

1H/2Q 2017 Results ČSOB Group

Business Unit Czech Republic

Contents

■ ČSOB Group

- Key Figures
- Financial Overview
- Business Overview

■ ČSOB Pojišťovna

■ Business Unit Czech Republic

■ Appendix

ČSOB Group: Key Figures

Measures of sustainable performance

Strong profitability and excellent loan quality

ČSOB group key indicators		2014	2015	2016	1H 2016	1H 2017
Profitability	Net profit (CZK bn)	13.6	14.0	15.1	8.3	9.4
	Return on equity	16.4%	16.4%	17.3%	18.9%	21.1%
Liquidity	Loan to deposit ratio	76.3%	79.3%	79.4%	79.1%	76.7%
	Net stable funding ratio	135.9%	134.9%	151.9%	145.9%	145.9%
Capital	Tier 1 ratio	17.2%	19.1%	18.2%	16.9%	16.8%
Impairments	Credit cost ratio	0.18%	0.18%	0.11%	0.09%	0.06%
Cost efficiency	Cost / income ratio	47.6%	48.2%	46.0%	44.7%	42.0%

Strong profitability, growth in business volumes and excellent loan quality

Business volumes

The **loan portfolio** (incl. ČMSS) increased to **CZK 653bn** (+7% Y/Y) thanks to all businesses except for building savings loans. **Group deposits** (incl. ČMSS) grew to **CZK 849bn** (+14% Y/Y). Total **assets under management** increased to **CZK 196bn** (+7% Y/Y).

Operating income

Operating income reached **CZK 19.2bn** in 1H 2017 (+7% Y/Y) driven by the strong performance of financial markets, higher ALM income, one-off gain from historical legal case in 1Q 2017 and higher fees. In 2Q 2017, operating income decreased to **CZK 9.5bn** (-3% Y/Y) due to the higher base in 2Q 2016 (one-off gain from VISA Europe sale).

Operating expenses

Operating expenses increased to **CZK 8.1bn** in 1H 2017 (+1% Y/Y) and **CZK 3.8bn** in 2Q 2017 (+5% Y/Y). Both periods under review were influenced by higher staff expenses and depreciation & amortisation. In addition, in 2Q 2017, general administrative expenses were higher due to ICT investments linked to digital services.

Impairments

Credit cost ratio for 1H 2017 stood at **6 bps** (Ytd. annualized, -3bps Y/Y) thanks to excellent loan quality.

Net profit

As a result of above mentioned factors, the ČSOB **net profit** came in at **CZK 9.4bn** (+12% Y/Y) in 1H 2017 and **CZK 4.7bn** (-7% Y/Y) in 2Q 2017.

Liquidity & Capital

Loan to deposit ratio decreased Y/Y to **76.7%**. **Tier 1 ratio** stood at **16.8%**. **Net stable funding ratio** (NSFR) remained Y/Y stable at **145.9%**.

Achievements & Innovations

ČSOB and Česká pošta (Czech Post) agreed on the prolongation and intensification of their mutual cooperation with the signature of a new 10-year partnership agreement. ČSOB will become **Česká pošta's sole partner in providing banking and insurance services** as of 1 January 2018.

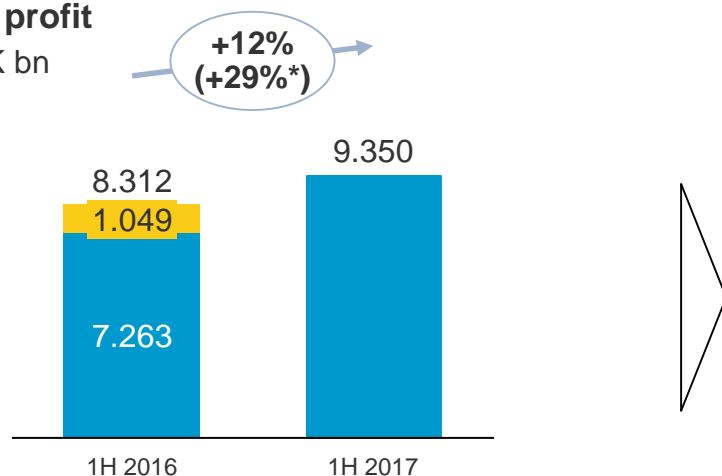
ČSOB was voted **the best by the public in the Good Company category** of **Via Bona** award for philanthropic activities over the last 20 years.

ČSOB NaNákupy app brings **extra new features** (e.g. transaction history, MasterPass internet payments and management of loyalty cards), while SmartBanking and ČSOB Smart Key newly support finger print sign-in.

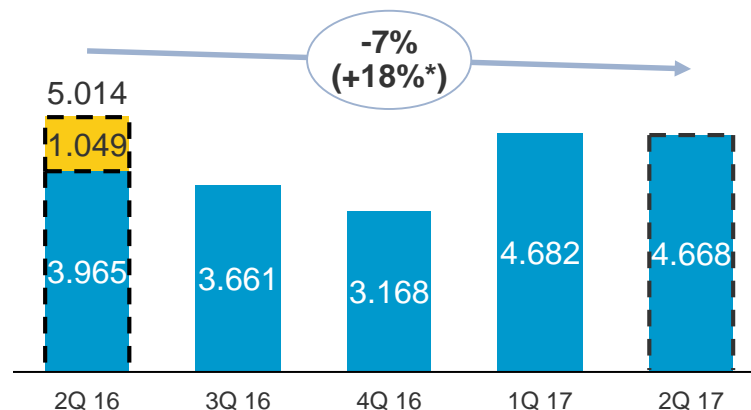
Net profit increased Y/Y driven by the strong performance of financial markets, higher other income as well as higher fees and lower cost of risk

Net profit

CZK bn



VISA Europe sale (net)
 ČSOB Group's net profit



Net profit for 1H 2017 increased to **CZK 9.4bn** (+12% Y/Y) driven by the strong performance of financial markets, higher ALM income, one-off gain from historical legal case in 1Q 2017 and higher fees from asset management, loans and foreign payments.

Net profit was also supported by strong growth in business volumes and lower cost of risk reflecting excellent loan quality.

2Q 2017 net profit decreased to **CZK 4.7bn** (-7% Y/Y) due to the higher base in 2Q 2016 (one-off gain from VISA Europe sale). Adjusted for the latter, net profit increased by 18% mainly thanks to the strong performance of financial markets and higher ALM income.

The return on equity (ROE) reached **21.1%** in 1H 2017, up from 18.9% and fully driven by higher net profit.

Notes (gross impact):

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

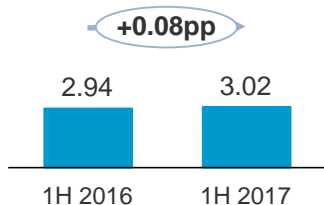
4Q 2016 one-off item: income tax provision (CZK -0.2bn)

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

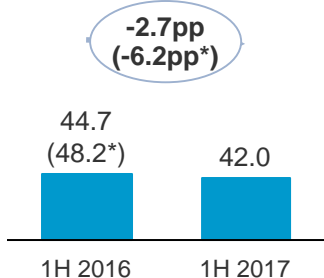
Improved profitability and excellent loan quality

Profitability

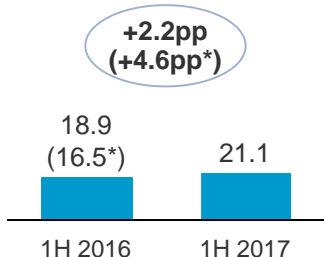
Net interest margin (%)



Cost / income ratio (%)

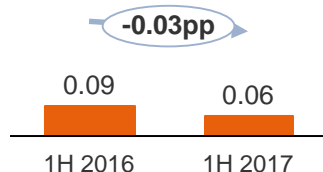


ROE (%)

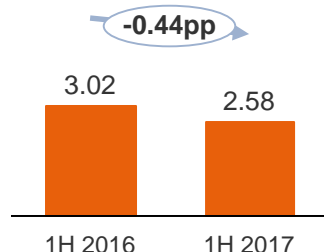


Loan portfolio quality

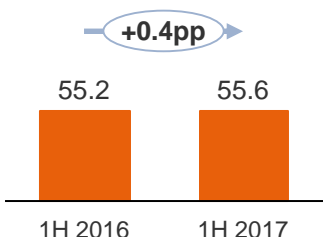
CCR, Ytd. annualized (%)



NPL ratio (%)

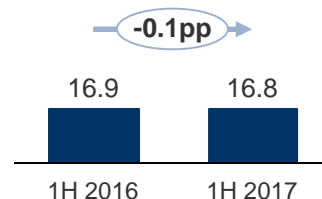


NPL coverage ratio (%)

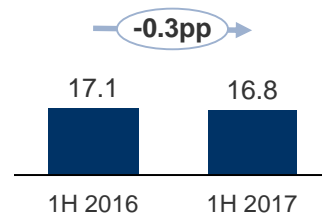


Capital

(Core) Tier 1 ratio (%)

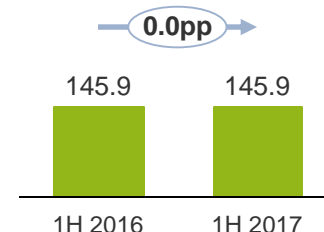


Total capital ratio (%)

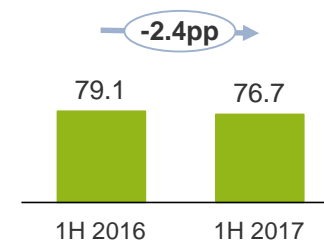


Liquidity

Net stable funding ratio (%)



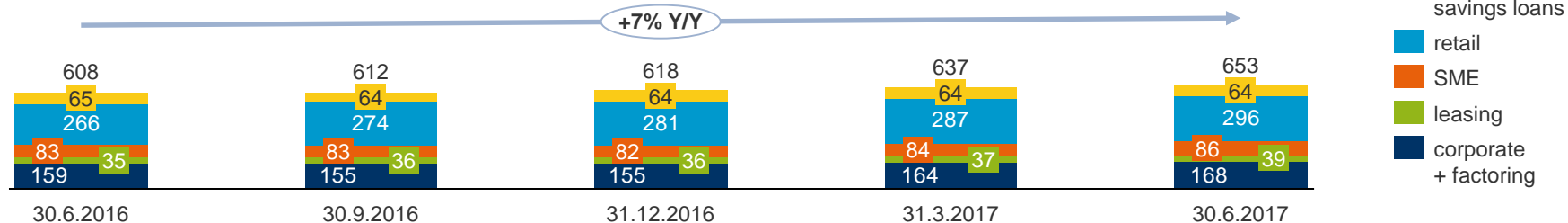
Loan to deposit ratio (%)



