

9M/3Q 2018 Results ČSOB Group

Business Unit Czech Republic



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ČSOB Group: Key Figures

Excellent loan quality and solid growth in business volumes**Lower net profit due to higher base in the previous year and increased investments**

ČSOB group key indicators		2015	2016	2017	9M 2017	9M 2018
Profitability	Net profit (CZK bn)	14.0	15.1	17.5	13.5	11.5
	Return on equity	16.4%	17.3%	19.3%	20.2%	17.1%
Liquidity	Loan to deposit ratio	79.3%	79.4%	77.7%	76.8%	72.7%
	Net stable funding ratio	134.9%	150.9%	146.0%	149.5%	166.7%
Capital	(Core) Tier 1 ratio	19.1%	18.2%	17.2%	17.4%	17.3%
Impairments	Credit cost ratio	0.18%	0.11%	0.02%	0.04%	0.04%
Cost efficiency	Cost / income ratio	48.2%	46.0%	43.7%	42.5%	48.2%

Note:

As of 1Q 2017, calculation of Loan to deposit ratio has been changed, see new definition in Appendix.

In order to provide fully comparable figures, Loan to deposit ratio has been restated retrospectively for years 2015 and 2016.

As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

Excellent loan quality and solid growth in business volumes

Lower net profit due to higher base in the previous year and increased investments

Business indicators

The **loan portfolio** (incl. ČMSS) increased to **CZK 689bn** (+3% Y/Y) driven mainly by mortgages and consumer finance. **Group deposits** (incl. ČMSS) grew to **CZK 973bn** (+10% Y/Y). Total **assets under management** reached **CZK 210bn** (+7% Y/Y). The number of **active clients** increased **+58 thousand** Y/Y.

Operating income

Operating income reached **CZK 27.3bn** in 9M 2018 (-2% Y/Y) due to higher base in the previous year. The net interest income increased in 9M 2018 +11%.

Operating expenses

Operating expenses increased to **CZK 13.2bn** in 9M 2018 (+11% Y/Y) and **CZK 4.4bn** in 3Q 2018 (+16% Y/Y) due to higher staff expenses (+9 % Y/Y in 9M 2018), higher distribution* expenses, higher ICT investments, consolidation of "Ušetřeno.cz", and creation of restructuring reserve. Adjusted for higher distribution expenses, consolidation of "Ušetřeno.cz", and creation of restructuring reserve 9M/3Q 2018 operating expenses would increase +6% Y/Y in both periods under review.

Impairments

Credit cost ratio for 9M 2018 stood at **4 bps** (Ytd. annualized, flat Y/Y) thanks to the ongoing excellent loan quality. Other impairments increased Y/Y to CZK 584m in 9M 2018 due to revaluation of leased cars (operating leasing).

Net profit

As a result of the above mentioned factors, ČSOB's **net profit** came in at **CZK 11.5bn** (-15% Y/Y) in 9M 2018 and **CZK 4.0bn** (-4% Y/Y) in 3Q 2018.

Liquidity & Capital

Loan to deposit ratio decreased Y/Y to **72.7%**. **Tier 1 ratio** stood at **17.3%** and **net stable funding ratio** (NSFR) reached **166.7%**.

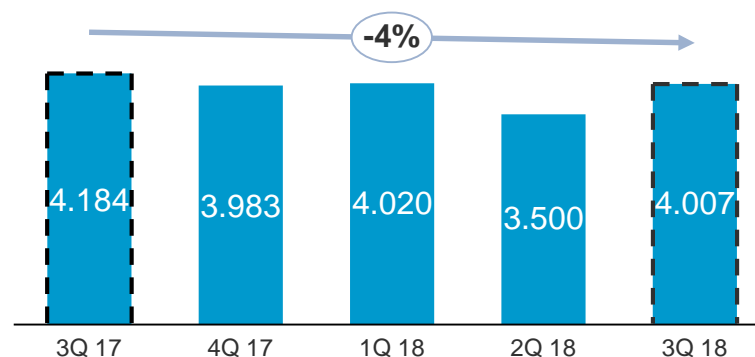
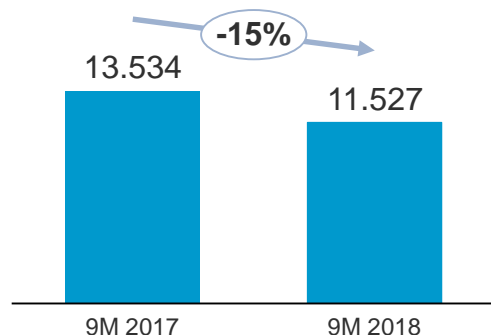
Achievements

The magazine **Euromoney** awarded ČSOB as **the Best Bank** in Czech Republic for 2018 and ČSOB Private Banking for the year 2018 as the **Best Private Bank** in the Czech Republic. ČSOB was awarded as **the best online bank** in the Czech Republic in **CFI.co 2018 AWARDS PROGRAMME**. ČSOB received four awards in Hospodářské noviny competition for the best bank and the best insurance company 2018.

The Y/Y net profit decline due to higher base in the previous year and increased investments

Net profit

CZK bn



9M/3Q 2018 **net profit** reached **CZK 11.5bn** (-15% Y/Y) and **CZK 4.0bn** (-4% Y/Y) respectively. The results reflect lower other operating income due to higher base in the previous year (one-off gain from legal case, positive valuation adjustments, sale of bonds and revenues related to the end of ČNB's currency commitment in 2017), higher operating expenses and impairment losses, while net interest income and net fee and commission income increased Y/Y.

The return on equity (ROE) reached **17.1%**, down from 20.2% driven by lower net profit.

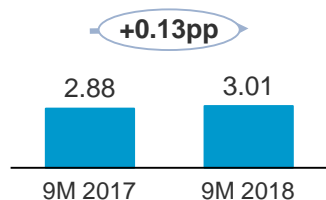
Notes (gross impact):

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

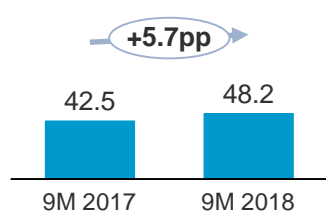
4Q 2017 one-off item: impairment on software (CZK -0.2bn)

Increasing net interest margin and excellent loan quality

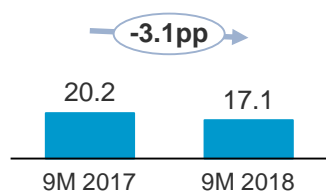
Profitability

Net interest margin¹ (%)

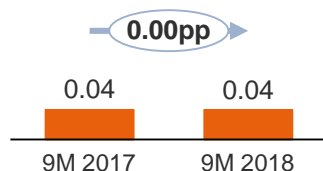
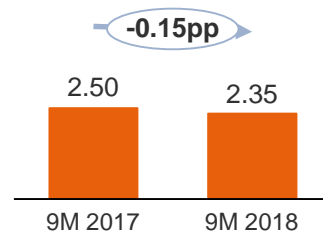
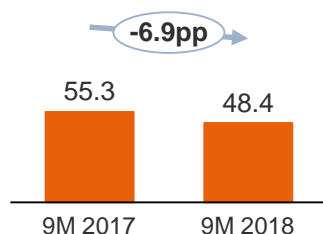
Cost / income ratio (%)



ROE (%)

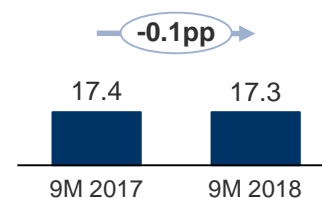


Loan portfolio quality

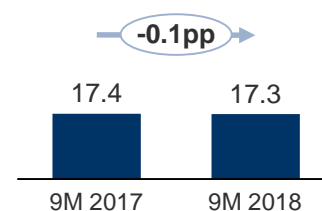
CCR, Ytd. annualized² (%)NPL ratio² (%)NPL coverage ratio² (%)

Capital

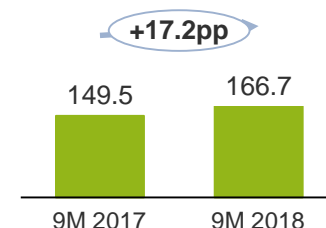
(Core) Tier 1 ratio (%)



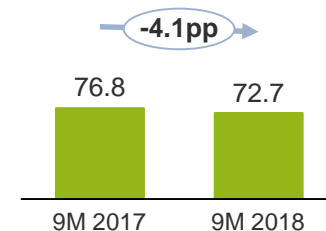
Total capital ratio (%)



Liquidity

Net stable funding ratio³ (%)

Loan to deposit ratio (%)



¹ As of 1Q 2018, calculation of Net interest margin has been changed, see updated definition in Appendix. In order to provide comparable figures, 2017 has been restated retrospectively.

² As of 1H 2018, the definition of Credit risk: loan portfolio used for calculation has been changed. See methodological note on page 41. The 9M 2017 ratios taking into account the new definition: CCR 0.04%, NPL ratio 2.61%, NPL coverage ratio 52.6%.

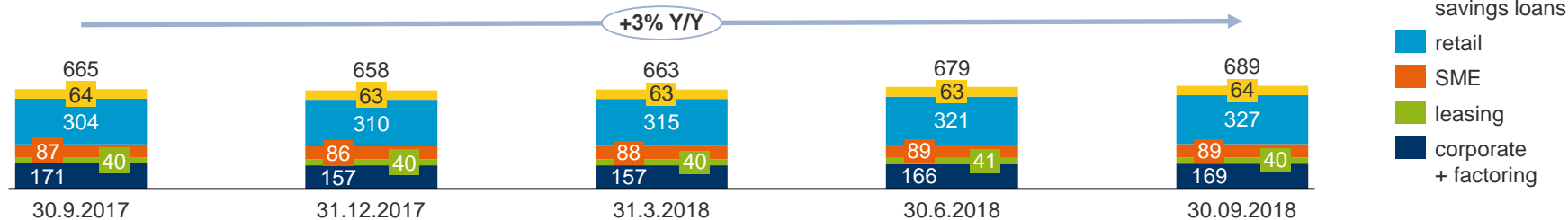
³ As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

Loans, deposits and assets under management

Solid growth in business volumes

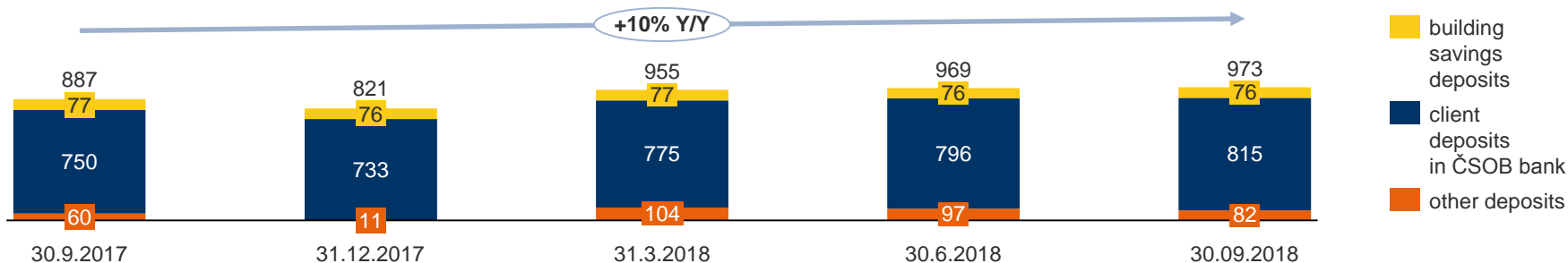
Loan portfolio¹

CZK bn



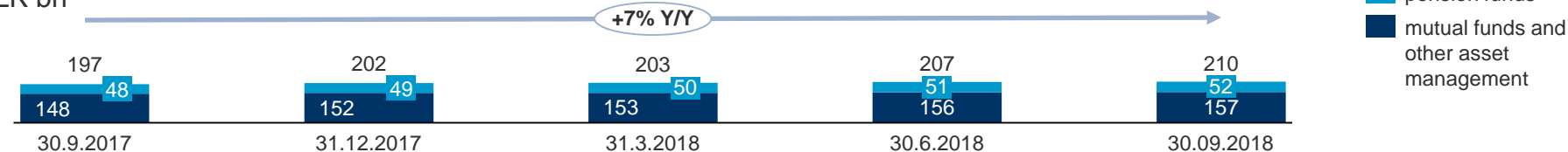
Group deposits²

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. The outstanding volumes of corporate loans on 30.9.2017, 31.12.2017 and 31.3.2018 were restated due to new definition of Credit risk: loan portfolio. See methodological note on slide 41.

