



1H/2Q 2016 Results

ČSOB Group

Business Unit Czech Republic

EU IFRS Unaudited Consolidated
11 August 2016

Contents

ČSOB Group

Key Figures

Financial Overview

Business Overview

ČSOB Pojišťovna

Business Unit Czech Republic

Appendix



ČSOB Group: Key Figures

ČSOB group key indicators		2013	2014	2015	1H 2015	1H 2016
Profitability	Net profit (CZK bn)	13.7	13.6	14.0	7.1	8.3
	Return on equity	18.2%	16.4%	16.4%	16.9%	18.9%
Liquidity	Loan / deposit ratio	75.9%	76.4%	79.9%	77.3%	77.5%
	Net stable funding ratio	135.7%	135.9%	134.9%	134.0%	145.9%
Capital	Tier 1 ratio	15.6% ¹	17.2% ²	19.1% ²	17.9% ²	16.9% ²
Impairments	Credit cost ratio	0.25%	0.18%	0.18%	0.18%	0.09%
Cost efficiency	Cost / income ratio	47.5%	47.6%	48.2%	48.8%	44.7%

¹ According to Basel II

² According to Basel III

Business volumes

The **loan portfolio** (incl. ČMSS) increased to **CZK 608bn** (+8% Y/Y), mainly thanks to mortgages, corporate loans and leasing. **Group deposits** (incl. ČMSS) grew to **CZK 745bn** (+8% Y/Y). Total **assets under management** increased to **CZK 184bn** (+1% Y/Y).

Operating income

Operating income increased to **CZK 17.9bn** in 1H 2016 (+9% Y/Y) and **CZK 9.8bn** in 2Q 2016 (+24% Y/Y) thanks to one-off gain from VISA Europe sale, strong growth in business volumes, performance of financial markets and positive value adjustments.

Operating expenses

Operating expenses reached **CZK 8.0bn** in 1H 2016 (flat Y/Y) and **CZK 3.6bn** in 2Q 2016 (-5% Y/Y). Adjusted for ICT insourcing and banking taxes, 1H/2Q 2016 operating expenses would increase by 1% Y/Y and 2% Y/Y respectively due to higher marketing and ICT investments linked to digital services, partly offset by lower staff expenses.

Impairments

Credit cost ratio decreased to **9 bps** (Ytd. annualized, -9bps Y/Y) thanks to excellent loan quality and despite one-off IBNR parameter changes.

Net profit

As a result of above mentioned factors, the ČSOB **net profit** came in at **CZK 8.3bn** in 1H 2016 (+18% Y/Y) and **CZK 5.0bn** in 2Q 2016 (+52% Y/Y).

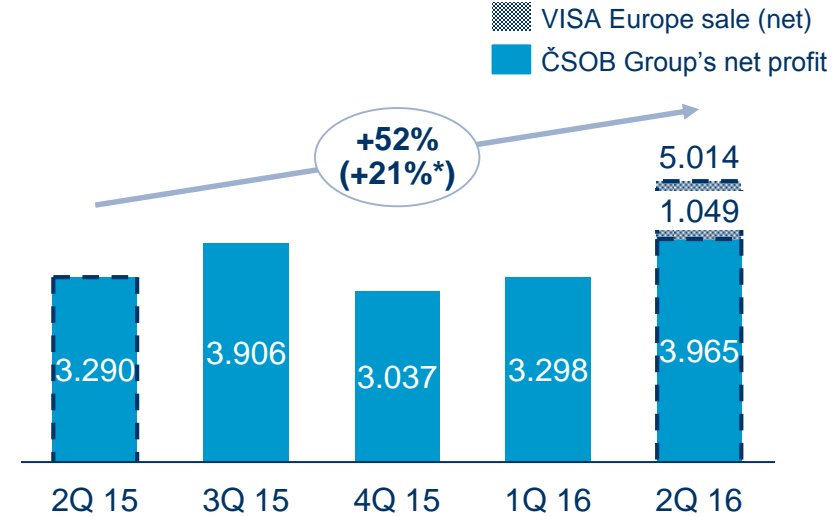
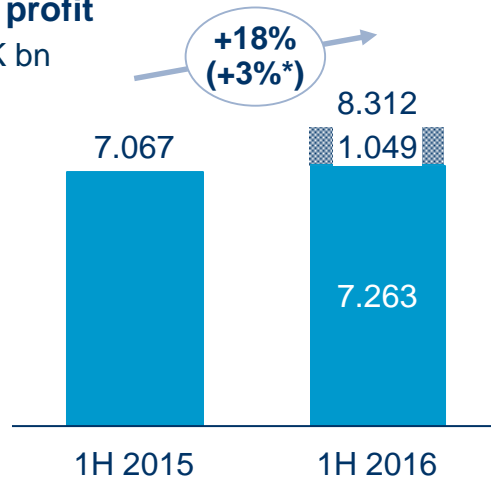
Liquidity & Capital

Loan / deposit ratio increased to **77.5%**. **Tier 1 ratio** (Basel III) decreased to **16.9%**. **Net stable funding ratio** (NSFR) increased Y/Y to **145.9%** due to parameter changes related to implemented European legislation.

Awards & Innovations

The US-based magazine **Global Finance** awarded ČSOB as the **Best Bank of 2016 in the Czech Republic**. ČSOB launched **ČSOB Premium** offering individual care and advantageous products and services to affluent clients and new mobile application **ČSOB NaNákupy** (Mobile Wallet) allowing payments by mobile phone supporting both VISA and MasterCard.

Net profit
CZK bn



Net profit increased to **CZK 8.3bn** in 1H 2016 (+18% Y/Y) and **CZK 5.0bn** (+52% Y/Y) in 2Q 2016 supported by one-off gain from VISA Europe sale. Adjusted for the latter 1H/2Q 2016 net profit would increase by 3% Y/Y and 21% Y/Y respectively. Strong growth in business volumes and excellent loan quality more than offset declining NIM and lower fees from asset management and domestic payments.

The return on equity (ROE) reached **18.9%** in 1H 2016, up from 16.9% fully driven by higher net profit. Adjusted for VISA Europe sale ROE would reach 16.5%.

Notes:

2Q 2015 one-off item (total of CZK -0.3bn): IBNR parameter changes (CZK -0.3bn).

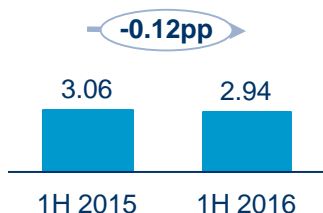
3Q 2015 one-off item (total of CZK -0.1bn): IBNR parameter changes (CZK -0.1bn).

4Q 2015 one-off items (total of CZK -0.2bn): restructuring reserve (CZK -0.1bn), IBNR parameter changes (CZK -0.1bn).

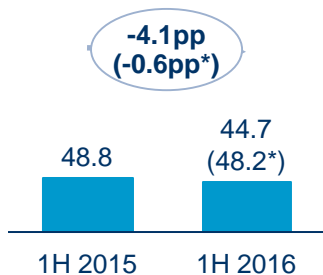
2Q 2016 one-off items (total of CZK +1.1bn): gain from VISA Europe sale (CZK +1.3bn), IBNR parameter changes (CZK -0.2bn)

Profitability

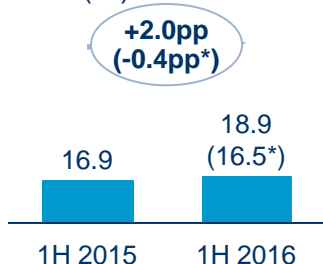
Net interest margin (%)



Cost / income ratio (%)

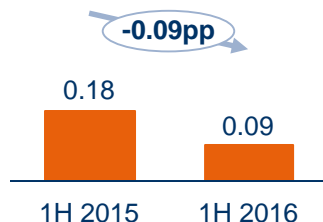


ROE (%)

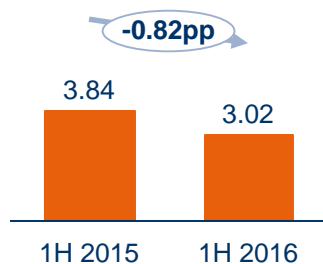


Loan portfolio quality

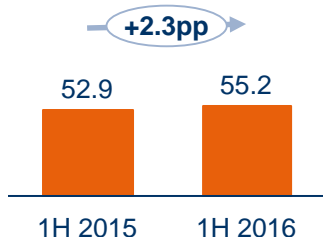
CCR, Ytd. annualized (%)



NPL ratio (%)

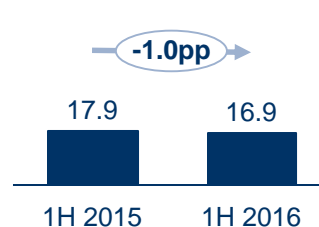


NPL coverage ratio (%)

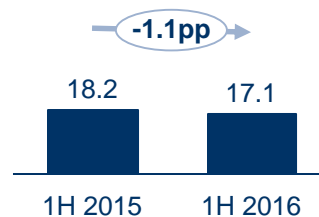


Capital

(Core) Tier 1 ratio (%)

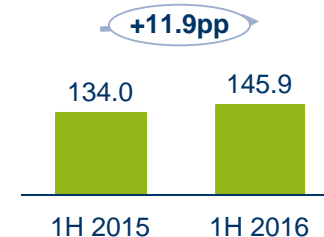


Total capital ratio (%)

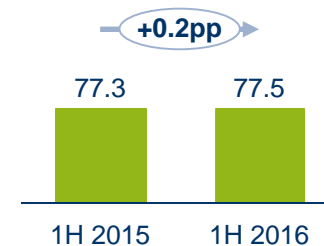


Liquidity

Net stable funding ratio (%)

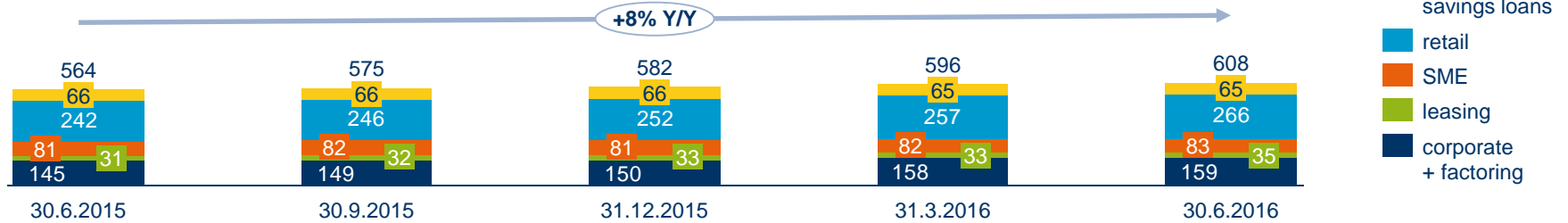


Loan / deposit ratio (%)



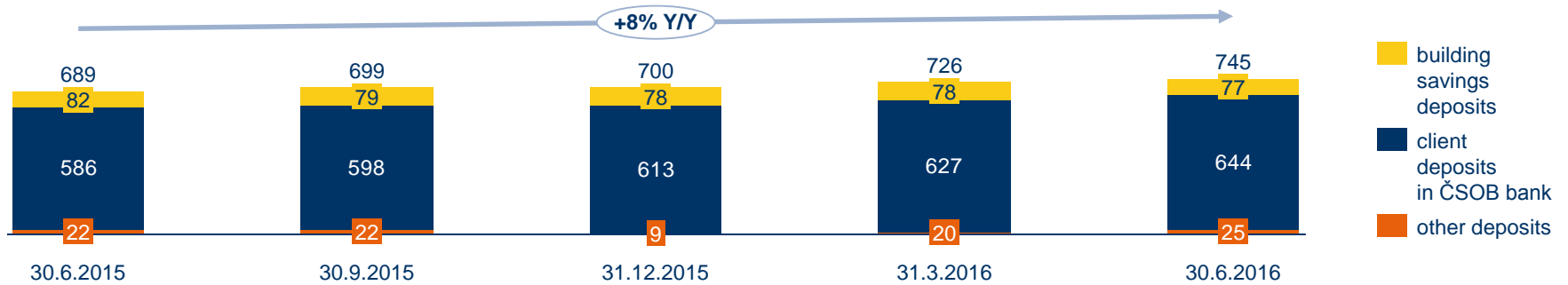
Loan portfolio¹

CZK bn



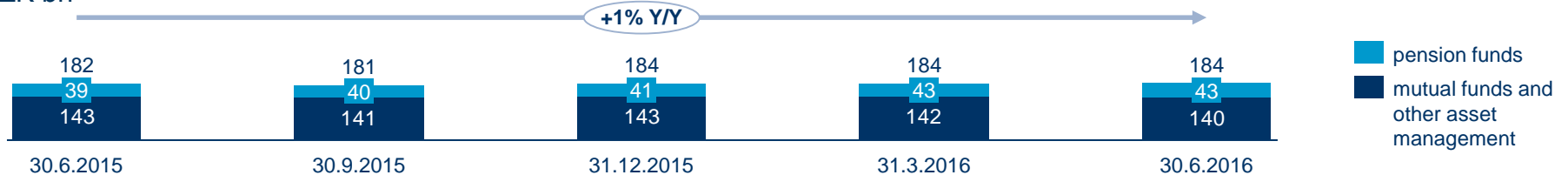
Group deposits²

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 CNB plus credit replacing bonds.

