1Q 2014 Results
ČSOB Group
Business Unit Czech Republic

EU IFRS Unaudited Consolidated
15 May 2014

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Methodological changes

Change in consolidation method of ČMSS

As of 1Q 2014, the consolidation method of ČMSS changed from proportional to equity, as required by IFRS 11. In consolidated profit and loss statement, results of ČMSS are reported in line "Share of profit of associates", while deposits and loans are no longer reported in consolidated balance sheet. In order to provide fully comparable figures, 2013 profit and loss statement, and balance sheet have been restated.

Change in reporting of reverse repo and repo operations

As of 1Q 2014, ČSOB reconsidered management of some assets and liabilities (mainly reverse repo and repo transactions). As a result, reverse repo operations, which were reported in „Financial assets held for trading" until 4Q 2013, are included in „Loans and receivables" as of 1Q 2014, while repo operations, which were reported in „Financial liabilities held for trading" until 4Q 2013, are included in „Financial liabilities at amortized cost" (deposits received from other than credit institutions) as of 1Q 2014. No restatements of 2013 balance sheet have been made for these two reclassifications.

In addition, reverse repo operations, which were reported in item „Cash balances with central banks" until 4Q 2013, were reclassified to „Loans and receivables" as of 1Q 2014. In order to provide fully comparable figures, 2013 balance sheet has been restated.

Methodological changes to NIM calculation

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

Methodological changes to non-life combined ratio calculation

As of 1Q 2014, calculation of non-life combined ratio changed in line with KBC methodology adjustment. As a result commissions accruals have been excluded from the calculation. In order to provide fully comparable figures, 1Q 2013 non-life combined ratio has been restated.

ČSOB Group: Key Figures

Measures of sustainable performance

Solid performance supported by significantly lower credit costs

ČSOB group key indicators		2011	2012	2013	1Q 2013	1Q 2014
Profitability	Net profit (CZK bn)	11.2	15.3	13.7	3.2	3.6
	Return on equity	17.9%	22.8%	18.2%	17.4%	17.7%
Liquidity	Loan / deposit ratio	72.7%	75.2%	76.5%	75.2%	76.5%
	Net stable funding ratio	133.6%	133.2%	135.7%	134.0%	138.3%
Capital	Tier 1 ratio	11.7%[1]	13.0%[1]	15.6%[1]	13.8%[1]	17.7%[1] 16.6%[2]
Credit costs	Credit cost ratio	0.36%	0.31%	0.25%	0.44%	0.03%
Cost efficiency	Cost / income ratio	46.7%	45.9%	47.5%	47.6%	47.1%

[1] According to Basel II
[2] According to Basel III

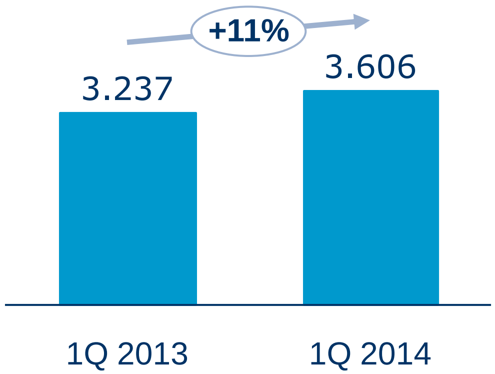
Higher net profit thanks to sound business volumes growth, cost efficiency and significantly lower credit costs