Strong growth of loans, deposits as well as total assets under management

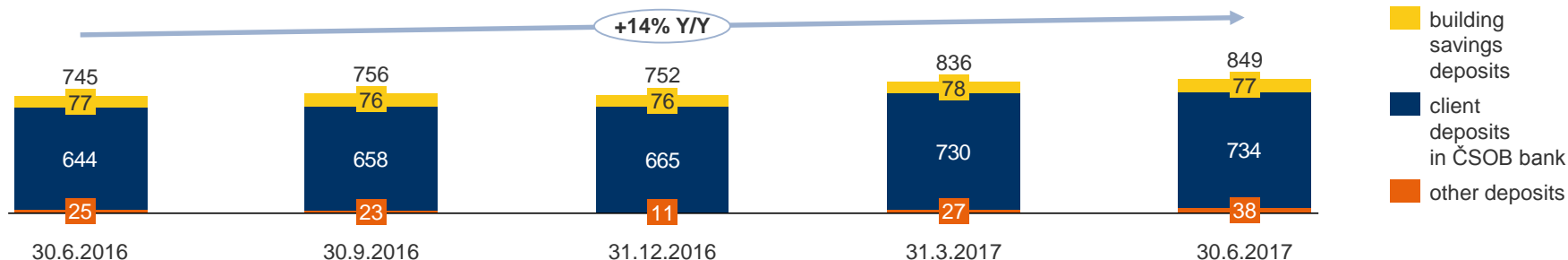
Loan portfolio¹

CZK bn



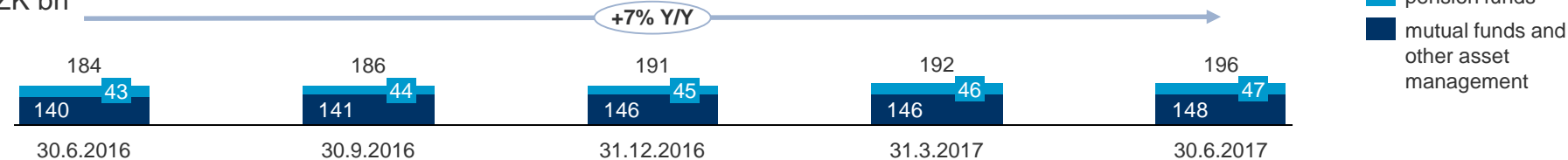
Group deposits²

CZK bn



Total assets under management

CZK bn



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

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

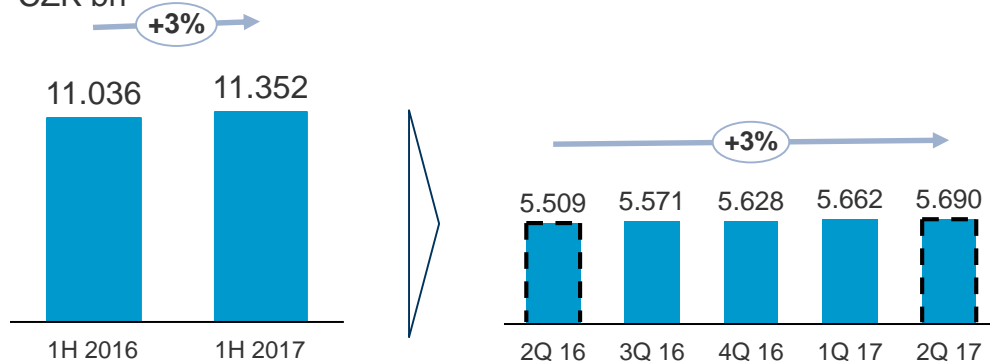
ČSOB Group: Financial Overview

Net interest income and Net interest margin

Improvement in net interest income as well as margin

Net interest income (NII)

CZK bn



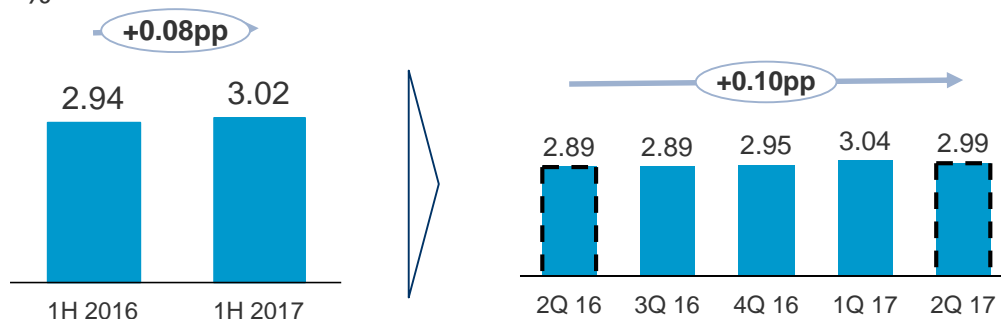
1H 2017 **net interest income** increased by **3% Y/Y** as a result of:

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

The **3% Y/Y** increase in 2Q 2017 was driven by other NII and NII from loans (mainly in corporate), while NII from deposits decreased Y/Y.

Net interest margin (NIM)

%



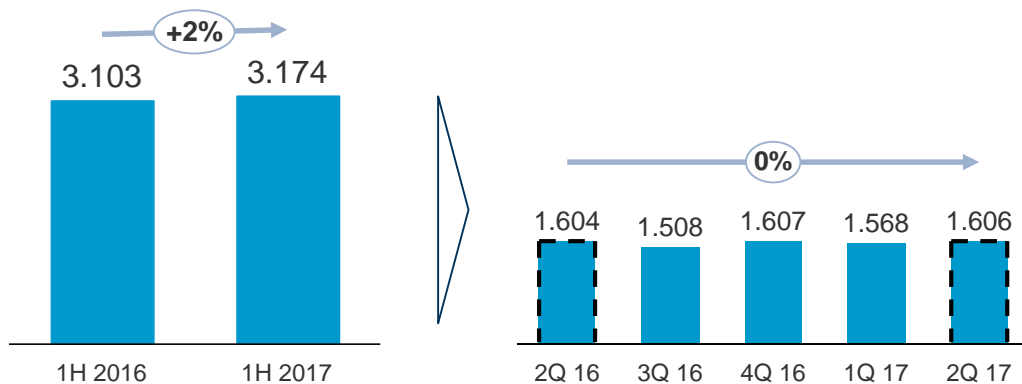
In 1H 2017, **net interest margin** reached **3.02%** (+0.08pp Y/Y) thanks to ALM contribution and active management of funding costs, while lower reinvestment yields and pressure on lending margins continued.

	2014	2015	2016	1H 2017
Net interest margin (Ytd., %)	3.17	3.01	2.93	3.02

Higher net fee and commission income mainly thanks to asset management Strong performance of financial markets

Net fee and commission income (NFCI)

CZK bn



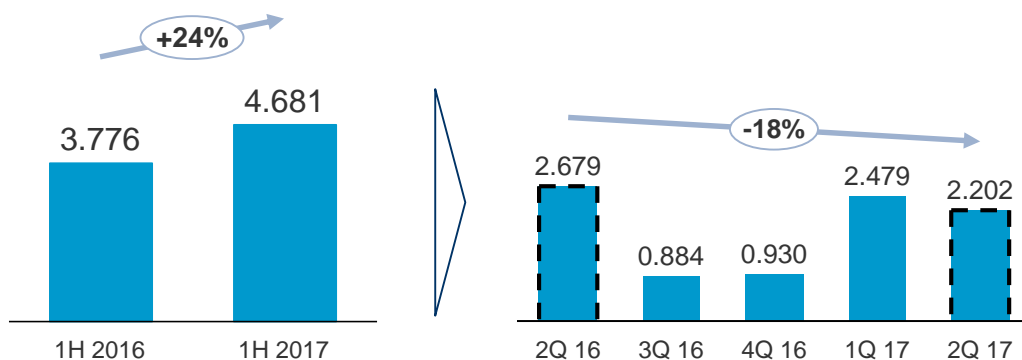
1H/2Q 2017 **net fee and commission income** increased by **2% Y/Y** and remained **flat Y/Y** respectively.

1H 2017 increase was mainly driven by higher asset management, loans and foreign payments fees, while account fees and fees from domestic payments decreased Y/Y.

Flat Y/Y development in 2Q 2017 came as a result of higher asset management, loans and foreign payments fees which were fully compensated by lower domestic payments and account fees.

Other*

CZK bn



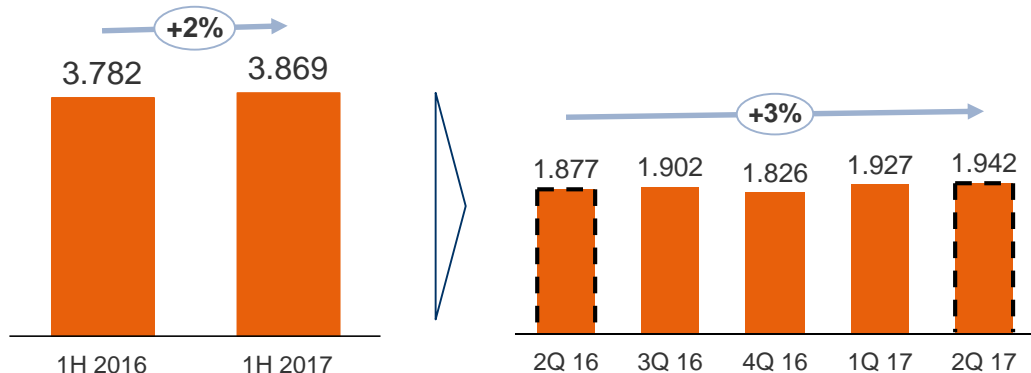
The **24% Y/Y** increase of item “**Other**” in 1H 2017 was influenced by the following drivers:

- (+) strong performance of financial markets,
- (+) one-off gain from historical legal case in 1Q 2017,
- (+) positive valuation adjustments,
- (-) one-off gain from VISA Europe sale in 2Q 2016 (CZK 1,295m gross).