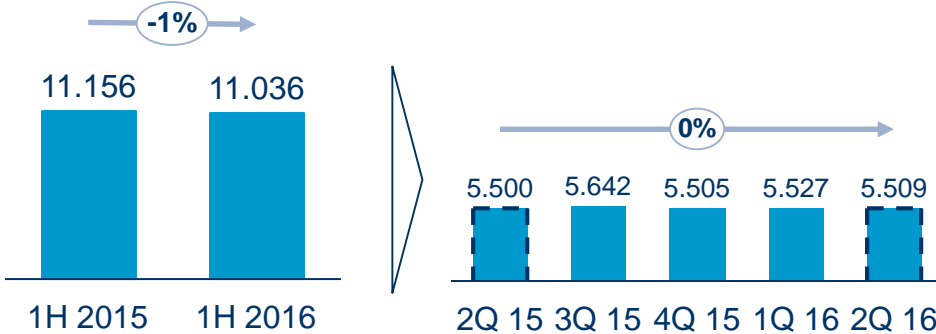
² Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits).



ČSOB Group: Financial Overview

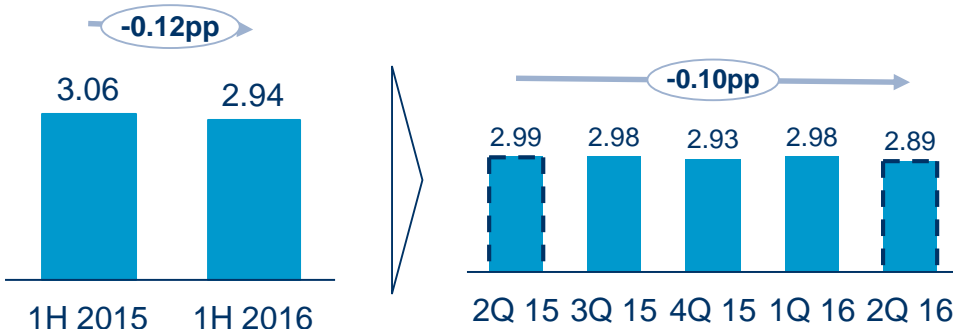
Net interest income (NII)

CZK bn



Net interest margin (NIM)

%



	2013	2014	2015	1H 16
Net interest margin (Ytd., %)*	3.20 (3.00)	3.17	3.01	2.94

1H/2Q 2016 **net interest income** declined by **1% Y/Y** and remained **flat Y/Y** respectively. Ongoing growth in business volumes was more than offset by declining margin.

1H 2016 declined as a result of:

- (-) other NII (mainly capital reinvestment)
- (=) NII from deposits
- (+) NII from loans in all segments

Flat Y/Y development in 2Q 2016 was driven by NII from loans offset by lower NII from deposits as well as other NII.

In 1H 2016, **net interest margin** reached **2.94%** (-0.12pp Y/Y).

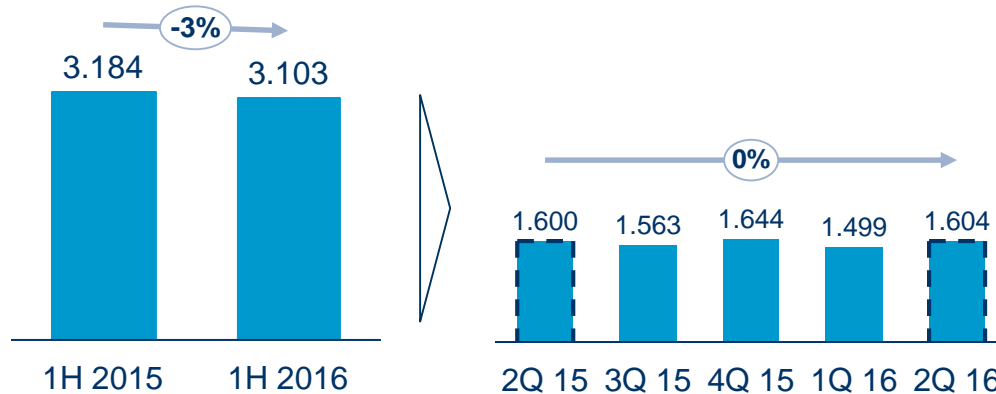
Declining trend in NIM development in the last quarters is a result of:

- (-) continuing lower reinvestment yields
- (-) pressure on lending margins (especially on mortgages and consumer finance)
- (+) active management of funding costs

* As of 1Q 2014, calculation of NIM has been changed in line with adjusted KBC methodology. As a result depo facility with Czech National Bank, cash collateral and statutory minimal reserves with Czech National Bank have been excluded from calculation. As ČMSS consolidation method changed as of 1Q 2014, it is no more included in NIM calculation either. In order to provide fully comparable figures, 2013 NIM has been restated. Figure in brackets is before restatement.

Net fee and commission income (NFCI)

CZK bn



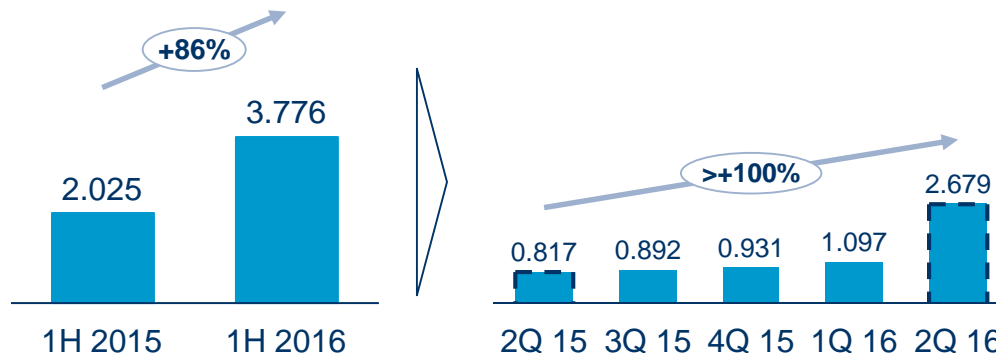
1H/2Q 2016 **net fee and commission income** declined by **3% Y/Y** and remained **flat Y/Y** respectively.

1H 2016 decrease was fully driven by lower asset management and decline of domestic payments, which was partially mitigated by higher loan fees.

Flat Y/Y development in 2Q 2016 as a result of higher loan and payments card fees fully compensated by lower fees from asset management and domestic payments.

Other*

CZK bn



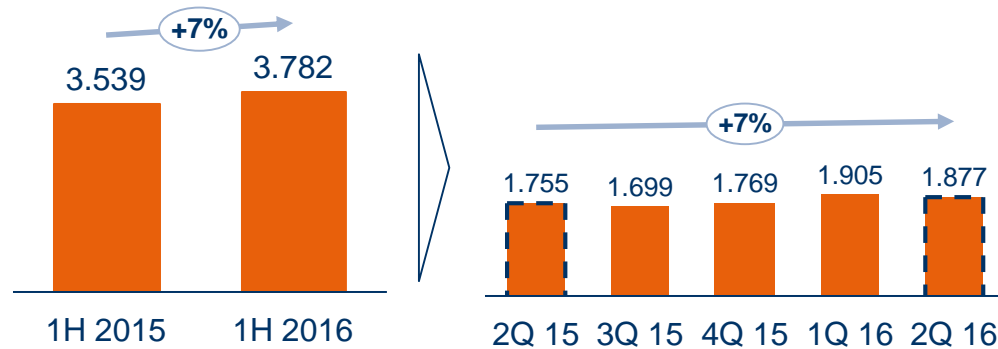
The **86% Y/Y** increase of item “**Other**” in 1H 2016 was mainly thanks to gain from VISA Europe sale (CZK 1,295m gross) and additional revenues linked to ICT insourcing. Adjusted for these impacts, “Other” would increase by 9% Y/Y as a result of:

- (+) strong performance of financial markets
- (+) positive value adjustments

* Other = Net gains from financial instruments at FVPL + net realized gains on available-for-sale financial assets + dividend income + other net income.

Staff expenses

CZK bn

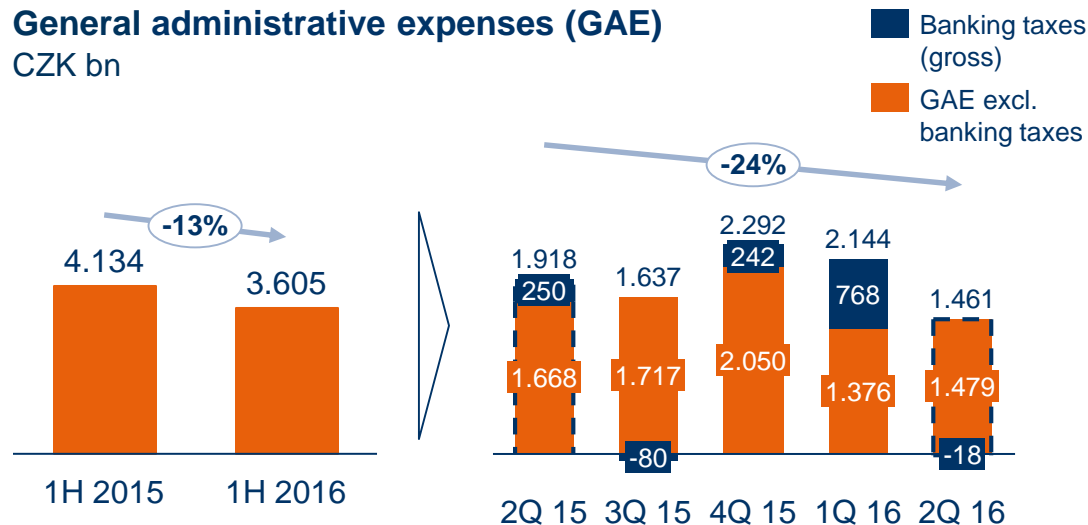


Both 1H/2Q 2016 **staff expenses** increased by 7% Y/Y. Adjusted for ICT insourcing (transfer of ca 750 FTEs), staff expenses would **on comparable basis decline by 3% Y/Y** in both periods under review as a result of:

- (-) lower severance payments
- (-) higher share of IT projects with capitalized staff expenses
- (+) wage adjustments

General administrative expenses (GAE)