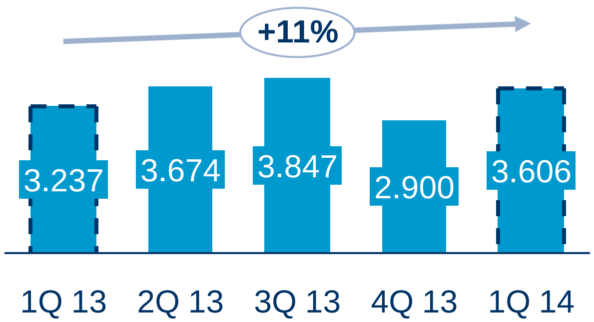
Business volumes	The **loan portfolio** (excl. ČMSS) kept growing to **CZK 446.8bn** (+6% Y/Y), mainly thanks to mortgages and corporate/SME loans. **Group deposits** (excl. ČMSS and repo operations) grew to **CZK 574.8bn** (+6% Y/Y) thanks to both retail and corporate/SME deposits.
Operating income	**Operating income reached CZK 7.8bn** in 1Q 2014 (flat Y/Y). Net interest income slightly increased driven largely by higher business volumes. “Other” declined as minor part of recoveries, which were in the past booked in „other net income“, are newly booked in „impairments on loans and receivables“.
Operating expenses	**Operating expenses** decreased to **CZK 3.7bn** in 1Q 2014 (-2% Y/Y) thanks to savings in general administrative expenses which more than compensated slightly higher staff expenses.
Credit costs	**Credit cost ratio** decreased to **3 bps** (Ytd. annualized, -41bps Y/Y) mainly due to improving quality of loan portfolio.
Net profit	As a result of above mentioned factors, **1Q 2014 net profit** came in at **CZK 3.6bn** (+11% Y/Y).
Liquidity & Capital	**Loan / deposit ratio** increased to **76.5%**. **Tier 1 ratio** (Basel III) at **16.6%** also thanks to 2013 profit retention of CZK 6.2 bn.
Awards & Innovations	Global Finance magazine named ČSOB the **best bank in the Czech Republic** for the year 2014. In the course of 1Q 2014 **ČSOB strengthened the bank-insurance sales capacity** in the branches by 55 new insurance specialists. As of March 2014, ČSOB started to offer second tranche of **loans** in cooperation **with European Investment Bank**.

Higher business volumes coupled with low impairments and OPEX savings contributed the most to the growing net profit

Net profit

CZK bn





1Q 2014 **net profit increased** (+11% Y/Y) thanks to low impairments, continued strong growth in business volumes coupled with lower operating expenses.

The return on equity (ROE) improved to **17.7%** from 17.4% driven mainly by higher net profit.

Notes:
2Q 2013 one-off items (total of CZK 0.1bn) included in the results: Sale of a non-strategic stake in payment provider (CZK 0.1bn).

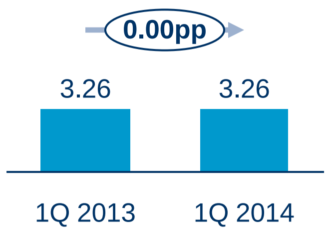
3Q 2013: one-off items (total of CZK 0.4bn) included in the results: recovery of already impaired bad debt from the past (CZK 0.2bn) and other income (CZK 0.2bn).

4Q 2013: one-off items (total of CZK -0.2bn) included in the results: impact of one-off adjustment of mortgage commission accruals (CZK -0.2bn).

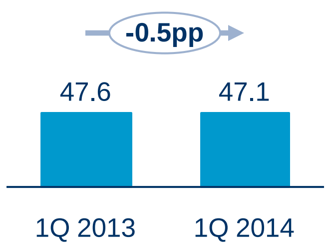
Key ratios
Cost control helped to improve C/I ratio, sound loan portfolio quality maintained

Profitability

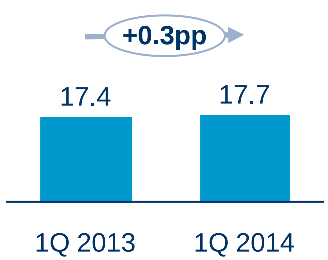
Net interest margin (%)



Cost / income ratio (%)

