

9M/3Q 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	9M 2016	9M 2017
Profitability	Net profit (CZK bn)	13.6	14.0	15.1	12.0	13.5
	Return on equity	16.4%	16.4%	17.3%	18.2%	20.2%
Liquidity	Loan to deposit ratio	76.3%	79.3%	79.4%	78.8%	76.8%
	Net stable funding ratio	135.9%	134.9%	151.9%	149.5%	149.5%
Capital	Tier 1 ratio	17.2%	19.1%	18.2%	16.7%	17.4%
Impairments	Credit cost ratio	0.18%	0.18%	0.11%	0.07%	0.04%
Cost efficiency	Cost / income ratio	47.6%	48.2%	46.0%	45.2%	42.5%

Strong profitability, growth in business volumes and excellent loan quality

Business volumes

The **loan portfolio** (incl. ČMSS) increased to **CZK 665bn** (+9% Y/Y) thanks to all businesses except for building savings loans. **Group deposits** (incl. ČMSS) grew to **CZK 887bn** (+17% Y/Y). Total **assets under management** reached **CZK 196bn** (+5% Y/Y).

Operating income

Operating income reached **CZK 27.9bn** in 9M 2017 (+8% Y/Y) and **CZK 8.7bn** in 3Q 2017 (+9% Y/Y) driven by the strong performance of financial markets, higher ALM income and one-off gain from historical legal case in 1Q 2017.

Operating expenses

Operating expenses increased to **CZK 11.9bn** in 9M 2017 (+1% Y/Y) and **CZK 3.8bn** in 3Q 2017 (+2% Y/Y). Both periods under review were influenced by higher staff expenses and depreciation & amortisation, while general administrative expenses were lower thanks to facilities and other administrative expenses.

Impairments

Credit cost ratio for 9M 2017 stood at **4 bps** (Ytd. annualized, -3bps Y/Y) thanks to the excellent loan quality.

Net profit

As a result of the above mentioned factors, ČSOB's **net profit** came in at **CZK 13.5bn** (+13% Y/Y) in 9M 2017 and **CZK 4.2bn** (+14% Y/Y) in 3Q 2017.

Liquidity & Capital

Loan to deposit ratio decreased Y/Y to **76.8%**.
Tier 1 ratio stood at **17.4%**. **Net stable funding ratio** (NSFR) remained Y/Y stable at **149.5%**.

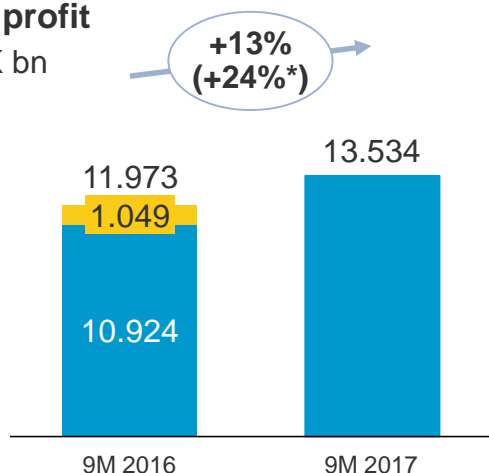
Achievements & Innovations

ČSOB **upgraded smartbanking** and launched **new Internet Banking** for retail clients, offering modern look with new features and displaying clients' products from the ČSOB Group at one place. For all corporate and SME clients ČSOB offers **new electronic banking platform** allowing simplified and intuitive interaction. ČSOB won accolade the **Best Bank** for 2017 and mobile wallet application NaNákupy won in the category **Bank Innovator** by Hospodářské noviny.

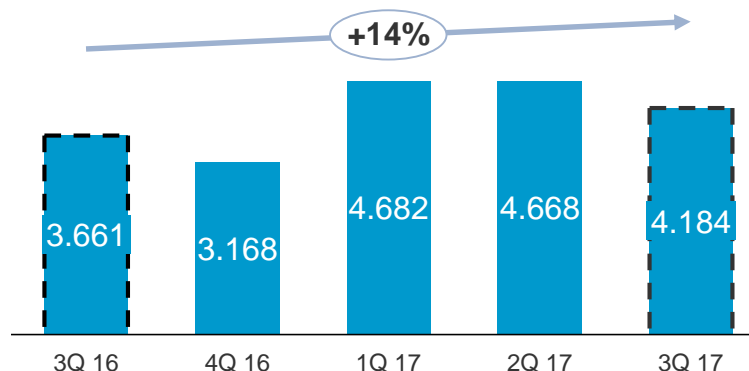
Net profit increased Y/Y driven mainly by the strong performance of financial markets and higher other income

Net profit

CZK bn



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



Net profit for 9M 2017 increased to **CZK 13.5bn** (+13% Y/Y) driven by the strong performance of financial markets, higher ALM income, higher fees from asset management, payment cards, loans and foreign payments and one-off gain from historical legal case in 1Q 2017.

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

3Q 2017 net profit increased to **CZK 4.2bn** (+14% Y/Y) mainly thanks to strong performance of financial markets and a higher ALM income.

The return on equity (ROE) reached **20.2%** in 9M 2017, up from 18.2%, 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)

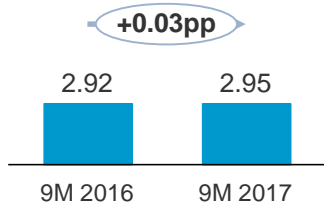
4Q 2016 one-off item: income tax provision (CZK -0.2bn)

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

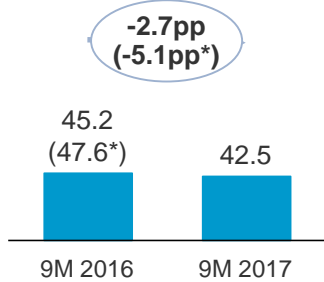
Improved profitability and excellent loan quality

Profitability

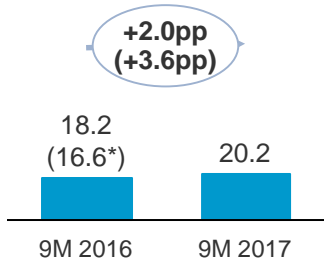
Net interest margin (%)



Cost / income ratio (%)

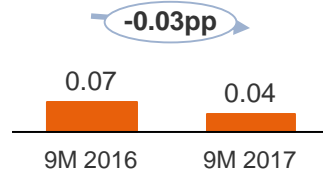


ROE (%)

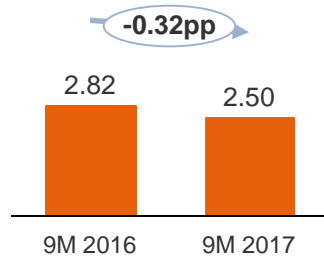


Loan portfolio quality

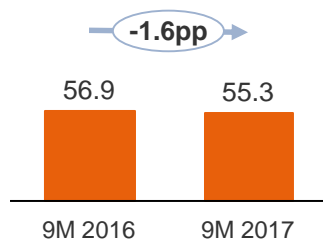
CCR, Ytd. annualized (%)



NPL ratio (%)

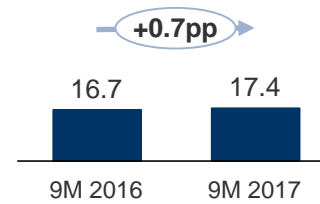


NPL coverage ratio (%)

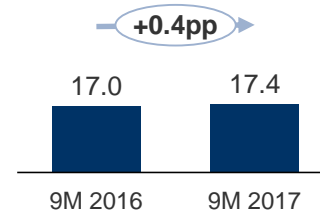


Capital

(Core) Tier 1 ratio (%)

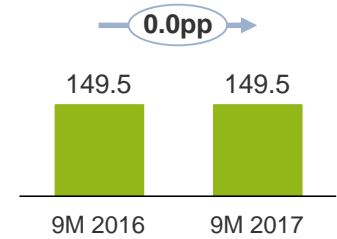


Total capital ratio (%)

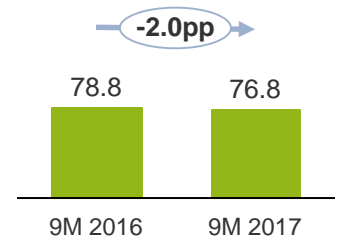


Liquidity

Net stable funding ratio (%)



Loan to deposit ratio (%)