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

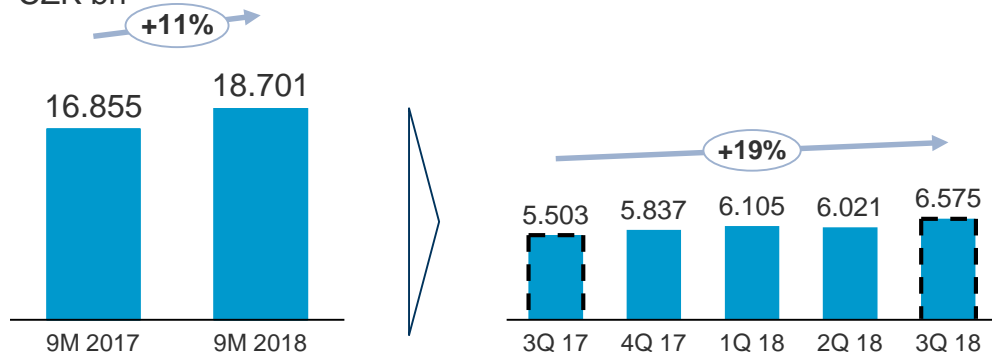
ČSOB Group: Financial Overview

Net interest income and Net interest margin

Higher net interest income as well as improved margin

Net interest income (NII)

CZK bn



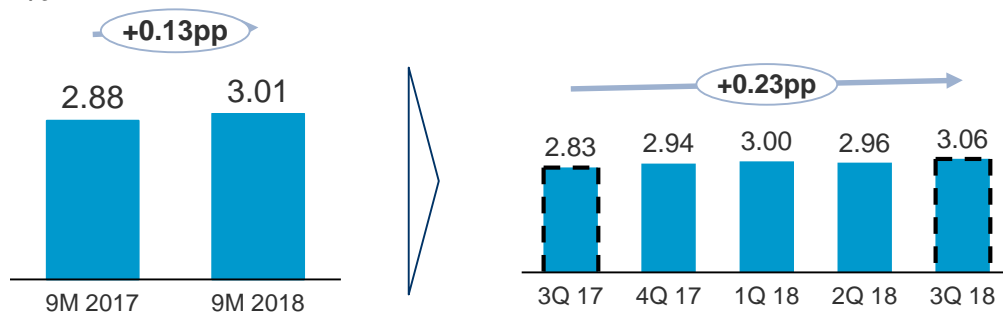
9M/3Q 2018 **net interest income** increased **+11% Y/Y** and **+19% Y/Y** respectively as a result of:

- (+) NII from deposits (in all segments)
- (+) other NII
- (-) NII from loans (driven by mortgages and corporate loans)

The +19% Y/Y increase in 3Q was partially influenced by short-term operations at financial markets, which had corresponding negative effect in trading income. Adjusted for their impact, NII in 3Q would increase **+10 % Y/Y**.

Net interest margin (NIM)*

%



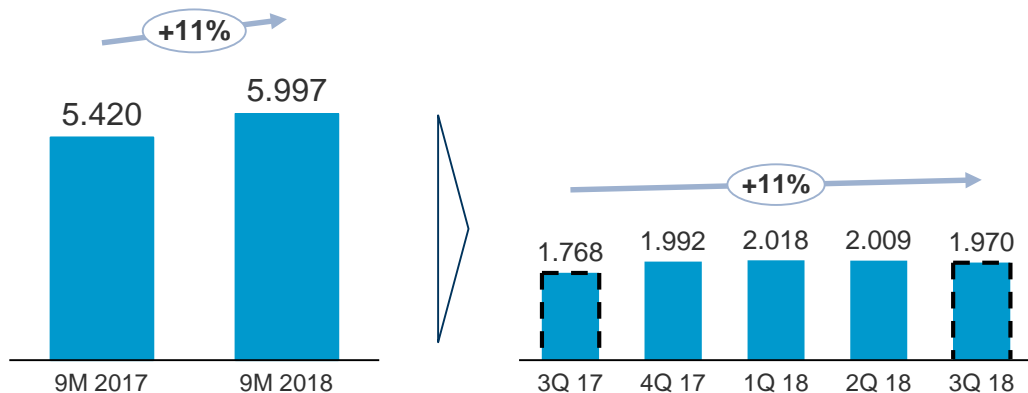
In 9M 2018, **net interest margin** reached **3.01%** (+0.13pp Y/Y) thanks to higher reinvestment yields, partly offset by ongoing pressure on lending margins.

	2015	2016	2017	9M 2018
Net interest margin (Ytd., %)*	n/a (3.01)	3.00 (2.93)	2.90 (2.98)	3.01 n/a

Net fee and commission income growth influenced by methodological changes

Net fee and commission income (NFCI)¹

CZK bn

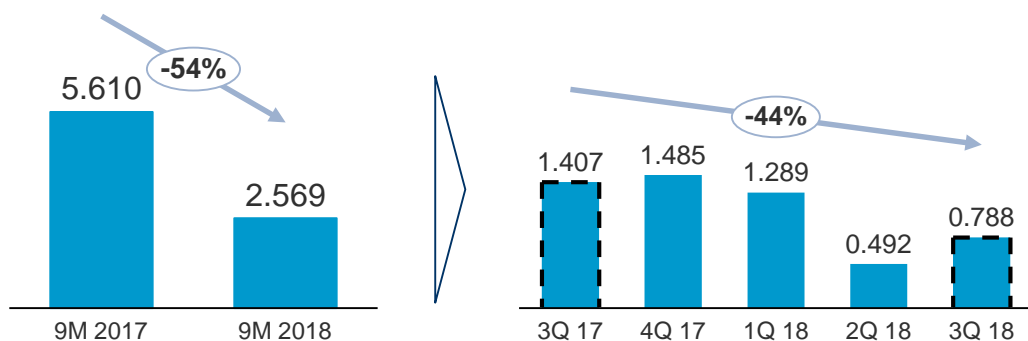


9M/3Q 2018 **net fee and commission income** increased **+11% Y/Y** in both periods under review.¹

Adjusted for the lower distribution fees² and consolidation of “Ušetřeno.cz”, NFCI would **remain flat Y/Y** in 9M 2018 and in 3Q 2018 it would decrease **-2% Y/Y** driven by lower fees on payment cards and on foreign and domestic payments.

Other^{1,3}

CZK bn



The **-54% Y/Y** decrease of item “**Other**” was influenced by higher base in 2017 due to:

- one-off gain from historical legal case in 1Q 2017,
- positive valuation adjustments,
- sale of bonds,
- revenues related to transactions related to the end of ČNB’s currency commitment.

¹ Figures for 9M 2017, 3Q 2017 and 4Q 2017 adjusted for the shift of network income. For detail see methodological note on page 41.

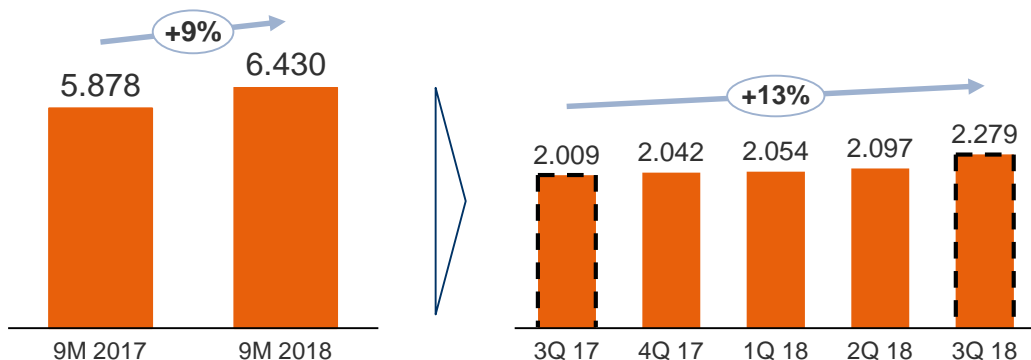
² See methodological note on page 41.

³ Other = Net gains from financial instruments at fair value through profit and loss + net realized gains from financial instruments at fair value through other comprehensive income (OCI) + dividend income + income and expense from operating lease + other net income

Higher staff expenses driven mainly by wage adjustments

Staff expenses

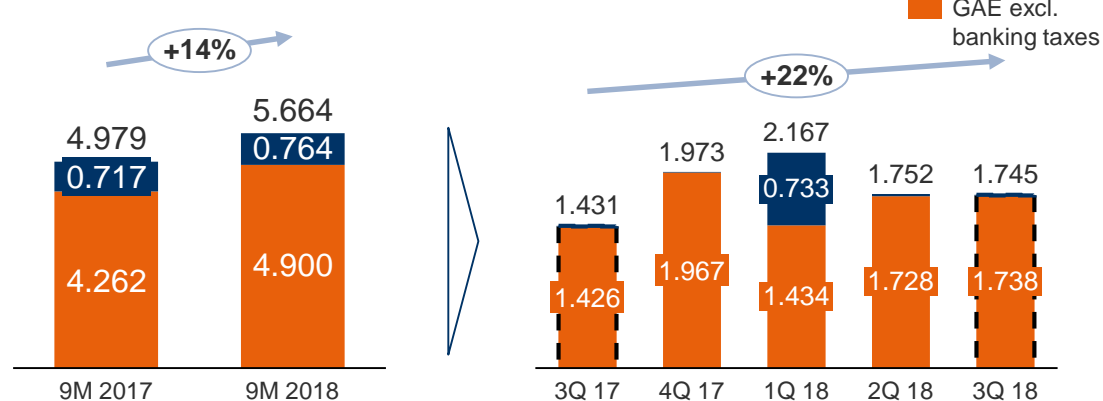
CZK bn



9M/3Q 2018 **staff expenses** increased **+9% Y/Y** and **+13% Y/Y** respectively due to wage adjustments and restructuring reserve. **Adjusted** for consolidation of “Ušetřeno.cz” and restructuring reserve, staff expenses would increase by **+7% Y/Y** and **+9% Y/Y** respectively.

General administrative expenses (GAE)

CZK bn



9M/3Q 2018 **general administrative expenses** increased **+14% Y/Y** and **+22% Y/Y** respectively. **Adjusted** for higher distribution expenses* (methodological change linked to new partnership agreement with Czech Post), consolidation of “Ušetřeno.cz” and restructuring reserve, general administrative expenses would increase **+5% Y/Y** and **+10% Y/Y** respectively mainly due to higher ICT and marketing expenses and higher professional fees.

