leases ¹ (CZK bn)



NPL coverage ratio (%)

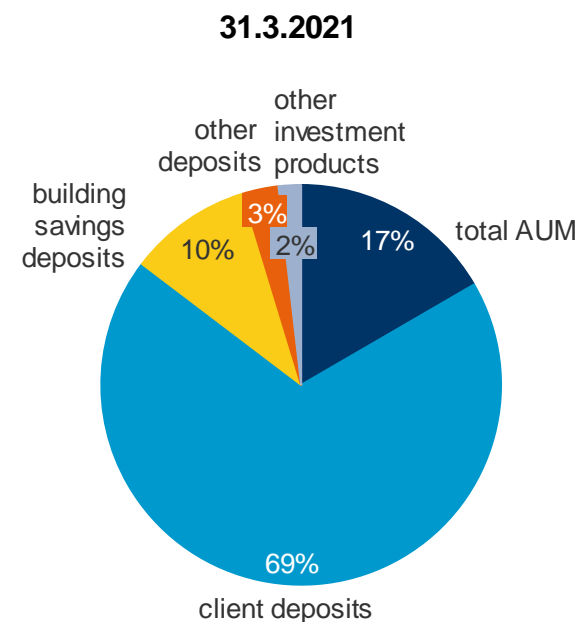


Credit cost ratio (%), Ytd. annualized



Strong growth of deposits and assets under management

Outstanding volumes, CZK bn	31.3.2020	31.3.2021	Y/Y
Group deposits	1,022.6	1,141.6	+12%
Client deposits	849.1	961.7	+13%
<i>Current accounts</i>	579.4	685.5	+18%
<i>Savings deposits</i>	207.9	256.1	+23%
<i>Term deposits</i>	61.9	20.1	-67%
Other deposits ¹	36.1	40.4	+12%
Building savings deposits	137.4	139.4	+1%
Total AUM ²	232.8	255.3	+10%
Pension funds ³	59.2	65.3	+10%
Mutual funds	122.0	140.3	+15%
Other AM ⁴	51.5	49.7	-4%
Other investment products ⁵	42.6	25.4	-40%



¹ The other deposits predominantly consist of repo operations with institutional clients.

² As of 1Q 2021 assets under management are reported in new structure, previous periods were restated.

³ Liabilities to pension fund policy holders.

⁴ Item "Other AM" includes discretionary asset management, qualified investors funds and other group assets

⁵ Including bonds, investment certificates and mortgage covered bonds. See definition in appendix.

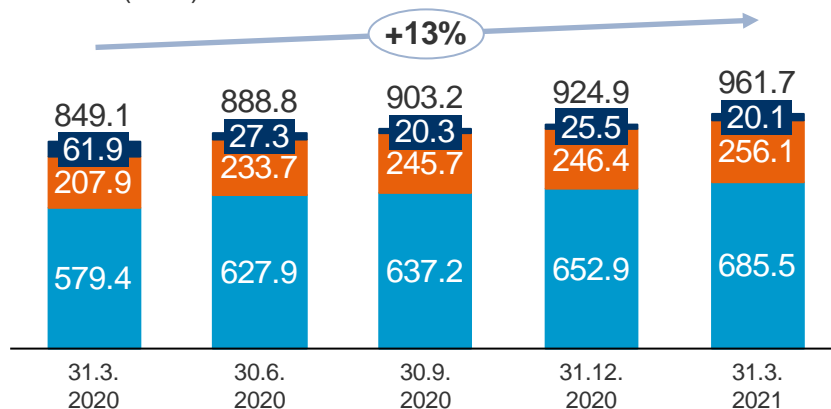
Client deposits, Building savings deposits and Pension funds

Strong growth of client deposits and pension funds

Client deposits (CZK bn)

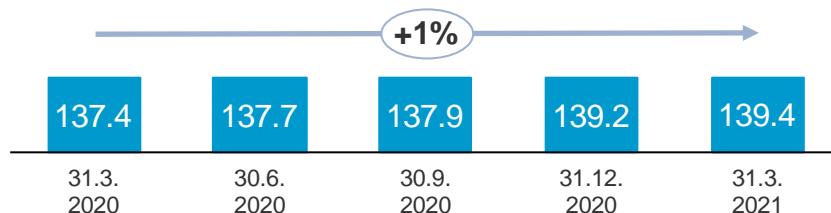
ČSOB (bank)

- term deposits
- savings deposits
- current accounts



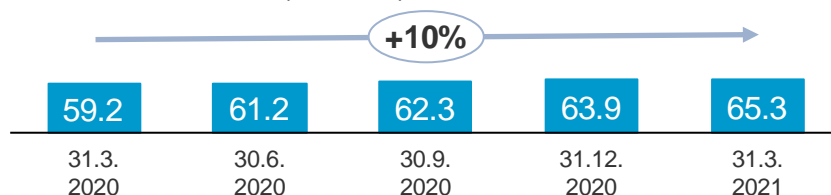
Client deposits increased **+13% Y/Y** driven by the growth of **current accounts** (+18% Y/Y) and **savings deposits** (+23% Y/Y) while **term deposits** decreased.

Building savings deposits (CZK bn)



Building savings deposits increased **+1% Y/Y**.