CZK bn

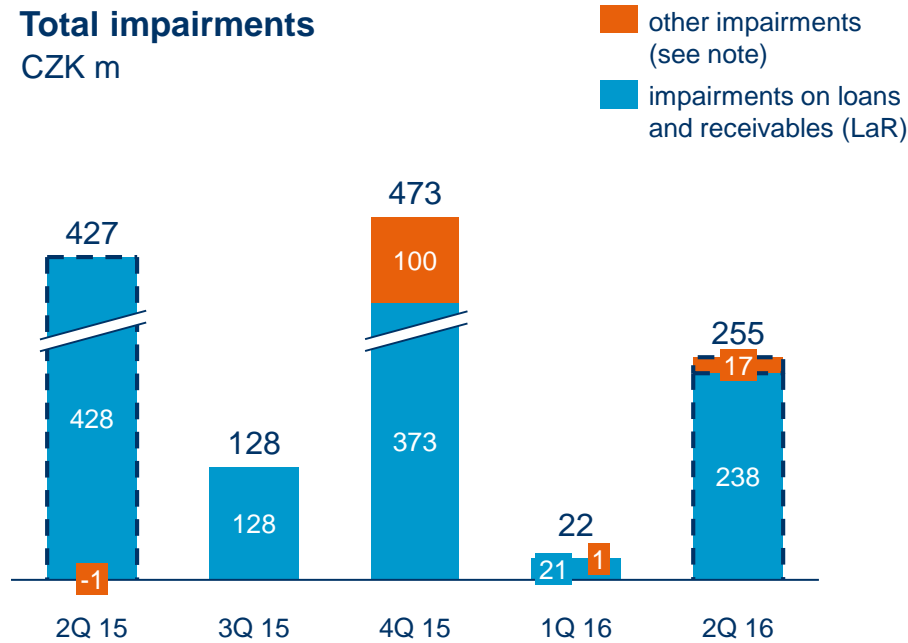


1H/2Q 2016 **general administrative expenses** decreased by 13% Y/Y and 24% Y/Y respectively. Adjusted for ICT insourcing and banking taxes (contribution to the Resolution Fund and Deposit Guarantee Scheme), 1H/2Q 2016 GAE would **on comparable basis increase by 7% Y/Y and 11% Y/Y** respectively, both driven by higher marketing and ICT investments linked to digital services.

Cost/income ratio decreased to **44.7%** (-4.1pp Y/Y) mainly thanks to gain from VISA Europe sale in 2Q 2016, while total operating expenses remained flat Y/Y. Adjusted for VISA Europe sale cost/income ratio would reach 48.2%.

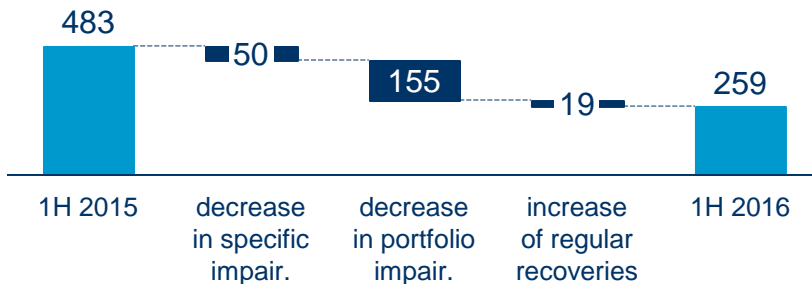
Total impairments

CZK m



Impairments on loans and receivables

CZK m

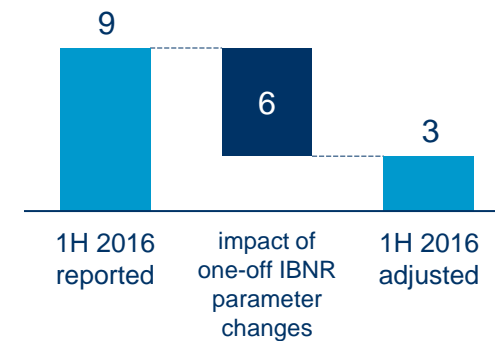


In 1H 2016, **impairments on loans and receivables** decreased Y/Y to **CZK 259m** implying **credit cost ratio of 9 bps** (Ytd., annualized, -9 bps Y/Y). Net creation in SME/corporate segment was more than offset by net releases in retail segment.

The impairments increased Q/Q due to higher net creation in retail segment as well as one-off IBNR parameter changes.

Adjusted for impact of one-off IBNR parameter changes, **impairments would decline by 2/3 and the credit cost ratio would reach 3 bps** (Ytd., annualized).

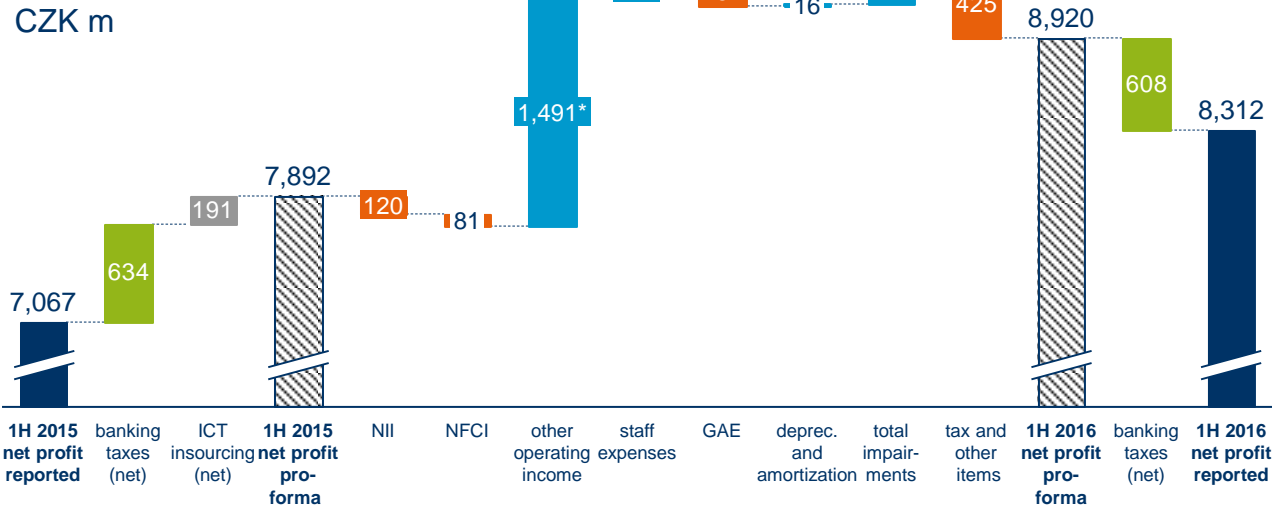
CCR adjusted, Ytd. annualized bps



Note: Other impairments include impairments on tangible and intangible assets.

Wrap up of net profit drivers (on comparable basis – adjusted for ICT insourcing and banking taxes)

Ytd. net profit (Y/Y)



The main difference between 1H 2016 and 1H 2015 net profit was caused by the following drivers:

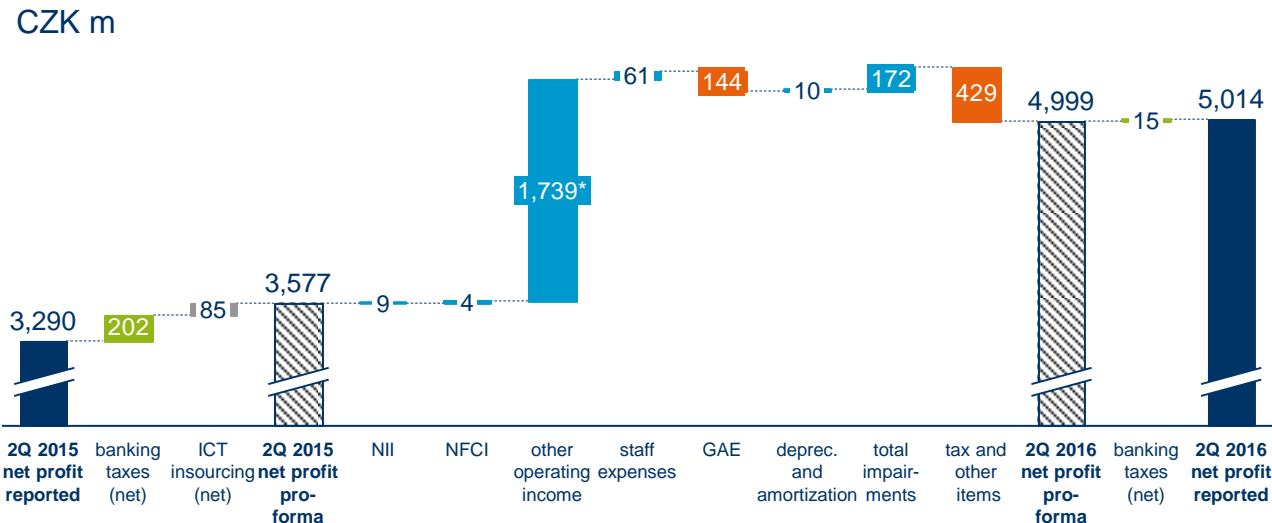
On the **positive side**:

- higher other operating income thanks to VISA Europe sale, strong performance of financial markets and positive value adjustments
- lower staff expenses thanks to lower severance payments and higher share of IT projects with capitalized staff expenses
- lower total impairments thanks to net releases in retail segment

On the **negative side**:

- lower NII due to other NII (mainly capital reinvestment)
- higher GAE driven by higher marketing and ICT investments linked to digital services

Quarterly net profit (Y/Y)



The main difference between 2Q 2016 and 2Q 2015 net profit was caused by the following drivers:

On the **positive side**:

- higher other operating income mainly thanks to VISA Europe sale, strong performance of financial markets and positive value adjustments
- lower total impairments thanks to net releases in retail segment

On the **negative side**:

- higher GAE driven by higher marketing and ICT investments linked to digital services

* Including gain from VISA Europe sale (CZK 1,295m gross).

Consolidated, CZK m

30.6.2015

31.12.2015

30.6.2016

Total regulatory capital	64,497	68,138	64,981
- Tier 1 Capital	63,396	67,036	64,153
- Tier 2 Capital	1,101	1,102	828
- Regulatory adjustments of CET1 capital	-	-	-
Total capital requirement	28,358	28,137	30,349
- Credit risk	22,620	22,394	24,374
- Market risk	1,215	1,220	1,483
- Operational risk	4,523	4,523	4,492
Total RWA	354,474	351,718	379,366
(Core) Tier 1 ratio	17.9%	19.1%	16.9%
Total capital ratio	18.2%	19.4%	17.1%

Tier 1 capital decreased Ytd. as a result of:
(-) decrease of retained earnings
(-) decrease in AFS reserve

Total RWA increased Y/Y mainly as a result of:
(+) abandoning sovereign carve-out approach, i.e. zero weight on sovereign exposure
(+) higher credit risk requirements (driven by higher volumes)
(+) higher market risk requirements

Notes:

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

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

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

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

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



ČSOB Group: Business Overview

1st

Total Loans¹	20.1%	↑
Building savings loans ¹	46.3%	↓
Building savings deposits ¹	39.1%	↑
Mortgages ¹	28.4%	↓
Leasing ²	15.7%	↓

2nd

Total Deposits¹	19.7%	↑
Mutual funds ¹	25.0%	↓
Factoring ²	25.6%	↑

3rd

Pension funds ³	13.9%	→
SME/corporate loans ¹	16.1%	↑
Consumer lending ^{1,4}	10.2%	↑

4th

Insurance ⁵ - combined	6.8%	↑
Non-life insurance ⁵	6.6%	→
Life insurance ⁵	7.0%	↑

Arrows show Y/Y change. Market shares as of 30 June 2016, except for leasing, mutual funds and pension funds which are as of 31 March 2016. The ranking is ČSOB's estimate. Market position in the insurance reflects combined position of the insurers belonging to the same business group.