Operating expenses were broadly flat Y/Y as higher staff expenses were compensated by lower general administrative expenses

Staff expenses

CZK bn

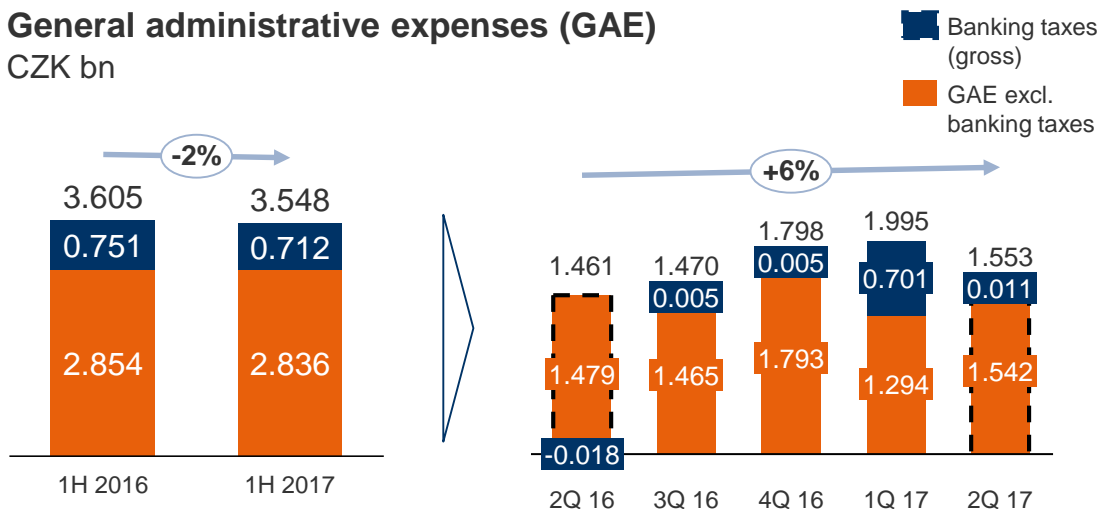


1H/2Q 2017 **staff expenses** increased by **2% Y/Y** and **3% Y/Y** respectively fully driven by:

- (+) wage adjustments,
- (+) higher average number of FTEs (+38 Y/Y) influenced by strengthening of the distribution,
- (+) lower base in 1H/2Q 2016 (higher share of IT projects with capitalized staff expenses).

General administrative expenses (GAE)

CZK bn



1H/2Q 2017 **general administrative expenses** decreased by **2% Y/Y** and increased by **6% Y/Y** respectively.

Higher ICT expenses in 1H 2017 were more than offset by lower facilities and marketing expenses.

The Y/Y increase in 2Q 2017 was fully driven by higher ICT investments linked to digital services.

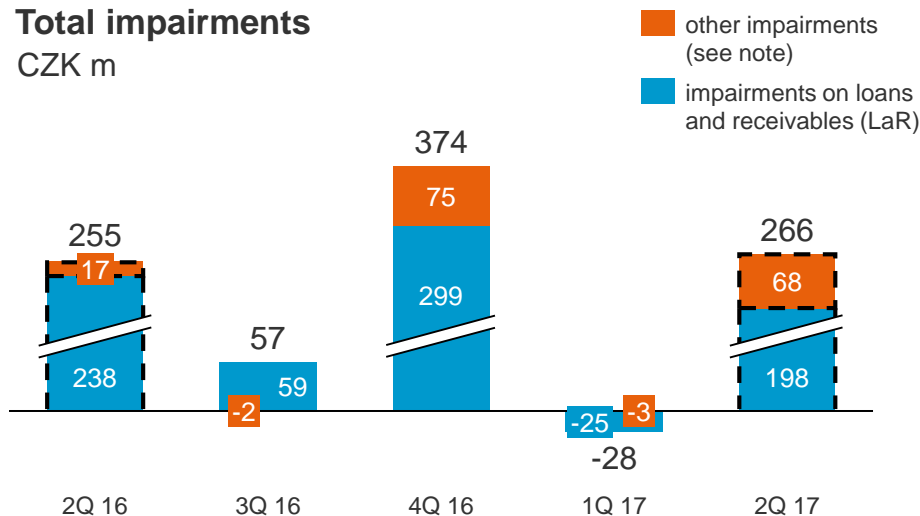
Cost/income ratio decreased to **42.0%** (-2.7pp Y/Y).

Impairments

Excellent loan quality

Total impairments

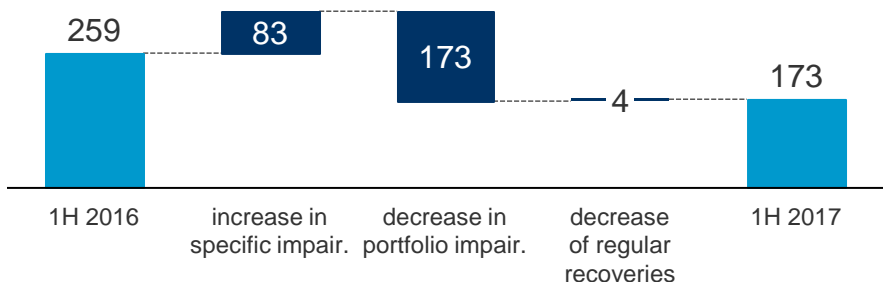
CZK m



In 1H 2017, impairments on loans and receivables decreased Y/Y to **CZK 173m** implying a **credit cost ratio of 6 bps** (Ytd., annualized, -3 bps Y/Y) as a result of improvement or stable development in all segments.

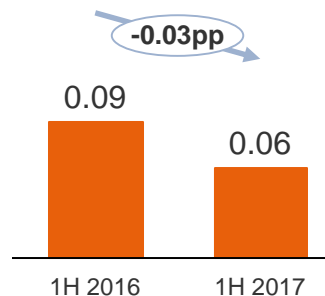
Impairments on loans and receivables

CZK m



CCR, Ytd. annualized

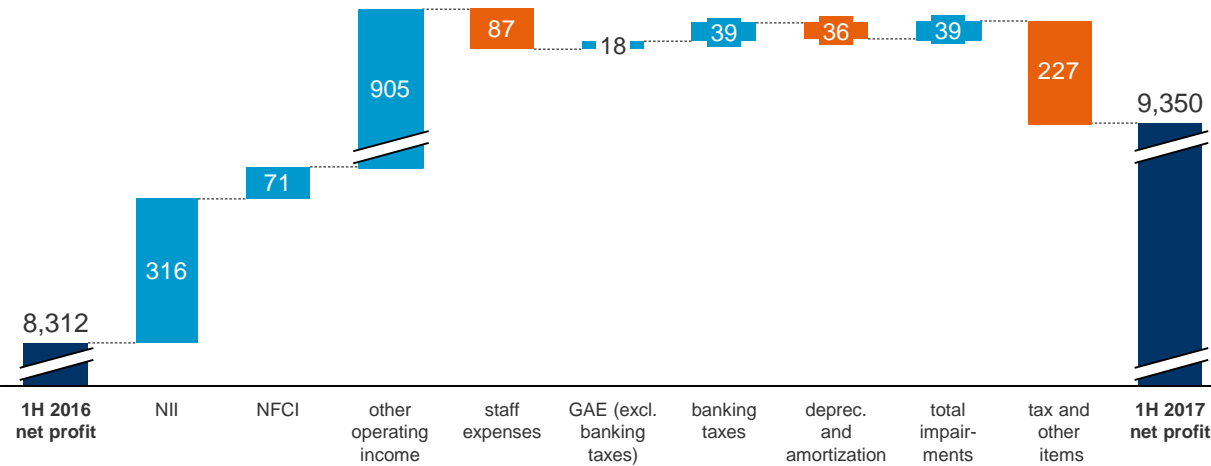
%



Wrap up of net profit drivers

Ytd. net profit (Y/Y)

CZK m



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

On the **positive side**:

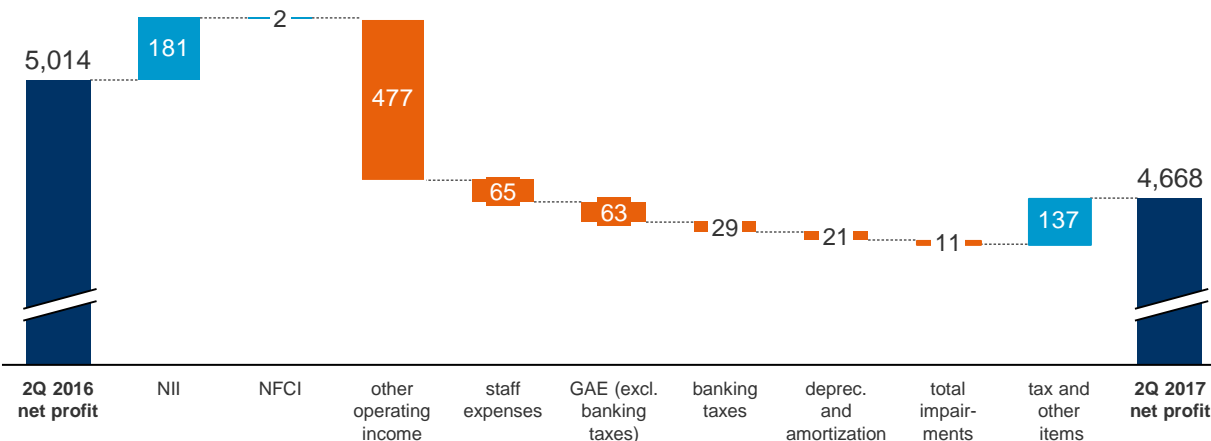
- higher NII fully driven by other NII (thanks to ALM income)
- higher NFCI thanks to higher asset management, loans and foreign payments fees
- higher other operating income as a result of strong performance of financial markets, one-off gain from historical legal case in 1Q 2017 and positive valuation adjustments

On the **negative side**:

- higher staff expenses influenced by wage adjustments, higher average number of FTEs and lower base in 1H 2016 (higher share of IT projects with capitalized staff expenses)
- higher tax mainly due to higher pre-tax profit

Quarterly net profit (Y/Y)

CZK m



The main difference between 2Q 2017 and 2Q 2016 net profit was caused by the following drivers:

On the **positive side**:

- higher NII driven by other NII (thanks to ALM income) and NII from loans (mainly in corporate)

On the **negative side**:

- lower other operating due to one-off gain from VISA Europe sale in 2Q 2016 (CZK 1,295m gross)
- higher staff expenses influenced by wage adjustments, higher average number of FTEs and lower base in 2Q 2016 (higher share of IT projects with capitalized staff expenses)
- higher GAE driven by ICT investments linked to digital services

Capital

Solid capital position

Consolidated, CZK m 30.6.2016 31.12.2016 30.6.2017

Total regulatory capital	64,981	70,292	69,559
- CET 1 capital before regulatory adjustments	73,505	78,404	78,550
- Regulatory adjustments of CET1 capital	-9,352	-9,423	-8,991
- (Core) Tier 1 Capital	64,153	68,981	69,559
- Tier 2 Capital	828	1,311	0
Total capital requirement	30,349	30,318	33,050
- Credit risk	24,374	24,699	25,925
- Market risk	1,483	1,126	2,575
- Operational risk	4,492	4,492	4,550
Total RWA	379,366	378,970	413,122
(Core) Tier 1 ratio	16.9%	18.2%	16.8%
Total capital ratio	17.1%	18.5%	16.8%

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

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

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

Notes:

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

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

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

Total regulatory capital = (Core) Tier 1 + Tier 2

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

ČSOB Group: Business Overview

Gaining market share in mortgages, consumer lending, leasing and insurance

1st

2nd

3rd

4th

Total Loans ¹	20.0%	↓
Total Deposits ¹	19.9%	↑
Building savings loans ¹	45.4%	↓
Building savings deposits ¹	39.2%	↑
Mortgages ¹	28.5%	↑
Leasing ¹	19.0%	↑
Mutual funds ¹	22.5%	↓
Factoring ²	24.0%	↓
Pension funds ³	14.1%	↑
SME/corporate loans ¹	15.6%	↓
Consumer lending ^{1,4}	11.1%	↑
Insurance ⁵ - combined	7.1%	↑
Non-life insurance ⁵	7.1%	↑
Life insurance ⁵	7.3%	↑

Arrows show Y/Y change. Market shares as of 30 June 2017, except for mutual and pension funds which are as of 31 March 2017.