Pension funds (CZK bn)



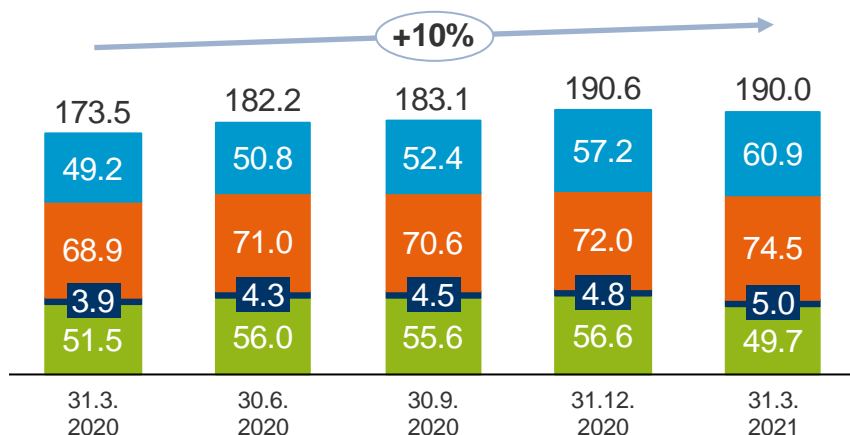
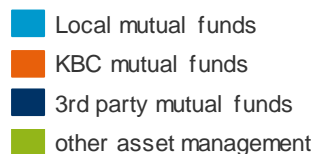
The volume of savings in **pension funds** increased **+10% Y/Y** driven mainly by higher average pension savings per client.

Mutual funds and other asset management

Strong growth of Mutual funds

Mutual funds and other AM

Outstanding volumes, CZK bn



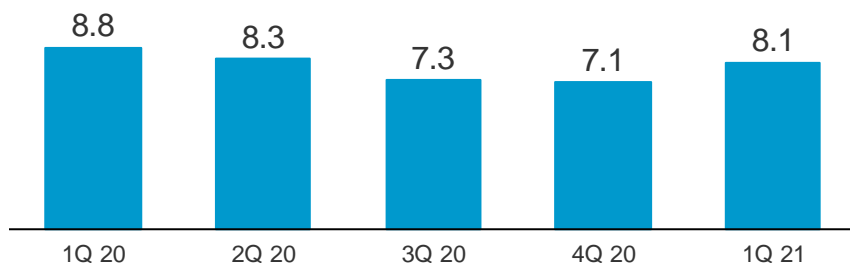
Mutual funds and other AM increased **+10% Y/Y** to **CZK 190.0bn** mainly driven by increase in local mutual funds.

In January 2021, **ČSOB Bohatství** became the largest mutual fund on Czech market with volume of assets under management over CZK 30bn.

Other asset management decreased -4% Y/Y.

Mutual funds

New sales (gross), CZK bn



1Q 2021 new sales of mutual funds decreased **-8% Y/Y**.

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. As of 1Q 2021 assets under management are reported in new structure, previous periods were restated.

	31.3.2020	31.12.2020	31.3.2021
Clients of ČSOB's group (mil.)	4.239	4.231	4.230
ČSOB branches (bank only)	225	212	212
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB)	203	190	190
ČSOB Private Banking branches	11	11	11
ČSOB Corporate branches	11	11	11
ČSOB Pojišť'ovna branches	97	97	97
Hypoteční banka centers	29	29	28
ČSOBS¹ advisory centers	268	262	249
Leasing branches	7	7	6
PSB outlets of the Czech Post network	ca. 2,600	ca. 2,500	ca. 2,500
- of which specialized banking counters	229	230	233
Czech Post franchise outlets	ca. 600	ca. 700	ca. 700
ATMs²	1,069	1,025	1,017
- of which contactless	517	601	636

The **number of clients** decreased -9ths Y/Y, but the **number of active clients increased +83 ths Y/Y**.

At the end of March 2021, clients could use **1,017 ATMs** (-52 Y/Y, decrease mainly in 3rd party network), of which 636 were contactless (+119 Y/Y), 269 enabled cash deposits (+26 Y/Y) and **992** are customized for visually impaired clients.

Due to the ongoing optimization of the branch network and strengthening of the self-service platforms, number of **ČSOB branches** reached 212 (-13 Y/Y) by the end of March.

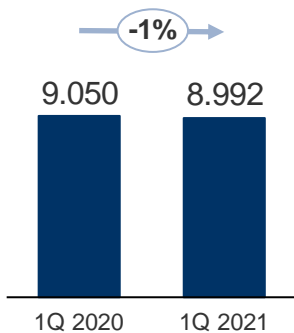
Extended portfolio of bank-insurance services at Czech Post is provided at **233 specialized banking counters** (+4 Y/Y).

Note:

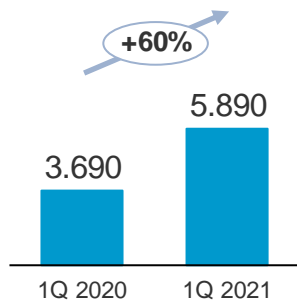
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČSOBS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišť'ovna's tied agents, multi-agents and individual brokers.