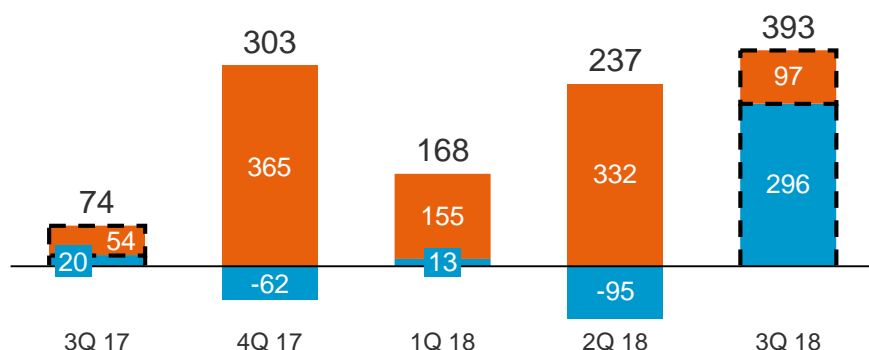
Cost/income ratio increased to **48.2%** (+5.7pp Y/Y).

Impairments and NPL

Excellent loan quality

Total impairments CZK m

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



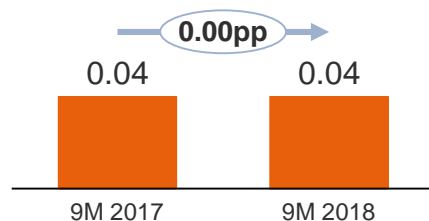
In 9M 2018, **loan loss provisions** increased to **CZK 214m** driven mainly by retail segment (lower release) and ČSOB Leasing.

In 3Q 2018 the creation of **loan loss provisions** in the amount of **CZK 296m** was driven mainly by corporate segment (one isolated case).

Other impairments increased Y/Y to **CZK 584m**, compared to CZK 119m in the same period last year, due to revaluation of leased cars (operating leasing).

Credit cost ratio* for 9M 2018 reached **4 bps** (Ytd., annualized; 0 bps Y/Y).

CCR, Ytd. annualized* %



Risk view on structure of the loan portfolio

	30.9.2018	
IFRS 9 distribution	Amount (CZK bn)	Share on total loans
Loan portfolio (incl. ČMSS)	688.7	100%
Stage 1 - performing	633.8	92%
Stage 2 - underperforming	37.9	6%
Stage 3 - non-performing loans	17.0	2%

Notes:

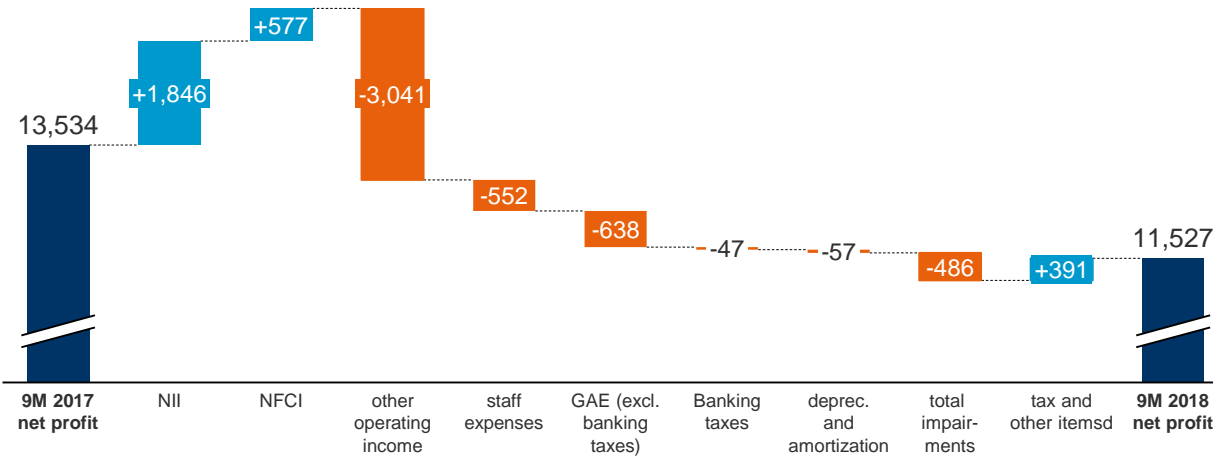
Figures in graphs: (+) net creation/cost and (-) net release/revenue.
 Other impairments include impairments on tangible and intangible assets.

* As of 1H 2018, the definition of Credit risk: loan portfolio used for calculation has been changed. See methodological note on page 41. Taking into account the updated definition, the CCR of 9M 2017 is 0.04%.

Wrap up of net profit drivers

Ytd. net profit (Y/Y)

CZK m



The main difference between 9M 2018 and 9M 2017 net profit was caused by the following drivers:

On the **positive side**:

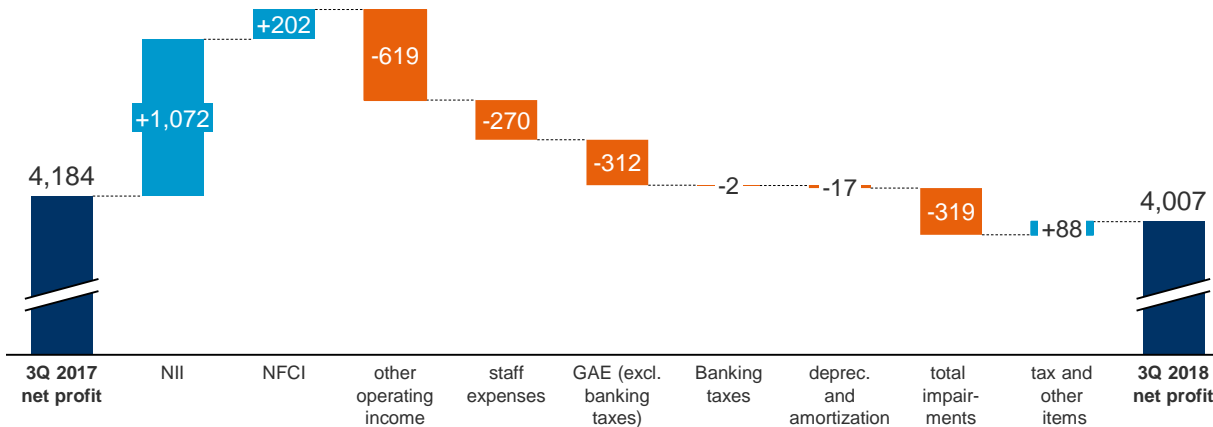
- higher NII thanks to NII from deposits (in all segments) and other NII
- higher NFCI as a result of lower distribution fees, consolidation of "Ušetřeno.cz", higher domestic payments and asset management fees

On the **negative side**:

- lower other operating income due to higher base in 2017 (one-off gain from historical legal case, positive valuation adjustments, sale of bonds and revenues related to the end of ČNB's currency commitment in 2017) and lower net income from operating leases
- higher total impairments driven by other impairments linked to the revaluation of leased cars (operating leasing)
- higher GAE mainly due to higher distribution, ICT and marketing expenses, consolidation of "Ušetřeno.cz" and higher professional fees
- higher staff expenses linked to wage adjustments and restructuring reserve

Quarterly net profit (Y/Y)

CZK m



The main difference between 3Q 2018 and 3Q 2017 net profit was caused by the following drivers:

On the **positive side**:

- higher NII driven by NII from deposits (in all segments) and other NII
- higher NFCI as a result of lower distribution fees and consolidation of "Ušetřeno.cz"

On the **negative side**:

- lower other operating income due to higher base in 2017 (positive valuation adjustments and revenues related to the end of ČNB's currency commitment in 2017) and lower net income from operating leases
- higher GAE mainly due to higher distribution, ICT and marketing expenses, consolidation of "Ušetřeno.cz" and higher professional fees
- higher total impairments due to higher loan loss provisions in corporate segment (one isolated case)
- higher staff expenses linked to wage adjustments and restructuring reserve

Capital Solid capital position

Consolidated, CZK m	30.9.2017	31.12.2017	30.9.2018
Total regulatory capital	69,340	69,098	69,744
- (Core) Tier 1 Capital	69,340	69,098	69,744
- Tier 2 Capital	0	0	0
Total capital requirement	31,967	32,182	32,252
- Credit risk	25,582	25,043	25,507
- Market risk	1,835	2,589	1,898
- Operational risk	4,550	4,550	4,846
Total RWA	399,590	402,278	403,153
(Core) Tier 1 ratio	17.4%	17.2%	17.3%
Total capital ratio	17.4%	17.2%	17.3%

The Y/Y increase of **(Core) Tier 1 capital** due to decrease in deductible items (mainly IRB shortfall and cash flow hedge reserve), which was partly compensated by decrease in OCI (other comprehensive income).

Total RWA increased Y/Y due to higher measurement risk adjustments (MRA) and operational risk requirements, which were partly compensated by lower credit risk requirements for Retail and Corporates (implementation of new models).

Notes:

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

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

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

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

ČSOB Group: Business Overview

1st

2nd

3rd

4th

Building savings loans ¹	42.3%	↓
Building savings deposits ¹	39.8%	↑
Mortgages ¹	28.2%	↓
Leasing ¹	18.2%	↓

Total Loans¹	19.2%	↓
Total Deposits¹	20.8%	↑
Mutual funds ¹	22.6%	↑
Factoring ²	22.9%	↓

Pension funds ³	14.4%	↑
SME/corporate loans ¹	14.4%	↓
Consumer lending ^{1,4}	12.0%	↑

Insurance ⁵ - combined	7.7%	↑
Non-life insurance ⁵	7.6%	↑
Life insurance ⁵	8.0%	↑

Arrows show Y/Y change. Market shares as of 30 September 2018, except for mutual and pension funds, leasing and factoring which are as of 30 June 2018.

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.

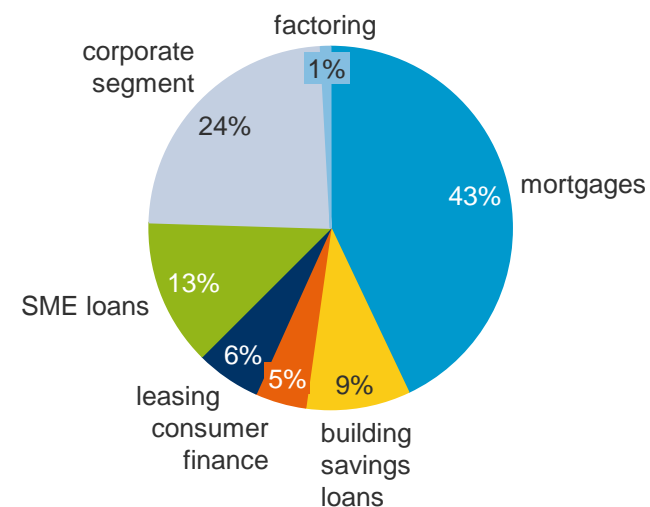
Sources and detailed definitions are provided in Appendix.