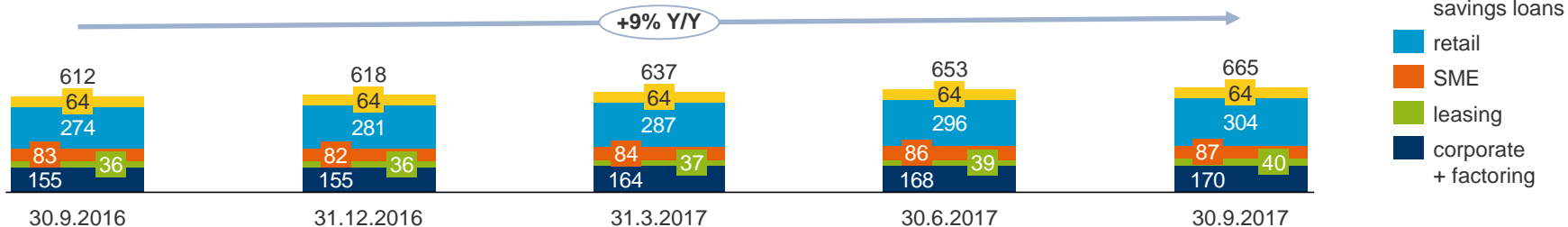


Loans, deposits and assets under management

Strong growth in loans and deposits, moderate in assets under management

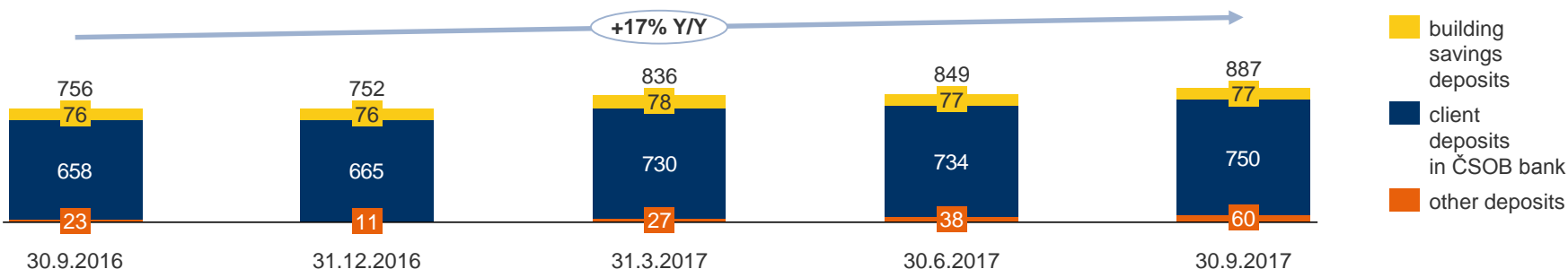
Loan portfolio¹

CZK bn



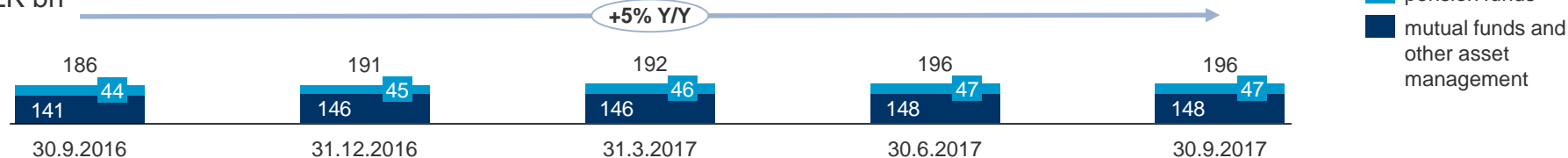
Group deposits²

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).

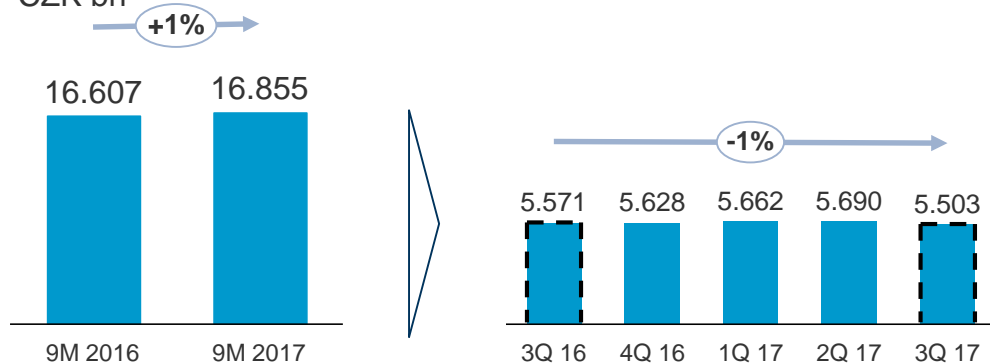
ČSOB Group: Financial Overview

Net interest income and Net interest margin

Broadly flat net interest income as well as margin

Net interest income (NII)

CZK bn



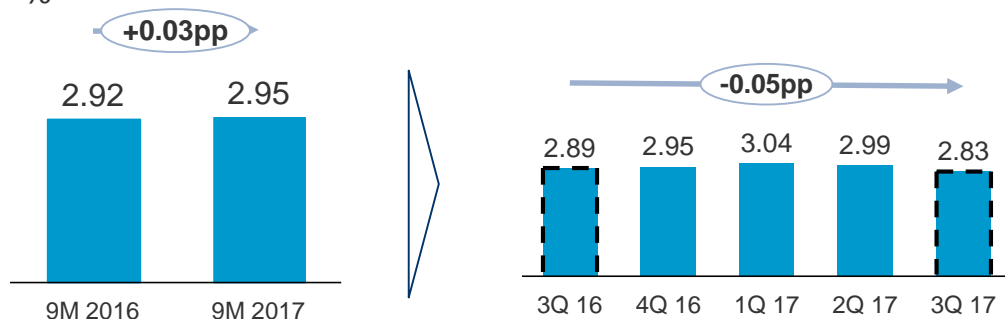
9M 2017 **net interest income** increased by **1% Y/Y** as a result of:

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

The **1% Y/Y** decrease in 3Q 2017 was driven by NII from loans (mainly in mortgages) and NII from deposits.

Net interest margin (NIM)

%



In 9M 2017, **net interest margin** reached **2.95%** (+0.03pp Y/Y) thanks to ALM contribution and active management of funding costs, offset by lower reinvestment yields and pressure on lending margins continued.

	2014	2015	2016	9M 2017
Net interest margin (Ytd., %)	3.17	3.01	2.93	2.95

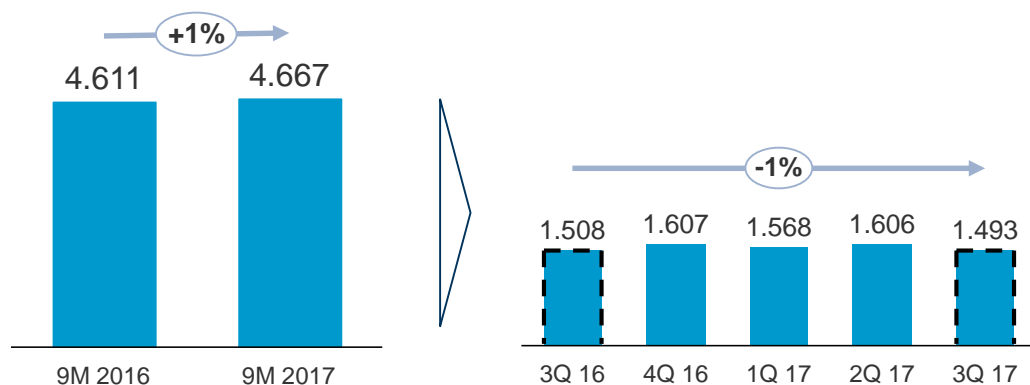
Net fee and commission income and Other

Higher net fee and commission income mainly thanks to asset management

Strong performance of financial markets

Net fee and commission income (NFCI)

CZK bn

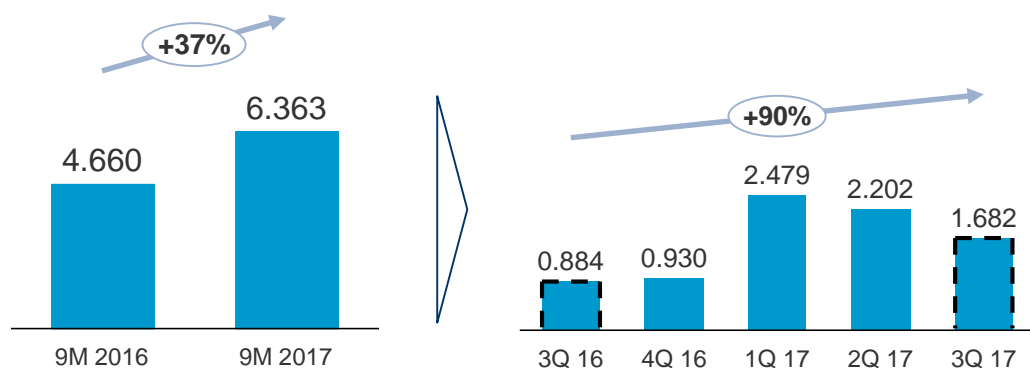


9M 2017 **net fee and commission income** increased by **1% Y/Y** mainly thanks to higher asset management, payment cards, foreign payments and loans fees, while fees from domestic payments and account fees decreased Y/Y.

The **-1% Y/Y** decrease in 3Q 2017 came as a result of lower account fees and loans fees, which were partly compensated by higher asset management fees.

Other*

CZK bn



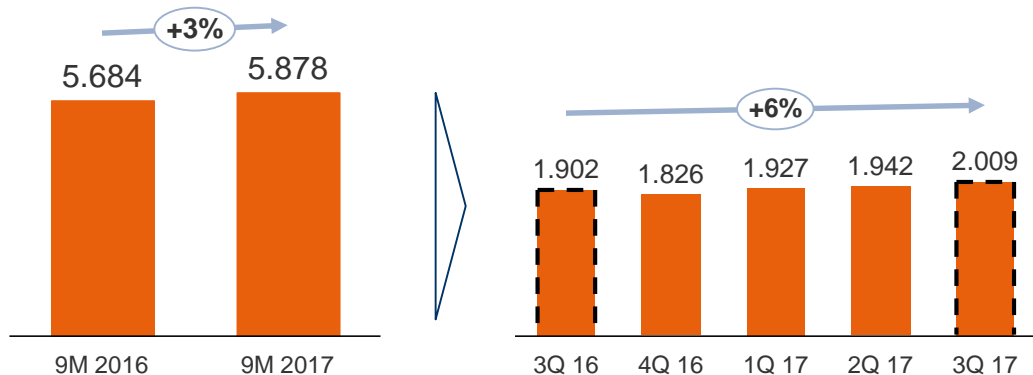
The **37% Y/Y** increase of item “**Other**” in 9M 2017 was influenced by the following drivers:

- (+) 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.