Number of mobile banking active users and transactions rapidly increasing

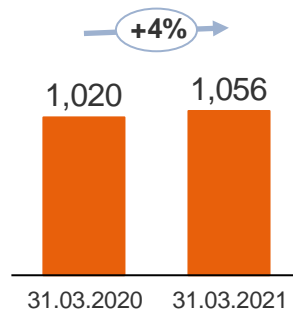
Internet banking transactions* (ths)



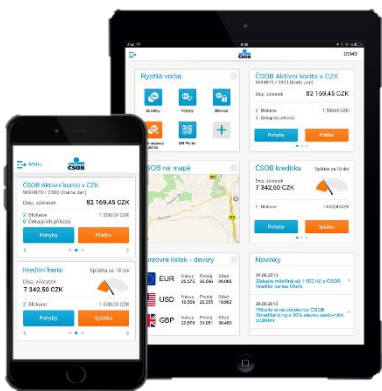
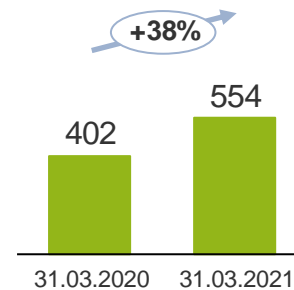
Mobile banking transactions* (ths)



Internet banking active users** (ths)



Mobile banking active users*** (ths)



As of 31 March 2021, the number of **mobile banking** active users increased +38% Y/Y, the number of **internet banking** active users increased +4% Y/Y.

In 1Q 2021, number of transactions entered via **mobile banking** increased +60% Y/Y and number of transactions via **internet banking** decreased -1% Y/Y.

* Only transactions of retail and private banking clients are included. Transactions from standing payment orders are excluded.

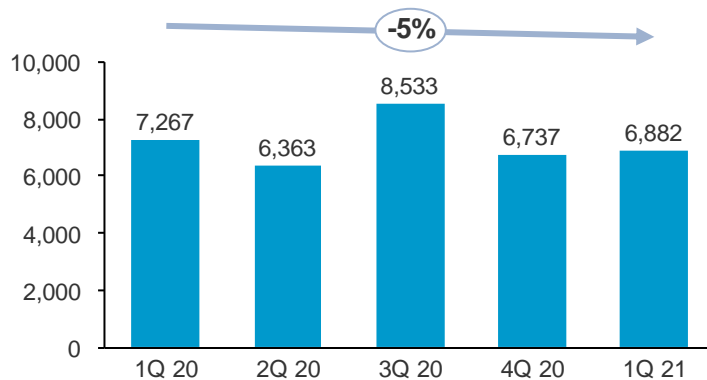
** Internet banking active users are clients who at least once during the last 3 months used internet banking.

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

Online initiated sales of current and saving accounts growing rapidly, sales of travel insurance impacted by COVID-19

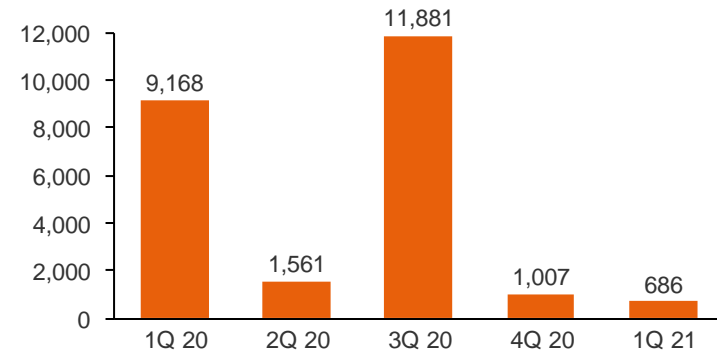
Consumer finance

(pcs)



Travel insurance

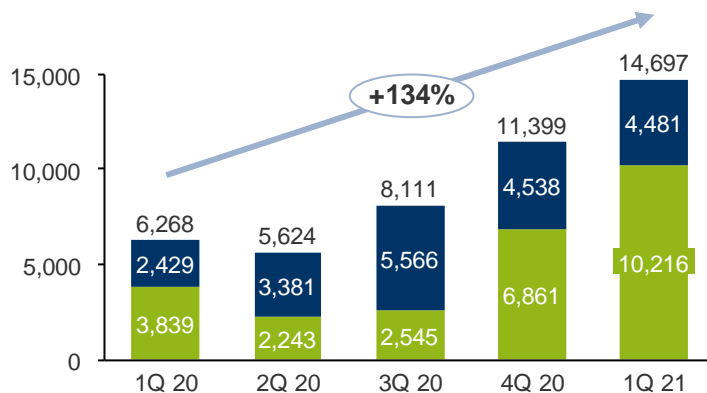
(pcs)



Current and saving accounts

(pcs)

■ Current accounts ■ Saving accounts



In 1Q 2021 nearly 7 thousand **consumer loans** were initiated online, down -5% Y/Y. Significant decrease in online sales of **travel insurance** can be attributed to the continuous COVID-19 crisis and travel limitations.