The Y/Y growth driven by mortgages and consumer finance

Gross outstanding volumes, CZK bn	30.9.2017	30.9.2018	Y/Y
Loan portfolio (incl. ČMSS/building savings loans)	665.5	688.7	+3%
Retail Segment			
Mortgages ¹	277.1	295.8	+7%
Consumer finance	27.0	31.1	+15%
Building savings loans ²	64.1	63.8	0%
SME/Corporate Segment			
Corporate loans ³	164.8	162.7	-1%
SME loans	87.1	89.4	+3%
Leasing	39.7	39.7	0%
Factoring	5.8	6.1	+6%
Other ⁴	47.3	44.4	-6%
Credit risk: loan portfolio (excl. ČMSS/building savings loans)	648.8	669.3	+3%

30.9.2018
(incl. ČMSS/building savings loans)

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



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

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

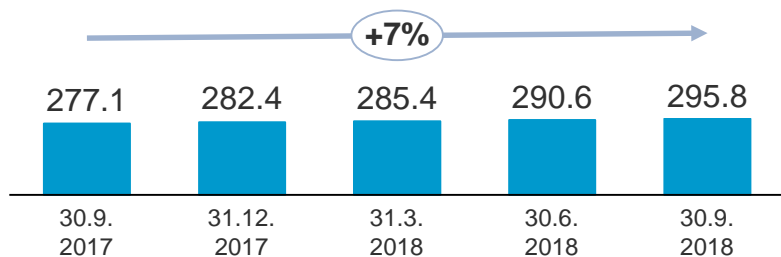
³ Including credit-replacing bonds. The outstanding volume on 30.9.2017 was restated due to new definition of Credit risk: loan portfolio. See methodological note on slide 41.

⁴ Including off-balance sheet items and ALM/financial markets exposures. See methodological note on slide 41.

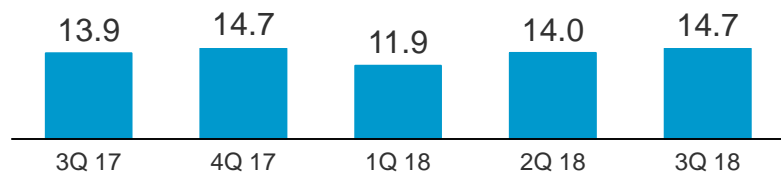
Solid growth of mortgage outstanding volumes, higher new sales Y/Y

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

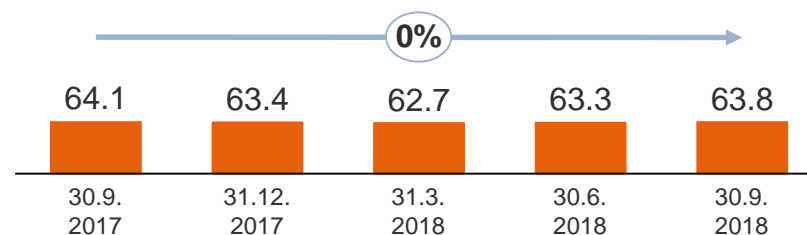


The **outstanding volume of mortgages** increased **+7% Y/Y**. The demand was influenced by rising interest rates and real estate prices.

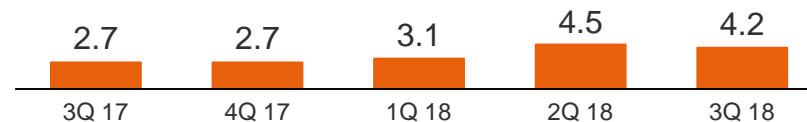
In 3Q 2018, ČSOB provided over **6 thousand new mortgages** (-1% Y/Y) in the total amount of **CZK 14.7bn** (+6% Y/Y). The market increased +3% Y/Y in the number and +10% Y/Y in the total amount of new mortgages.

Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn



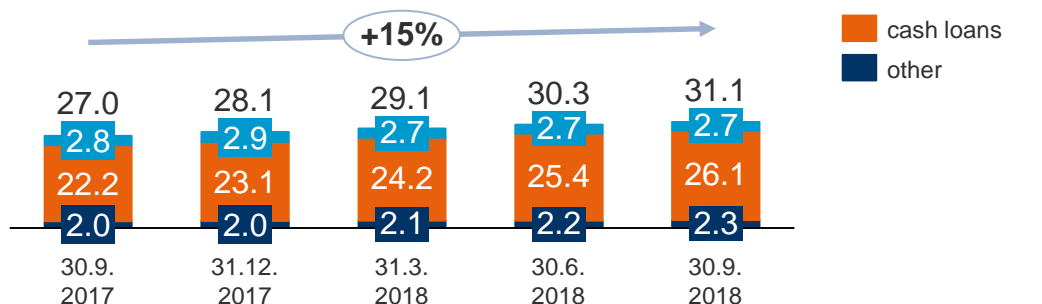
The outstanding **building savings loan portfolio** remained **flat Y/Y**, while the market increased +6% Y/Y.

In 3Q 2018, **new sales** increased **+54% Y/Y** thanks to improved attractiveness of ČMSS's product offer in financing housing needs and higher demand before the effect of new CNB regulations. The **Q/Q** decrease of **-7%** was due to extraordinary results in June.

Consumer finance, SME loans, Leasing

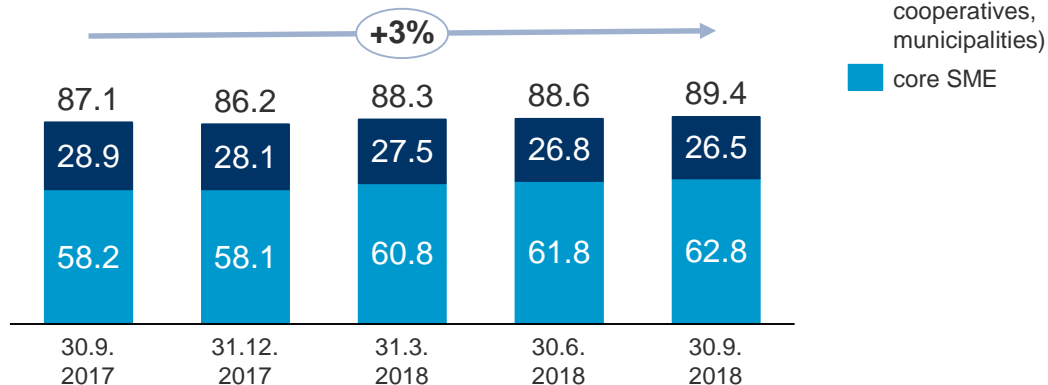
Double-digit growth in consumer finance

Consumer finance, outstanding, CZK bn



Consumer finance grew **+15% Y/Y** driven by cash loans (+18% Y/Y) thanks to improved attractiveness of ČSOB's product offer (pricing, conditions, processing) for both existing and new clients. The growth was also supported by online initiated loans, which are gradually increasing and exceeded 10% share in the number of pieces.

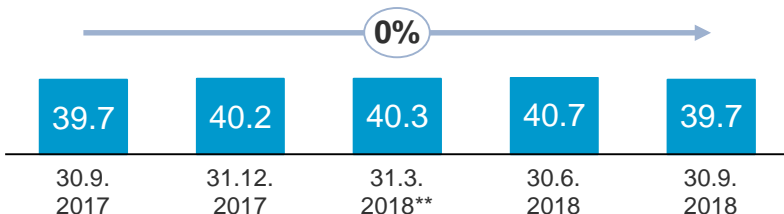
SME loans, outstanding, CZK bn



SME loans increased **+3% Y/Y** driven by expansion in core SME lending (micro, small and mid-sized companies, +8% Y/Y).

The loan volume provided to housing cooperatives and municipalities decreased Y/Y, however ČSOB remains market leader in housing cooperatives segment.

Leasing, outstanding*, CZK bn



Outstanding volumes in **ČSOB Leasing** remained **flat Y/Y** as higher machinery & equipment financing was offset by weaker heavy transportation and car financing.

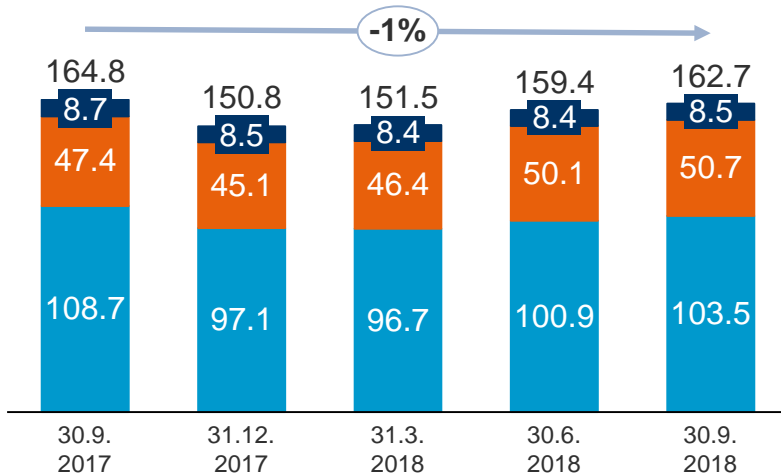
* Total exposure of ČSOB Leasing, excluding operational leasing.

** The outstanding volume on 31.3.2018 was restated due to new definition of Credit risk: loan portfolio. See methodological note on slide 41.

Extraordinary repayments of corporate loans mainly in financial sector

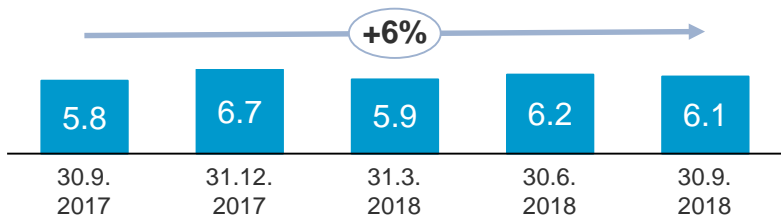
Corporate loans
Outstanding, CZK bn

- credit-replacing bonds
- structured finance
- plain vanilla financing*



Outstanding volumes of **corporate loans** decreased **-1% Y/Y** due to extraordinary repayments in financial and oil, gas & other fuels sectors in 4Q 2017 and 1Q 2018. Since 2Q the volumes have increased significantly particularly in sectors of real estate, distribution and textile.

Factoring
Outstanding, CZK bn



Factoring outstanding volumes increased **+6% Y/Y** thanks to a gradually growing client base.

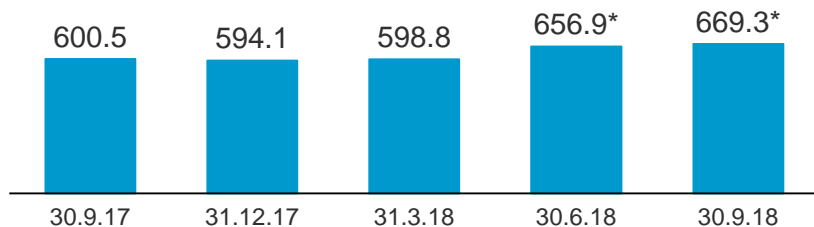
Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

* The outstanding volumes on 30.9.2017, 31.12.2017 and 31.3.2018 were restated due to new definition of Credit risk: loan portfolio. See methodological note on slide 41.

