



9M/3Q 2016 Results

ČSOB Group

Business Unit Czech Republic

EU IFRS Unaudited Consolidated
17 November 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	9M 2015	9M 2016
Profitability	Net profit (CZK bn)	13.7	13.6	14.0	11.0	12.0
	Return on equity	18.2%	16.4%	16.4%	17.5%	18.2%
Liquidity	Loan / deposit ratio	75.9%	76.4%	79.9%	77.0%	75.9%
	Net stable funding ratio	135.7%	135.9%	134.9%	131.8%	149.5%
Capital	Tier 1 ratio	15.6% ¹	17.2% ²	19.1% ²	18.3% ²	16.7% ²
Impairments	Credit cost ratio	0.25%	0.18%	0.18%	0.15%	0.07%
Cost efficiency	Cost / income ratio	47.5%	47.6%	48.2%	46.9%	45.2%

¹ According to Basel II

² According to Basel III

Business volumes

The **loan portfolio** (incl. ČMSS) increased to **CZK 612bn** (+6% Y/Y), mainly thanks to mortgages, corporate loans and leasing. **Group deposits** (incl. ČMSS) grew to **CZK 756bn** (+8% Y/Y). Total **assets under management** increased to **CZK 186bn** (+3% Y/Y).

Operating income

Operating income reached **CZK 25.9bn** in 9M 2016 (+6% Y/Y) and **CZK 8.0bn** in 3Q 2016 (-2% Y/Y). Y/Y increase in 9M 2016 was driven by one-off gain from VISA Europe sale, additional revenues linked to ICT insourcing and positive value adjustments. Y/Y decline in 3Q 2016 mainly due to lower NII.

Operating expenses

Operating expenses reached **CZK 11.7bn** in 9M 2016 (+2% Y/Y) and **CZK 3.7bn** in 3Q 2016 (+6% Y/Y). Adjusted for ICT insourcing and banking taxes, 9M/3Q 2016 operating expenses would increase by 1% Y/Y and 2% Y/Y respectively due to higher ICT investments linked to digital services and marketing. 9M 2016 increase was partially mitigated by lower staff expenses.

Impairments

Credit cost ratio decreased to **7 bps** (Ytd. annualized, -8bps Y/Y) thanks to excellent loan quality and despite one-off IBNR parameter changes (already in 2Q 2016).

Net profit

As a result of above mentioned factors, the ČSOB **net profit** came in at **CZK 12.0bn** in 9M 2016 (+9% Y/Y) and **CZK 3.7bn** in 3Q 2016 (-6% Y/Y).

Liquidity & Capital

Loan / deposit ratio decreased to **75.9%**. **Tier 1 ratio** (Basel III) decreased to **16.7%**. **Net stable funding ratio** (NSFR) increased Y/Y to **149.5%** due to parameter changes related to implemented European legislation.

Achievements

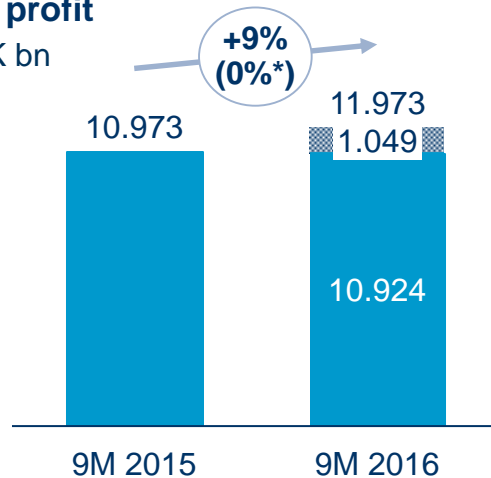
ČSOB selected as the **sole partner** for negotiations regarding financial and insurance services provided at Czech Post after 2017. ČSOB is the winner of **the Bank Innovator** category in Hospodářské noviny 2016 contest with its prepaid COOL karta. Clients comfort was further improved with **paperless services** (most documents can be signed digitally and saved in Internet Banking) now provided at all branches.

ČSOB group net profit

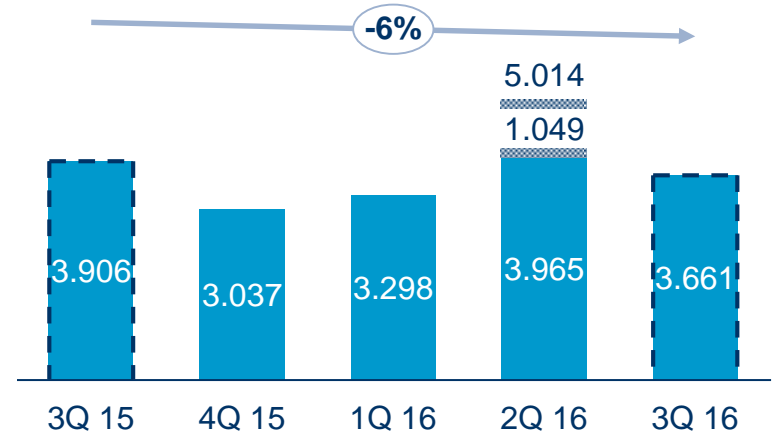
Adjusted for VISA Europe sale, 9M 2016 net profit remained flat

Solid growth in business volumes and excellent loan quality

Net profit
CZK bn



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



Net profit reached **CZK 12.0bn** in **9M 2016** (+9% Y/Y) supported by one-off gain from VISA Europe sale in 2Q 2016. Adjusted for the latter net profit would remain flat Y/Y. Solid growth in business volumes and excellent loan quality were offset by declining NIM, lower fees and higher operating expenses.

3Q 2016 net profit declined to **CZK 3.7bn** (-6% Y/Y) as a result of declining NIM, higher operating expenses and higher base (extraordinary release of accruals for the contribution to the Resolution Fund: CZK 318m gross).

The return on equity (ROE) reached **18.2%** in 9M 2016, up from 17.5% fully driven by higher net profit. Adjusted for VISA Europe sale, ROE would reach 16.6%.

Notes:

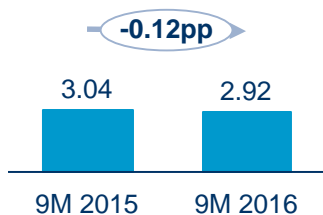
3Q 2015 one-off item (total of CZK -0.1bn): IBNR parameter changes (CZK -0.1bn).

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

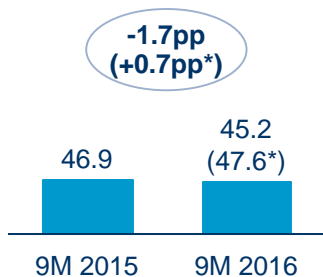
2Q 2016 one-off items (total of CZK +1.1bn): gain from VISA Europe sale (CZK +1.3bn), IBNR parameter changes (CZK -0.2bn)

Profitability

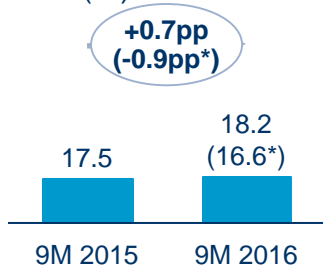
Net interest margin (%)



Cost / income ratio (%)

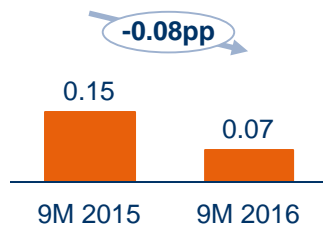


ROE (%)

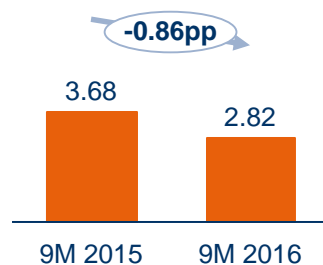


Loan portfolio quality

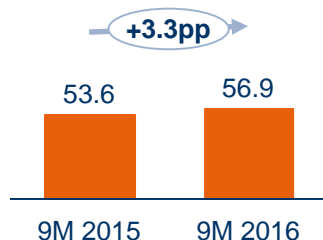
CCR, Ytd. annualized (%)



NPL ratio (%)

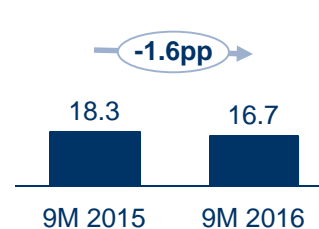


NPL coverage ratio (%)

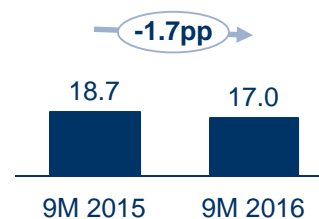


Capital

(Core) Tier 1 ratio (%)

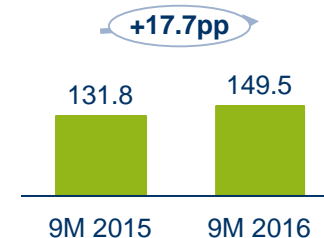


Total capital ratio (%)

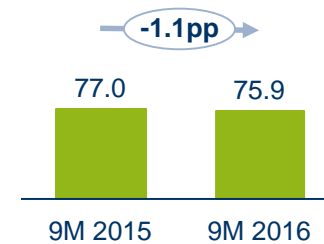


Liquidity

Net stable funding ratio (%)

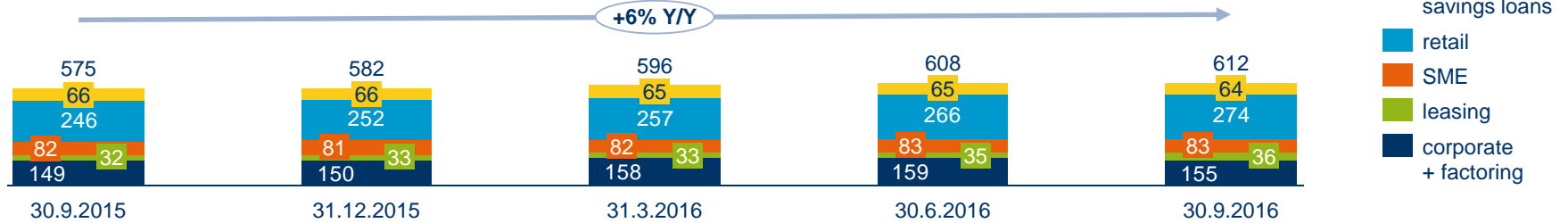


Loan / deposit ratio (%)