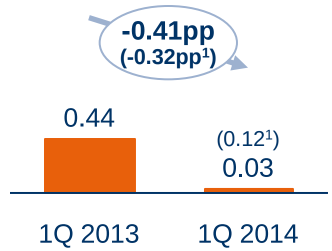


ROE (%)

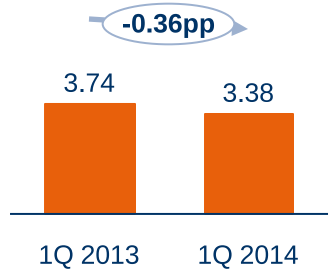


Loan portfolio quality

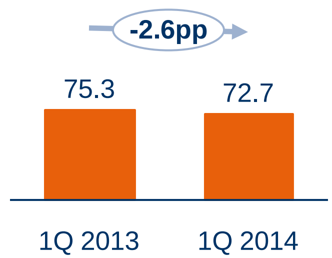
CCR, Ytd. annualized (%)



NPL ratio (%)

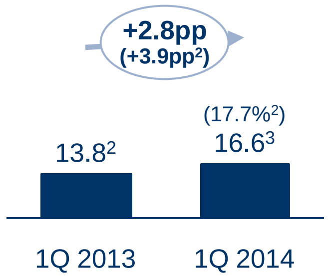


NPL coverage ratio (%)

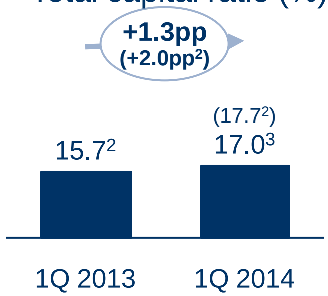


Capital

(Core) Tier 1 ratio (%)

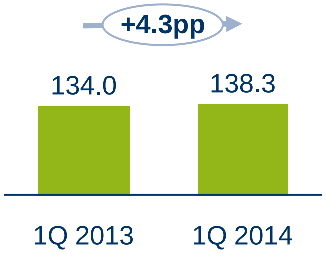


Total capital ratio (%)

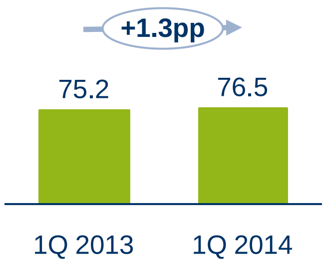


Liquidity

Net stable funding ratio (%)



Loan / deposit ratio (%)



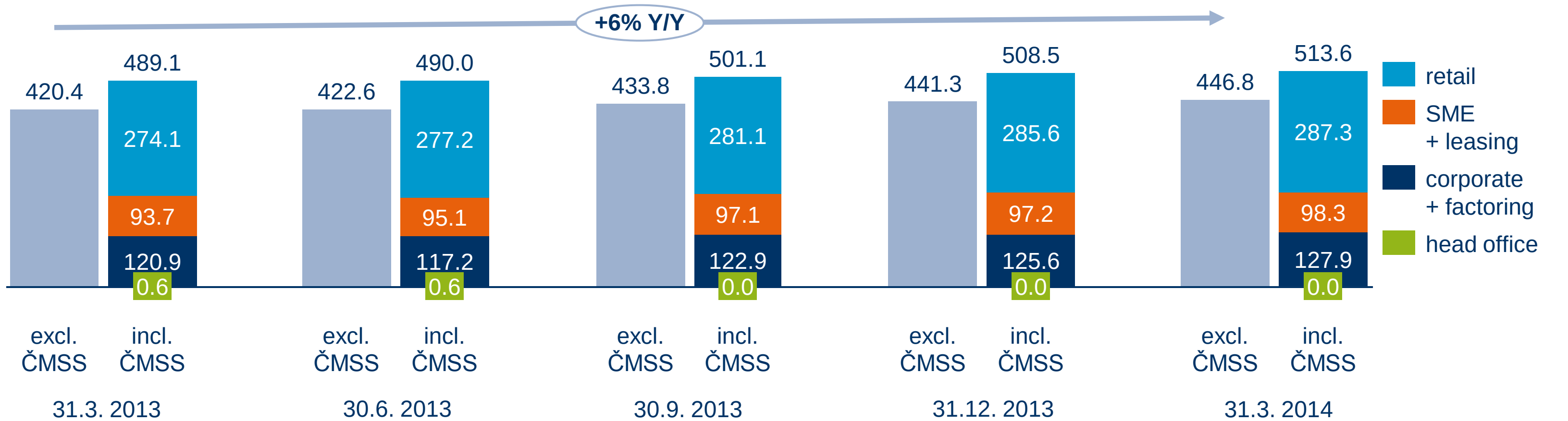
[1] Excluding the impact of model update and booking of minor part of recoveries in impairments in 1Q 2014
[2] According to Basel II
[3] According to Basel III