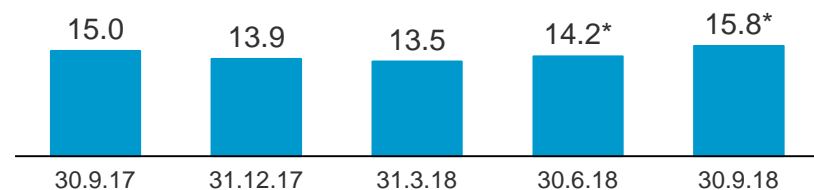
Credit risk under control

Excellent loan quality

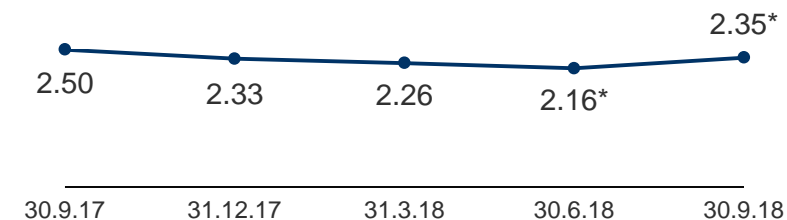
Credit risk: loan portfolio (excl. ČMSS) (CZK bn)



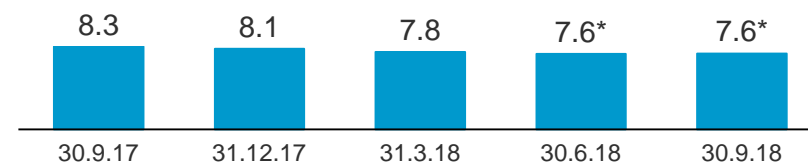
Non-performing loans (CZK bn)



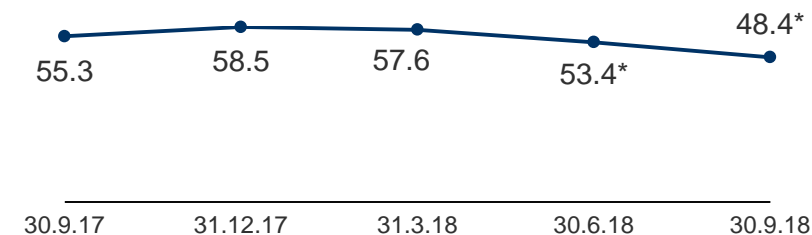
NPL ratio (%)



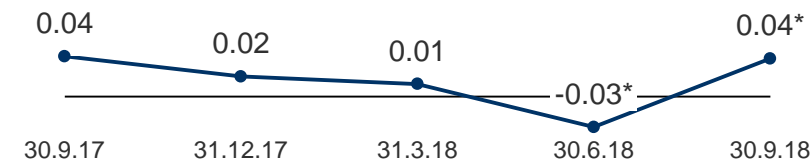
Allowances for loans and leases** (CZK bn)



NPL coverage ratio (%)



Credit cost ratio (%)



* As of 30 June 2018, definition of Credit risk: loan portfolio has been changed, it includes on-balance sheet and off-balance sheet items. The scope additionally includes the following elements: bank exposure (money market placements, documentary credit, accounts), unauthorized overdrafts and reverse repo (excl. central bank exposure). The ratios taking into account the new definition as of 31.12.2017: Credit cost ratio 0.02%, NPL ratio 2.44%, NPL coverage ratio 55.2% and as of 30.9.2017: Credit cost ratio 0.04%, NPL ratio 2.61%, NPL coverage ratio 52.6%.

** Stage 3 only.

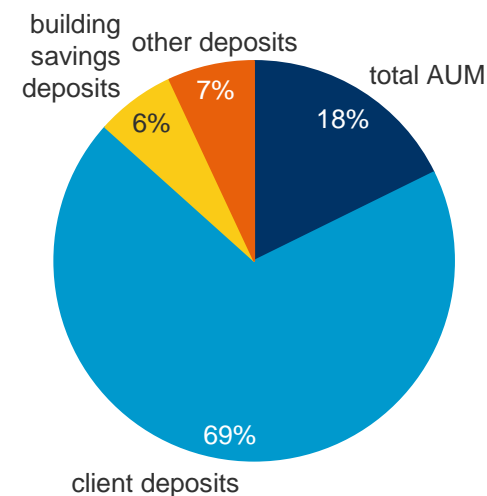
Group deposits and Total assets under management

Strong growth of group deposits as well as AUM

Outstanding volumes, CZK bn	30.9.2017	30.9.2018	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	887.1	973.5	+10%
Client deposits	750.1	815.4	+9%
<i>Current accounts</i>	510.1	537.1	+5%
<i>Savings deposits</i>	216.8	215.7	0%
<i>Term deposits</i>	23.3	62.6	>+100%
Other deposits	59.9	82.4	+38%
Building savings deposits ¹	77.1	75.7	-2%
Total AUM	196.7	209.7	+7%
Pension funds ²	48.3	52.5	+9%
Mutual funds and other AM ³	148.4	157.2	+6%

30.9.2018
(incl. ČMSS/building savings deposits)

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



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.

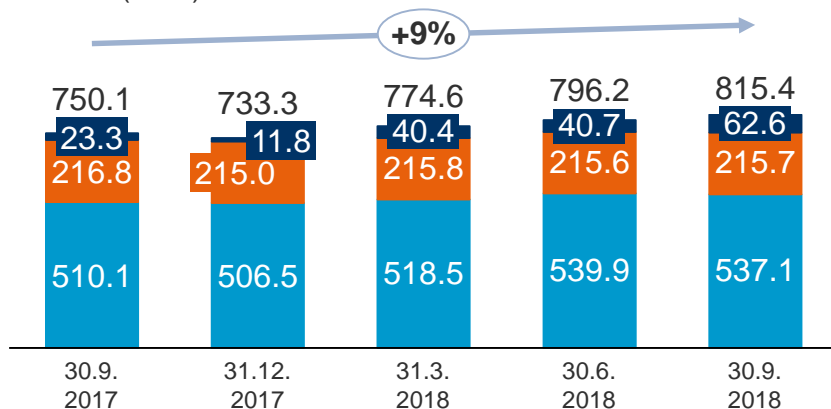
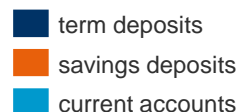
² Liabilities to pension fund policy holders.

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.

Growth in client deposits driven by term deposits and current accounts

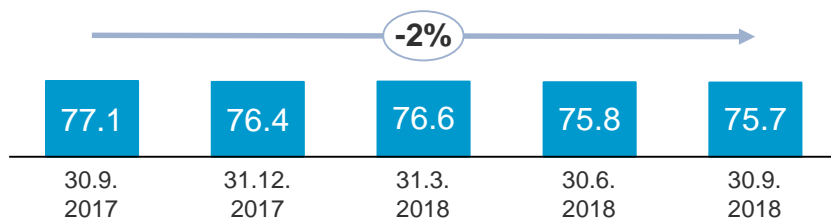
Client deposits (CZK bn)

ČSOB (bank)



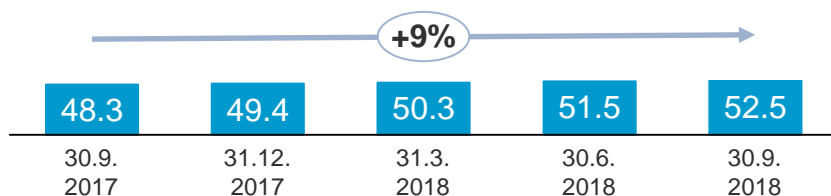
The **9% Y/Y** growth of **client deposits** was largely driven by **term deposits** (>+100%) and **current accounts** (+5% Y/Y). **Saving deposits** slightly decreased.

Building savings deposits (CZK bn)



The **building savings deposits** decreased -2% Y/Y.

Pension funds (CZK bn)



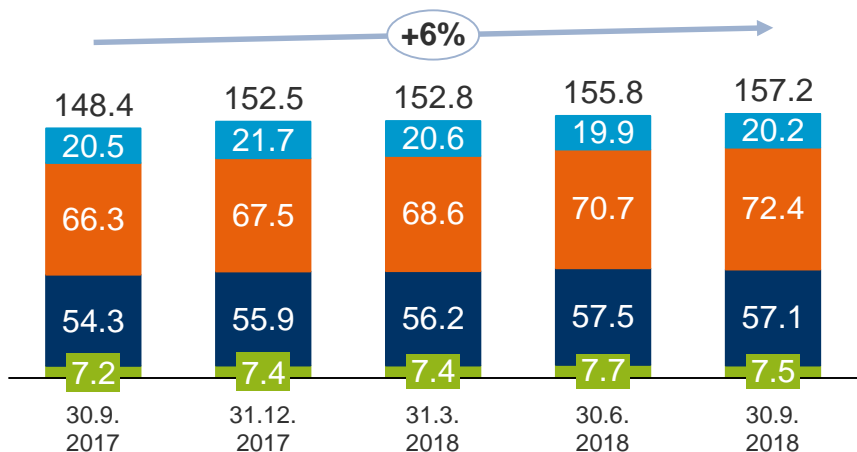
The volume of deposits in **pension funds** increased **+9% Y/Y** driven mainly by new sales and higher clients' monthly contribution.

Mutual funds increased +6% Y/Y driven by higher net sales

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 local funds managed in Czech Rep.



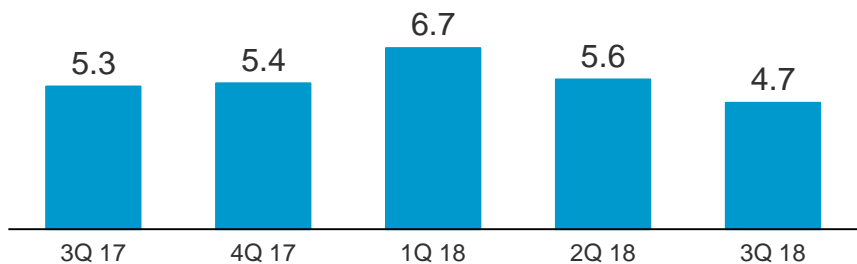
Mutual funds and other AM increased **+6% Y/Y** to **CZK 157.2bn** thanks to growth in all categories but structured/capital protected funds.

AUM in mutual funds increased **+7% Y/Y** as negative performance effect was more than offset by higher net sales.

3Q 2018 new sales of mutual funds decreased **-11% Y/Y** mainly due to lower sales of structured funds.

Mutual funds

New sales (gross), CZK bn



The **-16% Q/Q** decrease was caused by lower sales activity in holiday months. Only the sales of equity funds increased due to continuous focus on regular investments.

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.

Growing active client base supported by ongoing transformation to omni-channel distribution model

	30.9.2017	30.9.2018
Clients of ČSOB's group (mil.)	3.674	3.672
ČSOB branches (bank only)	274	263
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB/Era)	216	215
PSB/Era Financial Centers	36	26
ČSOB Private Banking branches	11	11
ČSOB Corporate branches	11	11
ČSOB Pojišťovna branches	97	98
Hypoteční banka centers	30	30
ČMSS advisory centers	303	299
Leasing branches	9	7
PSB outlets of the Czech Post network	ca. 2,800	ca. 2,700
- of which specialized banking counters	151	180
Czech Post franchise outlets	ca. 300	ca. 500
ATMs¹	1,065	1,063
- of which contactless	240	380

¹ Including ATMs of cooperating banks.

The **number of clients** decreased -2ths Y/Y and the **number of active clients increased +58ths Y/Y**.

In 3Q 2018, ČSOB further improved its ATM network. At the end of September 2018, clients could use 1,063 **ATMs** (-2 Y/Y), of which 380 were contactless (+140 Y/Y), 184 enabled cash deposits (+18 Y/Y) and over 90% are customized for visually impaired clients.

Due to the ongoing optimization of the branch network and strengthening of the self-service platforms, some branches were closed or merged as dual branded. The number of **ČSOB branches** reached 263 (-11 Y/Y), of which 54 were dual branded (ČSOB + PSB) at the end of September 2018.