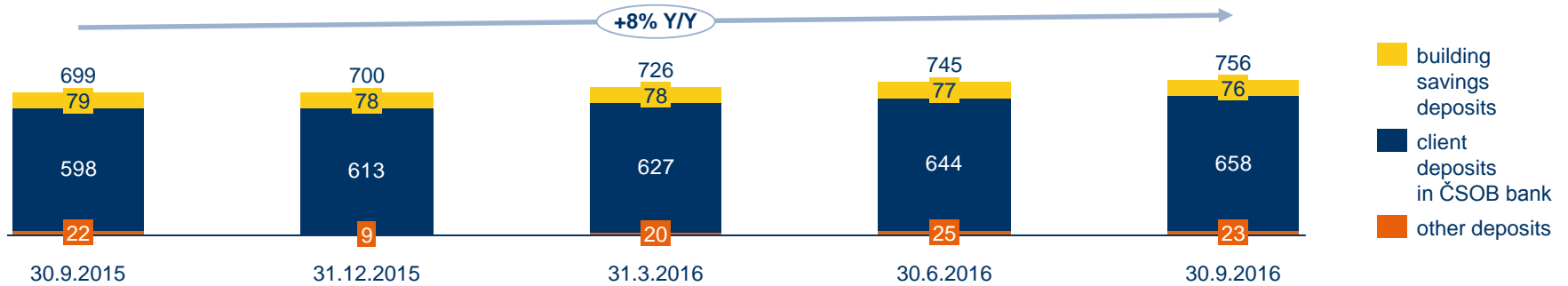
Loan portfolio¹

CZK bn



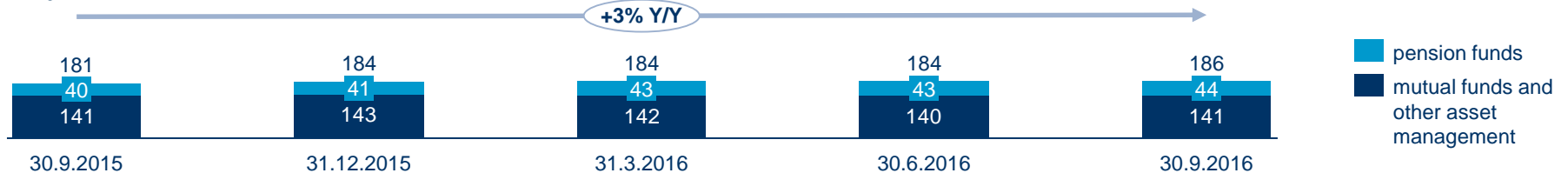
Group deposits²

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.

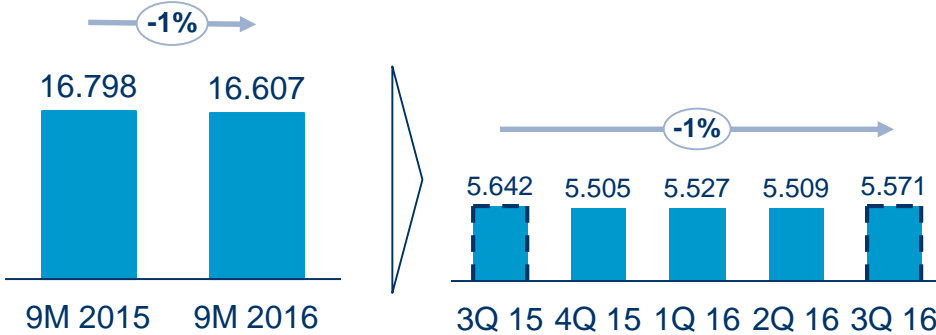
² Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits).



ČSOB Group: Financial Overview

Net interest income (NII)

CZK bn



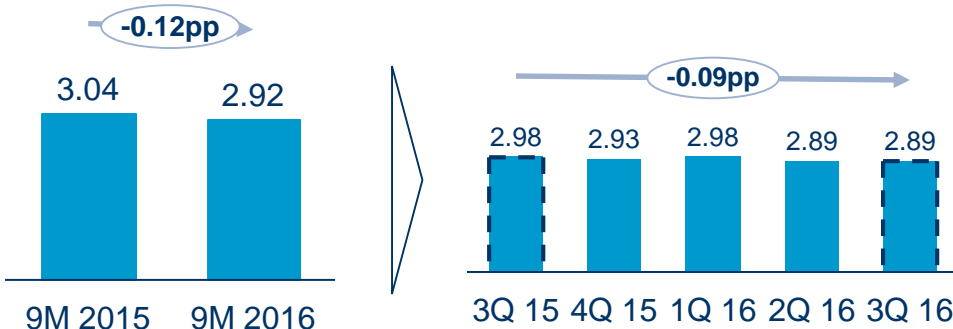
Both 9M/3Q 2016 **net interest income** declined by **1% Y/Y**. Ongoing growth in business volumes was more than offset by declining margin.

Both 9M/3Q 2016 declined as a result of:

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

Net interest margin (NIM)

%



In 9M 2016, **net interest margin** reached **2.92%** (-0.12pp Y/Y).

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

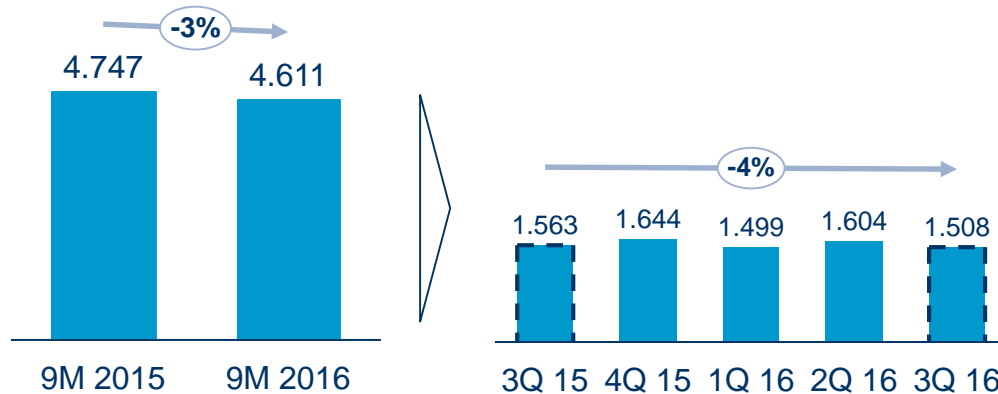
- (-) continuing lower reinvestment yields
- (-) pressure on lending margins (especially on mortgages and consumer finance)
- (+) active management of funding costs

	2013	2014	2015	9M 16
Net interest margin (Ytd., %)*	3.20 (3.00)	3.17	3.01	2.92

* 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

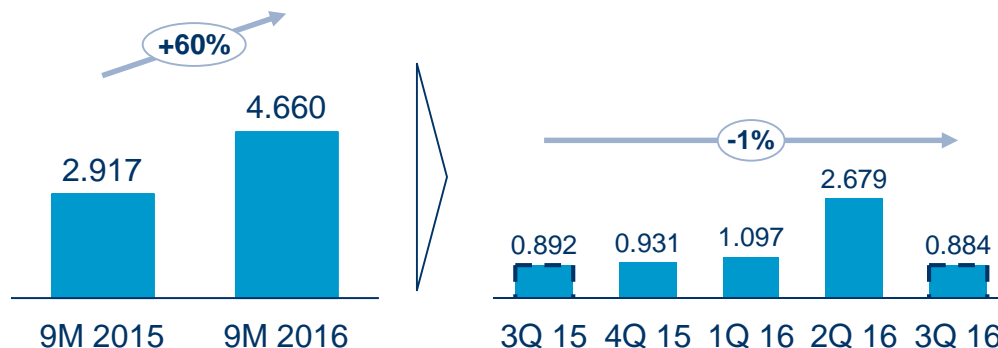


9M/3Q 2016 net fee and commission income declined by **3% Y/Y** and **4% Y/Y** respectively.

The Y/Y decrease in both periods under review was fully driven by lower asset management and decline of domestic payments and payments card fees.

Other*

CZK bn



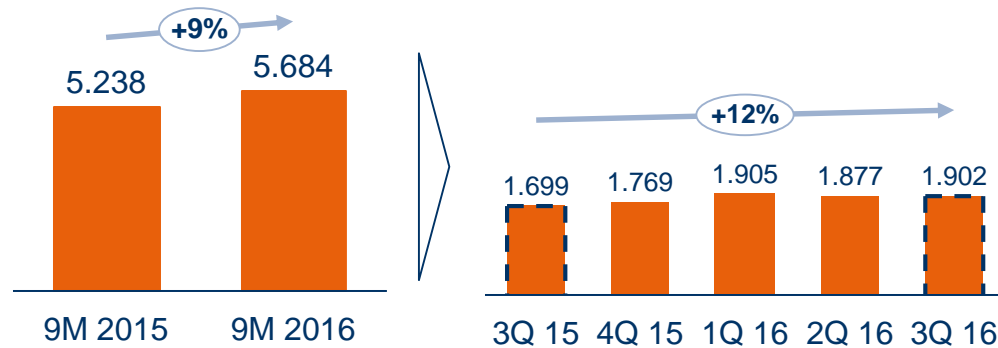
The **60% Y/Y** increase of item “Other” in 9M 2016 was mainly thanks to gain from VISA Europe sale (CZK 1,295m gross) and additional revenues linked to ICT insourcing. Adjusted for these impacts, “Other” would increase by 2% Y/Y as a result of:

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

* 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



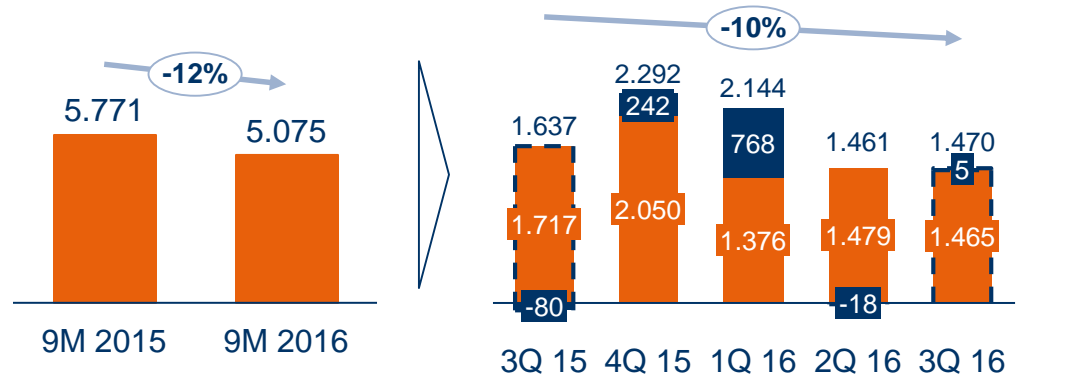
9M/3Q 2016 **staff expenses** increased by 9% Y/Y and 12% Y/Y respectively. Adjusted for ICT insourcing (transfer of ca 750 FTEs), 9M/3Q 2016 staff expenses would **on comparable basis decline by 2% Y/Y** and increase by 1% Y/Y respectively.