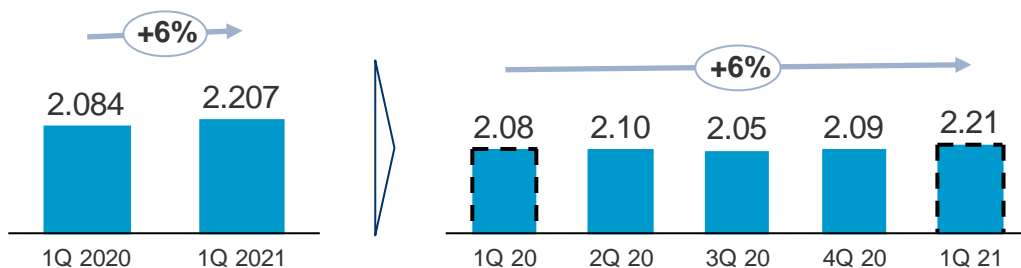
Number of online initiated **current and saving accounts** increased +134 % Y/Y thanks to new processes supported by successful campaigns for children's and student accounts and online cross sell.

ČSOB Pojišťovna: Key figures

Growth in non-life as well as in regular life gross written premium

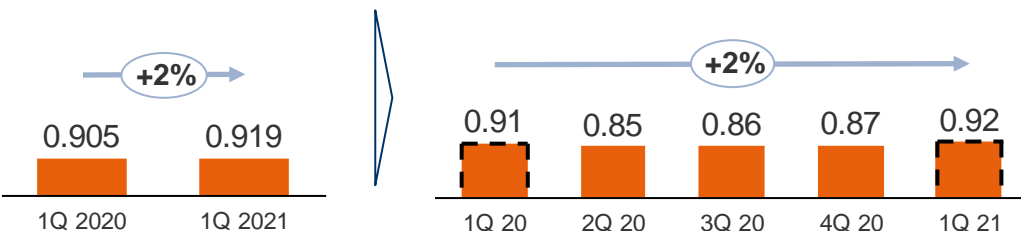
Non-life insurance - gross written premium (GWP)

CZK bn



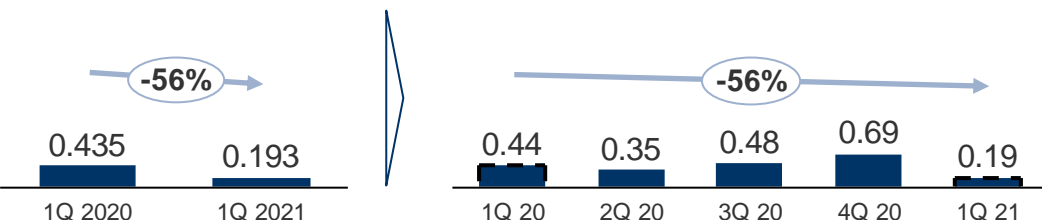
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	1Q 2021	Market position
Non-life insurance	↑ 8.4%	4 th
Life insurance	↓ 7.9%	4 th

Arrows show Y/Y change.

Non-life insurance

1Q 2021 non-life gross written premium increased **+6% Y/Y** thanks to growth in almost all product lines.

Life insurance

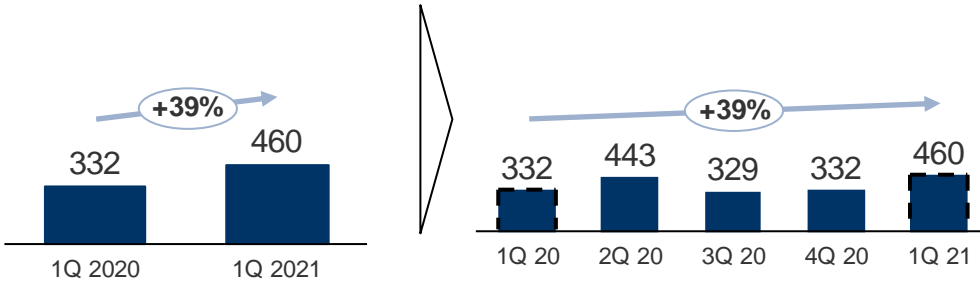
1Q 2021 **regular paid** gross written premium increased **+2% Y/Y** as a result of portfolio stabilization and better profile in lapses of the life contracts.

1Q 2021 **single paid** gross written premium decreased by **-56% Y/Y** due to lower amount of tranches.

Net profit strongly improved thanks to GWP growth and lower claims

Net profit

CZK m



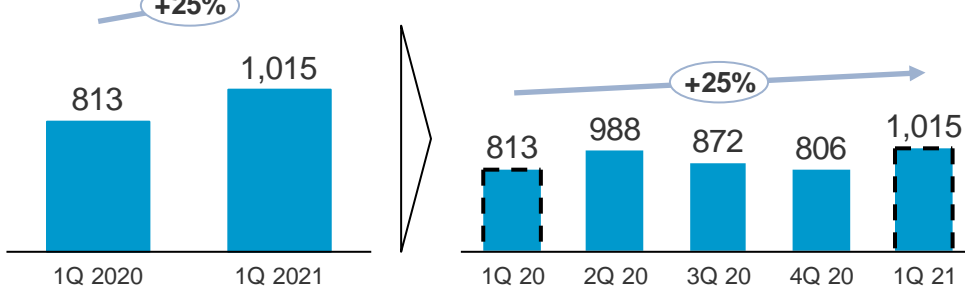
1Q 2021 **net profit** increased to **CZK 460m** (+39% Y/Y) thanks to GWP growth and lower non-life claims.