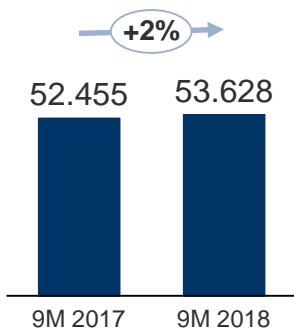
Extended portfolio of bank-insurance services at Czech Post is provided at **180 specialized banking counters** (+28 Y/Y).

Note:

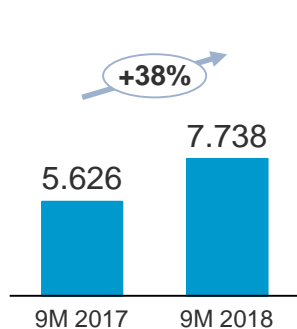
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.

Number of mobile banking active users and transactions rapidly increasing

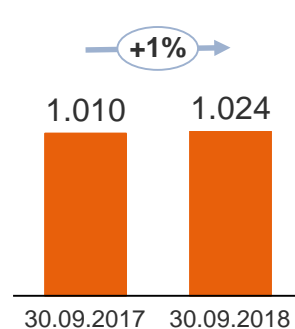
Internet banking transactions (mil.)



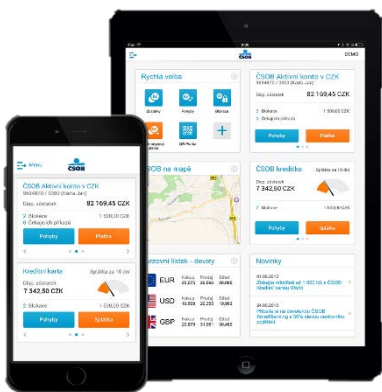
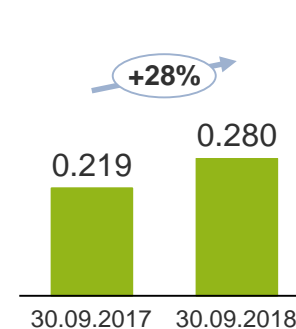
Mobile banking transactions (mil.)



Internet banking active users* (mil.)



Mobile banking active users** (mil.)



As of 30 September 2018, the number of **mobile banking** active users increased +28% Y/Y, the number of **internet banking** active users increased +1% Y/Y.

In 9M 2018, number of transactions entered via **mobile banking** increased +38% Y/Y and via **internet banking** +2% Y/Y.

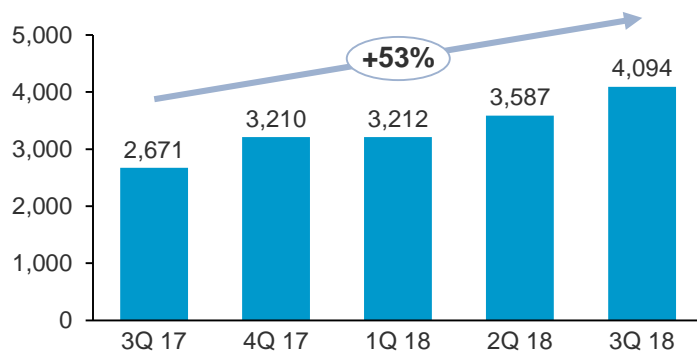
* Internet banking active users are clients who at least once during the last 3 months used internet banking.

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

Online initiated sales are sharply increasing

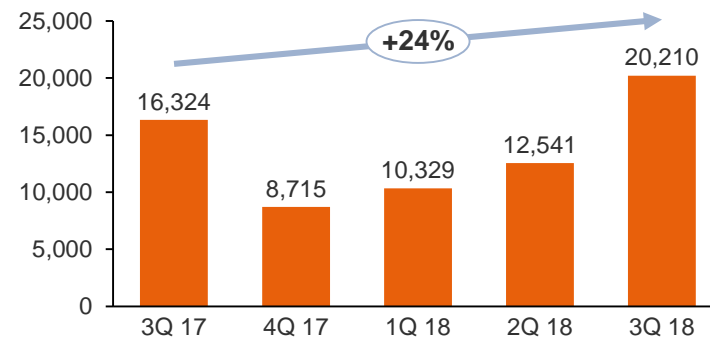
Consumer finance

(pcs)

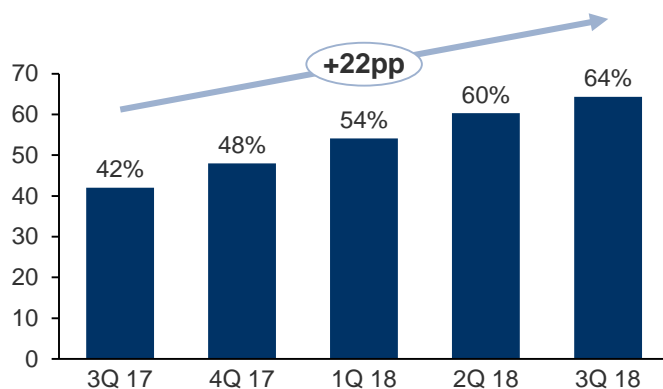


Travel insurance

(pcs)



Share of digitally-signed documents at the branches



Online initiated sales are sharply increasing. In 3Q 2018 almost 4.1 thousand **consumer loans** were initiated online, up +53% Y/Y. Online sales of **travel insurance** increased by +24% Y/Y.

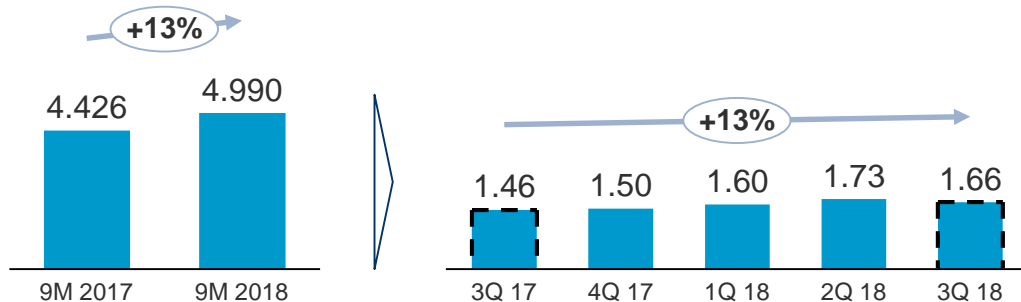
From 2016, ČSOB supports paperless operations at all branches. The share of **digitally-signed documents** at the branches reached 64% in 3Q 2018, up +22pp Y/Y.

ČSOB Pojišťovna: Key figures

Strong growth in non-life as well as life gross written premium

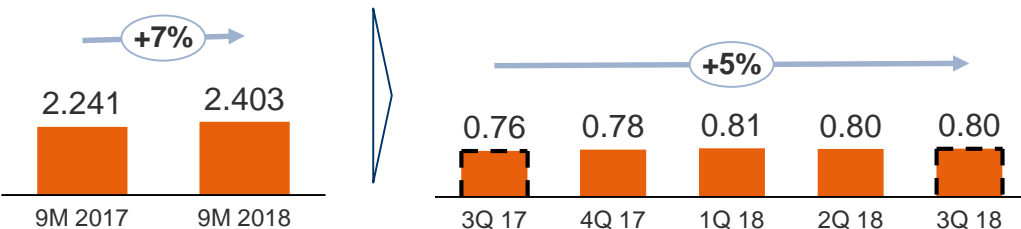
Non-life insurance - gross written premium (GWP)

CZK bn



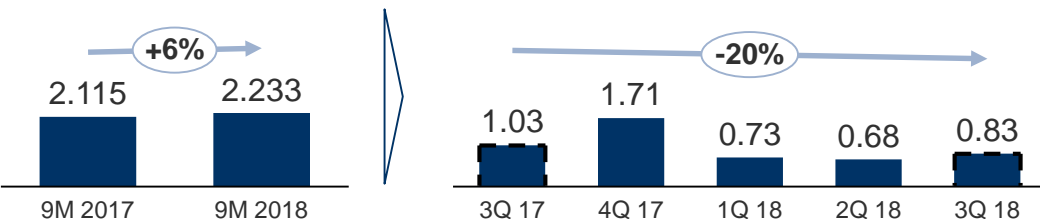
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	9M 2018	Market position
Non-life insurance	↑ 7.6%	4th
Life insurance	↑ 8.0%	4th

Arrows show Y/Y change.

Non-life insurance

9M/3Q 2018 non-life gross written premium increased **+13% Y/Y** in both periods under review thanks to growth in all product lines, mainly in Property and Motor retail insurance, while the market increased **+6% Y/Y**.

Life insurance

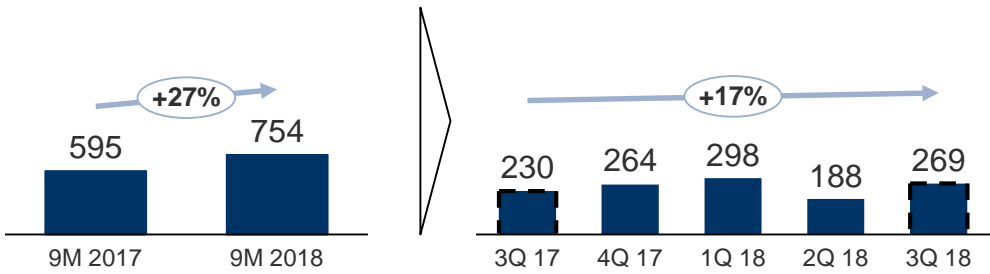
9M/3Q 2018 **regular paid** gross written premium increased **+7% Y/Y** and **+5% Y/Y** respectively as a result of portfolio stabilization, business increase and better profile in lapses of the life contracts, while the market increased **+1% Y/Y**.

9M 2018 **single paid** gross written premium increased **+6% Y/Y** due to better performance in 1H 2018 compared to 1H 2017 and decreased in 3Q 2018 **-20% Y/Y** due to lower amount of tranches compared to 3Q 2017. The market decreased **-12% Y/Y**.

Strong profitability supported by growing gross written premium

Net profit

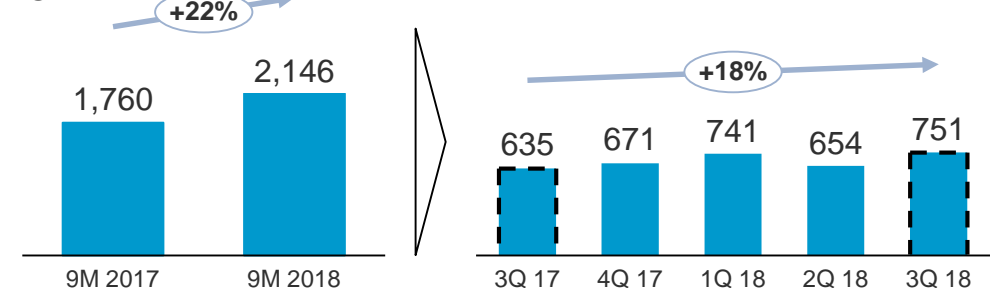
CZK m



9M/3Q 2018 **net profit** increased to **CZK 754m** (+27% Y/Y) and to **CZK 269m** (+17% Y/Y) respectively driven by better profitability in non-life and supported by life insurance contribution.