9M 2016 declined as a result of:

- (+) higher average number of FTE fully driven by strengthening of the distribution
- (+) wage adjustments
- (-) lower severance payments
- (-) higher share of IT projects with capitalized staff expenses

General administrative expenses (GAE)

CZK bn

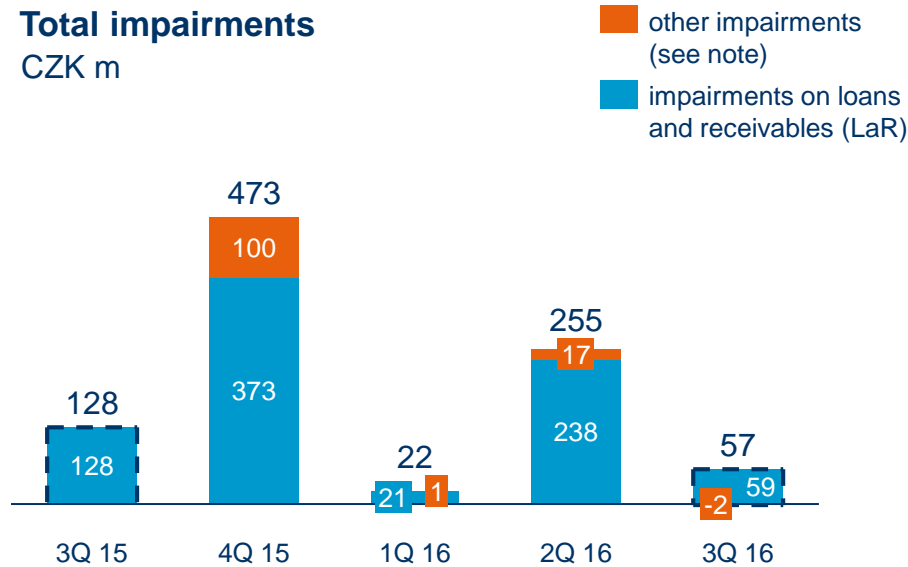


9M/3Q 2016 **general administrative expenses** decreased by 12% Y/Y and 10% Y/Y respectively. Adjusted for ICT insourcing and banking taxes (contribution to the Resolution Fund and Deposit Guarantee Scheme), 9M/3Q 2016 GAE would **on comparable basis increase by 6% Y/Y** and **4% Y/Y** respectively, both driven by ICT investments linked to digital services and marketing.

Cost/income ratio decreased to **45.2%** (-1.7pp Y/Y) mainly thanks to gain from VISA Europe sale in 2Q 2016. Adjusted for VISA Europe sale cost/income ratio would reach 47.6%.

Total impairments

CZK m



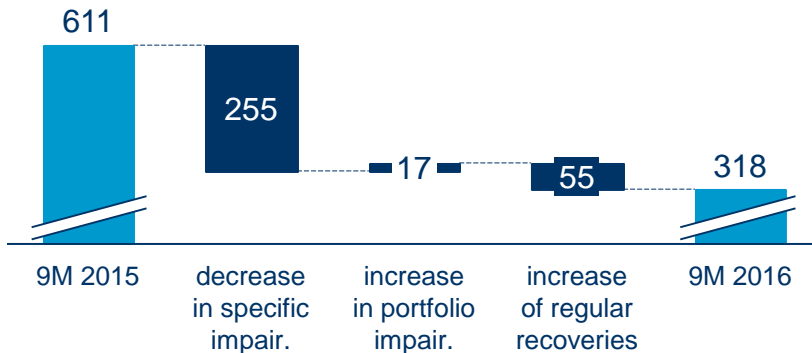
In 9M 2016, **impairments on loans and receivables** decreased Y/Y to **CZK 318m** implying **credit cost ratio of 7 bps** (Ytd., annualized, -8 bps Y/Y). Net creation in SME/corporate segment was more than offset by net releases in retail segment.

The impairments decreased Q/Q as a result of higher base due to one-off IBNR parameter changes and net releases in corporate segment.

Adjusted for impact of one-off IBNR parameter changes in 2Q 2016, **9M 2016 impairments would more than halved and the credit cost ratio would reach 3 bps** (Ytd., annualized).

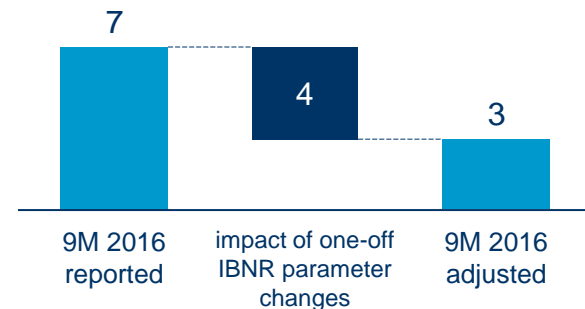
Impairments on loans and receivables

CZK m



CCR adjusted, Ytd. annualized

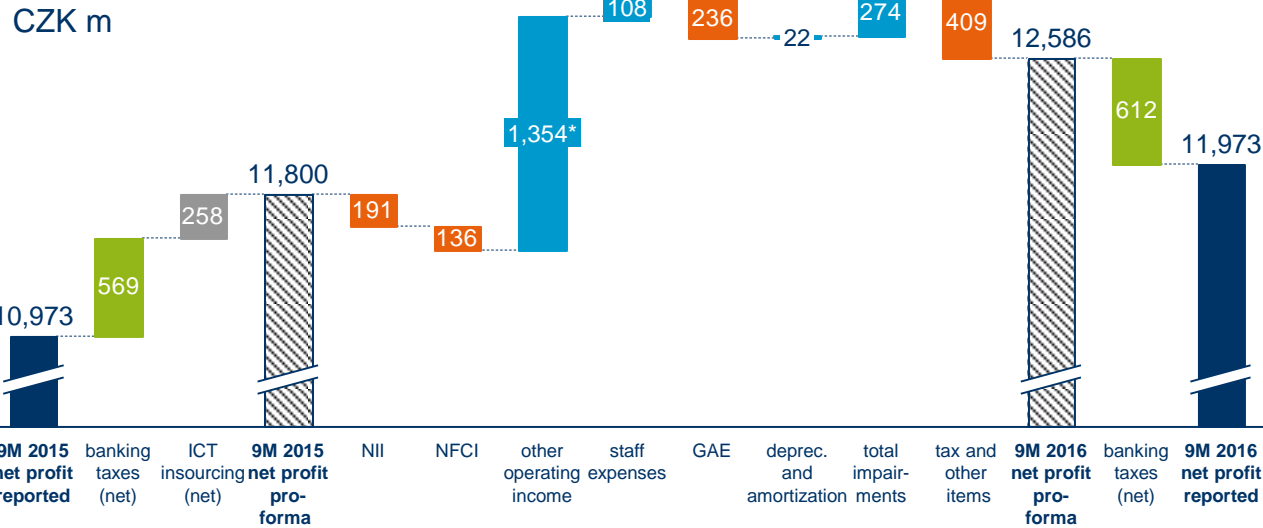
bps



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 9M 2016 and 9M 2015 net profit was caused by the following drivers:

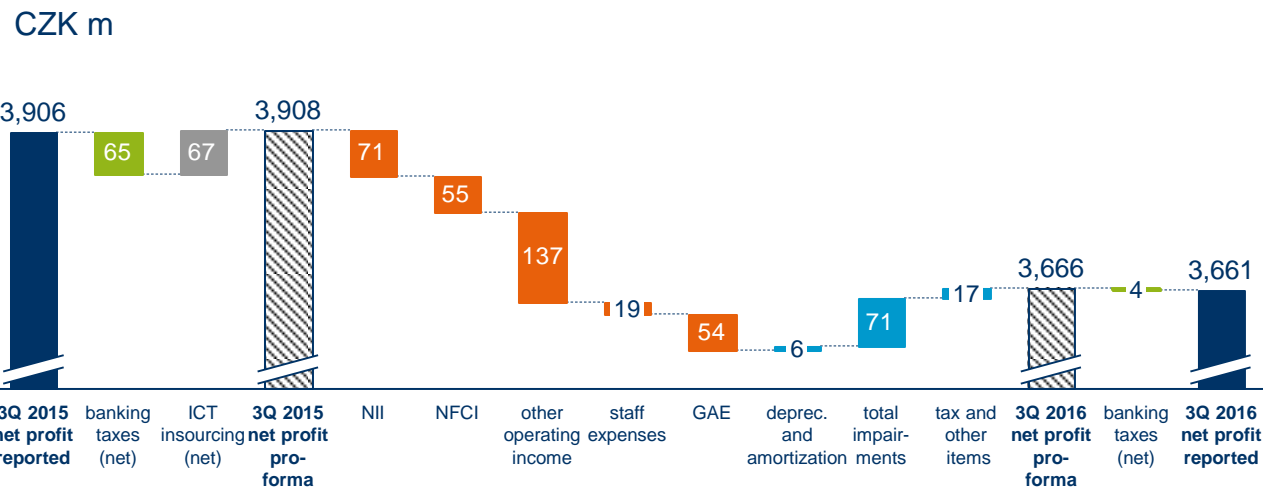
On the **positive side**:

- higher other operating income thanks to VISA Europe sale, positive value adjustments and strong performance of financial markets
- 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 NII from deposits and other NII (mainly capital reinvestment)
- lower NFCI fully driven by lower asset management and decline of domestic payments and payments card fees
- higher GAE driven by ICT investments linked to digital services and marketing

Quarterly net profit (Y/Y)



The main difference between 3Q 2016 and 3Q 2015 net profit was caused by the following drivers:

On the **positive side**:

- lower total impairments thanks to net releases in SME/corporate segment

On the **negative side**:

- lower NII due to NII from deposits and other NII (mainly capital reinvestment)
- lower other operating income due to higher base (positive revaluation of ALM derivatives) and negative value adjustments
- higher GAE due to extraordinary release of accruals for the contribution to the Resolution fund in 3Q 2015

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

Consolidated, CZK m

30.9.2015

31.12.2015

30.9.2016

	30.9.2015	31.12.2015	30.9.2016
Total regulatory capital	64,897	68,138	65,476
- Tier 1 Capital	63,634	67,036	64,457
- Tier 2 Capital	1,263	1,102	1,019
- Regulatory adjustments of CET1 capital	-	-	-
Total capital requirement	27,786	28,137	30,793
- Credit risk	21,969	22,394	25,123
- Market risk	1,293	1,220	1,178
- Operational risk	4,523	4,523	4,492
Total RWA	347,326	351,718	384,916
(Core) Tier 1 ratio	18.3%	19.1%	16.7%
Total capital ratio	18.7%	19.4%	17.0%

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 **higher credit risk**
requirements driven by:
(+) abandoning sovereign carve-
out approach, i.e. zero weight on
sovereign exposure
(+) loan volumes (mainly
mortgages and specialized finance
in corporate)

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 Loans ¹	19.8%	↑
Building savings loans ¹	46.0%	↓
Building savings deposits ¹	39.2%	↑
Mortgages ¹	28.4%	↓
Leasing ²	15.5%	↓

2nd

Total Deposits ¹	19.8%	↑
Mutual funds ¹	23.4%	↓
Factoring ²	25.3%	↑

3rd

Pension funds ³	13.9%	→
SME/corporate loans ¹	15.5%	→
Consumer lending ^{1,4}	10.4%	↑

4th

Insurance ⁵ - combined	6.9%	↑
Non-life insurance ⁵	6.8%	↑
Life insurance ⁵	7.1%	↑

Arrows show Y/Y change. Market shares as of 30 September 2016, except for pension funds which are as of 30 June 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.