Slightly higher operating expenses due to staff expenses and depreciation & amortization

Staff expenses

CZK bn

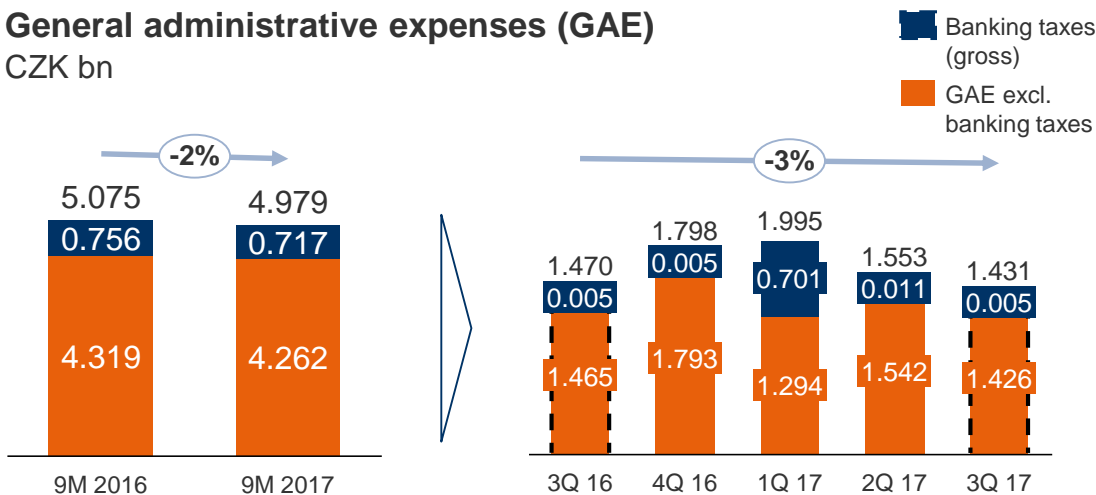


9M/3Q 2017 **staff expenses** increased by **3% Y/Y** and **6% Y/Y** respectively fully driven by:

- (+) wage adjustments and higher variable remuneration
- (+) higher average number of FTEs (+70 Y/Y)
- (+) lower base in 9M/3Q 2016 (higher share of IT projects with capitalized staff expenses).

General administrative expenses (GAE)

CZK bn



9M/3Q 2017 **general administrative expenses** decreased by **2% Y/Y** and by **3% Y/Y** respectively.

Higher ICT expenses in 9M 2017 were more than offset by lower facilities and other administrative expenses.

The Y/Y decrease in 3Q 2017 was driven by lower rental and facilities expenses, while ICT investments linked to digital services were higher Y/Y.

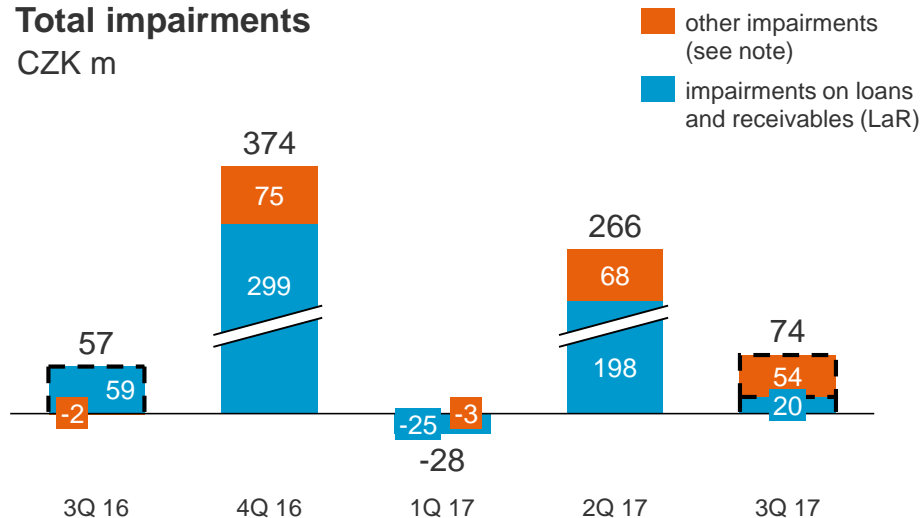
Cost/income ratio decreased to **42.5%** (-2.7pp Y/Y).

Impairments

Excellent loan quality

Total impairments

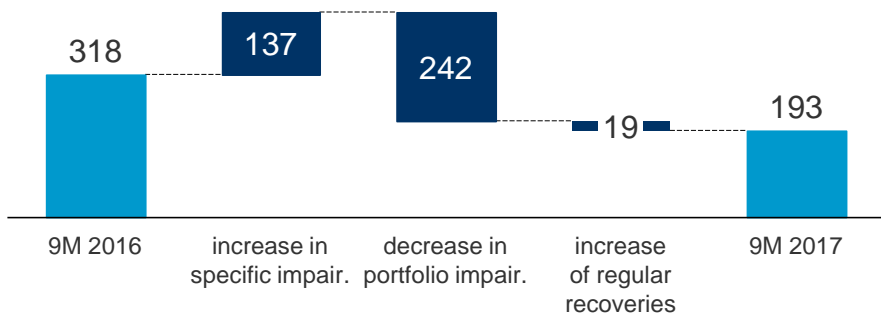
CZK m



In 9M 2017, **impairments on loans and receivables** decreased Y/Y to **CZK 193m** implying a **credit cost ratio of 4 bps** (Ytd., annualized, -3 bps Y/Y) as a result of improvement or stable development in all segments.

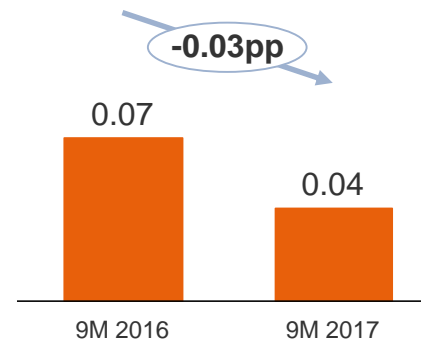
Impairments on loans and receivables

CZK m



CCR, Ytd. annualized

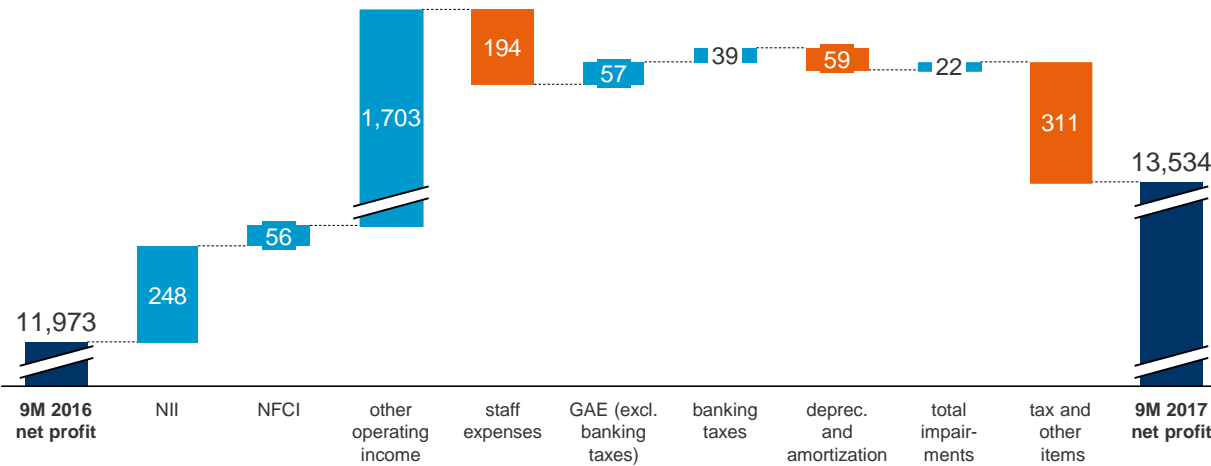
%



Wrap up of net profit drivers

Ytd. net profit (Y/Y)

CZK m



The main difference between 9M 2017 and 9M 2016 net profit was caused by the following drivers:

On the **positive side**:

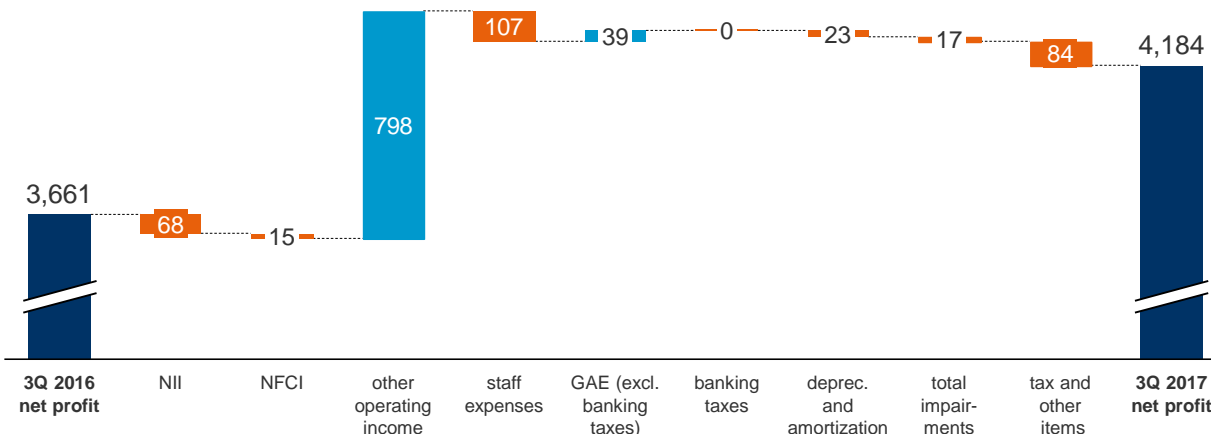
- higher NII fully driven by other NII (thanks to ALM income)
- higher NFCI thanks to higher asset management, payment cards, foreign payments and loans fees
- higher other operating income as a result of the strong performance of financial markets, one-off gain from historical legal case in 1Q 2017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

On the **negative side**:

- higher staff expenses influenced by wage adjustments, higher variable remuneration, higher average number of FTEs and lower base in 9M 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 3Q 2017 and 3Q 2016 net profit was caused by the following drivers:

On the **positive side**:

- higher other operating income due to the strong performance of financial markets and positive valuation adjustments
- lower GAE driven by lower rental and facilities expenses

On the **negative side**:

- lower NII driven by NII from loans (mainly in mortgages) and NII from deposits
- higher staff expenses influenced by wage adjustments, higher average number of FTEs and lower base in 3Q 2016 (higher share of IT projects with capitalized staff expenses)

ČSOB Group: Business Overview

1st

2nd

3rd

4th

Total Loans ¹	19.9%	↑
Total Deposits ¹	20.0%	↑
Building savings loans ¹	44.8%	↓
Building savings deposits ¹	39.6%	↑
Mortgages ¹	28.5%	↑
Leasing ¹	19.4%	↑
Mutual funds ¹	22.3%	↓
Factoring ²	23.7%	↓
Pension funds ³	14.2%	↑
SME/corporate loans ¹	15.5%	→
Consumer lending ^{1,4}	11.3%	↑
Insurance ⁵ - combined	7.3%	↑
Non-life insurance ⁵	7.2%	↑
Life insurance ⁵	7.6%	↑

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

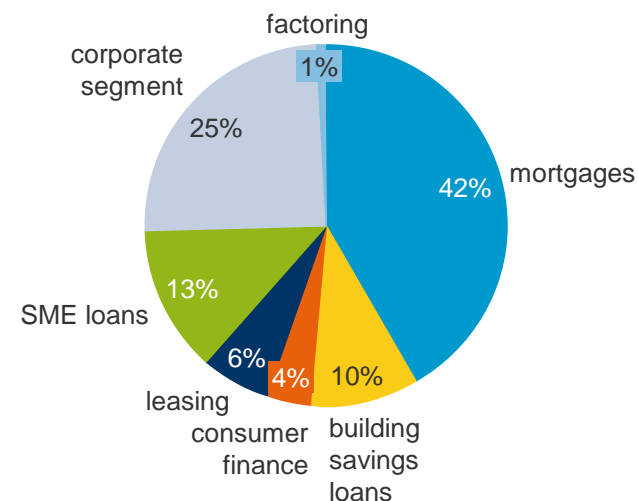
Sources and detailed definitions are provided in Appendix.

Strong growth across all segments except for building savings loans

Gross outstanding volumes, CZK bn	30.9.2016	30.9.2017	Y/Y
Loan portfolio (incl. ČMSS/building savings loans)	611.9	664.6	+9%
Retail Segment			
Mortgages ¹	250.2	277.1	+11%
Consumer finance	23.4	27.0	+16%
Building savings loans ²	64.4	64.1	-1%
SME/Corporate Segment			
Corporate loans ³	150.5	163.9	+9%
SME loans	83.1	87.1	+5%
Leasing	35.8	39.7	+11%
Factoring	4.5	5.8	+27%
Loan portfolio (excl. ČMSS/building savings loans)	547.5	600.5	+10%

30.9.2017
(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.

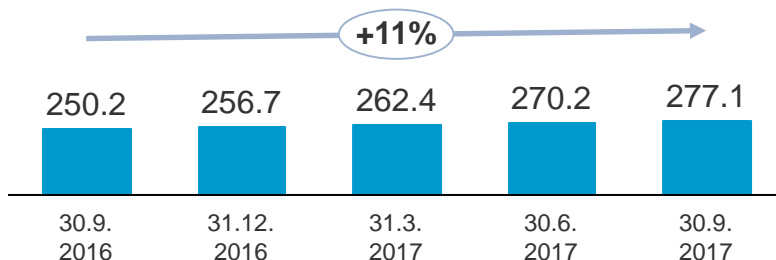
² The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

³ Including credit-replacing bonds.

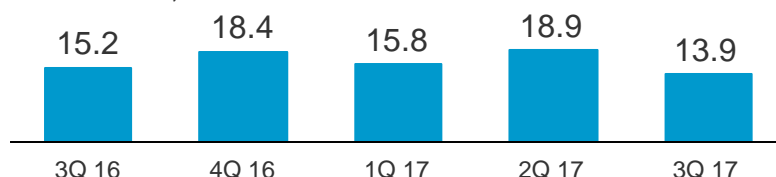
Above-market growth in mortgages

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

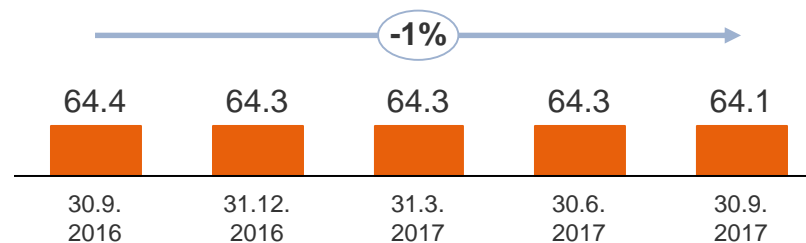


In 9M 2017, **outstanding mortgages volumes** increased by **11% Y/Y** as demand continued to be supported by prevailing low interest rates and real estate prices.

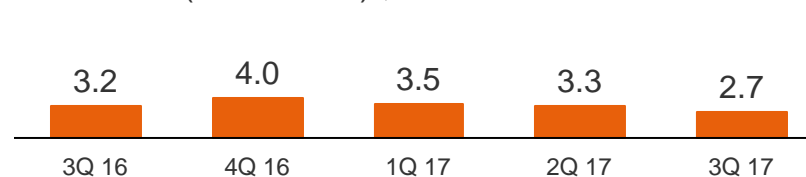
In 9M 2017, ČSOB provided almost **23 thousand new mortgages** (+1% Y/Y) in the total amount of **CZK 49bn** (+7% Y/Y). In contrast, the total market decreased by 1% Y/Y in the number of new mortgages and increased by 5% Y/Y in the total amount.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn



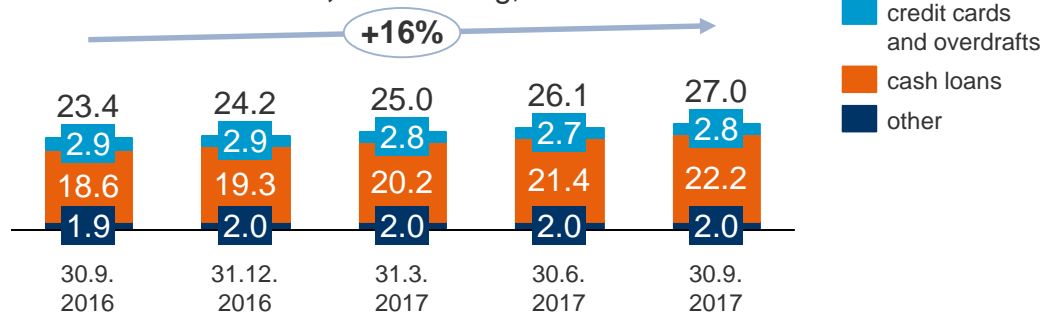
The outstanding **building savings loan portfolio** declined by **1% Y/Y** in 9M 2017, while the market increased by 2% Y/Y.

In 9M 2017, **new sales** increased by **7% 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, SME loans, Leasing

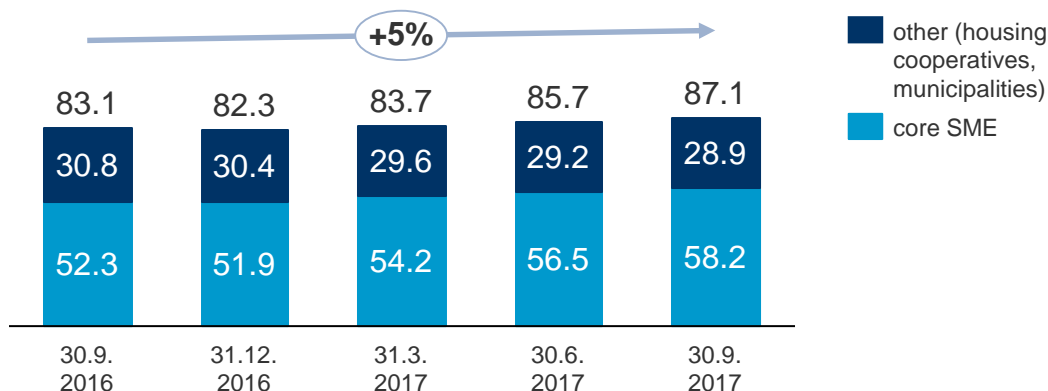
Double-digit growth in Consumer finance and Leasing

Consumer finance, outstanding, CZK bn



In 9M 2017, **consumer finance** grew by **16% Y/Y** mainly driven by cash loans (+20% Y/Y) thanks to improved attractiveness of ČSOB's product offer (pricing, conditions, processing) for both existing and new clients.

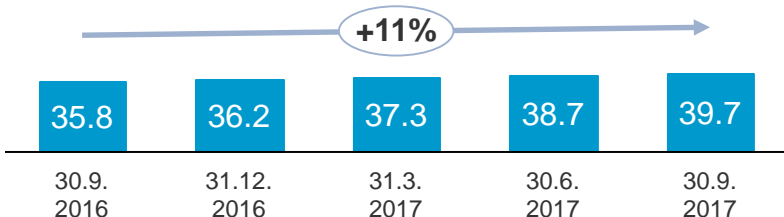
SME loans, outstanding, CZK bn



In 9M 2017, **SME loans** increased by **5% Y/Y** thanks to an expansion in core SME lending (micro, small and mid-sized companies, +11% Y/Y), however partially offset by a decline in other (-6% Y/Y).