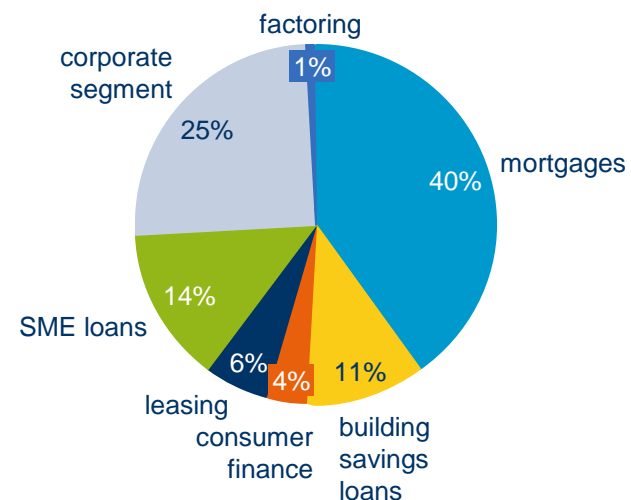
¹ Outstanding at the given date (including ČMSS); ² New business in the year to the given date; ³ Number of clients at the given date; ⁴ Retail loans excluding mortgages and building savings loans. ⁵ New business in the year according to gross written premium.

Sources and detailed definitions are provided in Appendix.

Gross outstanding volumes, CZK bn	30.6.2015	30.6.2016	Y/Y
Loan portfolio (incl. ČMSS/building saving loans)	564.1	607.7	8%
Retail Segment			
Mortgages ¹	221.7	243.4	10%
Consumer finance	19.8	22.3	12%
Building savings loans ²	66.4	64.7	-3%
SME/Corporate Segment			
Corporate loans ³	140.2	154.8	10%
SME loans	81.0	82.5	2%
Leasing	30.5	35.3	16%
Factoring	4.4	4.7	6%
Loan portfolio (excl. ČMSS/building savings loans)	497.7	543.0	9%

**30.6.2016
(incl. ČMSS/building saving loans)**

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



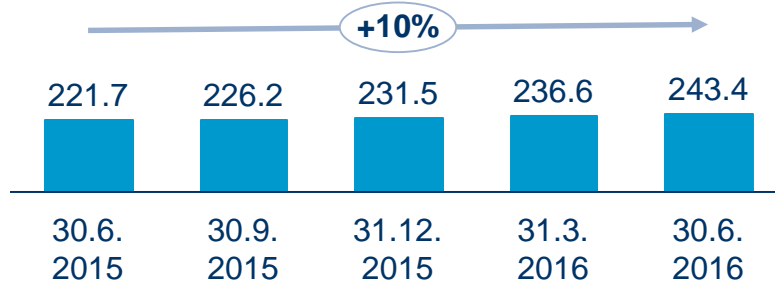
¹ The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.

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.

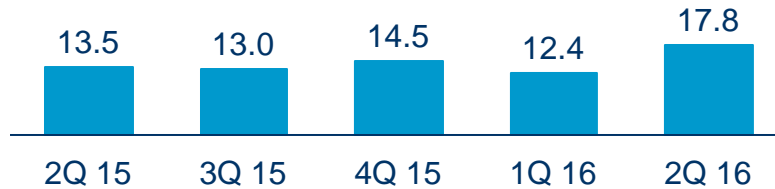
³ Including credit-replacing bonds.

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

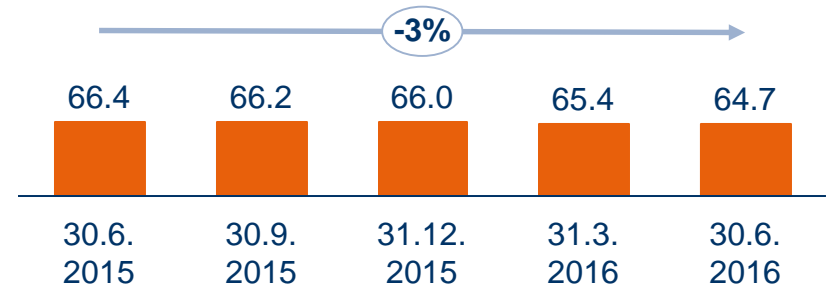


In 1H 2016, **outstanding mortgage volumes** increased by **10% Y/Y** as a result of record low interest rates and ongoing increase of real estate prices.

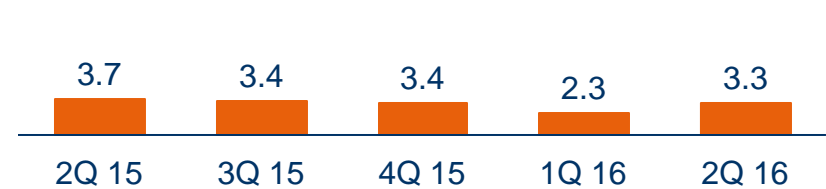
In 1H 2016, ČSOB provided more than **15 thousand new mortgages** (+18% Y/Y) in total amount of **CZK 30bn** (+27% Y/Y), while total market increased by 7% Y/Y in number of new mortgages and increased 16% Y/Y in total amount. 2Q 2016 was the record high quarter in the ČSOB history.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn

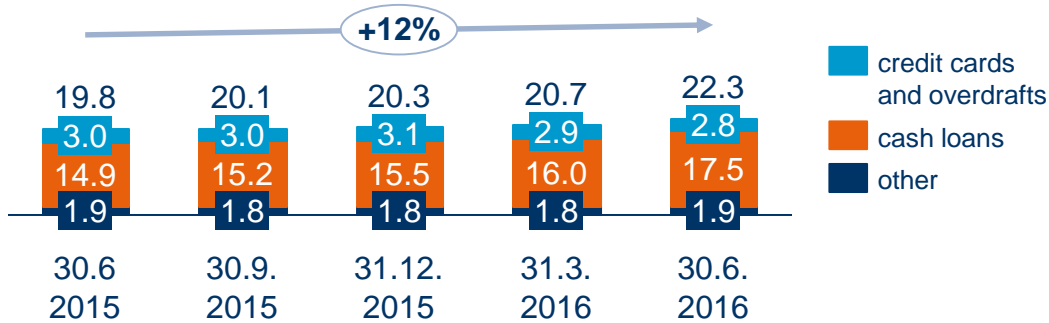


Outstanding **building savings loan portfolio** declined **3% Y/Y** in 1H 2016, while market decreased 1% Y/Y.

In 2Q 2016, **new sales** declined by 11% as clients continue to prefer mortgages in low interest rate environment.

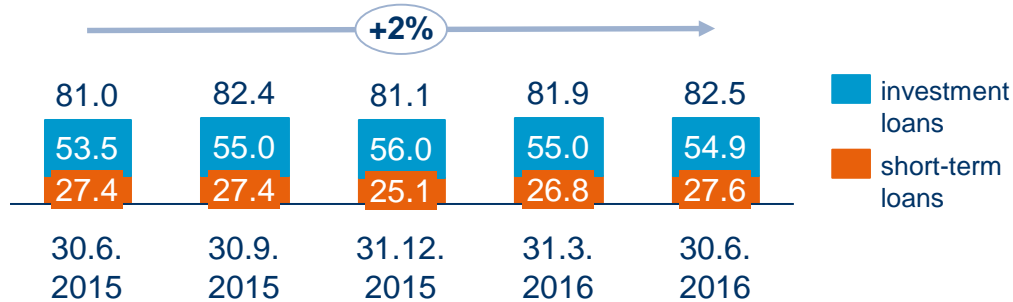
* Mortgages: signed contracts, in line with MMR statistics.
Building savings loans: granted loan limits.

Consumer finance, outstanding, CZK bn



In 1H 2016, **consumer finance** lending grew **12% Y/Y** thanks to successful marketing campaigns targeted on loan refinancing, together with adjusted pricing, distribution focus and revived market.

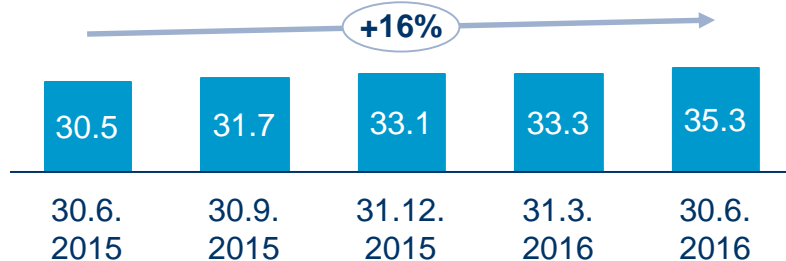
SME loans, outstanding, CZK bn



In 1H 2016, **SME loans** increased by **2% Y/Y** driven by higher investment loans granted to small and mid-sized companies. Q/Q decline of investment loans is linked to extraordinary repayments in municipal sector.

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

Leasing, outstanding*, CZK bn

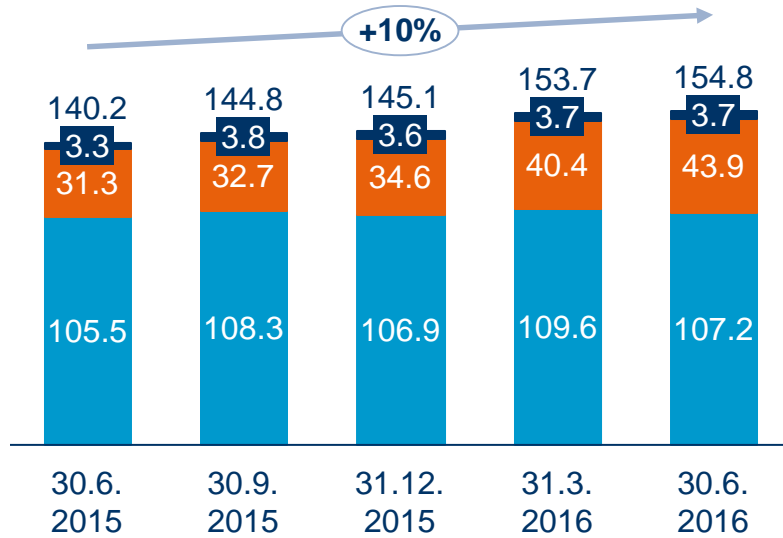


ČSOB Leasing kept its market leading position with strong new sales. **Outstanding volumes** increased by **16% Y/Y** driven by overall increase of new sales in 2Q 2016 mainly in financing of passenger cars, light commercial vehicles and buses.

* Total exposure of ČSOB Leasing, excluding operational leasing.

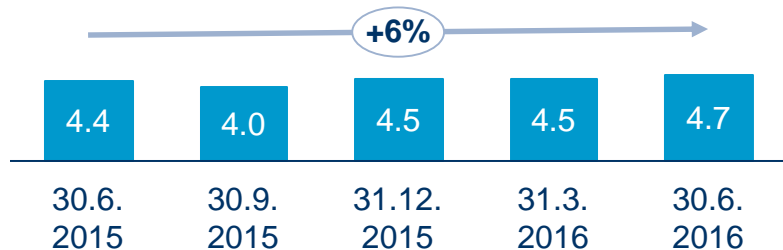
Corporate loans Outstanding, CZK bn

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



Corporate loans increased by **10% Y/Y** driven mainly by specialized finance (+40% Y/Y) with slight improvement also in plain vanilla financing. The major Y/Y loan growth was recorded in sectors: real estate, distribution & services and telecommunications.

Factoring Outstanding, CZK bn



Factoring volumes increased by **6% Y/Y** thanks to growing client base (mainly in corporate segment).