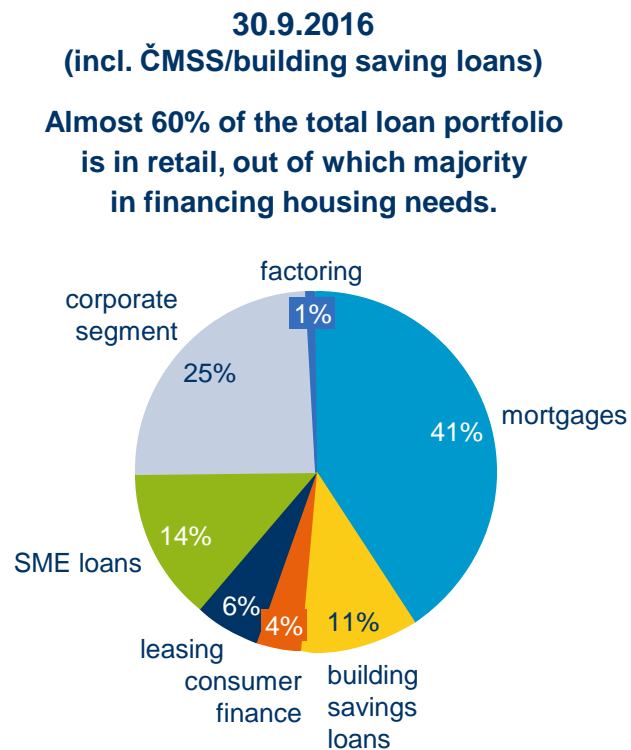
Sources and detailed definitions are provided in Appendix.

Loan portfolio

Loan growth driven by mortgages, corporate and leasing

Consumer finance growth accelerated to 16% Y/Y

Gross outstanding volumes, CZK bn	30.9.2015	30.9.2016	Y/Y
Loan portfolio (incl. ČMSS/building saving loans)	575.4	611.9	6%
Retail Segment			
Mortgages ¹	226.2	250.2	11%
Consumer finance	20.1	23.4	16%
Building savings loans ²	66.2	64.4	-3%
SME/Corporate Segment			
Corporate loans ³	144.8	150.5	4%
SME loans	82.4	83.1	1%
Leasing	31.7	35.8	13%
Factoring	4.0	4.5	13%
Loan portfolio (excl. ČMSS/building savings loans)	509.2	547.5	8%



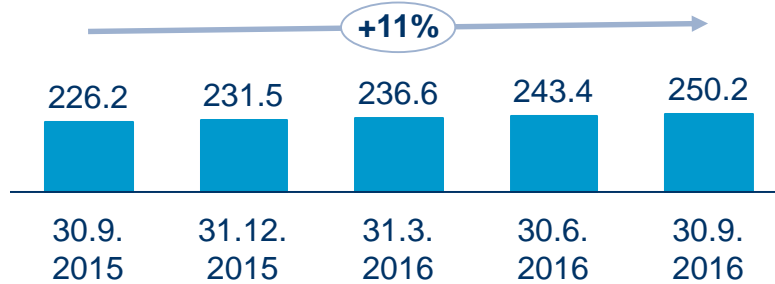
¹ The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.

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.

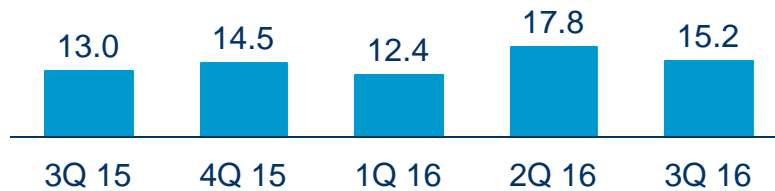
³ Including credit-replacing bonds.

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

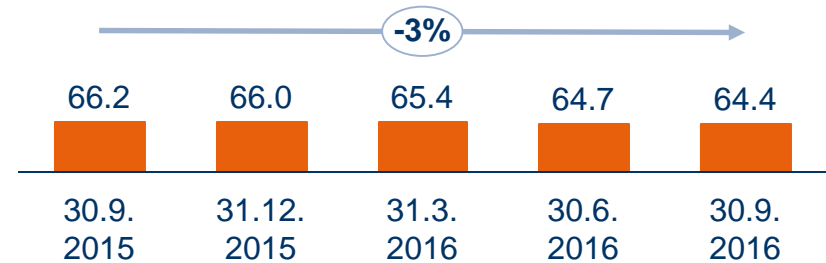


In 9M 2016, **outstanding mortgage volumes** increased by **11% Y/Y** as a result of record low interest rates and ongoing increase of real estate prices.

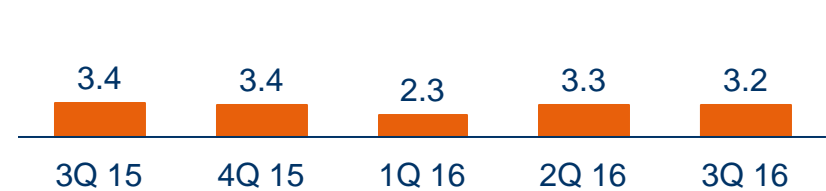
In 9M 2016, ČSOB provided almost **23 thousand new mortgages** (+15% Y/Y) in the total amount of **CZK 45bn** (+24% Y/Y), while total market increased by 5% Y/Y in number of new mortgages and increased 14% Y/Y in the total amount.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn

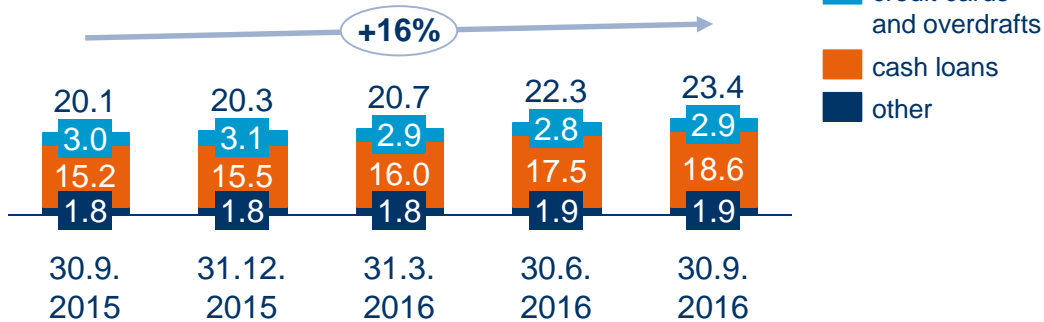


Outstanding **building savings loan portfolio** declined by **3% Y/Y** in 9M 2016, while market decreased by 1% Y/Y.

In 9M 2016, **new sales** declined by 12% Y/Y as clients continue to prefer mortgages in low interest rate environment.

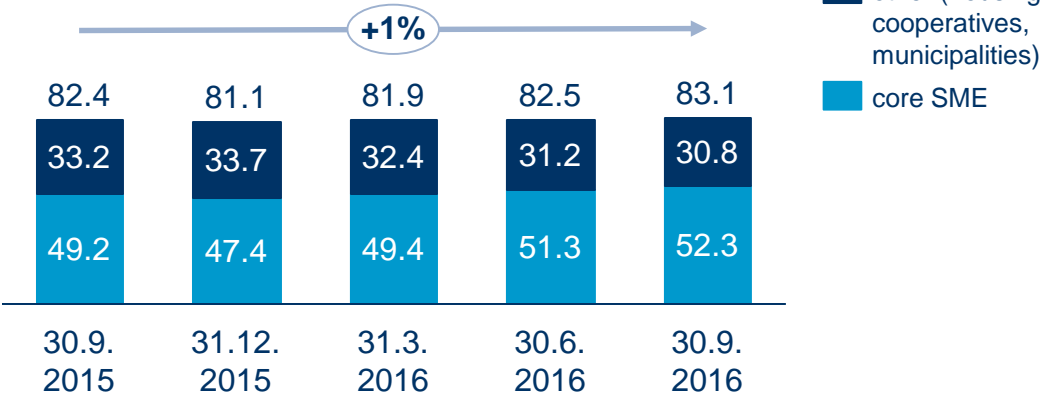
* *Mortgages: signed contracts, in line with MMR statistics.
Building savings loans: granted loan limits.*

Consumer finance, outstanding, CZK bn



In 9M 2016, **consumer finance** lending grew by **16% Y/Y** thanks to successful marketing campaigns targeted on loan refinancing, together with adjusted pricing, distribution focus and supported by revived market.

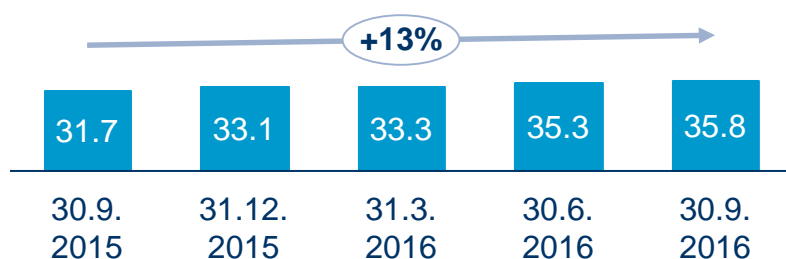
SME loans, outstanding, CZK bn



In 9M 2016, **SME loans** increased by **1% Y/Y** driven by higher loans granted to core SME (micro, small and mid-sized companies, +6% Y/Y), which was partially offset by decline in other (-7% Y/Y).