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

Leasing, outstanding*, CZK bn



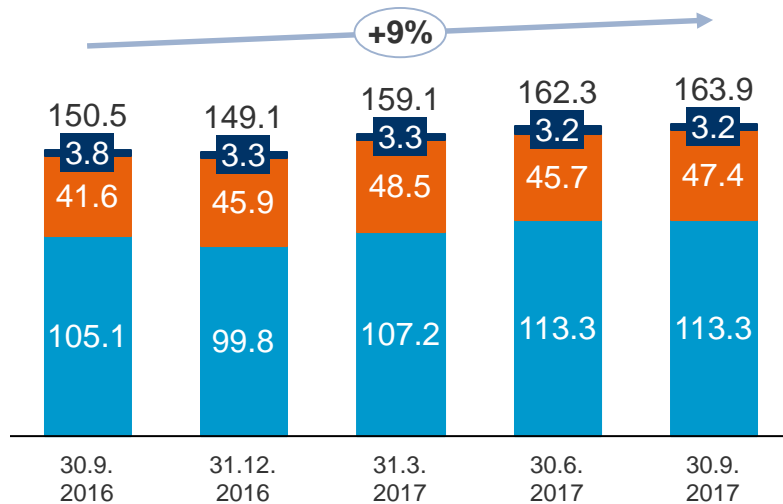
ČSOB Leasing continues strengthening its market leading position with outstanding volumes rising by **+11% Y/Y**. The primary drivers were machinery & equipment financing mainly in the corporate and SME segments and car loans in the retail segment.

Accelerating growth driven by plain vanilla and specialized finance

Corporate loans

Outstanding, CZK bn

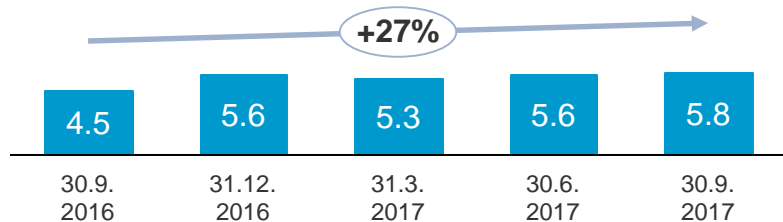
- credit-replacing bonds
- specialized finance
- plain vanilla financing



Corporate loans growth accelerated in 9M 2017 to **+9% Y/Y**, driven by plain vanilla financing (+8% Y/Y) and increased specialized finance activity (+14% Y/Y). The most significant Y/Y loan growth was recorded in the sectors: finance & insurance, media and real estate.

Factoring

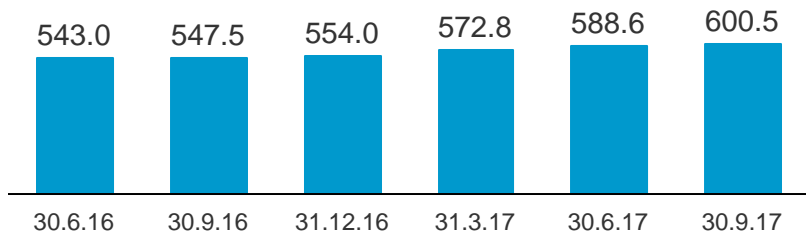
Outstanding, CZK bn



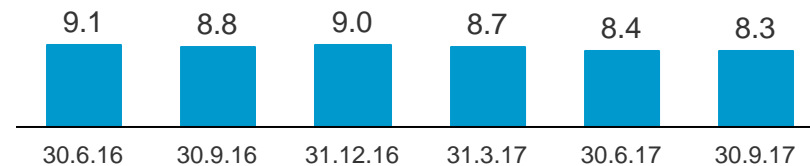
Factoring outstanding volumes increased by **27% Y/Y** thanks to a gradually growing client base.

Record-low NPL ratio of 2.5% reflecting excellent loan quality

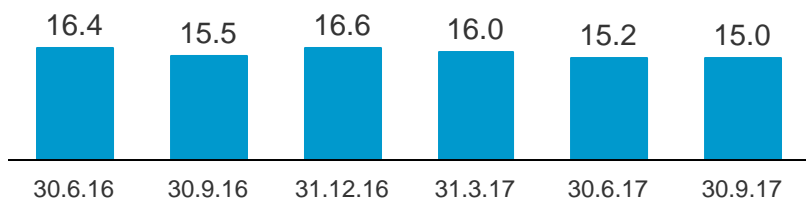
Loan portfolio (excl. ČMSS) (CZK bn)



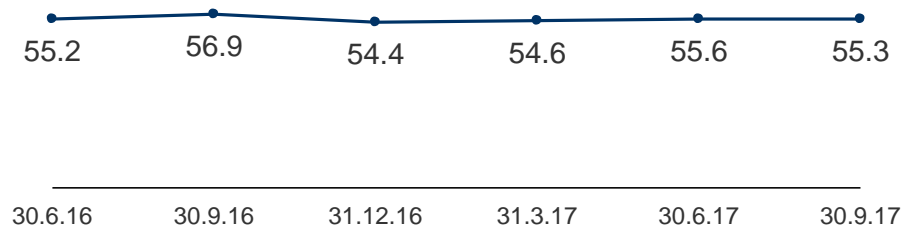
Allowances for loans and leases¹ (CZK bn)



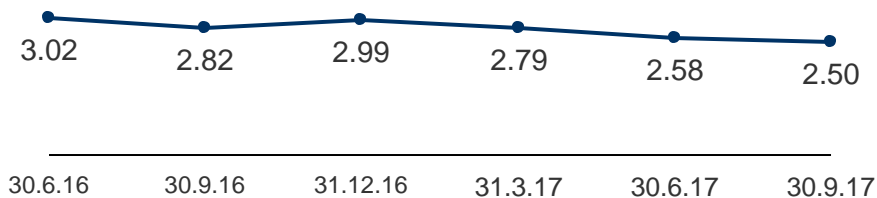
Non-performing loans (CZK bn)



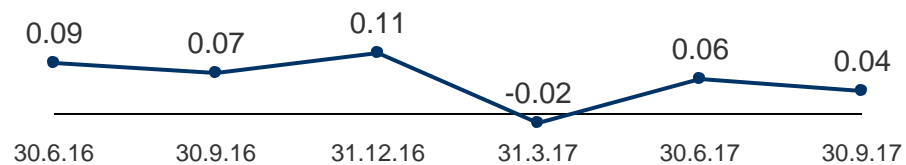
NPL coverage ratio (%)



NPL ratio (%)



Credit cost ratio² (%)



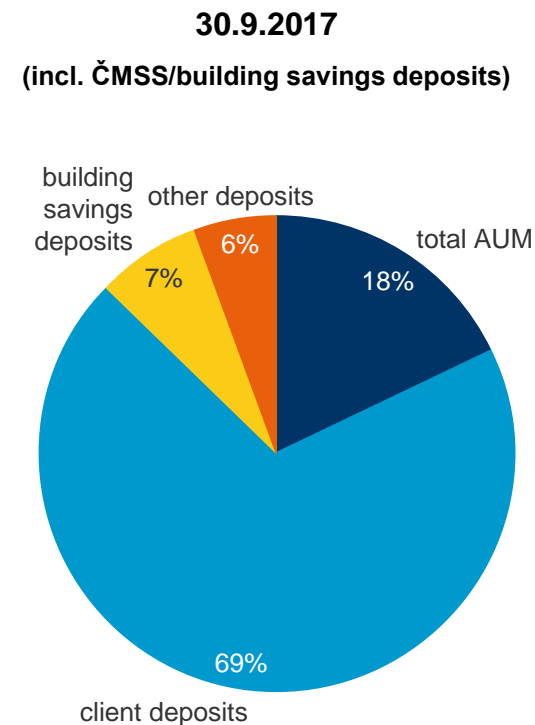
¹ Allowances for on-balance sheet items (PD10, PD11 and PD12 only).

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

Group deposits and Total assets under management

Strong growth in group deposits, AUM growth on track

Outstanding volumes, CZK bn	30.9.2016	30.9.2017	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	756.4	887.1	+17%
Client deposits	657.8	750.1	+14%
<i>Current accounts</i>	432.3	510.1	+18%
<i>Savings deposits</i>	214.3	216.8	+1%
<i>Term deposits</i>	11.2	23.3	>+100%
Other deposits	22.9	59.9	>+100%
Building savings deposits ¹	75.7	77.1	+2%
Total AUM	185.8	195.9	+5%
Pension funds ²	44.4	47.5	+7%
Mutual funds and other AM ³	141.4	148.4	+5%



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

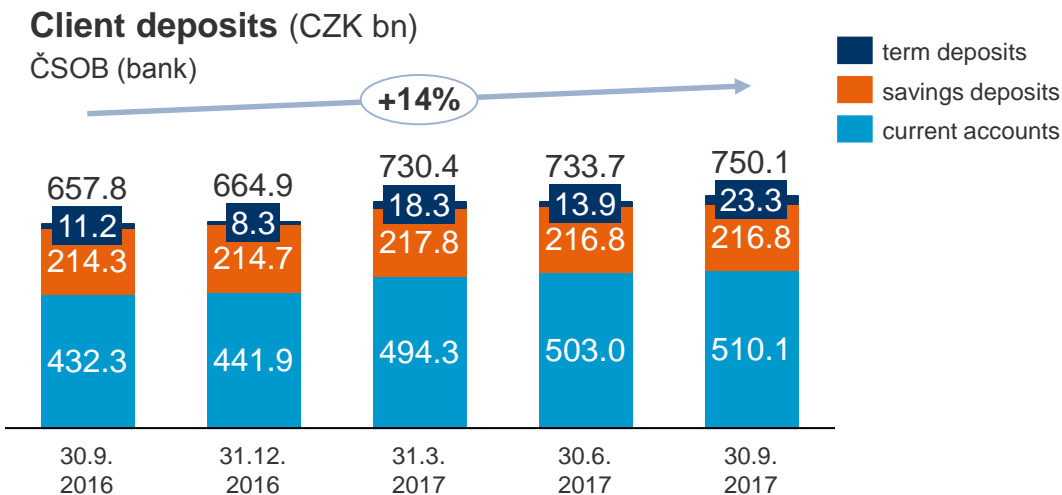
Volumes are reported in 55% but not included in the ČSOB's consolidated balance sheet.