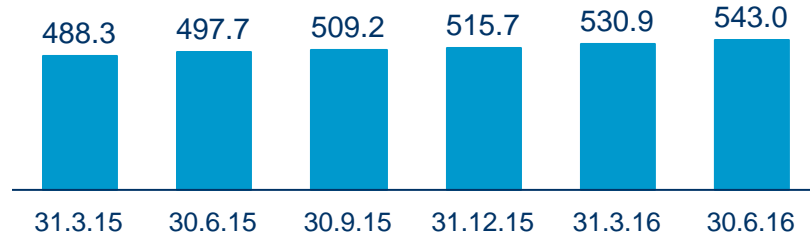
Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

Credit risk under control

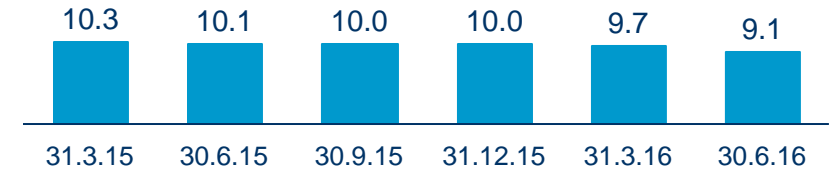
NPL ratio at 3.02% thanks to excellent loan quality

Improvement reported in all segments

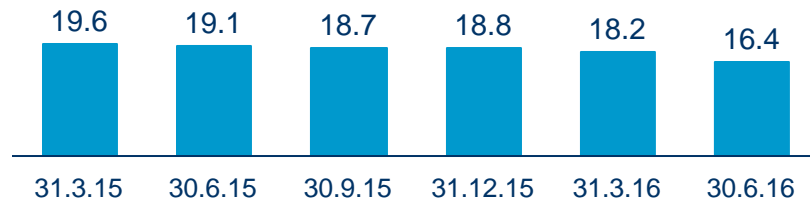
Loan portfolio (excl. ČMSS) (CZK bn)



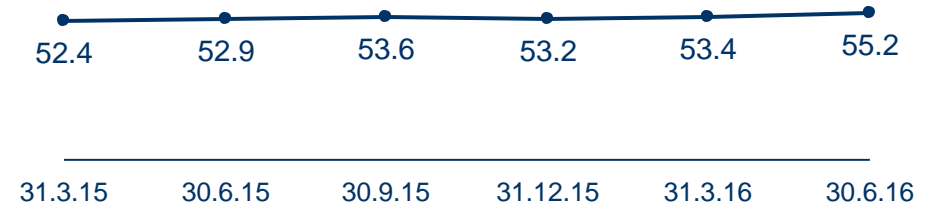
Allowances for loans and leases¹ (CZK bn)



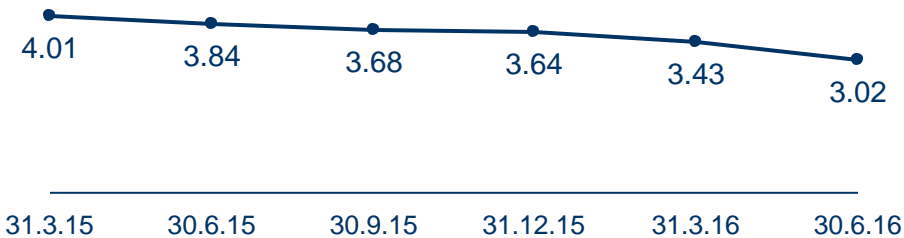
Non-performing loans (CZK bn)



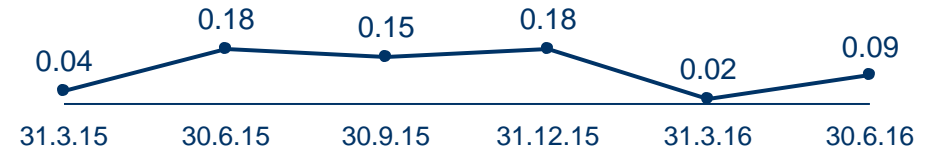
NPL coverage ratio (%)



NPL ratio (%)



Credit cost ratio² (%)



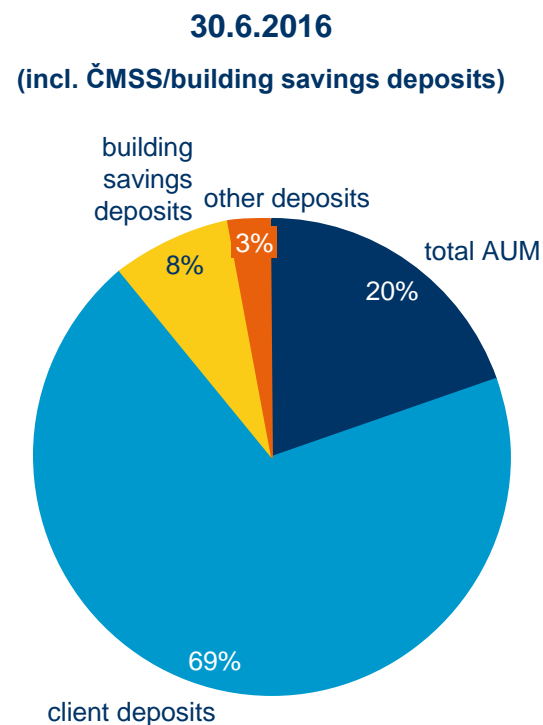
¹ Allowances for on-balance sheet items (PD10, PD11 and PD12 only).

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

Group deposits and Total assets under management

Strong growth of deposits, while total AUM growth slowed down

Outstanding volumes, CZK bn	30.6.2015	30.6.2016	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	689.4	745.1	8%
Client deposits	585.6	643.6	10%
<i>Current accounts</i>	360.3	418.1	16%
<i>Savings deposits</i>	215.0	213.8	-1%
<i>Term deposits</i>	10.3	11.7	14%
Other deposits	22.0	24.8	13%
Building savings deposits ¹	81.7	76.6	-6%
Total AUM	182.2	183.5	1%
Pension funds ²	39.4	43.4	10%
Mutual funds and other AM ³	142.8	140.1	-2%



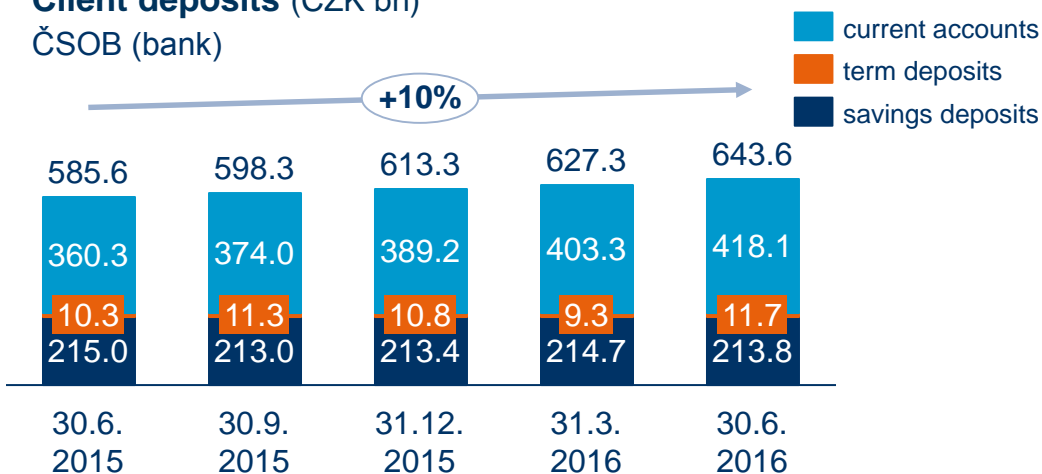
¹ ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

² Liabilities to pension fund policy holders.

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

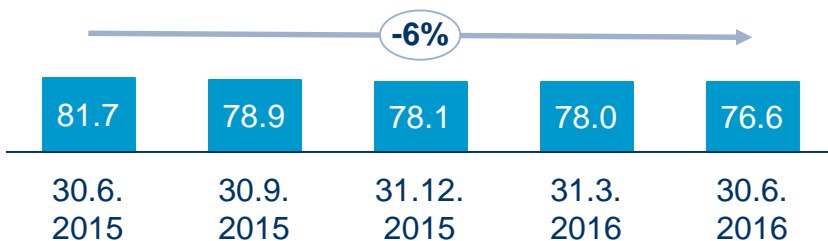
Client deposits (CZK bn)

ČSOB (bank)



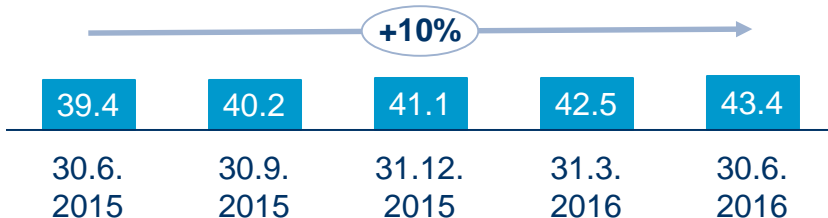
The **10% Y/Y** growth of **client deposits** was mainly driven by **current accounts** (+16% Y/Y). **Saving deposits** decreased by 1% Y/Y, while **term deposits** increased by 14% Y/Y.

Building savings deposits (CZK bn)



The volume of **building savings deposits** continued declining (-6% Y/Y). This was affected also by pricing adjustment.

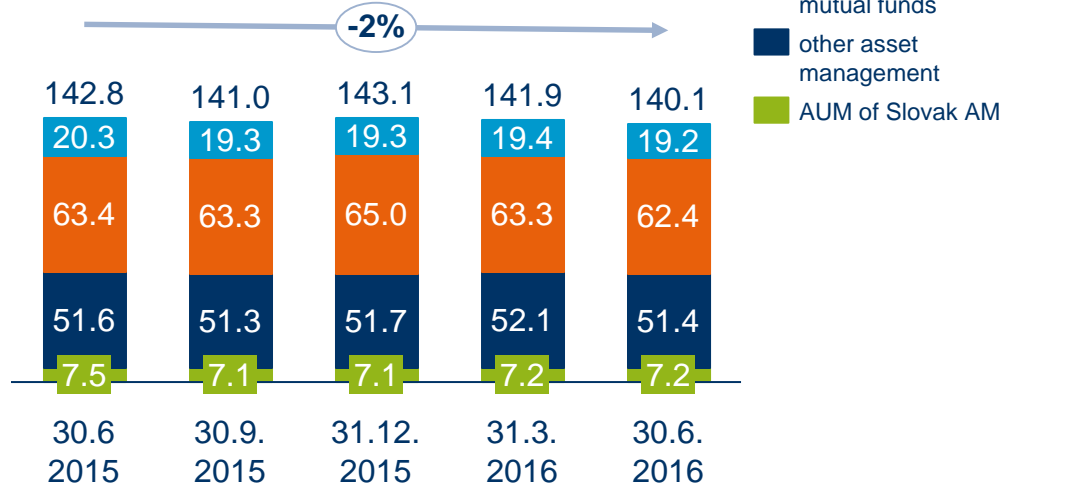
Pension funds (CZK bn)



The volume of **pension funds** increased by 10% Y/Y driven also by improving retention.

Mutual funds and other AM

Outstanding volumes, CZK bn

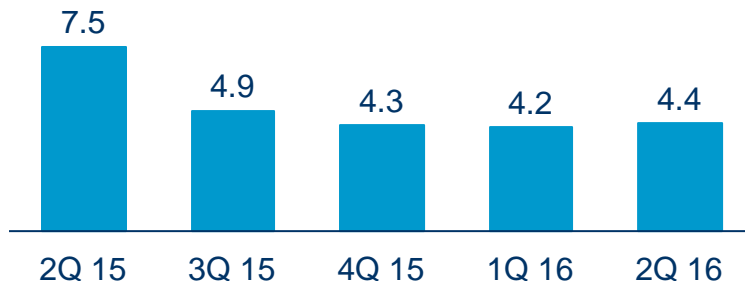


Mutual funds and other AM decreased by **2% Y/Y** driven mainly by 3% Y/Y decrease in **mutual funds** as net inflows were more than offset by negative performance effect linked to ongoing market uncertainty.

In line with the current market situation, ČSOB helped to navigate clients investments to mixed funds with active management. Besides “ČSOB Investiční rozjezd” campaign focused on first-time investors to help them better understand single and regular investment benefits.

Mutual funds

New sales, 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.