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

Leasing, outstanding*, CZK bn



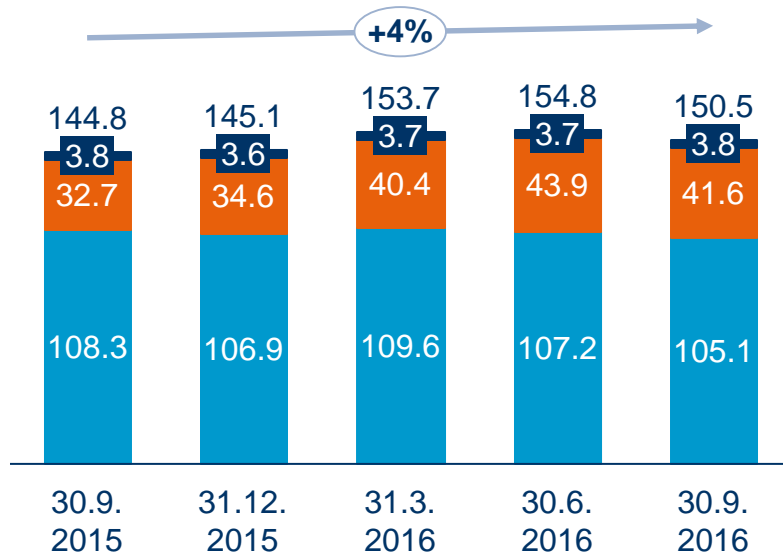
ČSOB Leasing kept its market leading position with strong new sales. **Outstanding volumes** increased by **13% Y/Y** driven by overall increase of new sales mainly in financing of passenger cars, light commercial vehicles and buses.

* Total exposure of ČSOB Leasing, excluding operational leasing.

Corporate loans

Outstanding, CZK bn

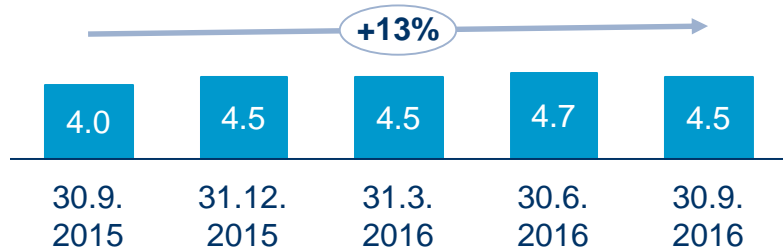
- credit-replacing bonds
- specialized finance
- plain vanilla financing



Corporate loans increased by **4% Y/Y** driven by specialized finance (+27% Y/Y). The major Y/Y loan growth was recorded in sectors: real estate, distribution & services and chemicals. The Q/Q decline is linked to extraordinary repayments both in specialized finance as well as plain vanilla financing.

Factoring

Outstanding, CZK bn



Factoring volumes increased by **13% Y/Y** thanks to growing client base (mainly in corporate segment).

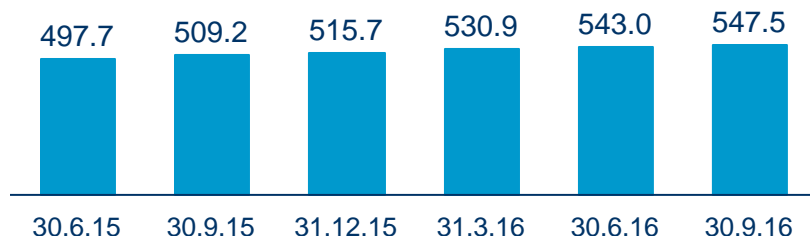
Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

Credit risk under control

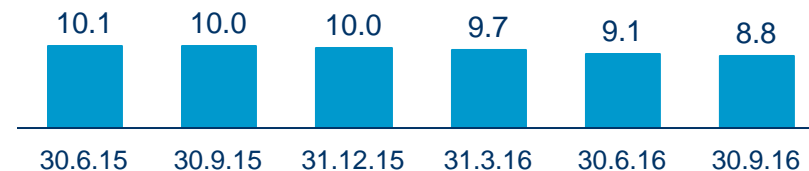
NPL ratio below 3% thanks to excellent loan quality

Improvement reported in all segments

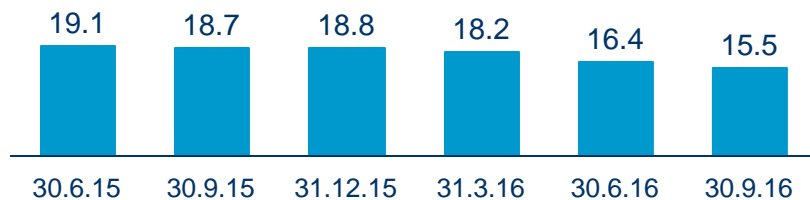
Loan portfolio (excl. ČMSS) (CZK bn)



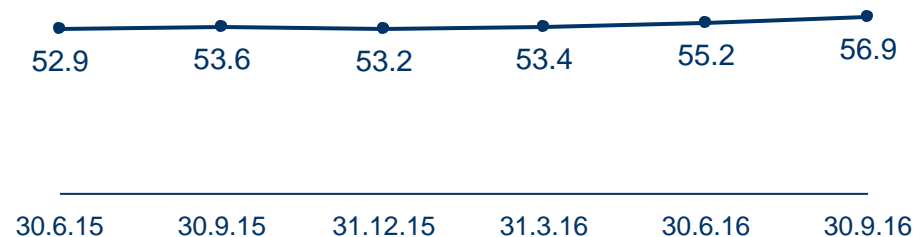
Allowances for loans and leases¹ (CZK bn)



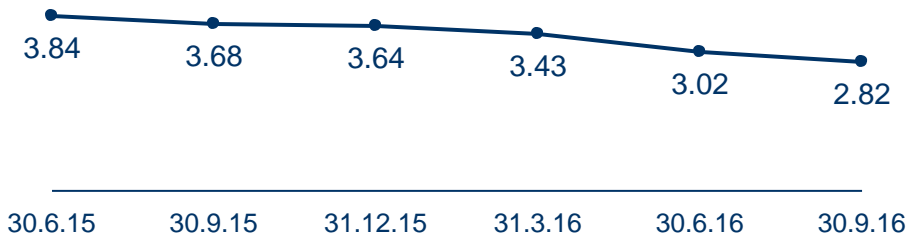
Non-performing loans (CZK bn)



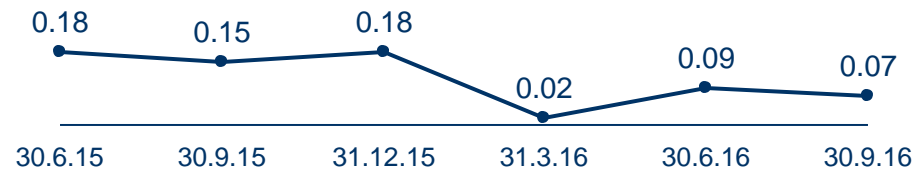
NPL coverage ratio (%)



NPL ratio (%)



Credit cost ratio² (%)



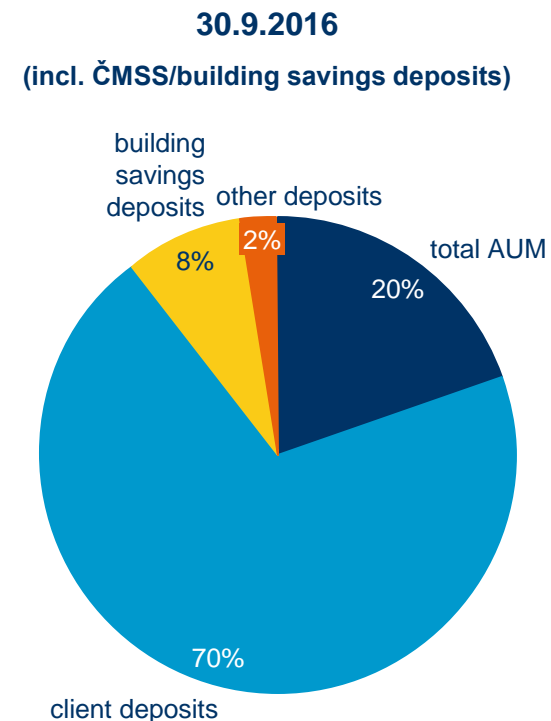
¹ Allowances for on-balance sheet items (PD10, PD11 and PD12 only).

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

Group deposits and Total assets under management

Solid growth of deposits, while total AUM growth improved

Outstanding volumes, CZK bn	30.9.2015	30.9.2016	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	699.4	756.4	8%
Client deposits	598.3	657.8	10%
<i>Current accounts</i>	374.0	432.3	16%
<i>Savings deposits</i>	213.0	214.3	1%
<i>Term deposits</i>	11.3	11.2	-1%
Other deposits	22.2	22.9	3%
Building savings deposits ¹	78.9	75.7	-4%
Total AUM	181.3	185.8	3%
Pension funds ²	40.2	44.4	10%
Mutual funds and other AM ³	141.0	141.4	0%



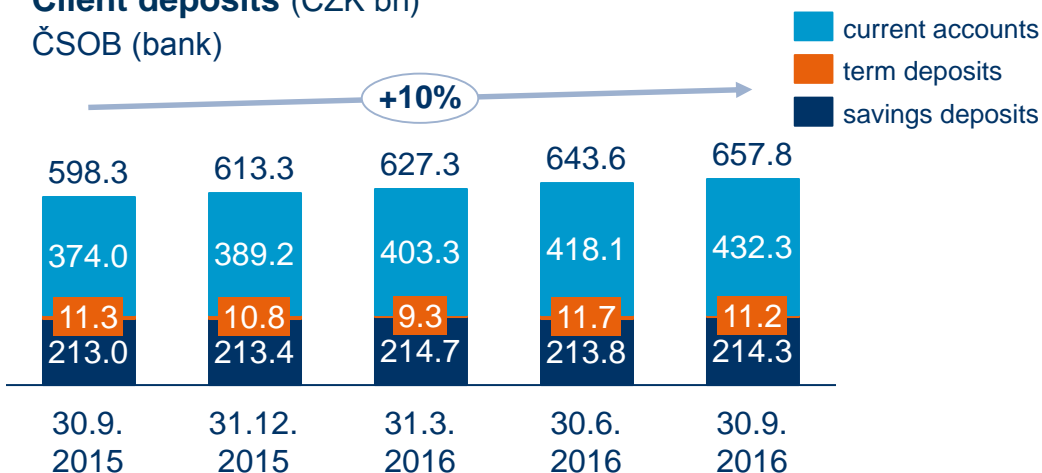
¹ ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

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.