² Liabilities to pension fund policy holders.

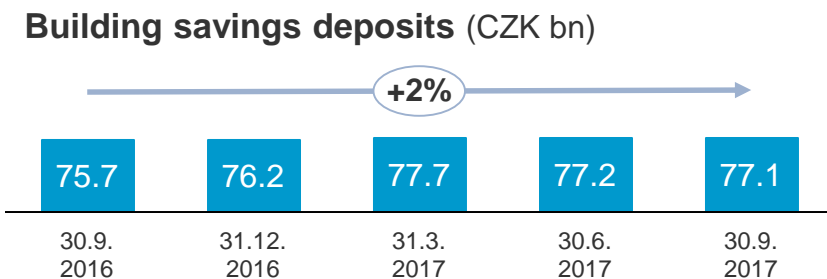
³ Item "Mutual funds and other AM" includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak AM.

Client deposits, Building savings deposits and Pension funds

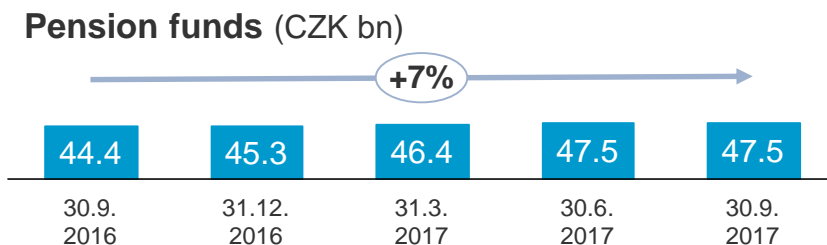
Growth of client deposits largely driven by current accounts



The **14% Y/Y** growth of **client deposits** was largely driven by **current accounts** (+18% Y/Y). **Saving deposits** increased by 1% Y/Y.



The **building savings deposits** increased by **2% Y/Y** also thanks to stabilization of the building savings market.



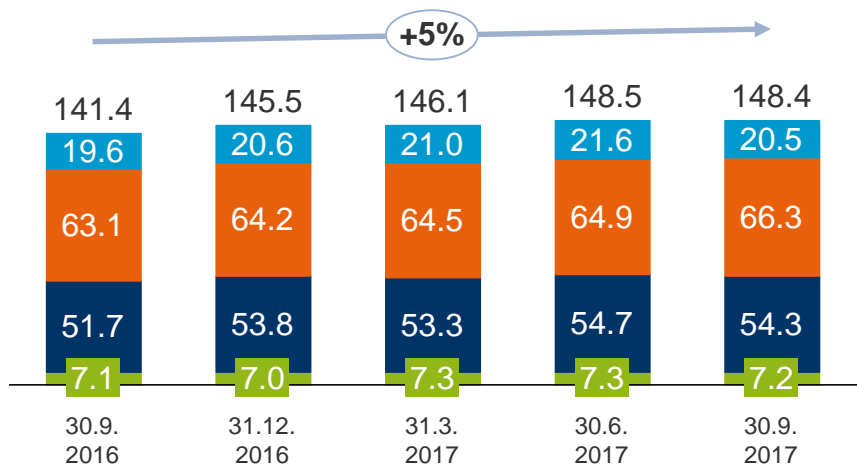
The volume of **pension funds** increased by **7% Y/Y** driven mainly by increase of new sales and improving retention.

Mutual funds increased by 5% Y/Y, higher outstanding driven by all categories

Mutual funds and other AM

Outstanding volumes, CZK bn

- AUM in structured/capital protected funds
- AUM in other mutual funds
- other asset management
- AUM of Slovak AM

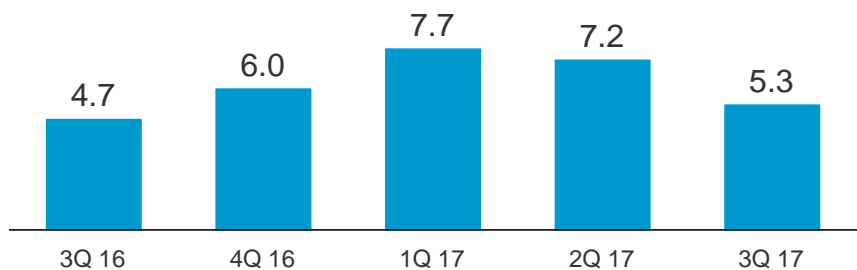


Mutual funds and other AM increased by **5% Y/Y** to **CZK 148.4bn** thanks to growth in all categories.

The 5% Y/Y growth of AUM in mutual funds was driven by both higher net sales as well as a positive market performance effect.

Mutual funds

New sales, CZK bn



3Q 2017 new sales of mutual funds were up **13% Y/Y** driven by mixed funds (especially Profile funds and Premium profile funds) and structured 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.

Continued transformation from a branch-oriented distribution model to an omni-channel model reflecting changing clients needs

	30.9.2016	30.9.2017
Retail/SME branches and advisory centers	711	682
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB/Era)	219	216
PSB/Era Financial Centers	56	36
ČMSS advisory centers	315	303
Hypoteční banka centers	29	30
ČSOB Pojišťovna branches	92	97
ČSOB Private Banking branches	11	11
Leasing branches	10	9
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,000	ca. 2,800
- of which specialized banking counters	150	152
ATMs¹	1,066	1,065
ČSOB's clients (bank only, mil.)	2.773	2.770
Internet Banking - users (mil.)	1.559	1.612
- transactions (mil.)	38.042	40.212

¹ Including ATMs of cooperating banks.

At the end of September 2017, clients could use 1,065 **ATMs**, of which 240 were contactless, 166 enabled cash deposits and over 90% are customized for clients with sight difficulty.

Due to the ongoing optimization of the branch network and the strengthening of the self-service platform, some branches were closed or merged as dual branded. The number of **ČSOB branches** (see note) reached 274, of which 40 were dual branded (ČSOB + PSB/Era) at the end of September 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 3% Y/Y and **electronic channel transactions** by 6% 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.

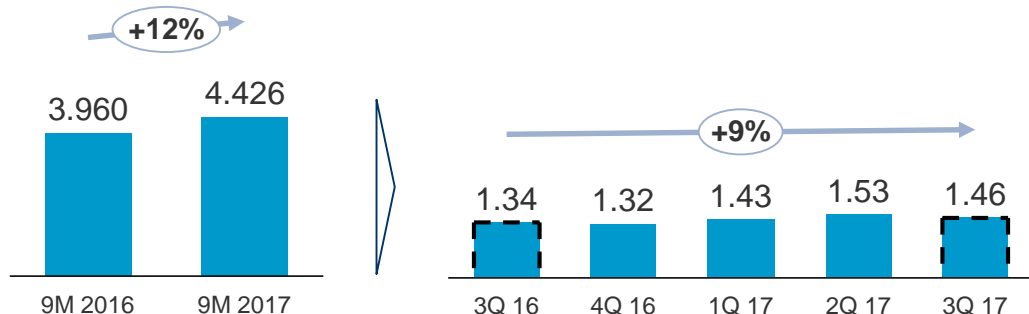
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.

ČSOB Pojišťovna: Key figures

Successful non-life and life regular business

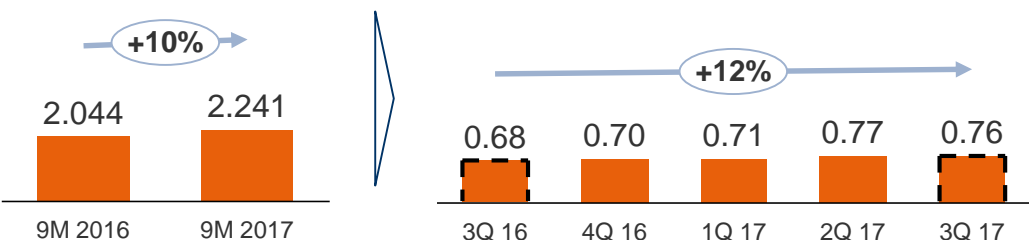
Non-life insurance - gross written premium (GWP)

CZK bn



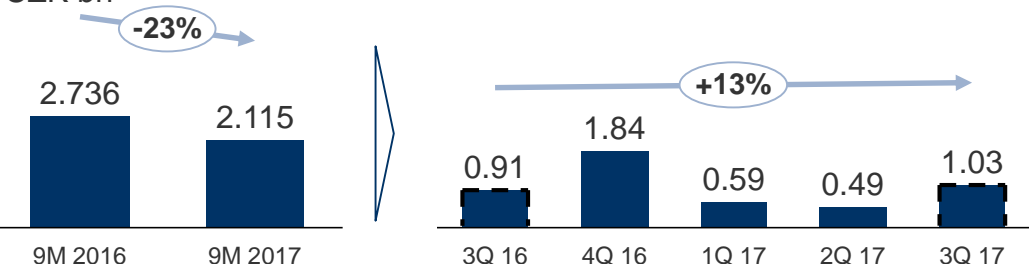
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	9M 2017	Market position
Non-life insurance	↑ 7.2%	4th
Life insurance	↑ 7.6%	4th

Arrows show Y/Y change.

Non-life insurance

9M/3Q 2017 non-life gross written premium increased by **12% Y/Y** and **9% Y/Y** respectively thanks to growth in all product lines, mainly in Property, Motor retail insurance and Travel insurance, while the market increased by 6% Y/Y.