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

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

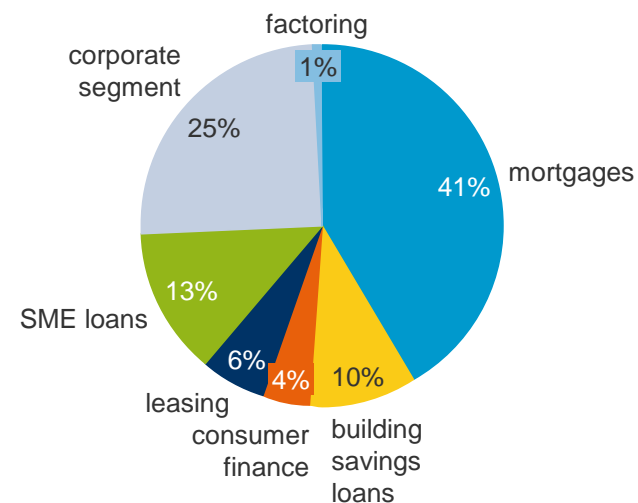
Sources and detailed definitions are provided in Appendix.

Strong growth driven by all areas except for building savings loans

Gross outstanding volumes, CZK bn	30.6.2016	30.6.2017	Y/Y
Loan portfolio (incl. ČMSS/building savings loans)	607.7	652.8	+7%
Retail Segment			
Mortgages ¹	243.4	270.2	+11%
Consumer finance	22.3	26.1	+17%
Building savings loans ²	64.7	64.3	-1%
SME/Corporate Segment			
Corporate loans ³	154.8	162.3	+5%
SME loans	82.5	85.7	+4%
Leasing	35.3	38.7	+10%
Factoring	4.7	5.6	+18%
Loan portfolio (excl. ČMSS/building savings loans)	543.0	588.6	+8%

30.6.2017
(incl. ČMSS/building savings loans)

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



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

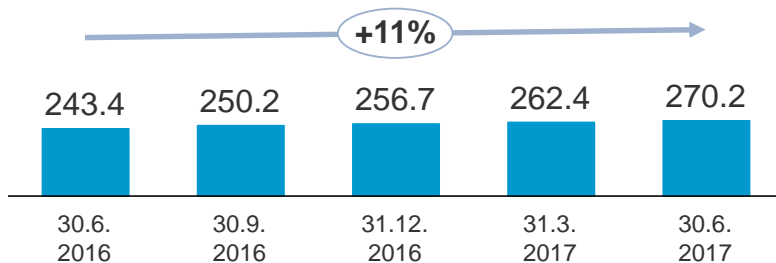
² The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

³ Including credit-replacing bonds.

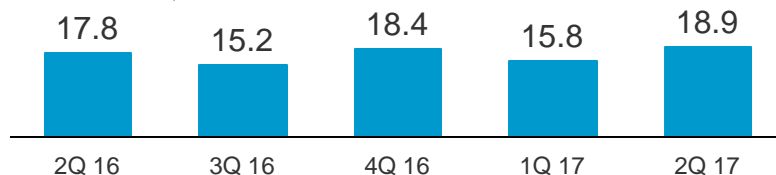
Record high new sales for mortgages in 2Q 2017

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

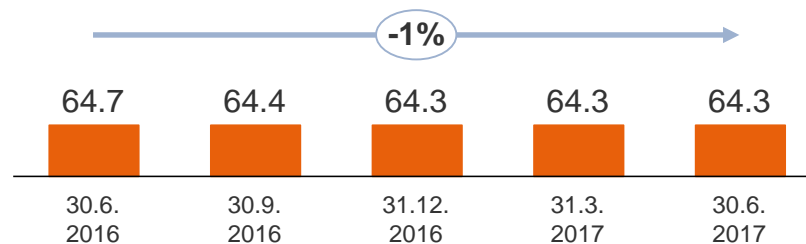


In 1H 2017, **outstanding mortgages volumes** increased by **11% Y/Y** as a result of strong demand related to ČNB's recommendations regarding LTV (loan-to-value), together with expected growth of interest rates and real estate prices.

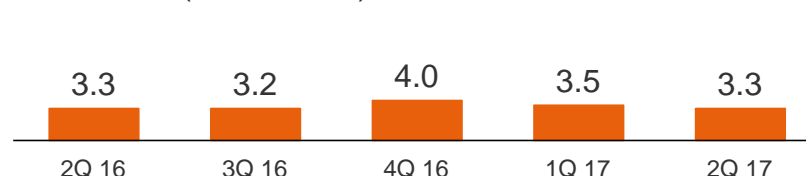
In 1H 2017, ČSOB provided more than **16 thousand new mortgages** (+7% Y/Y) in the total amount of **CZK 35bn** (+15% Y/Y) boosted by record high new sales in 2Q 2017. In contrast, total market increased by 4% Y/Y in number of new mortgages and increased by 11% Y/Y in the total amount.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn

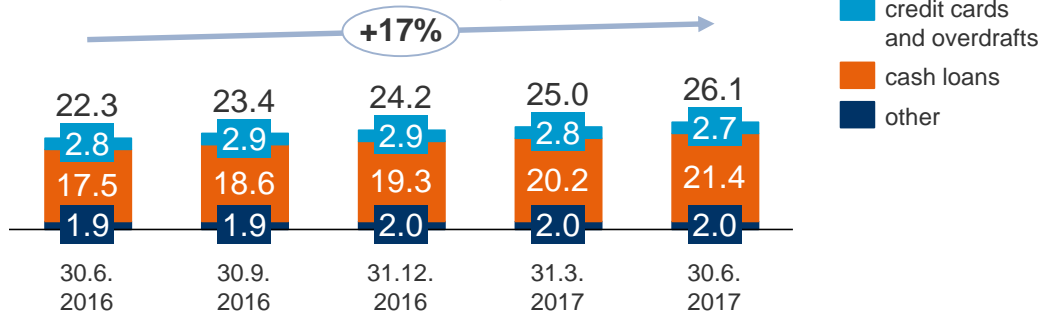


Outstanding **building savings loan portfolio** declined by **1% Y/Y** in 1H 2017, while market increased by 1% Y/Y.

In 1H 2017, **new sales** increased by **21% Y/Y**. The most demanded were small loans for renovations and modernization. The demand was supported by favorable interest rates and an improved product offer.

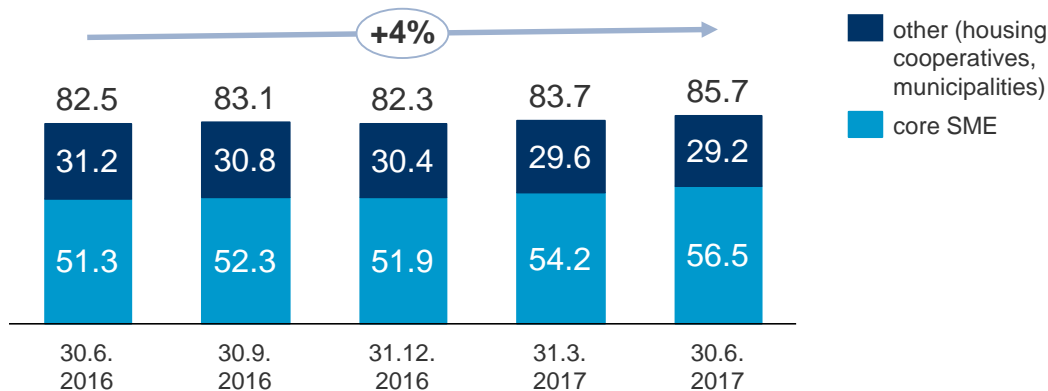
Consumer finance continued with double-digit growth

Consumer finance, outstanding, CZK bn



In 1H 2017, **consumer finance** continued with double-digit growth of **17% Y/Y** driven by cash loans (+22% Y/Y) thanks to the improved attractiveness of ČSOB's product offer (pricing, conditions, processing) for both existing and new clients.

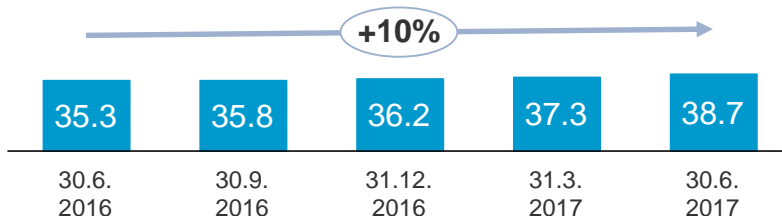
SME loans, outstanding, CZK bn



In 1H 2017, **SME loans** increased by **4% Y/Y** driven by higher loans granted to core SME (micro, small and mid-sized companies, +10% Y/Y) which was partially offset by a decline in other (-7% Y/Y).