1Q 2021 **operating income** increased to **CZK 1,015m** (+25% Y/Y) influenced by the following drivers:

- life: growth in regular paid GWP and stable profit contribution in Y/Y comparison
- non-life: favorable GWP Y/Y growth, improved profitability due to better risk selection and lower claims (positively influenced by COVID-19)

Operating income

CZK m

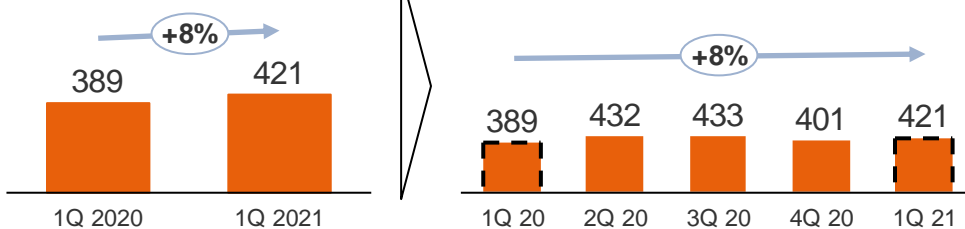


1Q 2021 **operating expenses** increased +8% Y/Y to **CZK 421m** driven by higher FTEs to support insurance growth, and higher depreciation.

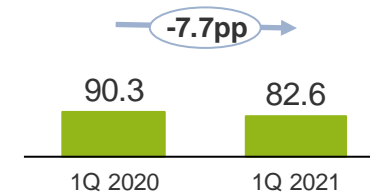
Non-life combined ratio reached **82.6%**, decreased Y/Y thanks to improvement in loss ratio mainly driven by better risk selection and low number of motor claims.

Operating expenses

CZK m



Non-life combined ratio (%)



Business Unit Czech Republic

Business Unit Czech Republic

Higher net profit driven by ČSOB group

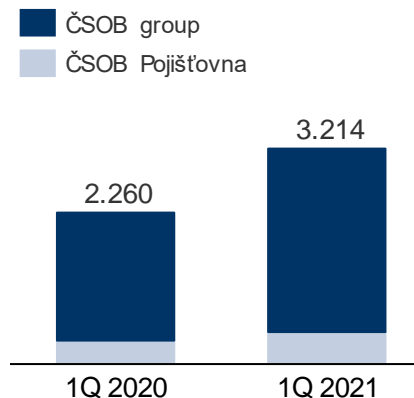


The 1Q 2021 net profit of the Business Unit Czech Republic reached **CZK 3.2bn** (+42% Y/Y).

The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership of ČSOB Pojišťovna.

Net profit of the Business Unit Czech Republic

CZK bn



1

Net profit (CZK bn)	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	1Q/1Q
BU Czech Republic	2.260	2.095	3.066	2.500	3.214	+42%
o/w ČSOB Pojišťovna	0.332	0.443	0.329	0.332	0.460	+39%

Note: Differences between the ČSOB group results within the Business Unit Czech Republic (BU CZ) and the stand-alone ČSOB group consolidated results are stemming from elimination of intragroup transactions with ČSOB Pojišťovna, management overlay as an additional impairment recognized by KBC Group in 1Q 2020 and other.

Appendix

Ratios and other indicators

Ratio / Indicator	31.12.2018	31.12.2019	31.12.2020	31.3.2020	31.3.2021
Net interest margin (Ytd., annualized, %)	3.07	3.02	2.31	2.97	1.98
Cost / income ratio (%)	47.9	44.9	54.6	67.4	66.6
Cost / income ratio w/o bank. taxes (%)	45.8	42.7	51.5	54.5	51.1
RoE (Ytd., %)	17.5	20.7	8.2	8.6	10.3
RoA (Ytd., %)	1.07	1.20	0.49	0.50	0.62
RoAC, BU Czech Republic (Ytd., %) ¹	39.1	46.7	21.7	20.1	28.3
Credit cost ratio (Ytd., annualized, %) ²	0.03	0.04	0.67	0.02	-0.16
NPL ratio (%) ²	2.73 (2.43)	2.24 n/a	2.26 n/a	2.15 n/a	2.16 n/a
NPL coverage ratio (%) ²	45.7 (46.9)	47.3 n/a	48.7 n/a	47.2 n/a	49.3 n/a
(Common Equity) Tier 1 ratio (%)	18.0	19.2	23.7	19.9	24.3
Total capital ratio (%)	18.0	19.2	24.2	19.9	24.8
Leverage ratio (Basel III, %)	4.26	4.04	5.02	4.34	4.69
Net stable funding ratio ³ (Basel III, %)	161.4	161.5	170.6	161.3	164.0
Liquidity coverage ratio (Basel III, %)	136.5	130.9	137.5	128.1	148.7
Loan to deposit ratio (%)	76.3	79.4	71.6	77.6	75.7

¹ Fully-loaded

² The loan quality ratios have been restated to reflect inclusion of 100% of ČSOBS loans in Credit risk: loan portfolio. The originally reported ratios are in brackets.