Life insurance

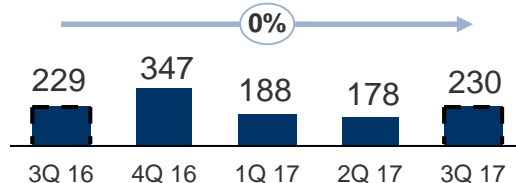
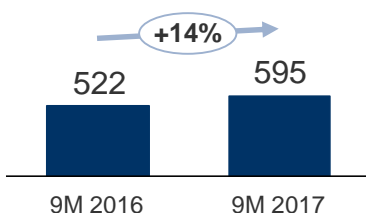
9M/3Q 2017 **regular paid** gross written premium increased by **10% Y/Y** and **12% Y/Y** respectively as a result of portfolio stabilization and better profile in lapses of the life contracts, while the market remain flat Y/Y.

9M 2017 **single paid** gross written premium decreased by **23% Y/Y** mainly due to lower clients' interest in the first half of the year, while the market decreased by 16% Y/Y. The **13% Y/Y** increase in 3Q 2017 was mainly driven by the successful introduction of new product structures.

Profitability growth mainly driven by life segment

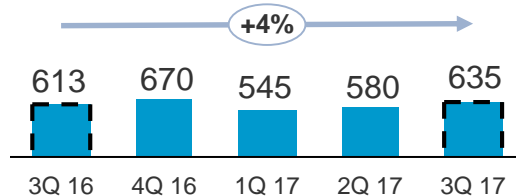
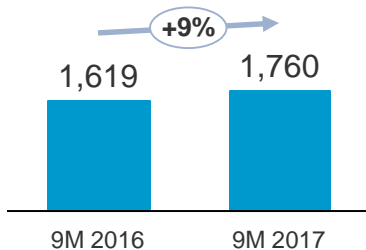
Net profit

CZK m



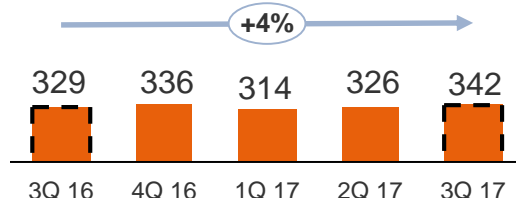
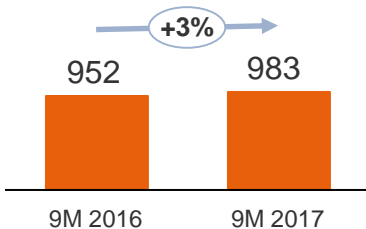
Operating income

CZK m



Operating expenses

CZK m



9M 2017 **net profit** increased to **CZK 595m** (+14% Y/Y) driven by better life segment profit contribution. 3Q 2017 performance remained almost stable Y/Y at **CZK 230m**.

9M/3Q 2017 **operating income** increased to **CZK 1,760m** (+9% Y/Y) and to **CZK 635m** (+4% Y/Y) respectively influenced by the following drivers:

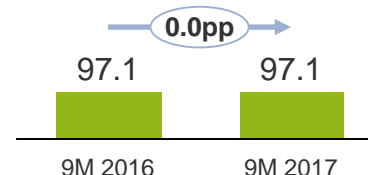
- life: growth in regular paid GWP and savings linked to longer amortization of paid-out commissions and lower new business via external distribution.
- non-life: worse claims profile (e.g. injuries, harsher winter conditions, property claims) which was partially offset by higher GWP Y/Y.

9M/3Q 2017 **operating expenses** increased by 3% Y/Y reaching **CZK 983m** and by 4% Y/Y to **CZK 342m** respectively driven by strategic investments.

Non-life combined ratio remained flat Y/Y at **97.1%** as higher claims that occurred in February, May and August were fully offset by higher GWP.

Non-life combined ratio

(%)



Business Unit Czech Republic

9M 2017 profitability driven mainly by ČSOB group



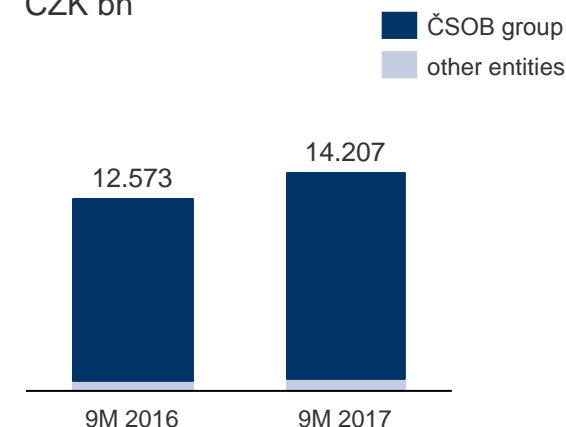
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 9M/3Q 2017 net profit of the Business Unit Czech Republic reached **CZK 14.2bn** (+13% Y/Y) and **CZK 4.4bn** (+13% 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)	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	3Q/3Q	9M 2016	9M 2017	9M/9M
ČSOB group ¹	3.656	3.145	4.664	4.650	4.164	+14%	11.937	13.478	+13%
ČSOB Pojišťovna	0.229	0.347	0.188	0.178	0.230	+0%	0.522	0.595	+14%
ČSOB AM	0.039	0.044	0.044	0.042	0.048	+23%	0.115	0.134	+17%
Total	3.925	3.537	4.896	4.869	4.442	+13%	12.573	14.207	+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

Ratios and other indicators

Ratio / Indicator	31.12.2014	31.12.2015	31.12.2016	30.9.2016	30.9.2017
Net interest margin (Ytd., annualized, %)	3.17	3.01	2.93	2.92	2.95
Cost / income ratio (%)	47.6	48.2	46.0	45.2	42.5
RoE (Ytd., %)	16.4	16.4	17.3	18.2	20.2
RoA (Ytd., %)	1.40	1.49	1.42	1.55	1.36
RoAC, BU Czech Republic (Ytd., %) ¹	40.0	34.9	37.0	39.1	44.4
Credit cost ratio (Ytd., annualized, %)	0.18	0.18	0.11	0.07	0.04
NPL ratio (%)	4.07	3.64	2.99	2.82	2.50
NPL coverage ratio (%)	53.4	53.2	54.4	56.9	55.3
(Core) Tier 1 ratio (%)	17.2	19.1	18.2	16.7	17.4
Total capital ratio (%)	17.5	19.4	18.5	17.0	17.4
Leverage ratio (Basel III, %)	5.15	5.25	5.18	4.94	4.23 ²
Net stable funding ratio (Basel III, %)	135.9	134.9	151.9	149.5	149.5
Liquidity coverage ratio (Basel III, %)	348.4	163.4	153.0	161.3	149.8
Loan to deposit ratio (%)	76.3	79.3	79.4	78.8	76.8

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)	3Q 2016	2Q 2017	3Q 2017	Y/Y	Q/Q	9M 2016	9M 2017	Y/Y
Net interest income	5,571	5,690	5,503	-1%	-3%	16,607	16,855	+1%
<i>Interest income</i>	6,380	6,420	6,354	0%	-1%	18,754	19,087	+2%
<i>Interest expense</i>	-809	-730	-851	+5%	+17%	-2,147	-2,232	+4%
Net fee and commission income	1,508	1,606	1,493	-1%	-7%	4,611	4,667	+1%
Net gains from financial instruments at FVPL ¹	533	1,740	1,368	>+100%	-21%	2,501	4,449	+78%
Other operating income ²	351	462	314	-11%	-32%	2,159	1,914	-11%
Operating income	7,963	9,498	8,678	+9%	-9%	25,878	27,885	+8%
Staff expenses	-1,902	-1,942	-2,009	+6%	+3%	-5,684	-5,878	+3%
General administrative expenses	-1,470	-1,553	-1,431	-3%	-8%	-5,075	-4,979	-2%
<i>General administrative expenses (excl. banking taxes)</i>	-1,465	-1,542	-1,426	-3%	-8%	-4,319	-4,262	-1%
<i>Banking taxes</i>	-5	-11	-5	0%	-55%	-756	-717	-5%
Depreciation and amortisation	-320	-332	-343	+7%	+3%	-943	-1,002	+6%
Operating expenses	-3,692	-3,827	-3,783	+2%	-1%	-11,702	-11,859	+1%
Impairment losses	-57	-266	-74	+30%	-72%	-334	-312	-7%
<i>Impairment on loans and receivables</i>	-59	-198	-20	-66%	-90%	-318	-193	-39%
<i>Impairment on available-for-sale securities</i>	0	-1	0	n/a	-100%	0	-1	n/a
<i>Impairment on other assets</i>	2	-67	-54	>-100%	-19%	-16	-118	>+100%
Share of profit of associates	221	175	188	-15%	+7%	566	498	-12%
Profit before tax	4,435	5,580	5,009	+13%	-10%	14,408	16,212	+13%
Income tax expense	-762	-913	-825	+8%	-10%	-2,424	-2,679	+11%
Profit for the period	3,673	4,667	4,184	+14%	-10%	11,984	13,533	+13%
Attributable to:								
Owners of the parent	3,661	4,668	4,184	+14%	-10%	11,973	13,534	+13%
Non-controlling interests	12	-1	0	-100%	-100%	11	-1	>-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.