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

Leasing, outstanding*, CZK bn

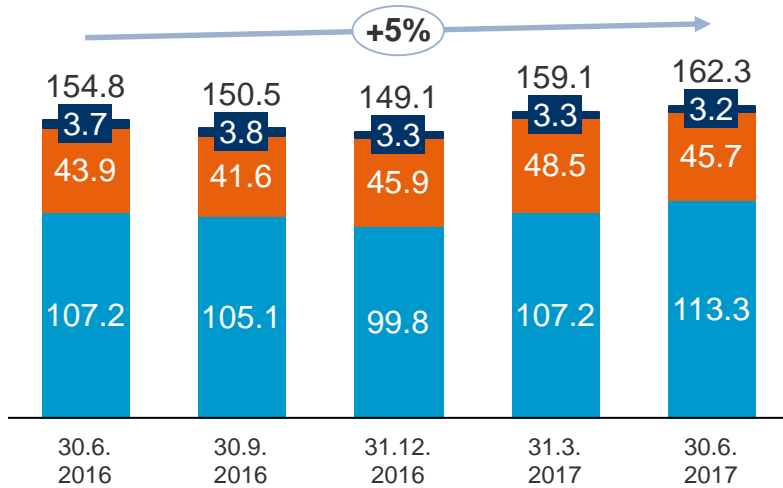


ČSOB Leasing strengthened its market leading position. Outstanding volumes increased by **10% Y/Y** driven by machinery & equipment financing mainly in the corporate and SME segments.

Corporate loans growth driven by plain vanilla and specialized finance

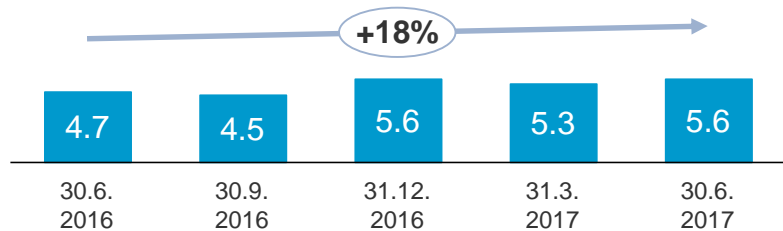
Corporate loans
Outstanding, CZK bn

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



Corporate loans increased by **5% Y/Y** driven by plain vanilla financing (+6%) and specialized finance (+4%). The majority of Y/Y loan growth was recorded in the sectors: finance & insurance, media and real estate.

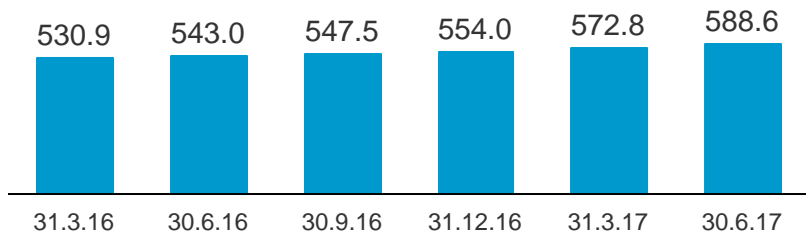
Factoring
Outstanding, CZK bn



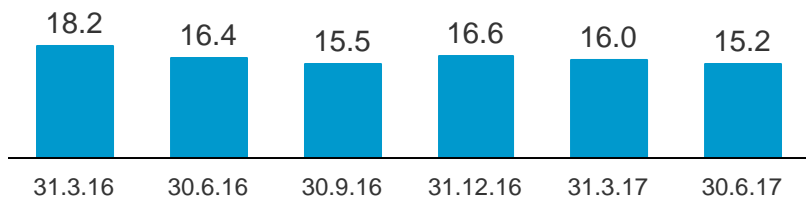
Factoring outstanding volumes increased by **18% Y/Y** thanks to a gradually growing client base.

The already low NPL ratio drops even further reflecting excellent loan quality

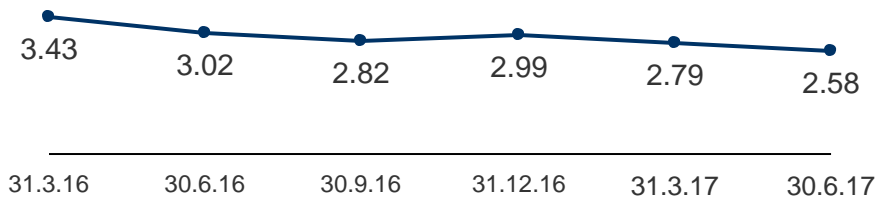
Loan portfolio (excl. ČMSS) (CZK bn)



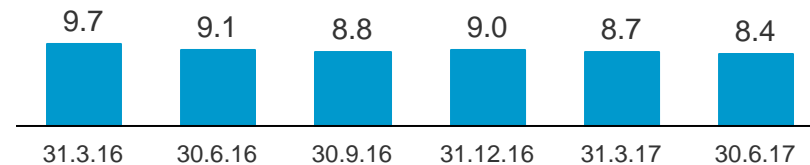
Non-performing loans (CZK bn)



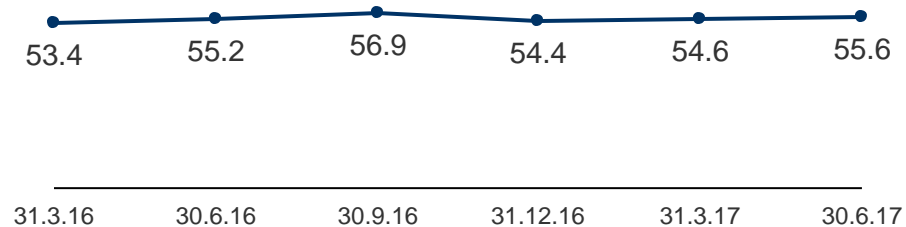
NPL ratio (%)



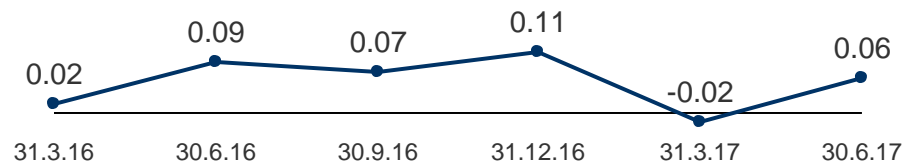
Allowances for loans and leases¹ (CZK bn)



NPL coverage ratio (%)



Credit cost ratio² (%)



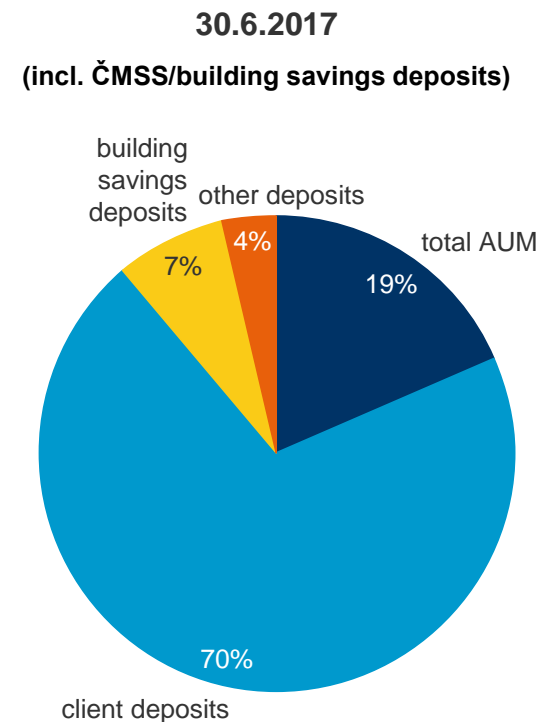
¹ Allowances for on-balance sheet items (PD10, PD11 and PD12 only).

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

Group deposits and Total assets under management

Strong growth of both group deposits and total AUM

Outstanding volumes, CZK bn	30.6.2016	30.6.2017	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	745.1	849.2	+14%
Client deposits	643.6	733.7	+14%
<i>Current accounts</i>	418.1	503.0	+20%
<i>Savings deposits</i>	213.8	216.8	+1%
<i>Term deposits</i>	11.7	13.9	+19%
Other deposits	24.8	38.3	+54%
Building savings deposits ¹	76.6	77.2	+1%
Total AUM	183.5	196.0	+7%
Pension funds ²	43.4	47.5	+9%
Mutual funds and other AM ³	140.1	148.5	+6%



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

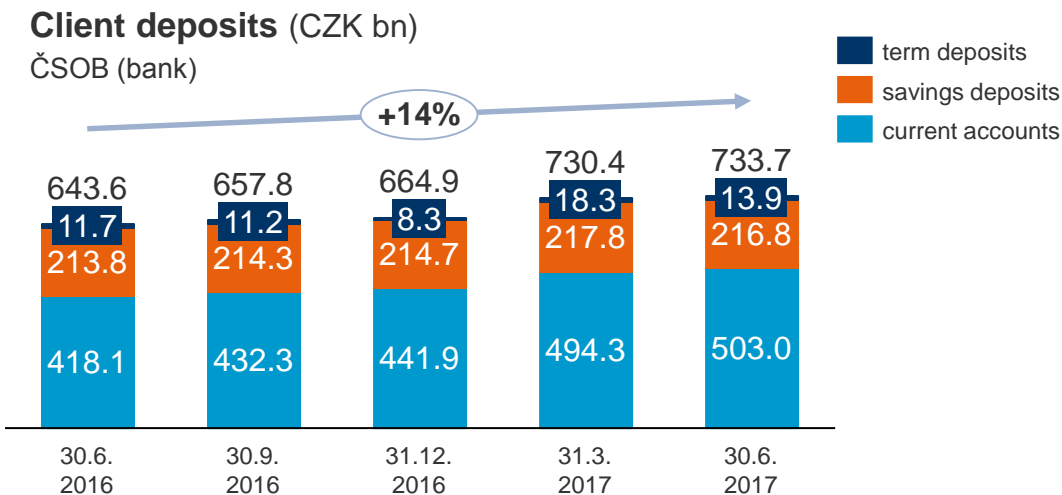
Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

² Liabilities to pension fund policy holders.

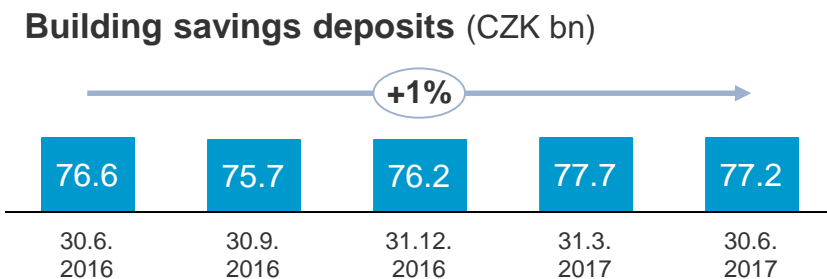
³ Item "Mutual funds and other AM" includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak AM.