Loans and deposits

Balanced and strong growth both in loans and deposits

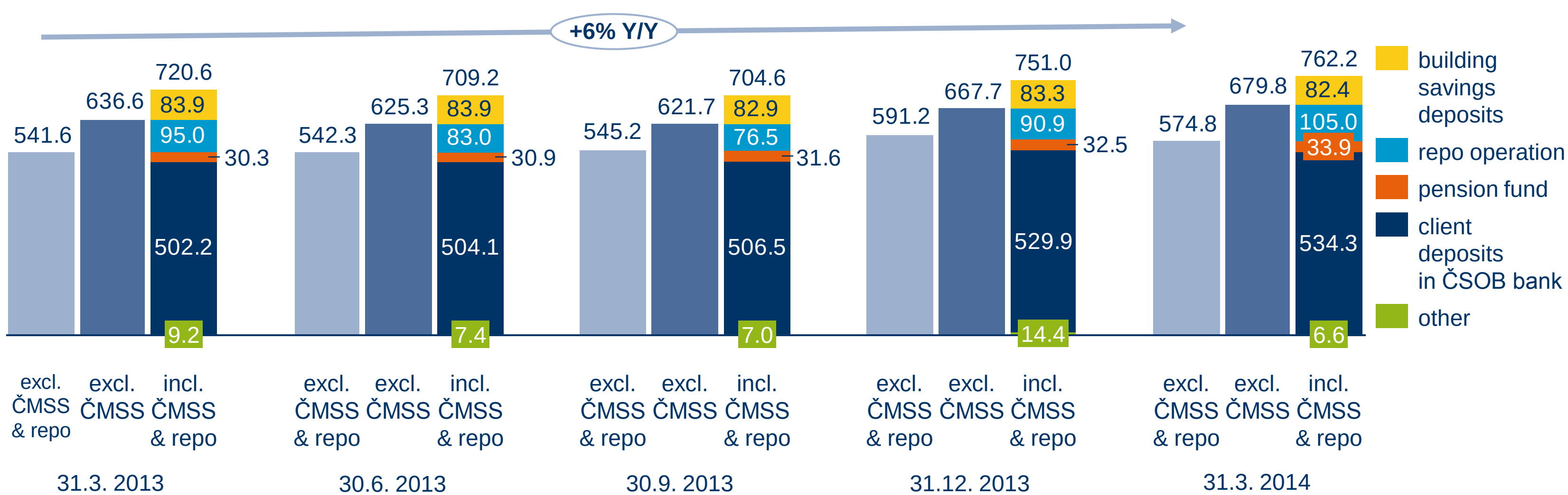
Loan portfolio[1]

CZK bn



Group deposits[2]