Operating income

CZK m

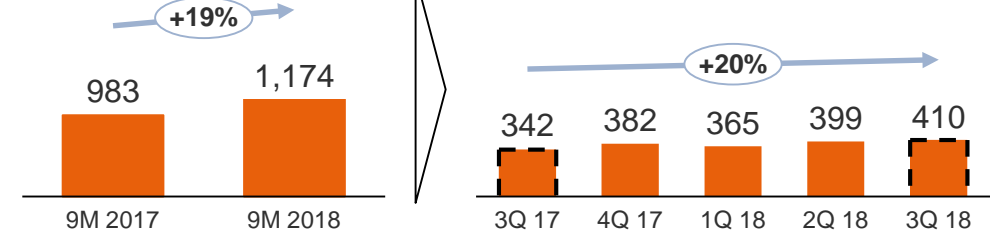


9M/3Q 2018 **operating income** increased to **CZK 2,146m** (+22% Y/Y) and to **CZK 751m** (+18% Y/Y) respectively influenced by the following drivers:

- life: growth in regular paid GWP and stable profit contribution
- non-life: better claims profile and higher GWP

Operating expenses

CZK m

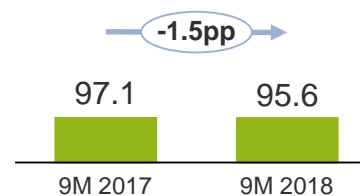


9M/3Q 2018 **operating expenses** increased +19% Y/Y to **CZK 1,174m** and +20% to **CZK 410m** respectively driven by investments linked to strategic activities and launch of insurance sale at Czech Post outlets as of 2018.

Non-life combined ratio decreased Y/Y to **95.6%** as no big claims occurred in 9M 2018.

Non-life combined ratio

(%)



Business Unit Czech Republic

Business Unit Czech Republic

Lower net profit driven by ČSOB group



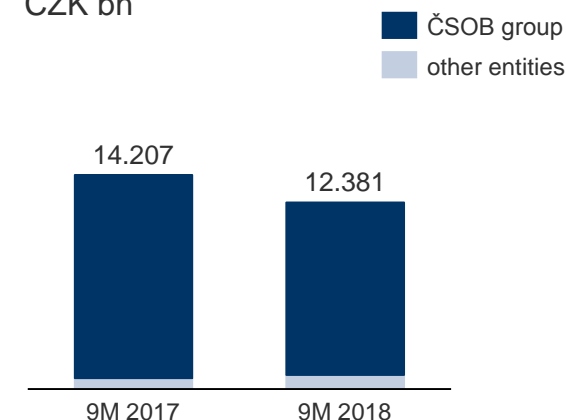
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 9M/3Q 2018 net profit of the Business Unit Czech Republic reached **CZK 12.4bn** (-13% Y/Y) and **CZK 4.3bn** (-3% Y/Y). The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership of ČSOB Pojišťovna and ČSOB Asset Management (ČSOB AM).

The ČSOB group consists of ČSOB bank (including 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 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	3Q/3Q	9M 2017	9M 2018	9M/9M
ČSOB group ¹	4.164	3.960	3.999	3.475	3.983	-4%	13.478	11.457	-15%
ČSOB Pojišťovna	0.230	0.264	0.298	0.188	0.269	+17%	0.595	0.754	+27%
ČSOB AM	0.048	0.059	0.052	0.058	0.059	+22%	0.134	0.169	+26%
Total	4.442	4.282	4.349	3.721	4.310	-3%	14.207	12.381	-13%

Appendix

Ratios and other indicators

Ratio / Indicator	31.12.2015	31.12.2016	31.12.2017	30.9.2017	30.9.2018
Net interest margin (Ytd., annualized, %) ¹	n/a (3.01)	3.00 (2.93)	2.90 (2.98)	2.88 (2.95)	3.01 n/a
Cost / income ratio (%)	48.2	46.0	43.7	42.5	48.2
RoE (Ytd., %)	16.4	17.3	19.3	20.2	17.1
RoA (Ytd., %)	1.49	1.42	1.26	1.36	1.06
RoAC, BU Czech Republic (Ytd., %) ²	34.9	37.0	43.0	44.4	37.6
Credit cost ratio (Ytd., annualized, %) ³	0.18	0.11	0.02	0.04	0.04
NPL ratio (%) ³	3.64	2.99	2.33	2.50	2.35
NPL coverage ratio (%) ³	53.2	54.4	58.5	55.3	48.4
(Core) Tier 1 ratio (%)	19.1	18.2	17.2	17.4	17.3
Total capital ratio (%)	19.4	18.5	17.2	17.4	17.3
Leverage ratio (Basel III, %)	5.25	5.18	4.48	4.23	3.94
Net stable funding ratio ⁴ (Basel III, %)	134.9	150.9	146.0	149.5	166.7
Liquidity coverage ratio (Basel III, %)	163.4	155.7	146.4	149.8	137.5
Loan to deposit ratio (%)	79.3	79.4	77.7	76.8	72.7

¹ As of 1Q 2018, calculation of Net interest margin has been changed. Years 2016 and 2017 have been restated. Previous values are in brackets.

² Fully-loaded

³ As of 30 June 2018, the definition of Credit risk: loan portfolio used for calculation has been changed. See methodological note on page 41.

The ratios taking into account the new definition as of 31.12.2017: Credit cost ratio 0.02%, NPL ratio 2.44%, NPL coverage ratio 55.2% and as of 30.9.2017: Credit cost ratio 0.04%, NPL ratio 2.61%, NPL coverage ratio 52.6%.

⁴ As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

Profit and loss statement

(CZK m)	3Q	2Q	3Q	Y/Y	Q/Q	9M	9M	Y/Y
	2017	2018	2018			2017	2018	
	IAS 39	IFRS 9	IFRS 9			IAS 39	IFRS 9	
Net interest income	5,503	6,021	6,575	+19%	+9%	16,855	18,701	+11%
<i>Interest income</i>	6,354	7,509	8,753	+38%	+17%	19,087	23,683	+24%
<i>Interest expense</i>	-851	-1,488	-2,178	>+100%	+46%	-2,232	-4,982	>+100%
Net fee and commission income	1,768	2,009	1,970	+11%	-2%	5,420	5,997	+11%
Net gains from financial instruments at FVPL ¹	1,093	210	512	-53%	>+100%	3,696	1,734	-53%
Other operating income ²	314	282	276	-12%	-2%	1,914	835	-56%
Operating income	8,678	8,522	9,333	+8%	10%	27,885	27,267	-2%
Staff expenses	-2,009	-2,097	-2,279	+13%	+9%	-5,878	-6,430	+9%
General administrative expenses	-1,431	-1,752	-1,745	+22%	0%	-4,979	-5,664	+14%
<i>General administrative expenses (excl. banking taxes)</i>	-1,426	-1,728	-1,738	+22%	+1%	-4,262	-4,900	+15%
<i>Banking taxes</i>	-5	-24	-7	+40%	-71%	-717	-764	+7%
Depreciation and amortisation	-343	-353	-360	+5%	+2%	-1,002	-1,059	+6%
Operating expenses	-3,783	-4,202	-4,384	+16%	+4%	-11,859	-13,153	+11%
Impairment losses	-74	-237	-393	>+100%	+66%	-312	-798	>+100%
<i>Impairment on financial assets at amortised cost</i>	-20	95	-296	>+100%	>-100%	-193	-214	+11%
<i>Impairment on financial assets at fair value through OCI</i>	0	1	1	n/a	0%	-1	2	>-100%
<i>Impairment on other assets</i>	-54	-333	-98	+81%	-71%	-118	-586	>+100%
Share of profit of associates	188	180	123	-35%	-32%	498	475	-5%
Profit before tax	5,009	4,263	4,679	-7%	10%	16,212	13,791	-15%
Income tax expense	-825	-763	-672	-19%	-12%	-2,679	-2,264	-15%
Profit for the period	4,184	3,500	4,007	-4%	+14%	13,533	11,527	-15%
Attributable to:								
Owners of the parent	4,184	3,500	4,007	-4%	+14%	13,534	11,527	-15%
Non-controlling interests	0	0	0	n/a	n/a	-1	0	-100%

¹ FVPL = fair value through profit and loss.

² Other operating income = Net realised gains from financial instruments at fair value through other comprehensive income (OCI), dividend income, income and expense from operating lease, other net income.

Note:

In the context of IFRS 9 implementation, several items of profit and loss statement have been renamed: net realized gains from financial instruments at fair value through other comprehensive income (formerly net realized gains on available-for-sale financial assets), impairment on financial assets at amortised cost (formerly impairment on loans and receivables), impairment on financial assets at fair value through other comprehensive income (formerly impairment on available-for-sale securities).

The implementation had very limited impact on year-on-year comparison, year 2017 has not been restated retrospectively.

Balance sheet - assets

(CZK m)	1/1 2018 IFRS 9	30/9 2018 IFRS 9	Ytd.
Cash and balances with central banks and other demand deposits	54,499	18,530	-66%
Financial assets held for trading	16,245	39,702	>+100%
Financial assets held for trading pledged as collateral	2,097	5,380	>+100%
Financial assets designated at fair value through P/L	0	0	n/a
Financial assets at fair value through other comprehensive income (OCI)	17,167	15,690	-9%
Financial assets at fair value through OCI pledged as collateral	1,681	3,089	+84%
Financial assets at amortised cost - net	1,159,996	1,383,475	+19%
<i>Financial assets at amortised cost to credit institutions - gross</i>	485,269	701,792	+45%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	684,565	691,152	+1%
<i>Financial assets at amortised cost - provisions</i>	-9,838	-9,469	-4%
Financial assets at amortised cost pledged as collateral	33,182	50,801	+53%
Fair value adjustments of the hedged items in portfolio hedge	-4,298	-7,702	+79%
Derivatives used for hedging	9,113	11,150	+22%
Current tax assets	149	284	+91%
Deferred tax assets	400	360	-10%
Investments in associates and joint ventures	4,531	4,366	-4%
Property and equipment	11,024	10,342	-6%
Goodwill and other intangible assets	5,816	6,254	+8%
Non-current assets held-for-sale	42	56	+33%
Other assets	2,755	2,987	+8%
Total assets	1,314,399	1,544,764	+18%

Decrease due to overnight loan with ČNB.

Increase due to reverse repo operations with ČNB.

Note:

In the context of IFRS 9 implementation, methodology for classification and measurement of financial instruments has been changed. More information about IFRS 9 implementation on page 41. The year 2017 has not been restated retrospectively. Figures after implementation of IFRS 9 as of 1 January 2018 are presented for the purpose of YtD comparison.