Client deposits, Building savings deposits and Pension funds

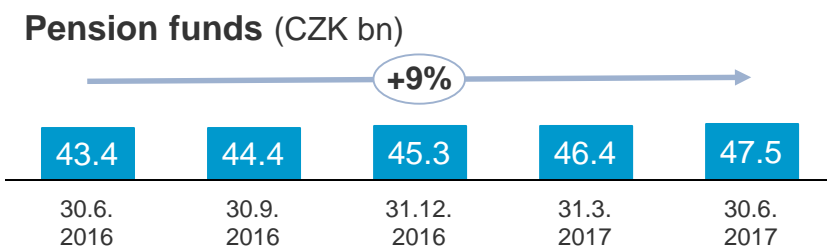
Growth of client deposits largely driven by current accounts



The **14% Y/Y** growth of **client deposits** was largely driven by **current accounts** (+20% Y/Y). **Saving deposits** increased by 1% Y/Y.



The **building savings deposits** increased by **1% Y/Y** partly affected by pricing adjustment in the previous year.

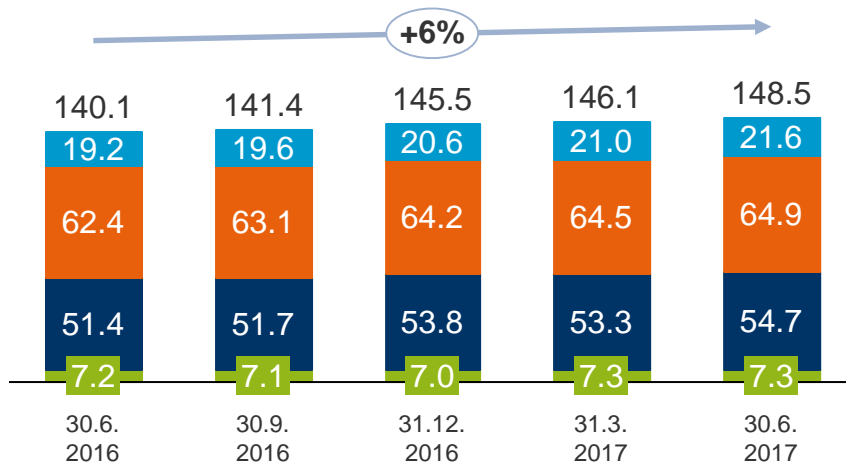
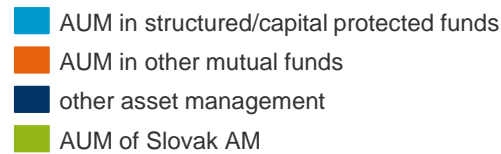


The volume of **pension funds** increased by **9% Y/Y** driven mainly by increase of new sales and improving retention.

Mutual funds are gradually picking up, outstanding increased by 6% Y/Y

Mutual funds and other AM

Outstanding volumes, CZK bn

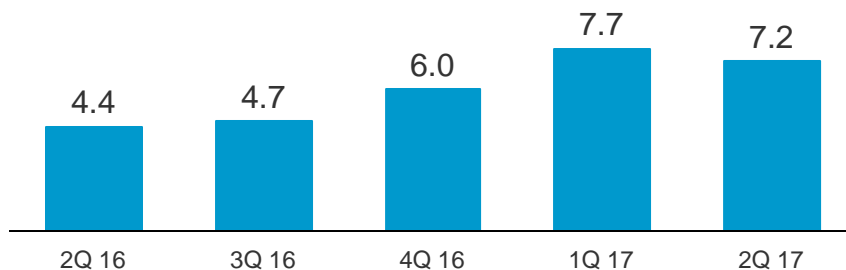


Mutual funds and other AM increased by **6% Y/Y** to **CZK 148.5bn** thanks to growth in all categories.

The 6% Y/Y growth of AUM in mutual funds was driven by both higher net sales as well as positive performance effect.

Mutual funds

New sales, CZK bn



2Q 2017 new sales of mutual funds were up **65% Y/Y** driven by mixed funds (especially Profile funds and Premium profile funds).

Notes:

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

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

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

	30.6.2016	30.6.2017
Retail/SME branches and advisory centers	726	681
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB/Era)	220	216
PSB/Era Financial Centers	61	38
ČMSS advisory centers	325	302
Hypoteční banka centers	29	30
ČSOB Pojišťovna branches	91	95
ČSOB Private Banking branches	12	11
Leasing branches	10	9
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,000	ca. 2,900
- of which specialized banking counters	150	152
ATMs¹	1,067	1,067
ČSOB's clients (bank only, mil.)	2.776	2.766
Internet Banking - users (mil.)	1.551	1.584
- transactions (mil.)	25.876	27.229

¹ Including ATMs of cooperating banks.

At the end of June 2017, clients could use 1,067 **ATMs**, of which 148 were contactless and 166 enabled cash deposits.

Due to ongoing optimization of the branch network and strengthening of the self-service platform, some branches were closed or merged as dual branded. The number of **ČSOB branches** (see note) reached 276, of which 36 were dual branded (ČSOB + PSB/Era) at the end of June 2017.

The **number of ČSOB's clients** (bank only) remained almost stable while the number of active clients increased by 2% Y/Y.

The number of **digital users** increased by 2% Y/Y and **electronic channel transactions** by 5% Y/Y.

Note:

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

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

Numerous awards for ČSOB again in 2017, incl. Best Private Bank

Euromoney: Private Banking Survey

ČSOB Private Banking awarded by the magazine **Euromoney** as the **Best Private Bank 2017** in the Czech Republic.

Global Finance: Best FX Provider Award 2017

ČSOB was recognized as the **Best FX Provider** in the Czech Republic for 2017.

Via Foundation: Via Bona Award

ČSOB was voted **the best by the public in the Good Company category** for philanthropic activities over the last 20 years.

Global Finance: Trade Finance Provider Award 2017

The **Global Finance** magazine selected ČSOB as the **Best Trade Finance Provider 2017** in the Czech Republic.

European Structured Products & Derivatives Awards 2017

ČSOB Asset Management won the European competition Structured Products & Derivatives Awards 2017 in the category of **Best Distributor** in the Czech Republic.

Sodexo: Employer of the Year 2017

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

Zlatá koruna award

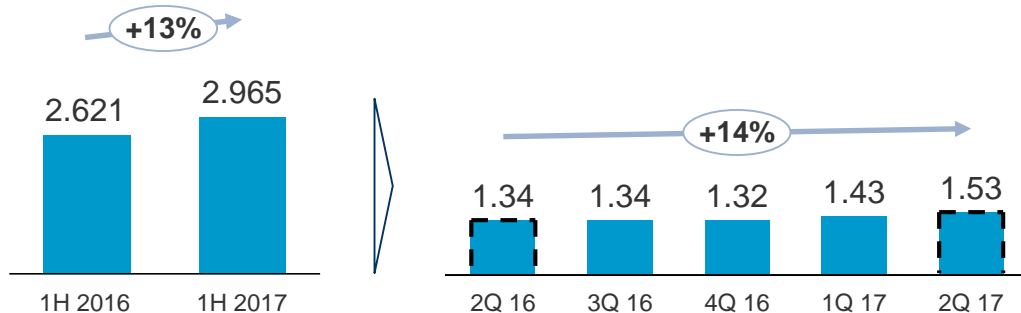
In the 15th Zlatá koruna award, ČSOB Leasing ranked first in the **Leasing for entrepreneurs** category with the product **Autopilot ČSOB Leasing** and Hypoteční banka second in the **Mortgages category** with the product **Secure financing**.

ČSOB Pojišťovna: Key figures

Successful non-life and life regular business

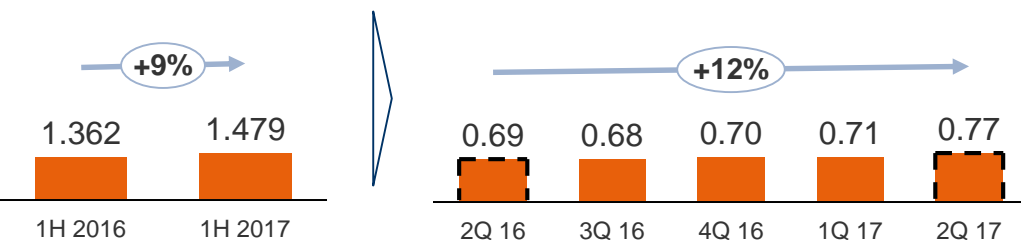
Non-life insurance - gross written premium (GWP)

CZK bn



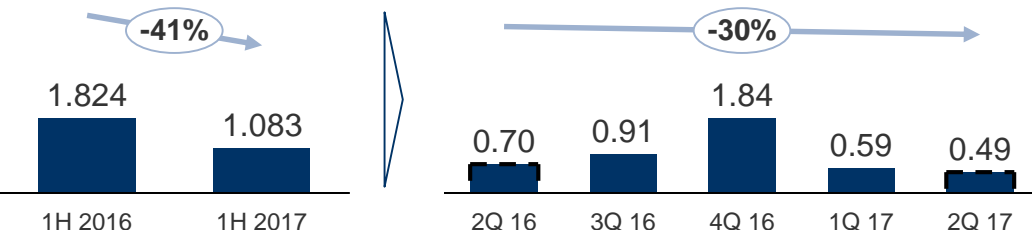
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	1H 2017	Market position
Non-life insurance	↑ 7.1%	4th
Life insurance	↑ 7.3%	4th

Arrows show Y/Y change.

Non-life insurance

1H/2Q 2017 non-life gross written premium increased by **13% Y/Y** and **14% Y/Y** respectively thanks to growth in all product lines, mainly in Property and Motor retail insurance.

Life insurance

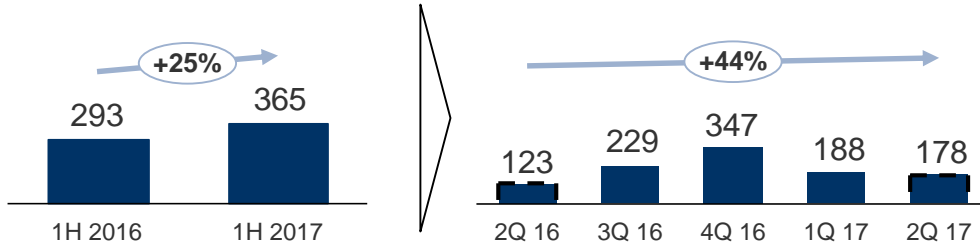
1H/2Q 2017 **regular paid** gross written premium increased by **9% Y/Y** and **12% Y/Y** respectively as a result of portfolio stabilization and better profile in lapses of the life contracts.