³ As of 1Q 2021 change in methodology, previous periods were not restated

Profit and loss statement

(CZK m)	1Q 2020	4Q 2020	1Q 2021	Y/Y	Q/Q
Net interest income	8,819	5,365	5,467	-38%	+2%
<i>Interest income</i>	12,737	7,799	7,862	-38%	+1%
<i>Interest expense</i>	-3,918	-2,434	-2,395	-39%	-2%
Net fee and commission income	1,942	1,814	1,871	-4%	+3%
Net gains from financial instruments at FVPL ¹	-3,051	698	743	-/+	+6%
Other operating income ²	404	275	375	-7%	+36%
Operating income	8,114	8,152	8,456	+4%	+4%
Staff expenses	-2,337	-2,546	-2,215	-5%	-13%
General administrative expenses	-2,555	-1,980	-2,862	+12%	+45%
<i>General administrative expenses (excl. banking taxes)</i>	-1,514	-1,971	-1,554	+3%	-21%
<i>Banking taxes</i>	-1,041	-9	-1,308	+26%	>+100%
Depreciation and amortisation	-573	-411	-553	-3%	+35%
Operating expenses	-5,465	-4,937	-5,630	+3%	+14%
Impairment losses	-75	-630	329	-/+	>-100%
<i>Impairment on financial assets at amortised cost</i>	-51	-464	331	-/+	>-100%
<i>Impairment on financial assets at fair value through OCI</i>	0	0	0	n/a	n/a
<i>Impairment on other assets</i>	-24	-166	-2	-92%	-99%
Share of profit of associates	-8	-16	-12	+50%	-25%
Profit before tax	2,566	2,569	3,143	+22%	+22%
Income tax expense	-418	-400	-404	-3%	+1%
Profit for the period	2,148	2,169	2,739	+28%	+26%
Attributable to:	0	0	0		
Owners of the parent	2 148	2 169	2 739	28%	26%
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.