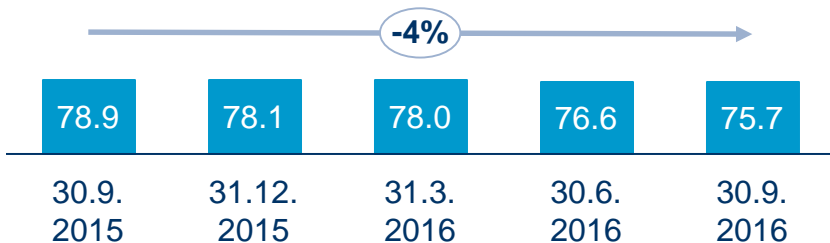
Client deposits (CZK bn)

ČSOB (bank)



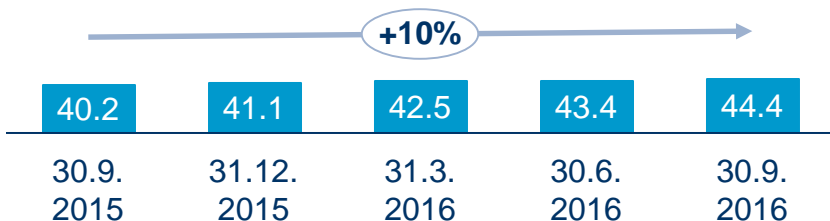
The **10% Y/Y** growth of **client deposits** was mainly driven by **current accounts** (+16% Y/Y). **Saving deposits** increased by 1% Y/Y, while **term deposits** decreased by 1% Y/Y.

Building savings deposits (CZK bn)



The volume of **building savings deposits** further declined (-4% Y/Y). This was affected also by pricing adjustment earlier this year.

Pension funds (CZK bn)



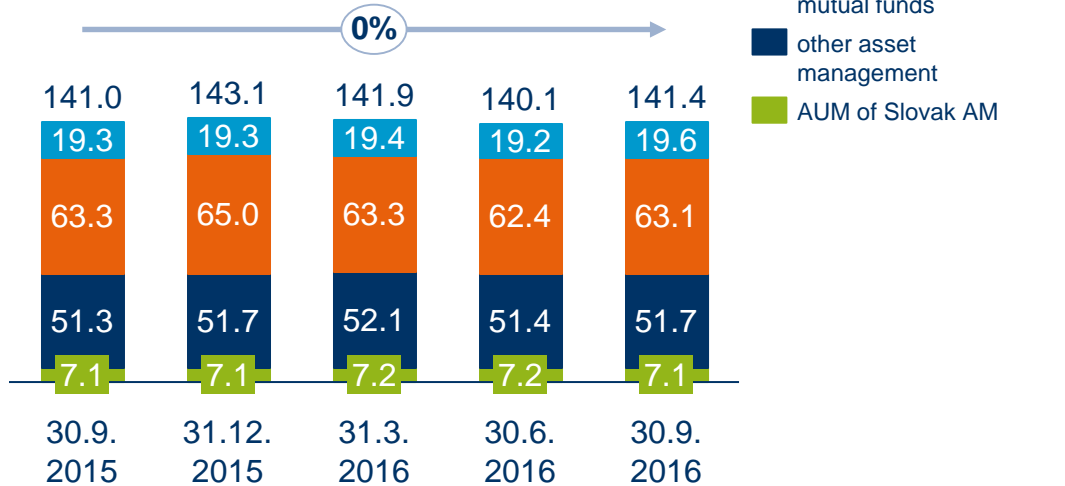
The volume of **pension funds** increased by 10% Y/Y driven mainly by increase of new sales and improving retention.

Mutual funds and other asset management

New sales are gradually picking up from the through at beginning of the year

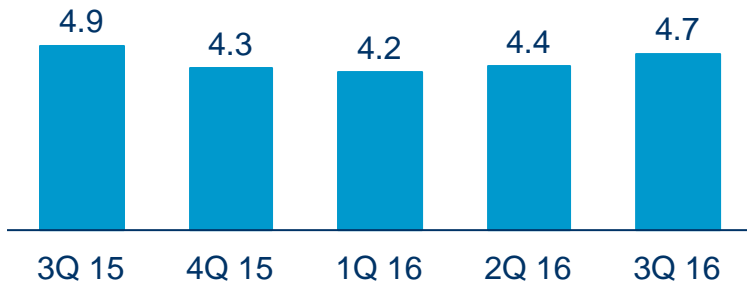
Mutual funds and other AM

Outstanding volumes, CZK bn



Mutual funds

New sales, CZK bn



Mutual funds and other AM remained **flat Y/Y** as decrease in mutual funds net sales was offset by positive performance effect.

In line with the current market situation, ČSOB helped to navigate clients investments to mixed funds with active management. Besides ČSOB launched “Duo Profit Plus” campaign focused on the product combining investments and savings accounts suitable for conservative and first-time investors.

The Q/Q increase of mutual funds new sales in the last two quarters was driven by mixed funds and structured products. New sales were also supported by “ČSOB Premium”, new service for affluent clients launched in 2Q 2016.

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.



Brick-and-mortar distribution reduced, while self-service platform strengthened reflecting clients' changing needs

	30.9.2015	30.9.2016
Retail/SME branches and advisory centers	752	711
ČSOB Retail/SME branches incl. dual branded (ČSOB + Era)	225	219
PSB/Era Financial Centers	74	56
ČMSS advisory centers	334	315
Hypoteční banka centers	28	29
ČSOB Pojišťovna branches	91	92
ČSOB Private Banking branches	12	11
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	1,060	1,066
ČSOB's clients (bank only, mil.)	2.841	2.810
Internet banking - users (mil.)	1.533	1.559
- transactions (mil.)	36.785	38.042

¹ Including ATMs of cooperating banks.

ČSOB further **enlarged its ATM network**. The number of deposit ATMs reached 157 (+10 ATMs Y/Y) at the end of September 2016. During the last twelve months, clients could use 6 new ATMs.

Due to ongoing optimization of the branch network, some branches were closed or merged as dual branded, while new ones were opened reflecting clients' changing needs for branch services. The number of **Retail/SME branches incl. dual branded (ČSOB + Era) and PSB/Era Financial Centers** declined by 24 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.

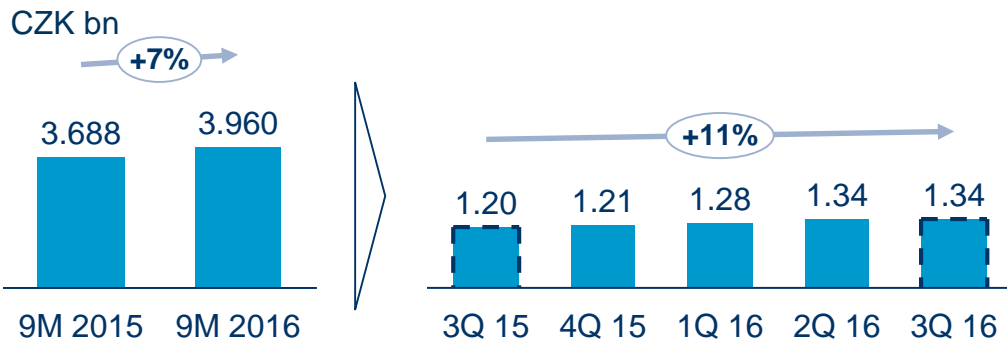
The number of **digital users** increased by 2% Y/Y and **electronic channel transactions** by 3% Y/Y.

*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.*

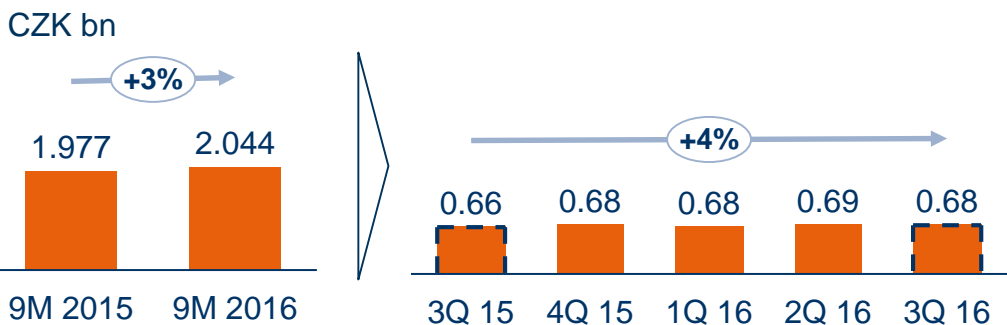


ČSOB Pojišťovna: Key Figures

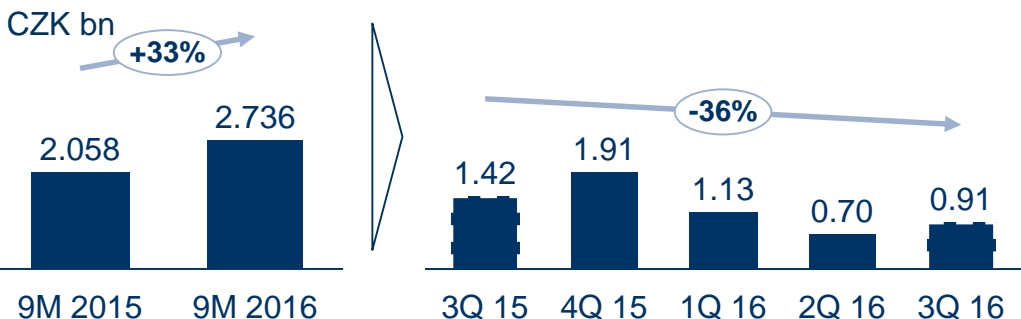
Non-life insurance - gross written premium



Life insurance – regular paid gross written premium



Life insurance - single paid gross written premium



Market shares	9M 2016	Market position
Non-life insurance	↑ 6.8%	4th
Life insurance	↑ 7.1%	4th

Arrows show Y/Y change.

Non-life insurance

9M/3Q 2016 gross written premium in **non-life insurance** increased by 7% Y/Y and 11% Y/Y respectively, mainly thanks to property and car insurance.

Life insurance

9M/3Q 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.