1H/2Q 2017 **single paid** gross written premium decreased by **41% Y/Y** and **30% Y/Y** respectively mainly due to lower clients' interest.

Profitability growth driven mainly by life segment

Net profit

CZK m



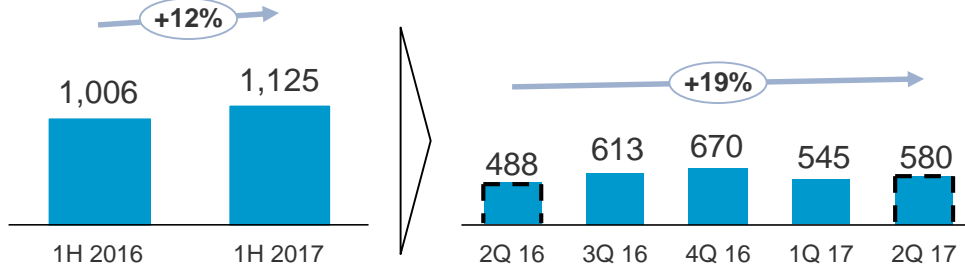
1H/2Q 2017 **net profit** increased to **CZK 365m** (+25% Y/Y) and to **CZK 178m** (+44% Y/Y) respectively driven by better life segment profit contribution.

1H/2Q 2017 **operating income** increased to **CZK 1,125m** (+12% Y/Y) and to **CZK 580m** (+19% Y/Y) respectively influenced by the following drivers:

- **life**: higher profit contribution supported by higher regular paid GWP Y/Y and by longer amortization of paid-out commissions.
- **non-life**: negative impact of several big claims that occurred over 1H 2017 (incl. injuries, worse winter conditions, property), while GWP increased Y/Y.

Operating income

CZK m

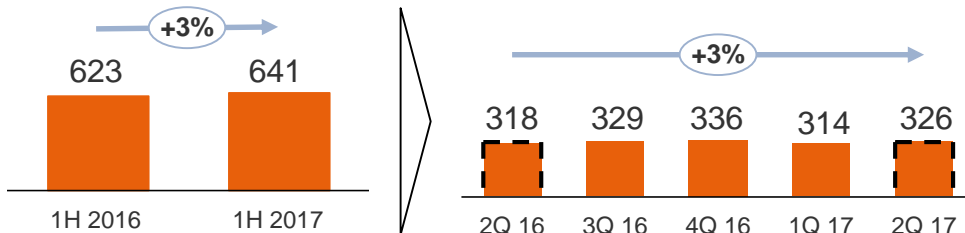


1H/2Q 2017 **operating expenses** increased both by 3% Y/Y reaching **CZK 641m** and **CZK 326m** respectively driven by investments.

Non-life combined ratio stood at **98.2%** (+0.4pp Y/Y) influenced by several claims that occurred in February and May as mentioned above.

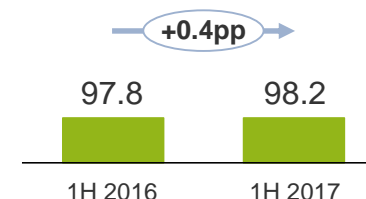
Operating expenses

CZK m



Non-life combined ratio

(%)



Business Unit Czech Republic

1H 2017 profitability driven mainly by ČSOB group



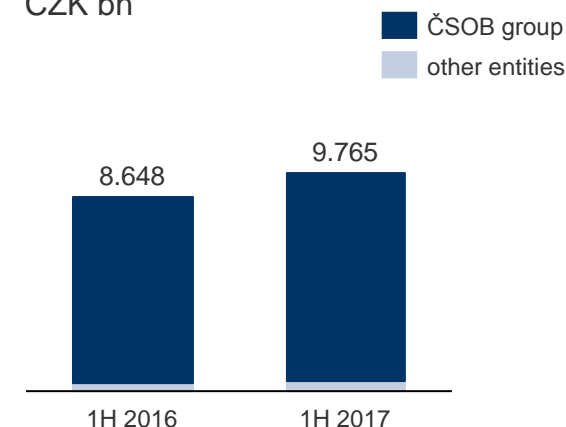
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 1H/2Q 2017 net profit of the Business Unit Czech Republic reached **CZK 9.8bn** (+13% Y/Y) and **CZK 4.9bn** (-6% Y/Y) respectively. The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership of ČSOB Pojišťovna and ČSOB Asset Management (ČSOB AM).

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

Net profit of the Business Unit Czech Republic

CZK bn



Net profit (CZK bn)	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	2Q/2Q	1H 2016	1H 2017	1H/1H
ČSOB group ¹	4.997	3.656	3.145	4.664	4.650	-7%	8.280	9.314	+12%
ČSOB Pojišťovna	0.123	0.229	0.347	0.188	0.178	+44%	0.293	0.365	+25%
ČSOB AM	0.040	0.039	0.044	0.044	0.042	+5%	0.075	0.086	+14%
Total	5.160	3.925	3.537	4.896	4.869	-6%	8.648	9.765	+13%

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

Within the **Environmental Responsibility** pillar, ČSOB successfully concluded certification ISO 14001 'Environmental Management System' and has concentrated on deploying a variety of modern technologies and increasing employee awareness on responsible behaviour towards environment.

Within the **Financial Literacy** pillar, ČSOB realized 158 workshops and sessions at schools and trained 58 ambassadors amongst employees.



Philanthropy

ČSOB launched a new **Good Will Card** grant programme based on further developing our relationship with clients in respect to philanthropy. The programme focuses on support to people in difficult health or social situation and on support to systematic changes leading to the improvement of a specific social phenomenon.

On the occasion of the 20th anniversary of the **Via Bona award**, a special event was held to remind of the twenty strongest stories of Czech philanthropy. **ČSOB was voted the best by the public in the Good Company category.**

Employee engagement in CSR

Since 2017, which is the 10th anniversary of **ČSOB volunteering programme**, this initiative has been open to all employees of ČSOB Group.

The same approach – inviting all employees of ČSOB Group – applies to the **Help Fund**, a programme intended for family and friends of our employees who find themselves in difficult life situation. Since 2011, ČSOB already helped to 313 people with overall CZK 5.5m. The help covers compensation aids for physiotherapy, neuro-therapy, personal assistance to people with disability and other similar types of support.



Ratios and other indicators

Ratio / Indicator	31.12.2014	31.12.2015	31.12.2016	30.6.2016	30.6.2017
Net interest margin (Ytd., annualized, %)	3.17	3.01	2.93	2.94	3.02
Cost / income ratio (%)	47.6	48.2	46.0	44.7	42.0
RoE (Ytd., %)	16.4	16.4	17.3	18.9	21.1
RoA (Ytd., %)	1.40	1.49	1.42	1.65	1.45
RoAC , BU Czech Republic (Ytd., %) ¹	40.0	34.9	37.0	40.7	46.7
Credit cost ratio (Ytd., annualized, %)	0.18	0.18	0.11	0.09	0.06
NPL ratio (%)	4.07	3.64	2.99	3.02	2.58
NPL coverage ratio (%)	53.4	53.2	54.4	55.2	55.6
(Core) Tier 1 ratio (%)	17.2	19.1	18.2	16.9	16.8
Total capital ratio (%)	17.5	19.4	18.5	17.1	16.8
Solvency ratio – ČSOB Pojišťovna (%)	214	197	n/a	191	n/a
Leverage ratio (Basel III, %)	5.15	5.25	5.18	4.89	4.33 ²
Net stable funding ratio (Basel III, %)	135.9	134.9	151.9	145.9	145.9
Liquidity coverage ratio (Basel III, %)	348.4	163.4	153.0	156.2	142.2
Loan to deposit ratio (%)	76.3	79.3	79.4	79.1	76.7

¹ Fully-loaded

² Change in calculation of item "Adjustments for securities financing transactions", corrected on 5 January 2018.

Profit and loss statement

(CZK m)	2Q 2016	1Q 2017	2Q 2017	Y/Y	Q/Q	1H 2016	1H 2017	Y/Y
Net interest income	5,509	5,662	5,690	+3%	0%	11,036	11,352	+3%
<i>Interest income</i>	6,188	6,313	6,420	+4%	+2%	12,374	12,733	+3%
<i>Interest expense</i>	-679	-651	-730	+8%	+12%	-1,338	-1,381	+3%
Net fee and commission income	1,604	1,568	1,606	0%	+2%	3,103	3,174	+2%
Net gains from financial instruments at FVPL ¹	1,117	1,341	1,740	+56%	+30%	1,968	3,081	+57%
Other operating income ²	1,562	1,138	462	-70%	-59%	1,808	1,600	-12%
Operating income	9,792	9,709	9,498	-3%	-2%	17,915	19,207	+7%
Staff expenses	-1,877	-1,927	-1,942	+3%	+1%	-3,782	-3,869	+2%
General administrative expenses	-1,461	-1,995	-1,553	+6%	-22%	-3,605	-3,548	-2%
<i>General administrative expenses (excl. banking taxes)</i>	-1,479	-1,294	-1,542	+4%	+19%	-2,854	-2,836	-1%
<i>Banking taxes</i>	18	-701	-11	>-100%	-98%	-751	-712	-5%
Depreciation and amortisation	-311	-327	-332	+7%	+2%	-623	-659	+6%
Operating expenses	-3,649	-4,249	-3,827	+5%	-10%	-8,010	-8,076	+1%
Impairment losses	-255	28	-266	+4%	>-100%	-277	-238	-14%
<i>Impairment on loans and receivables</i>	-238	25	-198	-17%	>-100%	-259	-173	-33%
<i>Impairment on available-for-sale securities</i>	0	0	-1	n/a	n/a	0	-1	n/a
<i>Impairment on other assets</i>	-17	3	-67	>+100%	>-100%	-18	-64	>+100%
Share of profit of associates	165	135	175	+6%	+30%	345	310	-10%
Profit before tax	6,053	5,623	5,580	-8%	-1%	9,973	11,203	+12%
Income tax expense	-1,039	-941	-913	-12%	-3%	-1,662	-1,854	+12%
Profit for the period	5,014	4,682	4,667	-7%	0%	8,311	9,349	+12%
Attributable to:								
Owners of the parent	5,014	4,682	4,668	-7%	0%	8,312	9,350	+12%
Non-controlling interests	0	0	-1	n/a	n/a	-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.