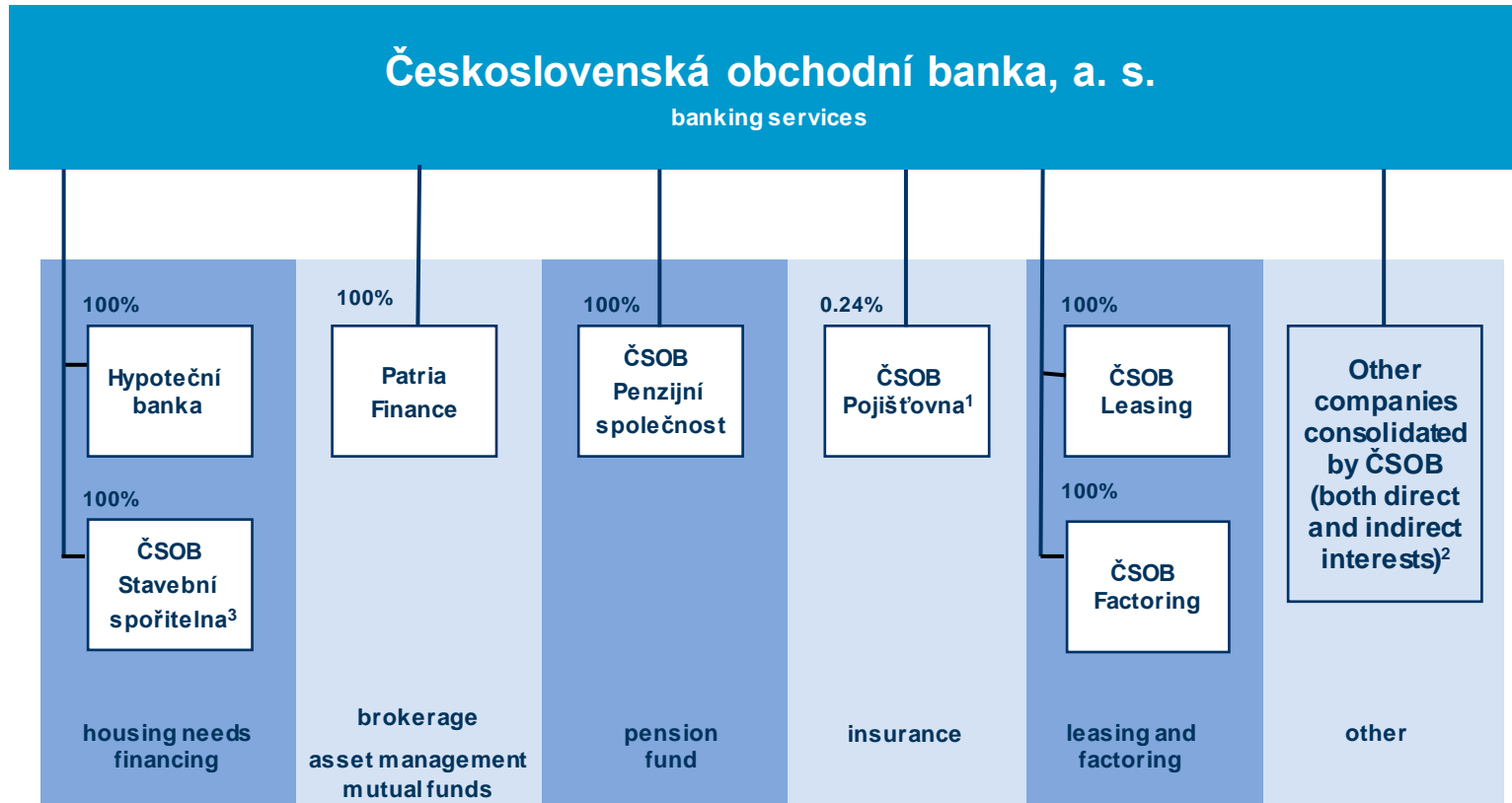
Balance sheet - assets

(CZK m)	31/3 2020	31/12 2020	31/3 2021	Ytd.
Cash and balances with central banks and other demand deposits	21 495	29 595	22 553	-24%
Financial assets held for trading	63 572	36 131	45 695	+26%
Financial assets held for trading pledged as collateral	0	0	0	n/a
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	1 792	602	-66%
Financial assets at fair value through other comprehensive income (OCI)	7 192	16 016	15 588	-3%
Financial assets at fair value through OCI pledged as collateral	8 758	6 328	6 188	-2%
Financial assets at amortised cost - net	1 597 435	1 579 942	1 649 153	+4%
<i>Financial assets at amortised cost to credit institutions - gross</i>	733 855	645 750	628 540	-3%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	874 574	949 972	1 036 039	+9%
<i>Financial assets at amortised cost - provisions</i>	-10 994	-15 780	-15 426	-2%
Financial assets at amortised cost pledged as collateral	43 072	40 588	39 007	-4%
Fair value adjustments of the hedged items in portfolio hedge	8 862	5 413	927	-83%
Derivatives used for hedging	11 372	9 969	10 514	+5%
Current tax assets	163	239	543	>+100%
Deferred tax assets	852	1 612	1 841	+14%
Investments in associates and joint ventures	119	139	144	+4%
Property and equipment	13 462	14 690	14 676	0%
Goodwill and other intangible assets	10 855	10 767	10 871	+1%
Non-current assets held-for-sale	471	15	22	+47%
Other assets	4 653	2 862	4 728	+65%
Total assets	1 792 333	1 756 440	1 823 052	+4%

Balance sheet – liabilities and equity

(CZK m)	31/3 2020	31/12 2020	31/3 2021	Ytd.
Financial liabilities held for trading	84 238	39 692	54 882	+38%
Financial liabilities at fair value through P/L	39 410	25 575	25 400	-1%
Financial liabilities at amortised cost	1 535 221	1 557 853	1 611 764	+3%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	145 116	57 422	94 215	+64%
<i>of which Deposits received from other than credit institut.</i>	1 022 601	1 072 770	1 141 563	+6%
<i>of which Debt securities in issue</i>	364 757	425 293	373 579	-12%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
<i>of which Lease liabilities</i>	2 747	2 368	2 407	+2%
Fair value adjustments of the hedged items in portfolio hedge	6 965	2 759	-2 048	+/-
Derivatives used for hedging	16 328	14 885	13 141	-12%
Current tax liabilities	122	53	71	+34%
Deferred tax liabilities	990	962	821	-15%
Provisions	581	837	740	-12%
Other liabilities	7 747	6 832	9 089	+33%
Total liabilities	1 691 602	1 649 448	1 713 860	+4%
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	54 548	61 126	63 865	+4%
Financial assets at fair value through OCI - revaluation reserve	199	369	176	-52%
Cash flow hedge reserve	513	26	-320	+/-
Parent shareholders' equity	100 731	106 992	109 192	+2%
Minority interest	0	0	0	n/a
Total equity	100 731	106 992	109 192	+2%
Total liabilities and equity	1 792 333	1 756 440	1 823 052	+4%

The ČSOB group in the Czech Republic



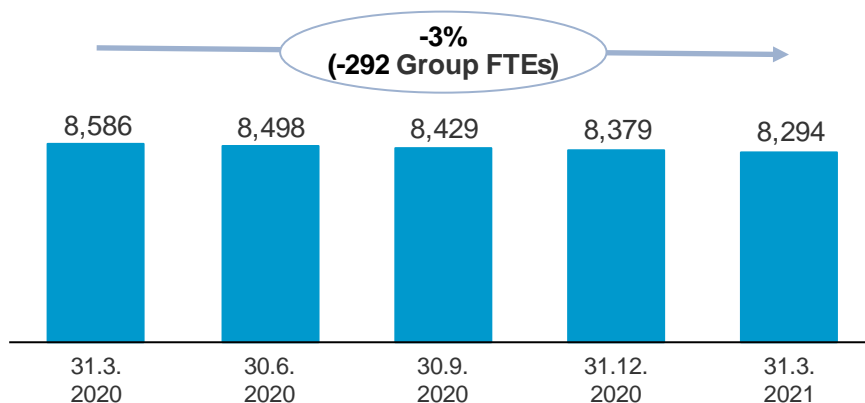
Percentages show ČSOB's ownership interests on company's equity as at 31 March 2021.

¹ 99.76% of shares owned by KBC Insurance; by the equity method consolidation.