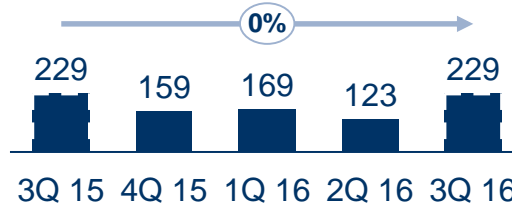
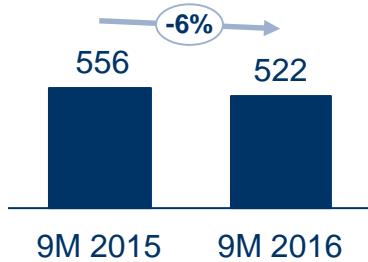
9M/3Q 2016 **single paid** gross written premium increased by 33% Y/Y and decreased by 36% Y/Y respectively. Y/Y increase in 9M 2016 was driven mainly by successful introduction of numerous Maximal Invest and Private Banking Life Invest tranches.

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

Profitability decline driven mainly by higher operating expenses and several non-life claims

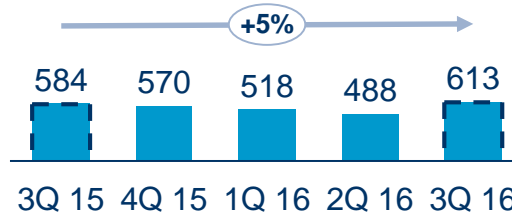
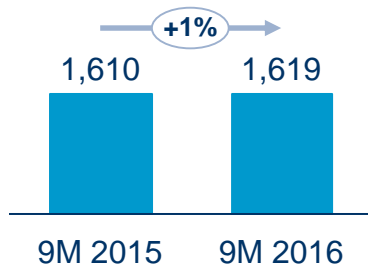
Net profit

CZK m



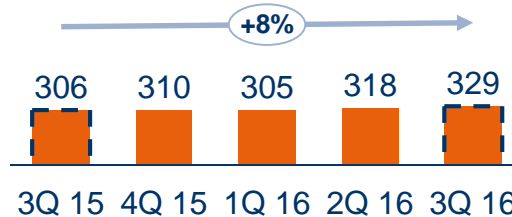
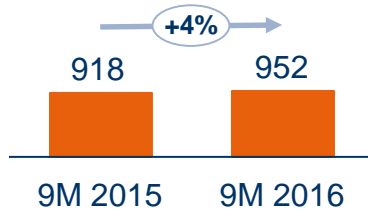
Operating income

CZK m

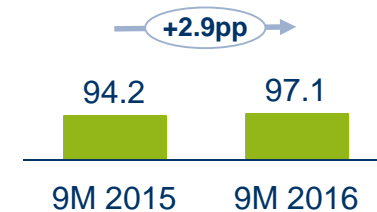


Operating expenses

CZK m



Non-life combined ratio (%)



9M/3Q 2016 **net profit** reached **CZK 522m** (-6% Y/Y) and **CZK 229m** (0% Y/Y) respectively. Y/Y decrease in 9M 2016 was driven mainly by higher operating expenses and several non-life claims, while life segment reported stable profit contribution.

9M/3Q 2016 **operating income** increased to **CZK 1,619m** (+1% Y/Y) and to **CZK 613m** (+5% Y/Y) respectively influenced by following drivers:

- **non-life:** influenced by several big claims (storms and fire claims), better GWP and slightly lower financial result.
- **life:** ongoing stable contribution with slight fluctuation in financial result (mainly interest income) and better top line Y/Y.

9M/3Q 2016 **operating expenses** reached **CZK 952m** (+4% Y/Y) and **CZK 329m** (+8% Y/Y) respectively driven by enlargement of internal distribution, support of bank-insurance and digitalization projects.



Business Unit Czech Republic

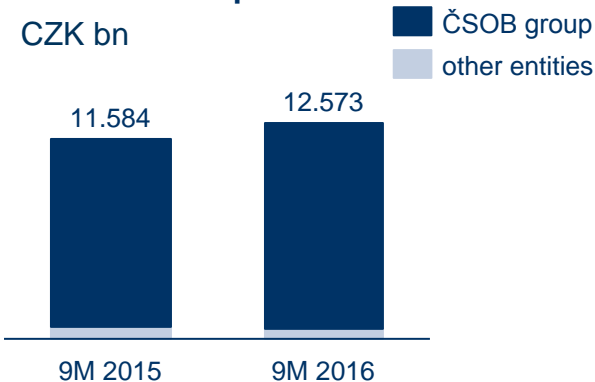


Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The **9M/3Q 2016 net profit of the Business Unit Czech Republic** reached **CZK 12.6bn** (+9% Y/Y) and **CZK 3.9bn** (-5% 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)	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	3Q/3Q	9M 2015	9M 2016	9M/9M
ČSOB group ¹	3.871	3.020	3.283	4.997	3.656	-6%	10.900	11.937	+10%
ČSOB Pojišťovna	0.229	0.162	0.169	0.123	0.229	0%	0.556	0.522	-6%
ČSOB AM	0.036	0.040	0.036	0.040	0.039	+9%	0.128	0.115	-10%
Total	4.136	3.222	3.488	5.160	3.925	-5%	11.584	12.573	+9%

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

Ratio / Indicator	31.12.2013	31.12.2014	31.12.2015	30.9.2015	30.9.2016
Net interest margin (Ytd., annualized, %)	3.20 (3.00)	3.17	3.01	3.04	2.92
Cost / income ratio (%)	47.5 (47.1)	47.6	48.2	46.9	45.2
RoE (Ytd., %)	18.2	16.4	16.4	17.5	18.2
RoA (Ytd., %)	1.53	1.40	1.49	1.57	1.55
RoAC , BU Czech Republic (Ytd., %)	40.0 (35.2)	36.7	36.8	38.4	43.4
Credit cost ratio (Ytd., annualized, %)	0.25	0.18	0.18	0.15	0.07
NPL ratio (%)	4.65 (4.39)	4.07	3.64	3.68	2.82
NPL coverage ratio (%)	50.4 (49.7)	53.4	53.2	53.6	56.9
(Core) Tier 1 ratio (%)	15.6 ¹	17.2 ²	19.1 ²	18.3 ²	16.7 ²
Total capital ratio (%)	15.6 ¹	17.5 ²	19.4 ²	18.7 ²	17.0 ²
Solvency ratio – ČSOB Pojišťovna (%)	217 ³	214 ³	197 ³	199 ³	n/a
Leverage ratio (Basel III, %)	5.46	5.15	5.25	4.84	4.94
Net stable funding ratio (Basel III, %)	135.7	135.9	134.9	131.8	149.5
Liquidity coverage ratio (Basel III, %)	225.6	348.4	163.4	210.9	161.3
Loan to deposit ratio (%)	75.9 (77.0)	76.4	79.9	77.0	75.9

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, ³ According to Solvency I

(CZK m)	3Q 2015	2Q 2016	3Q 2016	Y/Y	Q/Q	9M 2015	9M 2016	Y/Y
Interest income	6,245	6,188	6,380	+2%	+3%	19,322	18,754	-3%
Interest expense	-603	-679	-809	+34%	+19%	-2,524	-2,147	-15%
Net interest income	5,642	5,509	5,571	-1%	+1%	16,798	16,607	-1%
Net fee and commission income	1,563	1,604	1,508	-4%	-6%	4,747	4,611	-3%
Net gains from financial instruments at FVPL ¹	695	1,117	533	-23%	-52%	1,959	2,501	+28%
Other operating income ²	197	1,562	351	+78%	-78%	958	2,159	>+100%
Operating income	8,097	9,792	7,963	-2%	-19%	24,462	25,878	+6%
Staff expenses	-1,699	-1,877	-1,902	+12%	+1%	-5,238	-5,684	+9%
General administrative expenses	-1,637	-1,461	-1,470	-10%	+1%	-5,771	-5,075	-12%
Depreciation and amortisation	-157	-311	-320	>+100%	+3%	-463	-943	>+100%
Operating expenses	-3,493	-3,649	-3,692	+6%	+1%	-11,472	-11,702	+2%
Impairment losses	-128	-255	-57	-55%	-78%	-608	-334	-45%
<i>Impairment on loans and receivables</i>	-128	-238	-59	-54%	-75%	-611	-318	-48%
<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>	0	-17	2	n/a	>-100%	3	-16	>-100%
Share of profit of associates	163	165	221	+36%	+34%	560	566	+1%
Profit before tax	4,639	6,053	4,435	-4%	-27%	12,942	14,408	+11%
Income tax expense	-752	-1,039	-762	+1%	-27%	-1,989	-2,424	+22%
Profit for the period	3,887	5,014	3,673	-6%	-27%	10,953	11,984	+9%
Attributable to:								
Owners of the parent	3,906	5,014	3,661	-6%	-27%	10,973	11,973	+9%
Non-controlling interests	-19	0	12	>-100%	n/a	-20	11	>-100%

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)	3Q 2015	2Q 2016	3Q 2016	Y/Y	Q/Q	9M 2015	9M 2016	Y/Y
Interest income	6,245	6,188	6,380	+2%	+3%	19,322	18,754	-3%
Interest expense	-603	-679	-809	+34%	+19%	-2,524	-2,147	-15%
Net interest income	5,642	5,509	5,571	-1%	+1%	16,798	16,607	-1%
Net fee and commission income	1,563	1,604	1,508	-4%	-6%	4,747	4,611	-3%
Net gains from financial instruments at FVPL ¹	695	1,117	533	-23%	-52%	1,959	2,501	+28%
Other operating income ²	326	1,562	351	+8%	-78%	1,347	2,159	+60%
Operating income	8,226	9,792	7,963	-3%	-19%	24,851	25,878	+4%
Staff expenses	-1,883	-1,877	-1,902	+1%	+1%	-5,792	-5,684	-2%
General administrative expenses	-1,411	-1,479	-1,465	+4%	-1%	-4,084	-4,320	+6%
Depreciation and amortisation	-326	-311	-320	-2%	+3%	-965	-943	-2%
Operating expenses	-3,620	-3,667	-3,687	+2%	+1%	-10,840	-10,947	+1%
Impairment losses	-128	-255	-57	-55%	-78%	-608	-334	-45%
<i>Impairment on loans and receivables</i>	-128	-238	-59	-54%	-75%	-611	-318	-48%
<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>	0	-17	2	n/a	>-100%	3	-16	>-100%
Share of profit of associates	163	165	221	+36%	+34%	560	566	+1%
Profit before tax	4,641	6,035	4,440	-4%	-26%	13,963	15,163	+9%
Income tax expense	-752	-1,036	-762	+1%	-26%	-2,183	-2,567	+18%
Profit for the period	3,889	4,999	3,678	-5%	-26%	11,780	12,597	+7%
Attributable to:								
Owners of the parent	3,908	4,999	3,666	-6%	-27%	11,800	12,586	+7%
Non-controlling interests	-19	0	12	>-100%	n/a	-20	11	>-100%