	30.6.2015	30.6.2016
Retail/SME branches and advisory centers	746	726
ČSOB Retail/SME branches incl. dual branded (ČSOB + Era)	225	220
PSB/Era Financial Centers	74	61
ČMSS advisory centers	329	325
Hypoteční banka centers	28	29
ČSOB Pojišťovna branches	90	91
Leasing branches	10	10
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,100	ca. 3,000
- of which specialized banking counters	150	150
ATMs¹	1,053	1,067
ČSOB's clients (bank only, mil.)	2.847	2.813
Internet banking - users (mil.)	1.527	1.551
- transactions (mil.)	25.079	25.876

¹ Including ATMs of cooperating banks.

ČSOB further **enlarged its ATM network**.

During the last twelve months, clients could use 14 new ATMs.

The number of deposit ATMs reached 156 (+11 ATMs Y/Y) at the end of June 2016.

Due to ongoing optimization of the branch network, some branches were closed or merged as dual branded, while new ones were opened reflecting customers' changing needs for branch services. The number of **Retail/SME branches incl. dual branded (ČSOB + Era) and PSB/Era Financial Centers** declined by 18 over the last twelve months.

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

The number of **digital users** increased by 2% Y/Y and **electronic channel transactions** by 3% 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 Pojišťovna's tied agents, multi-agents and individual brokers.*

Global Finance: Best Bank of 2016 in Czech Republic

The US-based magazine **Global Finance** awarded ČSOB as **the Best Bank of 2016 in the Czech Republic**. ČSOB received this award for the 15th time.

Euromoney: Private Banking Survey 2016

ČSOB Private Banking awarded by the magazine **Euromoney** as the **Best Private Bank 2016 in the Czech Republic**.

European Structured Products & Derivatives Awards 2016

ČSOB Asset Management won the European competition **Structured Products & Derivatives Awards 2016** in the categories of **Best Distributor** and **Best Performance in the Czech Republic**.

Sodexo: Employer of Year 2016

ČSOB was selected **the best employer above 5,000 employees in Prague and the second best in the Czech Republic** (overall ranking regardless of industry) by Sodexo.

Corporate LiveWire: Best M&A Advisory Firm

Patria was awarded by the magazine **Corporate LiveWire** as the **Best M&A Advisory Firm of the Year 2016 in the Czech Republic**.

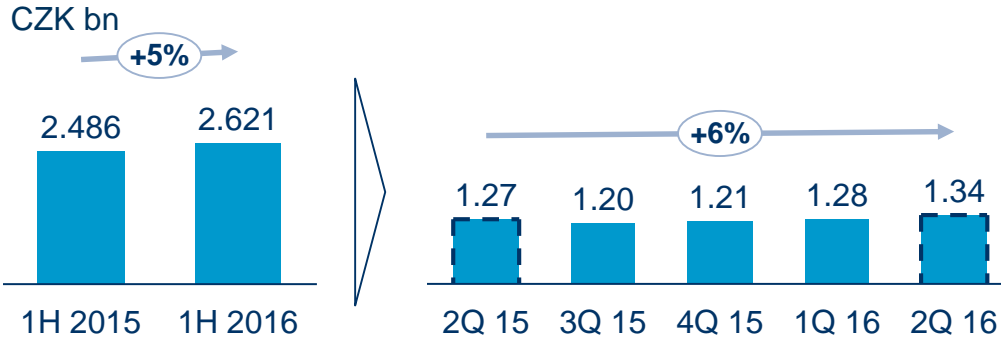
Zlatá koruna award

In the 14th **Zlatá koruna award**, Hypoteční banka ranked second in the **Mortgages category** with the product **Secure financing**.

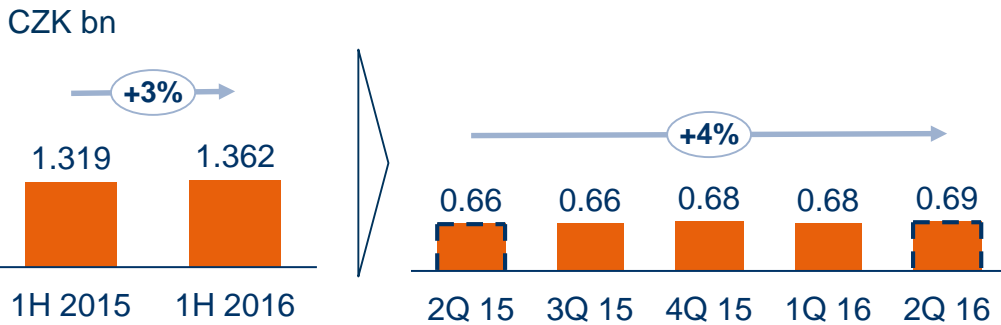


ČSOB Pojišťovna: Key Figures

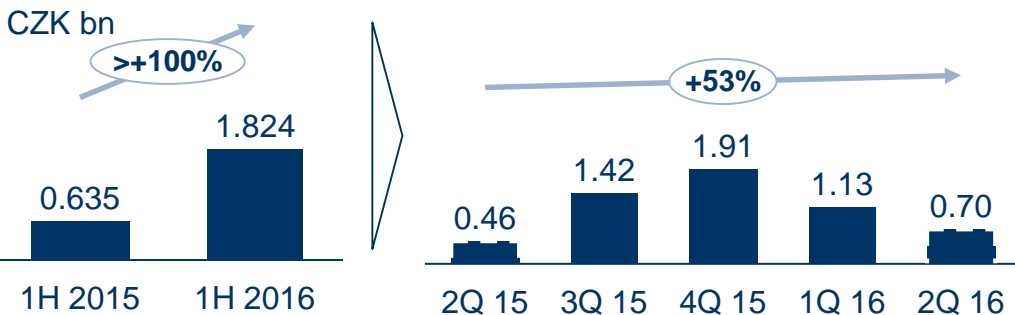
Non-life insurance - gross written premium



Life insurance – regular paid gross written premium



Life insurance - single paid gross written premium



Market shares	1H 2016	Market position
Non-life insurance	➡ 6.6%	4th
Life insurance	⬆ 7.0%	4th

Arrows show Y/Y change.

Non-life insurance

1H/2Q 2016 gross written premium in **non-life insurance** increased by 5% Y/Y and 6% Y/Y respectively, mainly thanks to property and car insurance.

Life insurance

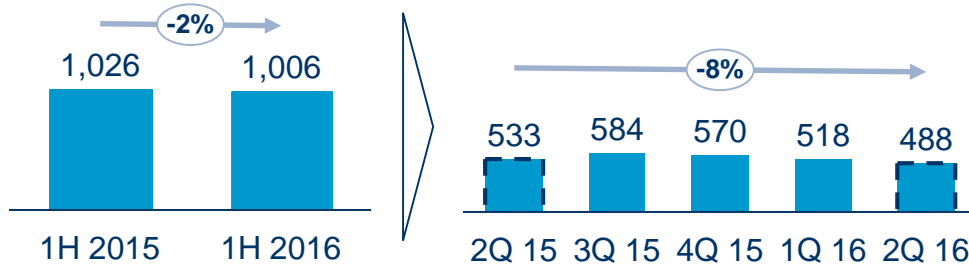
1H/2Q 2016 **regular paid** gross written premium increased by 3% Y/Y and 4% Y/Y respectively in line with stabilizing portfolio and better lapses of life contracts.

1H/2Q 2016 **single paid** gross written premium increased over 100% Y/Y and 53% Y/Y respectively, mainly thanks to successful introduction of five new Maximal Invest and Private Banking Life Invest tranches in 1Q 2016 and as well as in 2Q 2016.

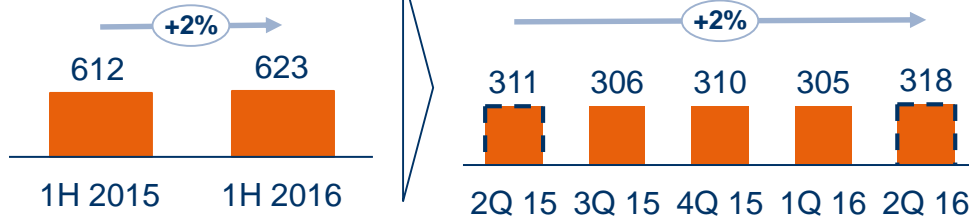
Note: Market position reflects combined position of the insurers belonging to the same business group.

Profitability decline driven by several non-life claims in 2Q 2016 and increased investments

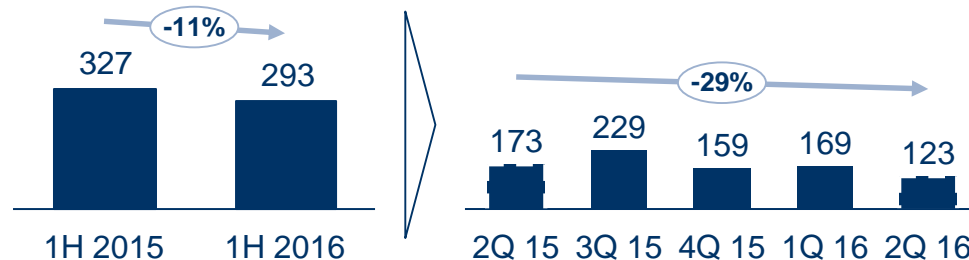
Operating income CZK m



Operating expenses CZK m



Net profit CZK m



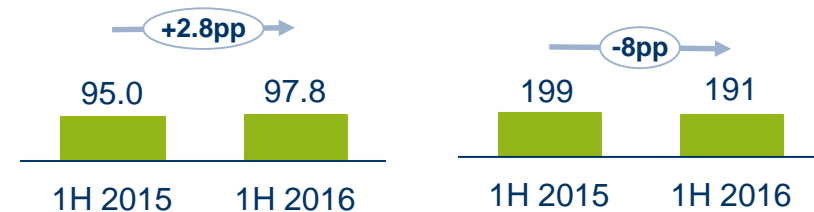
1H/2Q 2016 **net profit** reached **CZK 293m** (-11% Y/Y) and **CZK 123m** (-29% Y/Y) respectively due to several non-life claims, while life segment reported stable profit contribution.

1H/2Q 2016 **operating income** decreased to **CZK 1,006m** (-2% Y/Y) and to **CZK 488m** (-8% Y/Y) respectively influenced by following drivers:

- **non-life:** influenced by several claims (storms and large fire claims), better GWP and stable financial result.
- **life:** ongoing stable contribution with slight fluctuation in financial result (mainly interest income), while lapses of life contracts improved.

1H/2Q 2016 **operating expenses** reached **CZK 623m** and **CZK 318m** respectively (both +2% Y/Y) driven by enlargement of internal distribution, support of bank-insurance and digitalization projects.

Non-life combined ratio (%) Solvency I ratio (%)





Business Unit Czech Republic

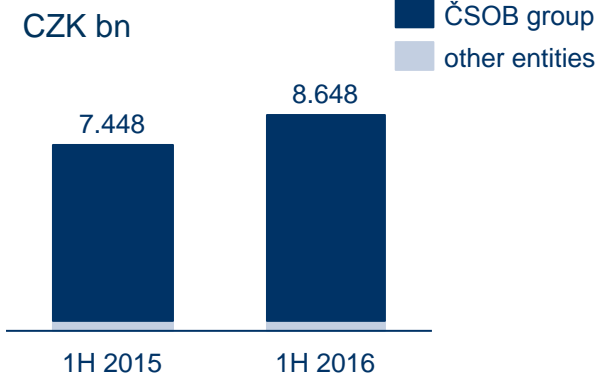


Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 1H/2Q 2016 net profit of the Business Unit Czech Republic reached **CZK 8.6bn** (+16% Y/Y) and **CZK 5.2bn** (+48% Y/Y) respectively. The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership in ČSOB Pojišťovna and ČSOB Asset Management (ČSOB AM).