² A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

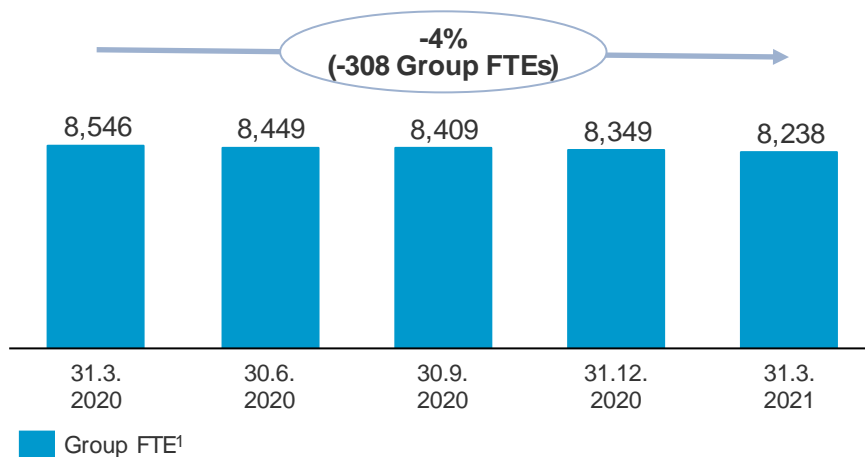
³ With effect from 12 March 2021 Českomoravská Stavební spořitelna, a.s. (ČMSS) changed its name to ČSOB Stavební spořitelna, a.s. (ČSOBS).

Number of FTEs – average



The average number of Group FTEs decreased -292 Y/Y driven by digitalization and robotization, reflected in less FTEs in operations, Retail and SME distribution networks.

Number of FTEs – end of the period



The number of Group FTEs at the end of the period decreased -308 Y/Y.

Explanatory notes to financial statements

1. Explanatory note on recognition of market value adjustments

Market value adjustments are recognized on all positions that are measured at fair value. They relate to close-out costs, adjustments for less-liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk and funding costs.

Credit value adjustments (CVAs) are used when measuring derivatives to ensure that their market value is adjusted to reflect the credit risk of the counterparty. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to CSOB. A funding value adjustment (FVA) is a correction made to the fair value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring their value.

2. Management overlay in accordance with IFRS 9

The loan loss provisions in FY 2020 include additional impairment as a management overlay to address the economic impacts from the COVID-19 pandemic via an expert based calculation in accordance with IFRS 9. The management overlay was fully assigned to stage 2. Management overlay was excluded from annualization of CCR in 1H and 9M 2020 in order to avoid an overestimation of CCR.

Market shares definitions and sources

Item	Definition	Source
Building savings deposits	Deposits of buildings savings clients, ČSOBS 100%.	ČNB, Data Series System (ARAD); ČSOBS
Building savings loans	Outstanding volumes of building savings loans, ČSOBS 100%.	ČNB, Data Series System (ARAD); ČSOBS
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 building savings deposits (ČSOBS), 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 + building savings loans (ČSOBS) + SME/corporate loans (gross).	ČNB, Data Series System (ARAD); ČSOB; ČSOBS

Glossary - ratios

(Common Equity) 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 (management overlay was excluded from annualization of CCR in 1H and 9M 2020 in order to avoid an overestimation of CCR).
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 local funds managed in the Czech Republic.
Banking taxes	Including contribution to the Resolution Fund, Deposit insurance premium and Securities Traders Guarantee Fund.
Building savings deposits	All ČSOBS financial liabilities at amortized cost minus deposits received from other than credit institutions.
Building savings loans	All customer lending granted by ČSOBS 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. ČSOBS/building savings deposits).
Loan portfolio	Loans and receivables to other than credit institutions (incl. ČSOBS/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.
Other investment products	Including bonds, mortgage covered bonds and investment certificates issued by ČSOB or Hypoteční banka held by clients of Retail and Private banking which are reported either as Financial liabilities at fair value through P/L or as Financial liabilities at amortised cost - Debt securities in issue.
SME loans	Loan portfolio granted by ČSOB's SME network in book values. Gross.
Own GHG emissions	The total amount of CO ₂ production (in tons) covering all legal entities in ČSOB Group. Direct emissions arising from activities that fall under our control. Indirect emissions are associated with the consumption of purchased energy which do not arise directly from our business but are the result of the company's activities.
Paper consumption	The total amount of paper purchased (in tons), consumption covers all legal entities in ČSOB Group. All types of paper considered: A4 for copy, envelopes, paper with logo, forms, writing pads, continuous paper, paper on a roll, paper used for prints by external firms.
Electricity consumption	The total amount of electricity consumed (in GJ) within our own facilities produced inhouse or by external supplier.
Waste production	The total amount of waste production (in tons) covering all legal entities in ČSOB Group.
Green finance	Loan portfolio of specific products for eco-friendly financing (green mortgage, green car loan, corporate green lending for renewables).
Social finance	Loan portfolio in Healthcare and Education sectors, sorted by NACE codes of the borrower.
Socially responsible investments	Socially responsible investment funds (SRI F) are collective investment instruments that choose the assets that make up the portfolio based on environmental, social and governance (ESG) criteria.

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