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)	30/9 2015	31/12 2015	30/9 2016	Ytd.	
Cash and balances with central banks	68,763	117,287	31,924	-73%	Decrease due to overnight loan with ČNB.
Financial assets held for trading	67,633	29,494	44,321	+50%	Increase thanks to reverse repo operations with banks, sovereign bonds and derivatives.
Financial assets designated at fair value through P/L	3,344	15	0	-100%	
Available-for-sale financial assets	63,666	59,961	57,813	-4%	Increase thanks to reverse repo operations with ČNB.
Loans and receivables - net	611,252	579,448	764,331	+32%	
<i>Loans and receivables to credit institutions - gross</i>	123,503	86,047	235,659	>+100%	
<i>Loans and receivables to other than credit institutions - gross</i>	498,720	504,360	538,611	+7%	
<i>Allowance for impairment losses</i>	-10,971	-10,959	-9,939	-9%	
Held-to-maturity investments	135,086	136,433	132,069	-3%	
Fair value adjustments of the hedged items in portfolio hedge	1,731	957	1,254	+31%	
Derivatives used for hedging	13,266	11,900	14,421	+21%	
Current tax assets	66	96	25	-74%	
Deferred tax assets	117	152	176	+16%	
Investments in associate	4,837	4,970	4,869	-2%	
Investment property	0	0	0	n/a	
Property and equipment	6,901	7,662	8,917	+16%	
Goodwill and other intangible assets	2,988	5,323	5,475	+3%	
Non-current assets held-for-sale	325	363	53	-85%	
Other assets	2,072	2,264	2,677	+18%	
Total assets	982,047	956,325	1,068,325	+12%	

(CZK m)	30/9 2015	31/12 2015	30/9 2016	Ytd.	
Financial liabilities held for trading	44,408	29,970	41,742	+39%	Increase due to repo operations, money market transactions and derivatives.
Financial liabilities at amortised cost	830,679	812,205	913,913	+13%	
<i>of which Deposits received from central banks</i>	0	0	0	n/a	Increase due to money market transactions and repo operations.
<i>of which Deposits received from credit institutions</i>	176,948	23,786	112,792	>+100%	
<i>of which Deposits received from other than credit institut.</i>	623,001	621,927	680,746	+9%	
<i>of which Debt securities in issue</i>	30,730	166,492	120,375	-28%	
<i>of which Subordinated liabilities</i>	0	0	0	n/a	
Fair value adjustments of the hedged items in portfolio hedge	4,959	4,062	7,574	+86%	
Derivatives used for hedging	12,081	10,774	11,614	+8%	
Current tax liabilities	186	170	689	>+100%	
Deferred tax liabilities	2,234	2,162	1,715	-21%	
Provisions	412	536	568	+6%	
Other liabilities	4,523	5,727	4,517	-21%	
Total liabilities	899,482	865,606	982,332	+13%	
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	36,092	38,517	35,709	-7%	
Available-for-sale reserve	3,248	3,944	2,469	-37%	
Cash flow hedge reserve	2,995	2,609	2,154	-17%	
Foreign currency translation reserve	0	0	0	n/a	
Parent shareholders' equity	82,386	90,541	85,803	-5%	
Minority interest	179	178	190	+7%	
Total equity	82,565	90,719	85,993	-5%	
Total liabilities and equity	982,047	956,325	1,068,325	+12%	

ČSOB's credit ratings

As at 17 November 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	stable	A-1	1 October 2014	24 October 2016

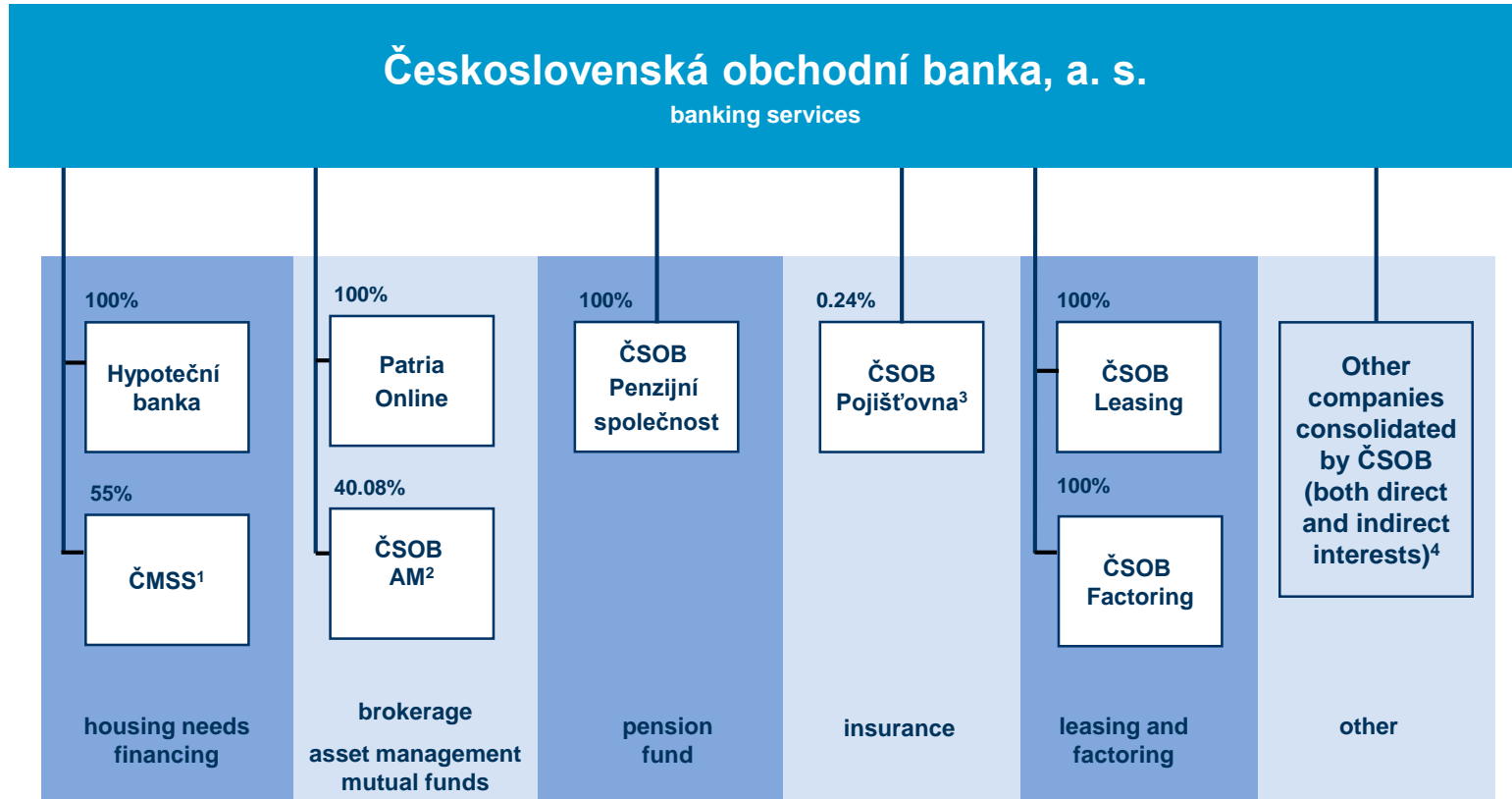
Shareholder structure

As at 30 September 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

	30.9.2015		30.9.2016	
	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
PD rating distribution				
Total loans	509.2	100%	547.5	100%
Normal - Standard (PD 1-7)	480.9	94%	520.2	95%
Asset quality review - Watched (PD 8-9)	9.5	2%	11.8	2%
Uncertain - Substandard (PD 10)	4.3	1%	3.5	1%
Uncertain - Doubtful (PD 11)	2.5	0%	1.5	0%
Irrecoverable - Loss (PD 12)	11.9	2%	10.5	2%



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

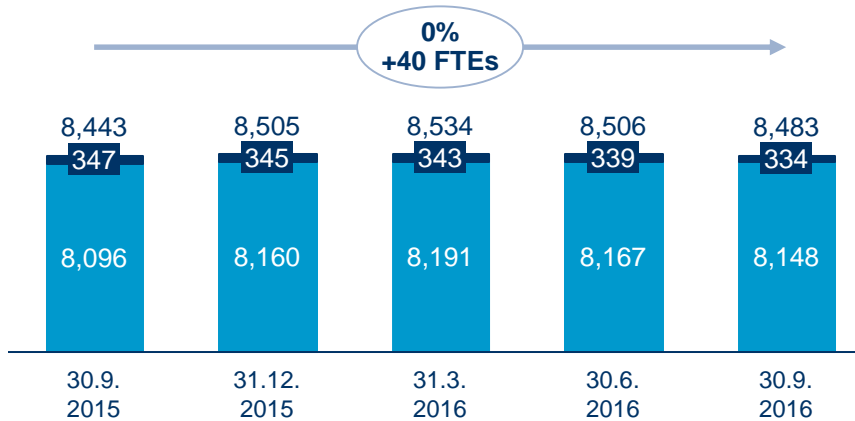
¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

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.

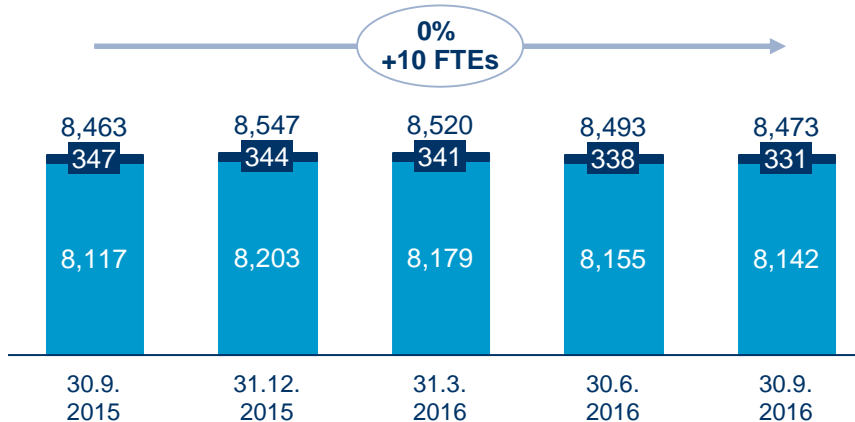
⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTE – average



The average number of FTE for 9M 2016 increased by 40 Y/Y.

Number of FTE – end of the period



9M 2016 number of FTE increased at the end of the period by 10 Y/Y fully driven by 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 ratio (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.

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