Balance sheet – liabilities and equity

(CZK m)	1/1 2018 IFRS 9	30/9 2018 IFRS 9	Ytd.
Financial liabilities held for trading	34,606	39,462	+14%
Financial liabilities at fair value through P/L	9,498	15,978	+68%
Financial liabilities at amortised cost	1,163,086	1,389,088	+19%
<i>of which Deposits received from central banks</i>	0	0	n/a
<i>of which Deposits received from credit institutions</i>	68,502	160,549	>+100%
<i>of which Deposits received from other than credit institut.</i>	744,448	897,878	+21%
<i>of which Debt securities in issue</i>	350,136	330,661	-6%
<i>of which Subordinated liabilities</i>	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	-3,803	-9,229	>+100%
Derivatives used for hedging	10,485	14,504	+38%
Current tax liabilities	387	85	-78%
Deferred tax liabilities	1,549	1,504	-3%
Provisions	983	786	-20%
Other liabilities	5,152	5,076	-1%
Total liabilities	1,221,943	1,457,254	+19%
Share capital	5,855	5,855	0%
Share premium	20,929	20,929	0%
Statutory reserve	18,687	18,687	0%
Retained earnings	45,792	41,933	-8%
Financial assets at fair value through OCI - revaluation reserve	697	648	-7%
Cash flow hedge reserve	496	-542	>-100%
Parent shareholders' equity	92,456	87,510	-5%
Minority interest	0	0	n/a
Total equity	92,456	87,510	-5%
Total liabilities and equity	1,314,399	1,544,764	+18%

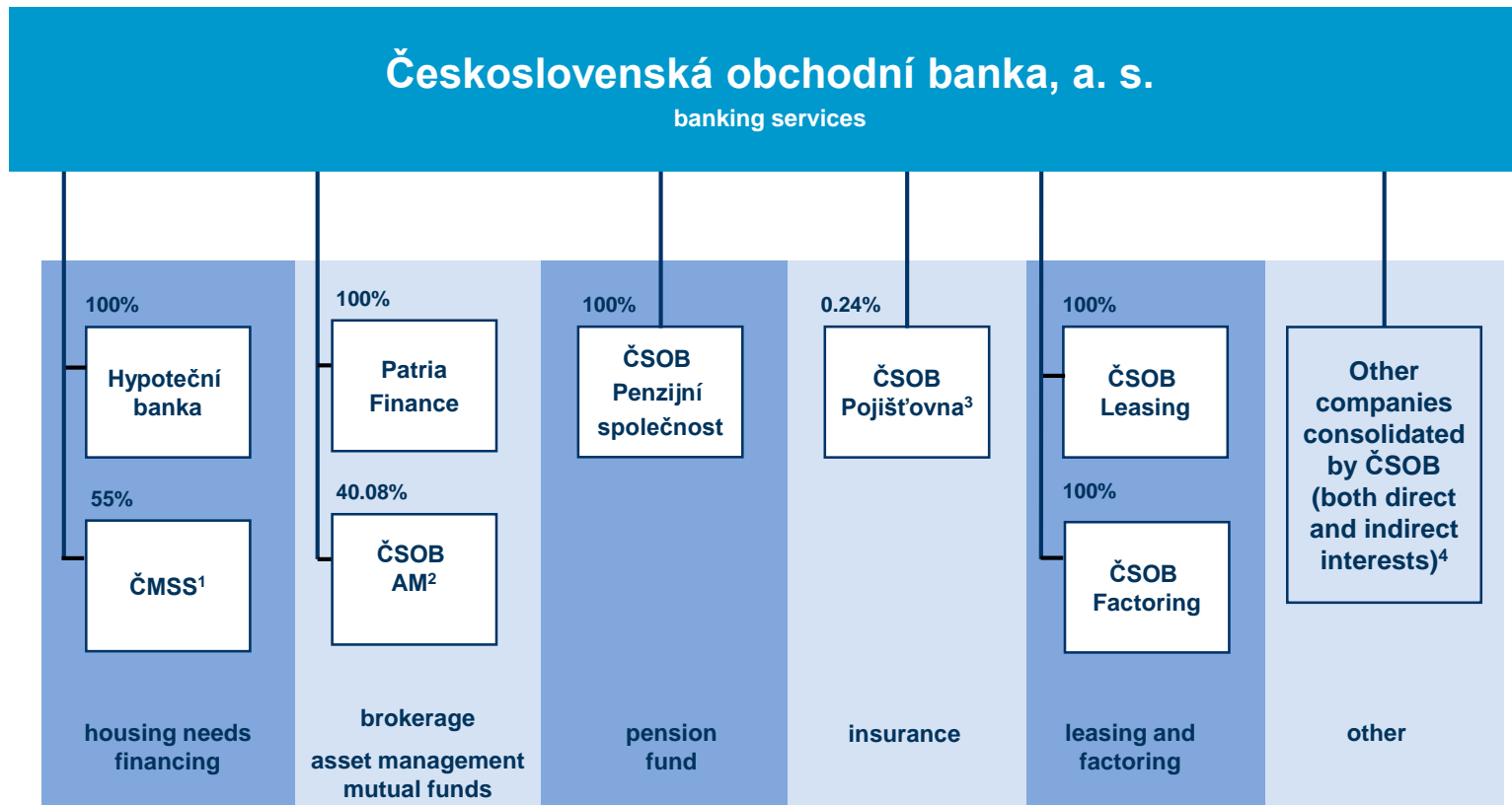
Increase due to money market transactions and repo operations with banks.

Decrease due to deposit bills of exchange.

Note:

In the context of IFRS 9 implementation, methodology for classification and measurement of financial instruments has been changed. More information about IFRS 9 implementation on page 41. The year 2017 has not been restated retrospectively. Figures after implementation of IFRS 9 as of 1 January 2018 are presented for the purpose of YtD comparison.

The ČSOB group in the Czech Republic



Percentages show ČSOB's ownership interests on company's equity as at 30 September 2018.

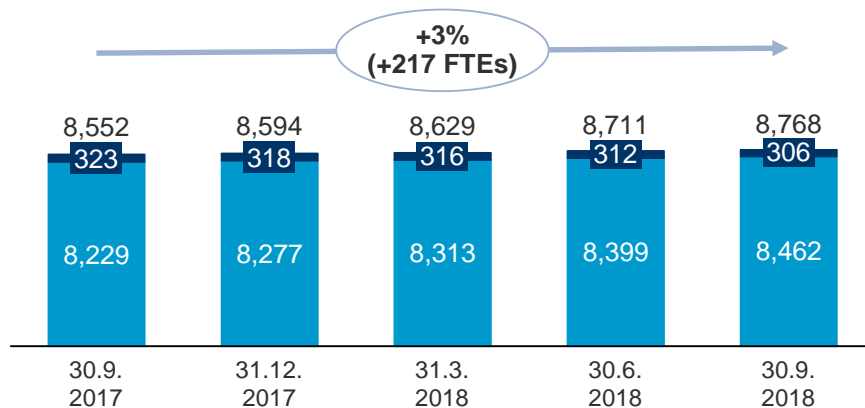
¹ 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

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.

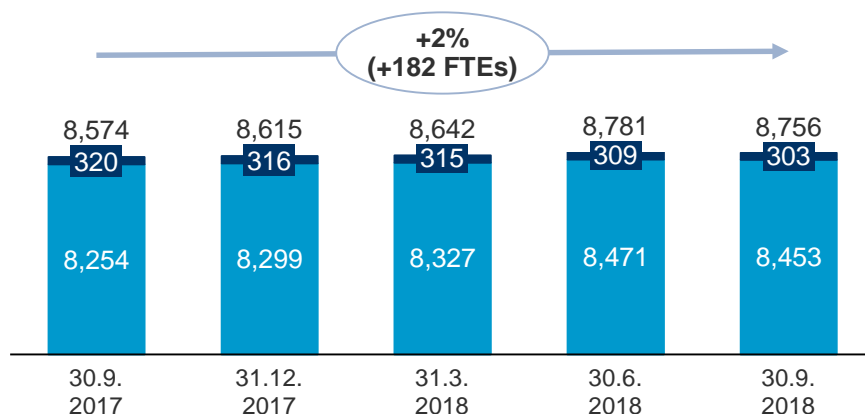
⁴ A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

Number of FTEs – average



The average number of FTE increased **+217 Y/Y** influenced by strengthening of the distribution salesforce and IT and by consolidation of Ušetřeno.cz (from 06/2018).

Number of FTEs – end of the period



The number of FTE increased at the end of the period **+182 Y/Y** driven mainly by consolidation of Ušetřeno.cz (from 06/2018).

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

1. The implementation of IFRS 9 Financial Instruments standard

„IFRS 9 Financial Instruments“ is effective for periods beginning on 1 January 2018. The profit and loss statement and balance sheet beginning 31 March 2018 are reported in line with the standard.

Its implementation addressed:

- Classification and measurement of financial instruments (Phase 1)
Financial assets are measured either at amortised cost, fair value through other comprehensive income (OCI), or at fair value through profit or loss. Classification and measurement of financial assets under IFRS 9 depends on the specific business model in place and the assets' contractual cash flow characteristics. Financial liabilities are classified and measured either at amortised cost or at fair value through profit or loss.
- Impairment of financial assets (Phase 2)
IFRS 9 introduces a three-stage model based on changes in credit quality since initial recognition.

2. Reclassification of remuneration paid to Czech Post

The year-on-year comparison is influenced by accounting **reclassification of remuneration paid to Czech Post**, whereby its main part shifted from operating income (namely distribution fees under net fee and commission income) to operating expenses (namely general administrative expenses) due to the new partnership agreement with Czech Post from 1 January 2018;

3. Reclassification of network income

The year-on-year comparison is influenced by accounting **reclassification of network income** from net gains from financial instruments at fair value through profit and loss to net fee and commission income, in line with the KBC group methodology. Note that network income refers to income received from margins earned on FX transactions carried out by the network for clients. As of 3Q 2018 the profit and loss statement was adjusted retrospectively.

4. New definition of Credit risk: loan portfolio

As of 30 June 2018, definition of Credit risk: loan portfolio has been changed, it includes on-balance sheet and off-balance sheet items. The scope additionally includes the following elements: bank exposure (money market placements, documentary credit, accounts), unauthorized overdrafts and reverse repo (excl. central bank exposure).

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 Credit risk: loan portfolio in the year (simple average of previous year end and reported period end balances); 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	IAS 39: Loans and receivables to other than credit institutions (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions IFRS 9: Financial assets at amortised cost to other than credit institutions minus bonds (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions
Net stable funding ratio (NSFR)	Available amount of stable funding / required amount of stable funding (according to CRR)
NIM (net interest margin)	Net interest income excl. volatile short-term assets used for liquidity management / average interest earnings assets excl. volatile short-term assets used for liquidity management ; Qtd./Ytd., annualized
Non-life combined ratio	(Technical insurance charges, incl. the internal cost of settling claims / earned insurance premiums) + (operating expenses / written insurance premiums) (after reinsurance in each case, according to KBC group methodology)
NPL (non-performing loans) ratio	Outstanding amount of non-performing loans (incl. off-balance sheet items) / Credit risk: loan portfolio
NPL coverage ratio	Specific allowances for loans and leases (incl. off-balance sheet items) / non-performing loans (incl. off-balance sheet items)
ROA (return on assets)	Net profit for the year / average of total assets; Ytd., annualized
ROAC, BU Czech Republic (return on allocated capital)	Result after tax (including minority interests) of the ČSOB group, adjusted to take account of allocated capital instead of actual capital / average allocated capital of the ČSOB group (KBC group methodology)
ROE (return on equity)	Net profit for the year / average of total shareholders' equity; Ytd., annualized
Total capital ratio	Total regulatory capital / Total RWA (according to CRR)

Glossary - other definitions

Assets under management	Including pension funds, mutual funds (assets under management in structured/capital protected funds and other mutual funds), other asset management and assets under management products and assets under management of Slovak 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 PSB brand) in book values. Gross.
Corporate loans	Loan portfolio granted by ČSOB's corporate banking network in book values, including credit-replacing bonds. Gross.
Credit risk: loan portfolio	Including all payment credit, guarantee credit, standby credit and credit derivatives, granted by ČSOB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.
Group deposits	Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. 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 FVOCI portfolio).
Mortgages	All loans booked in Hypoteční banka, including home equity loans and mortgage loans to legal entities, excluding intra-group loans. Gross.
SME loans	Loan portfolio granted by ČSOB's SME network in book values. Gross.

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