Balance sheet - assets

(CZK m)	30/6 2016	31/12 2016	30/6 2017	Ytd.	
Cash and balances with central banks	23,332	61,075	130,291	>+100%	Increase due to overnight loan with ČNB.
Financial assets held for trading	58,477	20,008	36,704	+83%	
Financial assets designated at fair value through P/L	0	0	0	n/a	Increase due to reverse repo operations with banks and sovereign bonds.
Available-for-sale financial assets	57,395	56,938	49,847	-12%	
Loans and receivables - net	754,307	779,222	1,020,397	+31%	
<i>Loans and receivables to credit institutions - gross</i>	231,326	242,210	447,511	+85%	
<i>Loans and receivables to other than credit institutions - gross</i>	533,101	547,078	582,313	+6%	Increase due to reverse repo operations with ČNB.
<i>Allowance for impairment losses</i>	-10,120	-10,066	-9,427	-6%	
Held-to-maturity investments	136,067	132,679	116,716	-12%	
Fair value adjustments of the hedged items in portfolio hedge	1,662	852	-1,425	>-100%	
Derivatives used for hedging	15,273	11,656	9,186	-21%	
Current tax assets	78	25	88	>+100%	
Deferred tax assets	168	179	157	-12%	
Investments in associate and joint ventures	4,609	4,957	4,518	-9%	
Investment property	0	0	0	n/a	
Property and equipment	8,514	10,009	9,890	-1%	
Goodwill and other intangible assets	5,387	5,634	5,748	+2%	
Non-current assets held-for-sale	367	52	31	-40%	
Other assets	2,548	2,241	2,647	+18%	
Total assets	1,068,184	1,085,527	1,384,795	+28%	

Note:

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

Balance sheet – liabilities and equity

(CZK m)	30/6 2016	31/12 2016	30/6 2017	Ytd.
Financial liabilities held for trading	43,119	40,044	43,397	+8%
Financial liabilities at fair value through P/L	0	1,620	4,870	>+100%
Financial liabilities at amortised cost	914,826	931,757	1,232,862	+32%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	65,073	32,598	164,562	>+100%
<i>of which Deposits received from other than credit institut.</i>	668,510	676,161	772,019	+14%
<i>of which Debt securities in issue</i>	181,243	222,998	296,281	+33%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	7,977	4,796	1,131	-76%
Derivatives used for hedging	12,688	10,532	8,662	-18%
Current tax liabilities	496	849	597	-30%
Deferred tax liabilities	1,712	1,576	1,601	+2%
Provisions	485	673	925	+37%
Other liabilities	4,890	4,945	3,872	-22%
Total liabilities	986,193	996,792	1,297,917	+30%
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	32,048	38,877	38,079	-2%
Available-for-sale reserve	1,992	2,228	1,764	-21%
Cash flow hedge reserve	2,303	1,973	1,379	-30%
Parent shareholders' equity	81,814	88,549	86,693	-2%
Minority interest	177	186	185	-1%
Total equity	81,991	88,735	86,878	-2%
Total liabilities and equity	1,068,184	1,085,527	1,384,795	+28%

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

Increase mainly due to current accounts.

Increase due to deposit bills of exchange.

Credit rating, shareholder structure and NPL

ČSOB's credit ratings

As at 10 August 2017

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

Shareholder structure

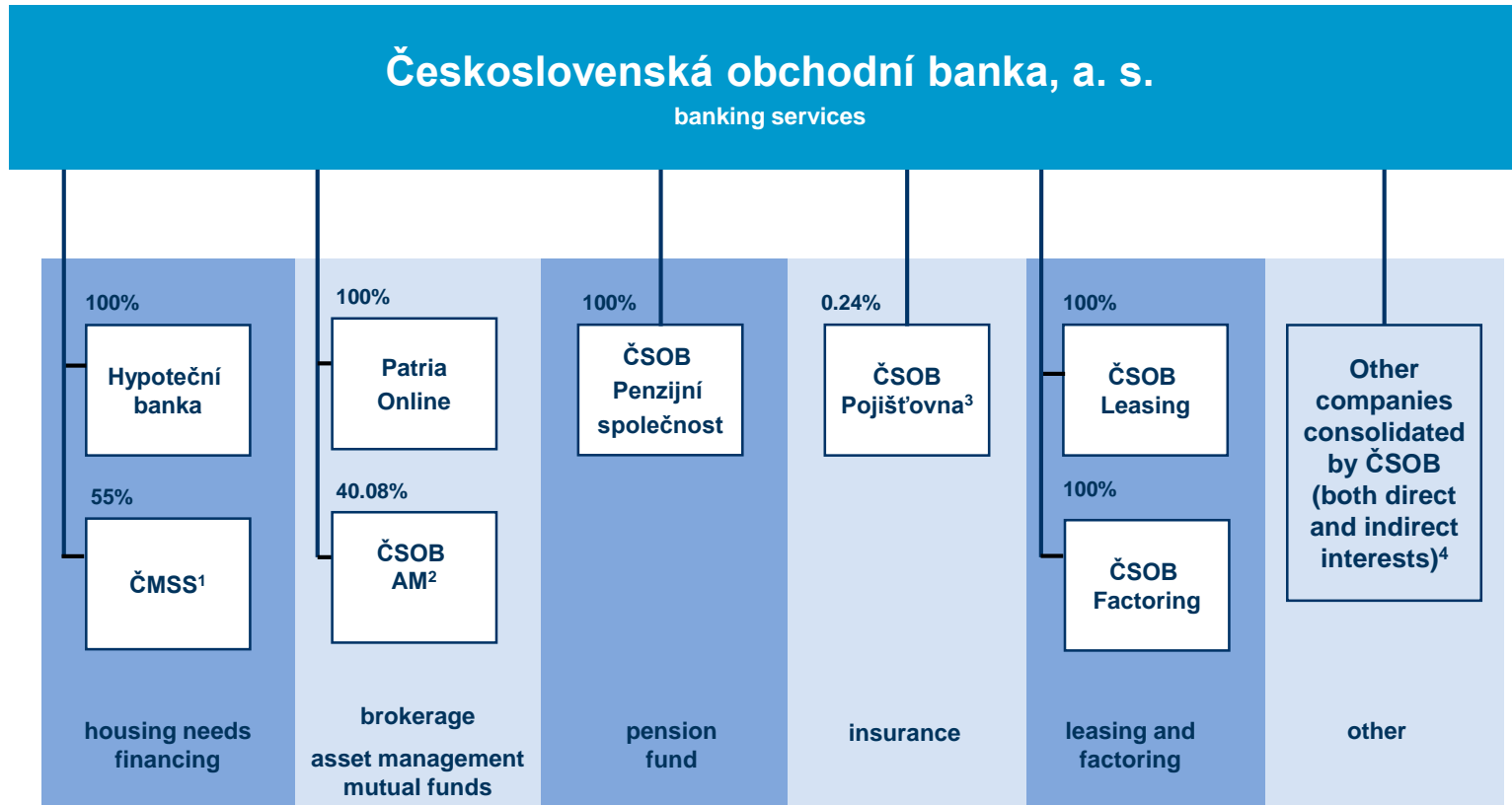
As at 30 June 2017, ČSOB's share capital was CZK 5,855,000,040 and comprised of 292,750,002 ordinary bearer shares with a nominal value of CZK 20 each.

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

Non-performing loans (NPL)

PD rating distribution	30.6.2016		30.6.2017	
	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
Total loans	543.0	100%	588.6	100%
Normal - Standard (PD 1-7)	515.6	95%	564.2	96%
Asset quality review - Watched (PD 8-9)	11.0	2%	9.2	2%
Uncertain - Substandard (PD 10)	3.6	1%	4.8	1%
Uncertain - Doubtful (PD 11)	1.5	0%	1.2	0%
Irrecoverable - Loss (PD 12)	11.3	2%	9.2	2%

The ČSOB group in the Czech Republic



Percentages show ČSOB's ownership interests on company's equity as at 30 June 2017.

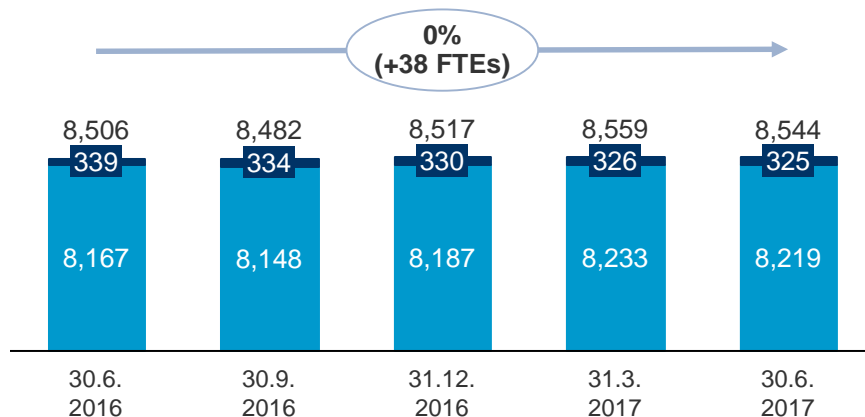
¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

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

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

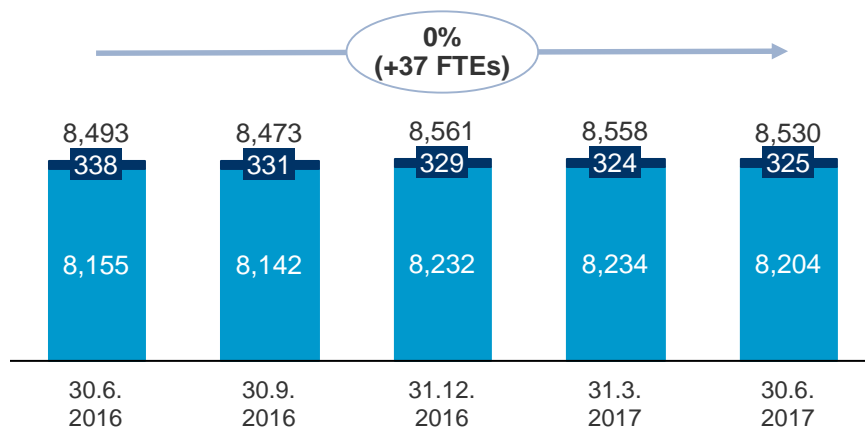
⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTE – average



The average number of FTE increased by 38 Y/Y influenced by strengthening of the distribution salesforce.

Number of FTE – end of the period



The number of FTE increased at the end of the period by 37 Y/Y.

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

Market shares definitions and sources

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

Glossary - ratios

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

Glossary - other definitions

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

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