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

Net profit of the Business Unit Czech Republic



Net profit (CZK bn)	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	2Q/2Q	1H 2015	1H 2016	1H/1H
ČSOB group ¹	3.270	3.871	3.020	3.283	4.997	+53%	7.029	8.280	+18%
ČSOB Pojišťovna	0.173	0.229	0.162	0.169	0.123	-29%	0.327	0.293	-10%
ČSOB AM	0.045	0.036	0.040	0.036	0.040	-11%	0.092	0.075	-18%
Total	3.488	4.136	3.222	3.488	5.160	+48%	7.448	8.648	+16%

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



Appendix

Four pillars of responsible business

In line with the KBC Group strategy focusing on responsible and sustainable business, ČSOB has set up **four responsible behaviour pillars**:

- **financial literacy**,
- **entrepreneurship**,
- **environmental responsibility** and
- **longevity**, i.e. the ability to reflect life situations and phases of client experience.

Within the Financial Literacy pillar, cooperation with selected schools, Ministry of Education and other institutions started with positive feedback suggesting potential for the future.

ČSOB succeeded in organizing pilot workshops at primary schools in Prague and Hradec Králové.



Philanthropy

In the 7th year of the Education Programme, number of proposals were reviewed, among which **seven initiatives** were selected with the overall budget of almost **CZK 1 million**.

They focus on increasing financial literacy of children from children's homes, teenager, the elderly, foster families, people with hearing impairment or autism, as well as of people after imprisonment.

Employee engagement in CSR

In May, **233 ČSOB employees** gathered in **70 teams** participated in a **Biking to Work campaign**. They made 41,561 km that were 'translated' into ČSOB's donation of 2 crowns per each kilometer to the Committee of Good Will – the Olga Havel Foundation, i.e. CZK 83 thousands. This amount will help children and adults on wheelchair or limited mobility.

ČSOB has been supporting employee participation in this campaign since 2012.



Ratio / Indicator	31.12.2013	31.12.2014	31.12.2015	30.6.2015	30.6.2016
Net interest margin (Ytd., annualized, %)	3.20 (3.00)	3.17	3.01	3.06	2.94
Cost / income ratio (%)	47.5 (47.1)	47.6	48.2	48.8	44.7
RoE (Ytd., %)	18.2	16.4	16.4	16.9	18.9
RoA (Ytd., %)	1.53	1.40	1.49	1.55	1.65
RoAC , BU Czech Republic (Ytd., %)	40.0 (35.2)	36.7	36.8	37.4	54.0
Credit cost ratio (Ytd., annualized, %)	0.25	0.18	0.18	0.18	0.09
NPL ratio (%)	4.65 (4.39)	4.07	3.64	3.84	3.02
NPL coverage ratio (%)	50.4 (49.7)	53.4	53.2	52.9	55.2
(Core) Tier 1 ratio (%)	15.6 ¹	17.2 ²	19.1 ²	17.9 ²	16.9 ²
Total capital ratio (%)	15.6 ¹	17.5 ²	19.4 ²	18.2 ²	17.1 ²
Solvency – ČSOB Pojišťovna (Solvency I, %)	217	214	197	199	191
Leverage ratio (Basel III, %)	5.46	5.15	5.25	5.02	4.89
Net stable funding ratio (Basel III, %)	135.7	135.9	134.9	134.0	145.9
Liquidity coverage ratio (Basel III, %)	225.6	348.4	163.4	219.7	156.2
Loan to deposit ratio (%)	75.9 (77.0)	76.4	79.9	77.3	77.5

2013 has been restated for methodological changes (ČMSS & NIM calculation), NPL coverage ratio has been restated to reflect change in classification of NPL. Figures in brackets are before restatement.

¹ According to Basel II, ² According to Basel III

(CZK m)	2Q 2015	1Q 2016	2Q 2016	Y/Y	Q/Q	1H 2015	1H 2016	Y/Y
Interest income	6,568	6,186	6,188	-6%	0%	13,077	12,374	-5%
Interest expense	-1,068	-659	-679	-36%	+3%	-1,921	-1,338	-30%
Net interest income	5,500	5,527	5,509	0%	0%	11,156	11,036	-1%
Net fee and commission income	1,600	1,499	1,604	0%	+7%	3,184	3,103	-3%
Net gains from financial instruments at FVPL ¹	560	851	1,117	+99%	+31%	1,264	1,968	+56%
Other operating income ²	257	246	1,562	>+100%	>+100%	761	1,808	>+100%
Operating income	7,917	8,123	9,792	+24%	+21%	16,365	17,915	+9%
Staff expenses	-1,755	-1,905	-1,877	+7%	-1%	-3,539	-3,782	+7%
General administrative expenses	-1,918	-2,144	-1,461	-24%	-32%	-4,134	-3,605	-13%
Depreciation and amortisation	-154	-312	-311	>+100%	0%	-306	-623	>+100%
Operating expenses	-3,827	-4,361	-3,649	-5%	-16%	-7,979	-8,010	0%
Impairment losses	-427	-22	-255	-40%	>+100%	-480	-277	-42%
<i>Impairment on loans and receivables</i>	-428	-21	-238	-44%	>+100%	-483	-259	-46%
<i>Impairment on available-for-sale securities</i>	0	0	0	n/a	n/a	0	0	n/a
<i>Impairment on other assets</i>	1	-1	-17	>-100%	>+100%	3	-18	>-100%
Share of profit of associates	210	180	165	-21%	-8%	397	345	-13%
Profit before tax	3,872	3,920	6,053	+56%	+54%	8,303	9,973	+20%
Income tax expense	-584	-623	-1,039	+78%	+67%	-1,237	-1,662	+34%
Profit for the period	3,288	3,297	5,014	+52%	+52%	7,066	8,311	+18%
Attributable to:								
Owners of the parent	3,290	3,298	5,014	+52%	+52%	7,067	8,312	+18%
Non-controlling interests	-2	-1	0	-100%	-100%	-1	-1	0%

¹ FVPL = fair value through profit and loss.

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

Profit and loss statement

(on comparable basis – adjusted for ICT insourcing and banking taxes)

(CZK m)	2Q 2015	1Q 2016	2Q 2016	Y/Y	Q/Q	1H 2015	1H 2016	Y/Y
Interest income	6,568	6,186	6,188	-6%	0%	13,077	12,374	-5%
Interest expense	-1,068	-659	-679	-36%	+3%	-1,921	-1,338	-30%
Net interest income	5,500	5,527	5,509	0%	0%	11,156	11,036	-1%
Net fee and commission income	1,600	1,499	1,604	0%	+7%	3,184	3,103	-3%
Net gains from financial instruments at FVPL ¹	560	851	1,117	+99%	+31%	1,264	1,968	+56%
Other operating income ²	380	246	1,562	>+100%	>+100%	1,021	1,808	+77%
Operating income	8,039	8,123	9,792	+22%	+21%	16,624	17,915	+8%
Staff expenses	-1,938	-1,905	-1,877	-3%	-1%	-3,908	-3,782	-3%
General administrative expenses	-1,335	-1,376	-1,479	+11%	+7%	-2,673	-2,855	+7%
Depreciation and amortisation	-321	-312	-311	-3%	0%	-639	-623	-3%
Operating expenses	-3,594	-3,593	-3,667	+2%	+2%	-7,220	-7,260	+1%
Impairment losses	-427	-22	-255	-40%	>+100%	-480	-277	-42%
<i>Impairment on loans and receivables</i>	-428	-21	-238	-44%	>+100%	-483	-259	-46%
<i>Impairment on available-for-sale securities</i>	0	0	0	n/a	n/a	0	0	n/a
<i>Impairment on other assets</i>	1	-1	-17	>-100%	>+100%	3	-18	>-100%
Share of profit of associates	210	180	165	-21%	-8%	397	345	-13%
Profit before tax	4,228	4,688	6,035	+43%	+29%	9,322	10,723	+15%
Income tax expense	-652	-769	-1,036	+59%	+35%	-1,431	-1,805	+26%
Profit for the period	3,575	3,919	4,999	+40%	+28%	7,891	8,919	+13%
Attributable to:								
Owners of the parent	3,577	3,920	4,999	+40%	+28%	7,892	8,920	+13%
Non-controlling interests	-2	-1	0	-100%	-100%	-1	-1	0%

¹ FVPL = fair value through profit and loss.

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

Comparable basis: With effect from 31/12/2015, ICT related employees, assets and liabilities were integrated from KBC Group Czech Branch. This has mainly reclassification effect among different profit and loss statement lines, thus having impact both on Y/Y and Q/Q comparison. Besides, estimated impact of banking taxes (Resolution Fund and Deposit Guarantee Scheme) both in 2016 and 2015 varies. Pro-forma/Comparable profit and loss statement (including ICT insourcing impact already in 2015 and excluding banking taxes both in 2015 and 2016) is provided for comparison purposes only.

(CZK m)	30/6 2015	31/12 2015	30/6 2016	Ytd.
Cash and balances with central banks	52,471	117,287	17,594	-85%
Financial assets held for trading	56,159	29,494	58,477	+98%
Financial assets designated at fair value through P/L	3,340	15	0	-100%
Available-for-sale financial assets	62,160	59,961	57,395	-4%
Loans and receivables - net	604,736	579,448	760,045	+31%
<i>Loans and receivables to credit institutions - gross</i>	127,110	86,047	237,064	>+100%
<i>Loans and receivables to other than credit institutions - gross</i>	488,757	504,360	533,101	+6%
<i>Allowance for impairment losses</i>	-11,131	-10,959	-10,120	-8%
Held-to-maturity investments	134,845	136,433	136,067	0%
Fair value adjustments of the hedged items in portfolio hedge	1,146	957	1,662	+74%
Derivatives used for hedging	11,320	11,900	15,273	+28%
Current tax assets	124	96	78	-19%
Deferred tax assets	117	152	168	+11%
Investments in associate	4,570	4,970	4,609	-7%
Investment property	2	0	0	n/a
Property and equipment	6,884	7,662	8,514	+11%
Goodwill and other intangible assets	2,964	5,323	5,387	+1%
Non-current assets held-for-sale	413	363	367	+1%
Other assets	2,622	2,264	2,548	+13%
Total assets	943,873	956,325	1,068,184	+12%

Decrease due to overnight loan with ČNB.

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

Increase thanks to reverse repo operations with ČNB.

(CZK m)	30/6 2015	31/12 2015	30/6 2016	Ytd.
Financial liabilities held for trading	36,773	29,970	43,119	+44%
Financial liabilities at amortised cost	807,198	812,205	914,826	+13%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	128,417	23,786	65,073	>+100%
<i>of which Deposits received from other than credit institut.</i>	648,682	621,927	668,510	+7%
<i>of which Debt securities in issue</i>	30,099	166,492	181,243	+9%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	2,804	4,062	7,977	+96%
Derivatives used for hedging	11,019	10,774	12,688	+18%
Current tax liabilities	24	170	496	>+100%
Deferred tax liabilities	2,091	2,162	1,712	-21%
Provisions	465	536	485	-10%
Other liabilities	5,367	5,727	4,890	-15%
Total liabilities	865,741	865,606	986,193	+14%
Share capital	5,855	5,855	5,855	0%
Share premium account	15,509	20,929	20,929	0%
Statutory reserve	18,687	18,687	18,687	0%
Retained earnings	32,185	38,517	32,048	-17%
Available-for-sale reserve	2,916	3,944	1,992	-49%
Cash flow hedge reserve	2,775	2,609	2,303	-12%
Foreign currency translation reserve	0	0	0	n/a
Parent shareholders' equity	77,927	90,541	81,814	-10%
Minority interest	205	178	177	-1%
Total equity	78,132	90,719	81,991	-10%
Total liabilities and equity	943,873	956,325	1,068,184	+12%

Increase due to reclassification of repo operation and derivatives.

Increase due to overnight loan and repo operation.