Balance sheet - assets

(CZK m)	30/9 2016	31/12 2016	30/9 2017	Ytd.
Cash and balances with central banks	37,841	61,075	238,030	>+100%
Financial assets held for trading	44,321	20,008	36,079	+80%
Financial assets designated at fair value through P/L	0	0	0	n/a
Available-for-sale financial assets	57,813	56,938	49,157	-14%
Loans and receivables - net	758,414	779,222	957,107	+23%
<i>Loans and receivables to credit institutions - gross</i>	229,742	242,210	372,119	+54%
<i>Loans and receivables to other than credit institutions - gross</i>	538,611	547,078	594,313	+9%
<i>Allowance for impairment losses</i>	-9,939	-10,066	-9,325	-7%
Held-to-maturity investments	132,069	132,679	114,849	-13%
Fair value adjustments of the hedged items in portfolio hedge	1,254	852	-3,070	>-100%
Derivatives used for hedging	14,421	11,656	8,988	-23%
Current tax assets	25	25	104	>+100%
Deferred tax assets	176	179	222	+24%
Investments in associate and joint ventures	4,869	4,957	4,642	-6%
Investment property	0	0	0	n/a
Property and equipment	8,917	10,009	10,240	+2%
Goodwill and other intangible assets	5,475	5,634	5,818	+3%
Non-current assets held-for-sale	53	52	38	-27%
Other assets	2,677	2,241	2,022	-10%
Total assets	1,068,325	1,085,527	1,424,226	+31%

Increase due to overnight loan with ČNB.

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

Increase due to reverse repo operations with ČNB.

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)	30/9 2016	31/12 2016	30/9 2017	Ytd.
Financial liabilities held for trading	41,742	40,044	36,521	-9%
Financial liabilities at fair value through P/L	0	1,620	7,141	>+100%
Financial liabilities at amortised cost	913,913	931,757	1,274,890	+37%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	112,792	32,598	171,732	>+100%
<i>of which Deposits received from other than credit institut.</i>	680,746	676,161	809,993	+20%
<i>of which Debt securities in issue</i>	120,375	222,998	293,165	+31%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	7,574	4,796	-1,623	>-100%
Derivatives used for hedging	11,614	10,532	9,571	-9%
Current tax liabilities	689	849	458	-46%
Deferred tax liabilities	1,715	1,576	1,611	+2%
Provisions	568	673	854	+27%
Other liabilities	4,517	4,945	4,377	-11%
Total liabilities	982,332	996,792	1,333,800	+34%
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	35,709	38,877	42,263	+9%
Available-for-sale reserve	2,469	2,228	1,663	-25%
Cash flow hedge reserve	2,154	1,973	874	-56%
Parent shareholders' equity	85,803	88,549	90,241	+2%
Minority interest	190	186	185	-1%
Total equity	85,993	88,735	90,426	+2%
Total liabilities and equity	1,068,325	1,085,527	1,424,226	+31%

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 16 November 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	positive	A-1	1 October 2014	27 October 2017

Shareholder structure

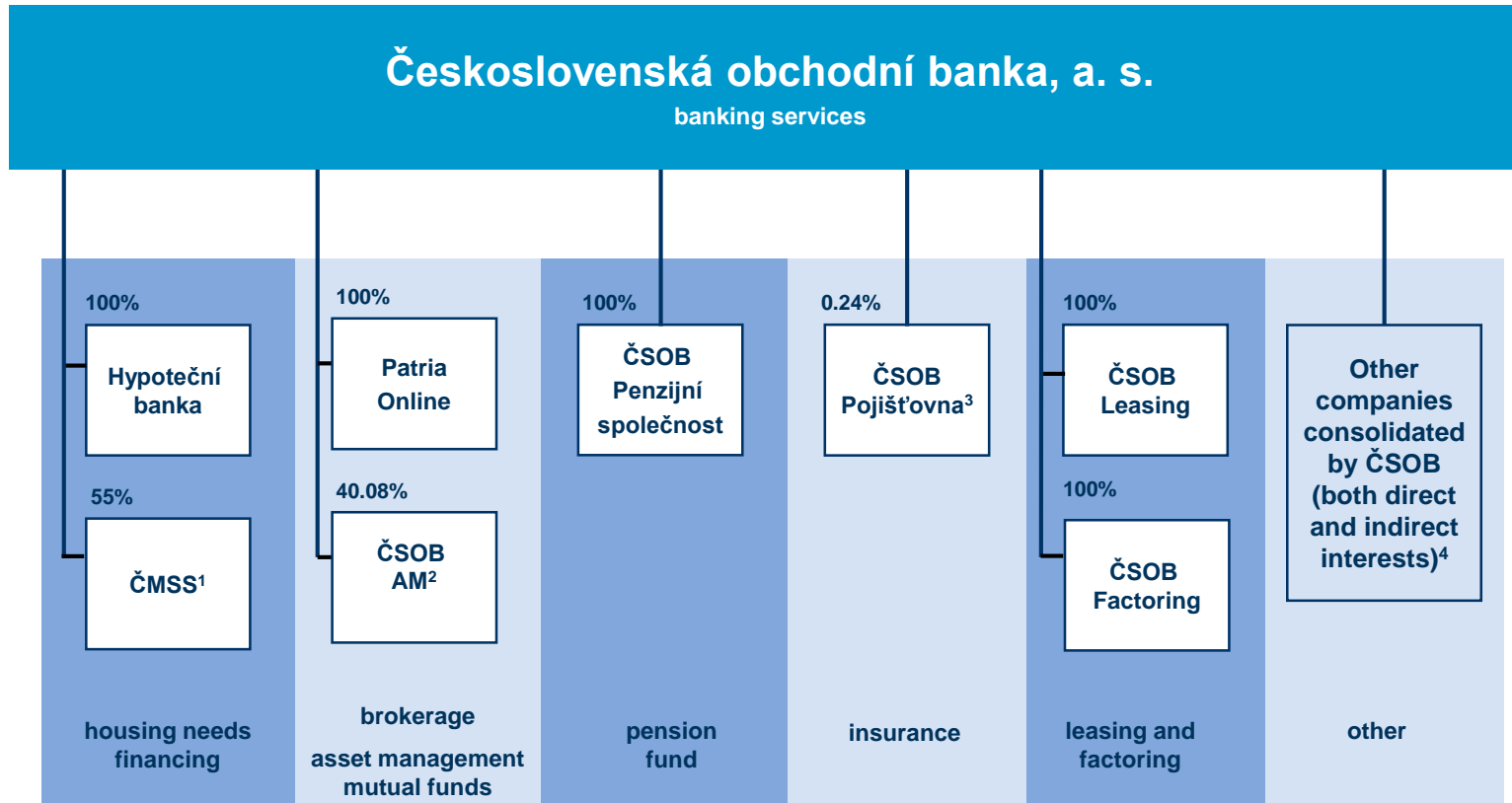
As at 30 September 2017, ČSOB's share capital was CZK 5,855,000,040 and comprised of 292,750,002 ordinary bearer shares with a nominal value of CZK 20 each.

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

Non-performing loans (NPL)

PD rating distribution	30.9.2016		30.9.2017	
	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
Total loans	547.5	100%	600.5	100%
Normal - Standard (PD 1-7)	520.2	95%	577.0	96%
Asset quality review - Watched (PD 8-9)	11.8	2%	8.5	1%
Uncertain - Substandard (PD 10)	3.5	1%	4.7	1%
Uncertain - Doubtful (PD 11)	1.5	0%	1.4	0%
Irrecoverable - Loss (PD 12)	10.5	2%	8.9	1%

The ČSOB group in the Czech Republic



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

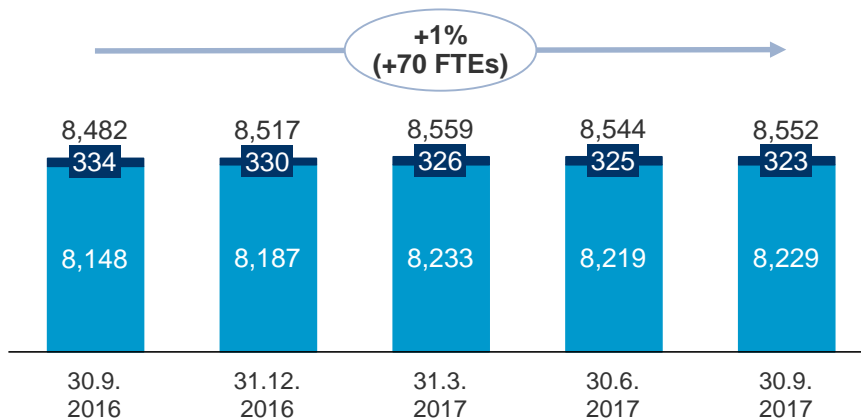
¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

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.

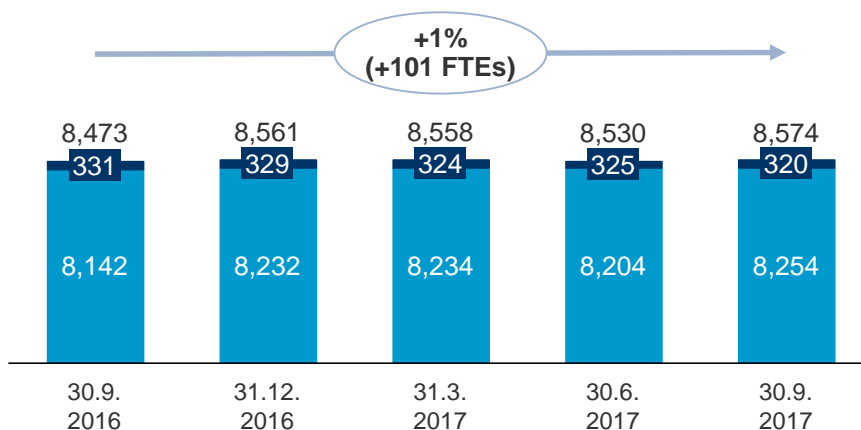
⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTE – average



The average number of FTE increased by 70 Y/Y.

Number of FTE – end of the period



The number of FTE increased at the end of the period by 101 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.

Contacts

ČSOB Investor Relations Team

Robert Keller (Head of IR)

Přemysl Němeček

Sandra Jelínková

Kateřina Růžková

Tel: +420 224 114 106

Tel: +420 224 114 109

investor.relations@csob.cz

www.csob.cz/ir

Československá obchodní banka, a. s.

Radlická 333/150, Praha 5

Czech Republic

ČSOB group Czech Republic

Member of the KBC Group