ČSOB's credit ratings

As at 11 August 2016

Rating agency	Long-term	Outlook	Short-term	LT rating valid since	Last confirmation
Moody's	A2	stable	P-1	20 June 2012	17 March 2015
S&P	A	negative	A-1	1 October 2014	3 March 2016

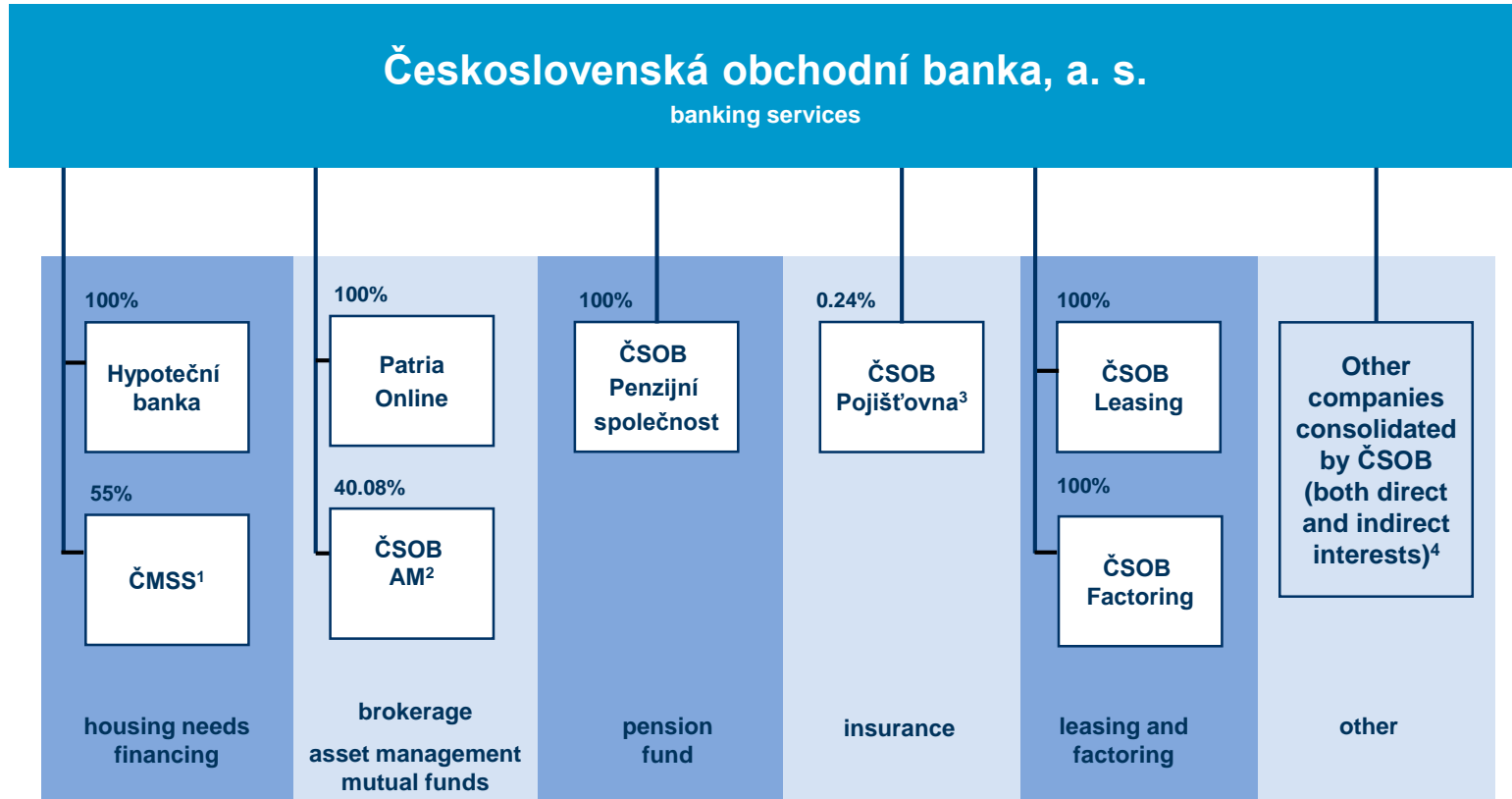
Shareholder structure

As at 30 June 2016, ČSOB's share capital was CZK 5,855,000,040 and comprised of 292,750,002 ordinary bearer shares with a nominal value of CZK 20 each.

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

Non-performing loans

	30.6.2015		30.6.2016	
	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
PD rating distribution				
Total loans	497.7	100%	543.0	100%
Normal - Standard (PD 1-7)	469.5	94%	515.6	95%
Asset quality review - Watched (PD 8-9)	9.1	2%	11.0	2%
Uncertain - Substandard (PD 10)	5.1	1%	3.6	1%
Uncertain - Doubtful (PD 11)	1.7	0%	1.5	0%
Irrecoverable - Loss (PD 12)	12.3	3%	11.3	2%



Percentages show ČSOB's ownership interests on company's equity as at 30 June 2016.

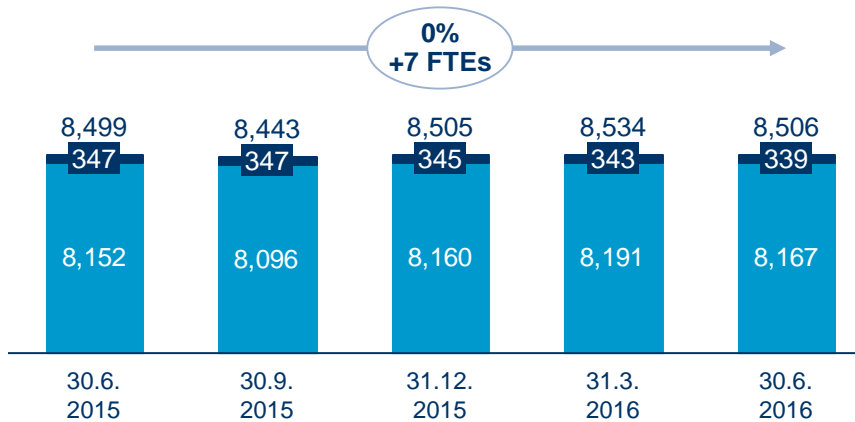
¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

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

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

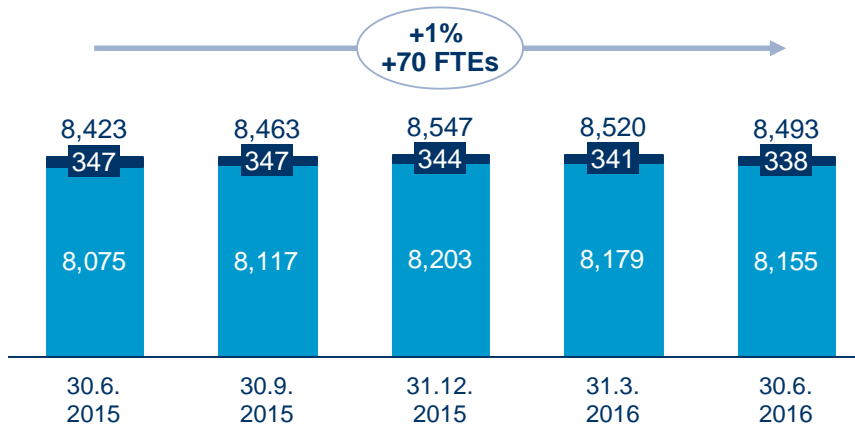
⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTE – average



The average number of FTE 1H 2016 increased by 7 Y/Y.

Number of FTE – end of the period



The number of FTE 1H 2016 increased at the end of the period by 70 Y/Y mainly due to strengthening of the distribution (e.g. increasing number of insurance specialists).

■ FTE based on the share on registered capital ¹ ■ Group FTE ²

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

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

As of 1Q 2016, ICT were reintegrated from KBC Group Czech Branch back to ČSOB (transfer of ca 750 FTEs), figures for 2015 have been restated.

Item	Definition	Source
Total deposits	Total bank deposits (incl. 55% ČMSS building savings deposits) excl. repo including unmarketable bills of exchange.	ČNB, Data Series System (ARAD); ČSOB
Building savings loans	Outstanding volumes of building savings loans, ČMSS 100%.	ČNB, Data Series System (ARAD); ČMSS
Building savings deposits	Deposits of buildings savings clients, ČMSS 100%.	ČNB, Data Series System (ARAD); ČMSS
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)
Total Loans	Outstanding volumes of consumer loans and other retail loans + mortgages for private individuals + building savings loans (ČMSS 55%) + SME/corporate loans.	ČNB, Data Series System (ARAD); ČSOB; ČMSS
Leasing	Volume of newly granted loans (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
Factoring	Volume of new business.	Association of Leasing and Factoring Companies ČR (ČLFA)
Pension funds	Number of clients at the given date.	The Association of Pension Funds of the Czech Republic (APS)
SME/corporate loans	Remaining loans that are not reported in any of the retail loans categories (loans to other than households).	ČNB, Data Series System (ARAD); ČSOB
Consumer loans	Outstanding volume of cash loans, credits cards, overdrafts, consumer loans on real estate and American mortgages.	ČNB, Data Series System (ARAD); ČSOB
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)

NIM (net interest margin)	Net interest income / average interest earnings assets excluding repo operations; Qtd./Ytd., annualized
C/I (cost/income ratio)	Operating expenses / operating income, Ytd.
RoA (return on assets)	Net profit for the year / average of total assets; Ytd., annualized
RoE (return on equity)	Net profit for the year / average of total shareholders' equity; Ytd., annualized
RoAC (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)
Combined ratio	According to KBC methodology.
CCR (credit-cost ratio)	Total credit costs / average outstanding credit portfolio (loans, loans replacements and drawn credit commitments - e.g. guarantees) and non-sovereign bonds in credit book; Ytd., annualized
NPL (non-performing loans) ratio	Outstanding amount of non-performing loans (ČNB methodology) / loan portfolio
NPL coverage ratio	Allowances for loans and leases / non-performing loans (ČNB methodology)
Core tier 1 ratio Total capital ratio	According to prudential reports of ČNB – Basel II (since 1 July 2007 till 31 December 2013), Basel III (since 1 January 2014)
Solvency (insurance)	According to prudential reports of ČNB – Solvency I, after expected dividend payment
Loan to deposit ratio	Loan portfolio (excl. ČMSS/building savings loans) / primary deposits
Net stable funding ratio (NSFR)	Available amount of stable funding (equity and liability which are expected to be reliable sources of funds over a one-year time horizon under extended stress) to stable funding required by an institution based on types of its assets, off-balance sheet exposures and activities pursued (according to Basel III)
Leverage ratio	Tier 1 capital / non-risk value of assets (According to Basel III)
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 Basel III)

Loan portfolio	Loans and receivables to other than credit institutions (incl. ČMSS/building savings loans) plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in HTM, AFS and FVPL portfolios).
Mortgages	All loans booked in Hypoteční banka, including home equity loans and mortgage loans to legal entities, excluding intra-group loans. Gross.
Building savings loans	All customer lending granted by ČMSS in book values. Gross.
Consumer finance	Loan portfolio granted by ČSOB's retail network (ČSOB, ERA and PSB brand) in book values. Gross.
SME loans	Loan portfolio granted by ČSOB's SME network in book values. Gross.
Corporate loans	Loan portfolio granted by ČSOB's corporate banking network in book values, including credit-replacing bonds. Gross.
Group deposits	Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits).
Building savings deposits	All ČMSS financial liabilities at amortized cost minus deposits received from other than credit institutions.
Primary deposits	Group deposits (excl. ČMSS/building savings deposits) minus repo operations with non-banking financial institutions (part of "other group deposits") plus deposits to credit institutions (excl. repo operations with credit institutions). Consistent with the internal liquidity management reporting system.

Contacts

ČSOB Investor Relations Team
Robert Keller (Head of IR)
Jana Kloudová
Přemysl Němeček
Sandra Wunderlichová

Tel: +420 224 114 106
Tel: +420 224 114 109
investor.relations@csob.cz
www.csob.cz/ir

Československá obchodní banka, a. s.
Radlická 333/150, Praha 5
Czech Republic

ČSOB group Czech Republic
Member of the KBC Group