CZK bn



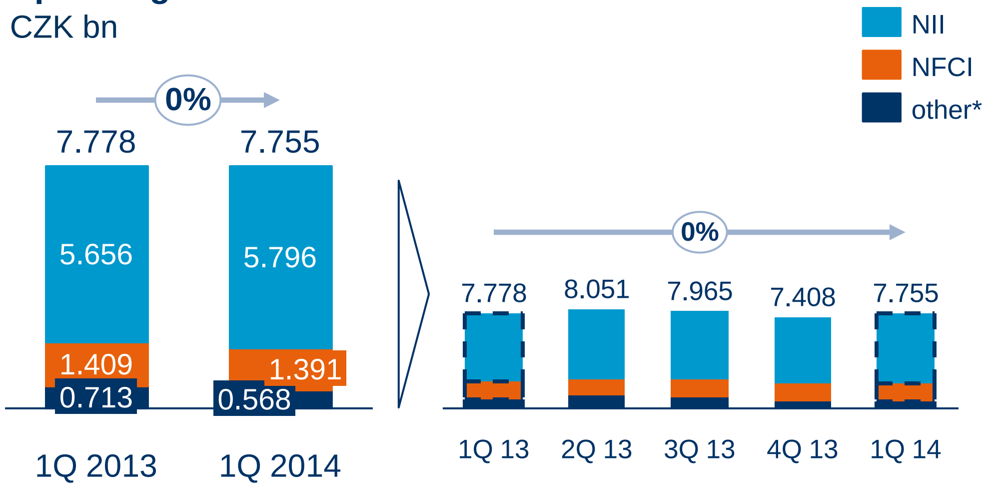
[1] *Item Loans and receivables (ČMSS not included) minus exposure to banks from inter-bank transactions and reverse repo operations with CNB plus credit replacing bonds.*
[2] *Item Deposits received from other than credit institutions from the consolidated balance sheet (ČMSS not included) minus repo operations with institutional client.*

ČSOB Group: Financial Overview

Operating expenses decreased thanks to savings in general administrative expenses

Operating income

CZK bn

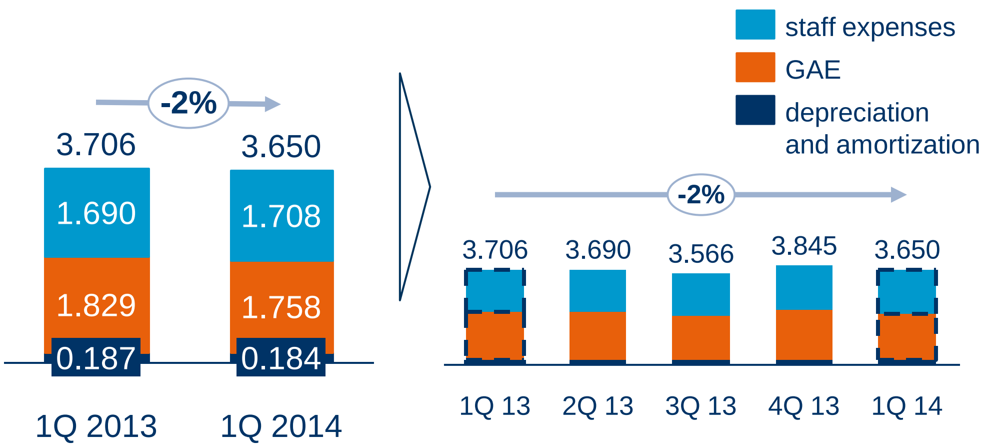


1Q 2014 **operating income remained flat** Y/Y as slightly higher net interest income driven by higher business volumes was offset by moderate decline in net fee and commission income and other net income.

Item “other” declined mainly as minor part of recoveries, which has been booked in „other net income“ till 4Q 2013, is booked in „impairments on loans and receivables“ as of 1Q 2014. 2013 figures have not been restated.

Operating expenses

CZK bn



1Q 2014 **operating expenses declined** 2% Y/Y as savings in general administrative expenses were higher than increase in staff expenses.

Cost / income ratio decreased by 0.5 pp Y/Y to **47.1**% in 1Q 2014 as operating expenses declined more than operating income.

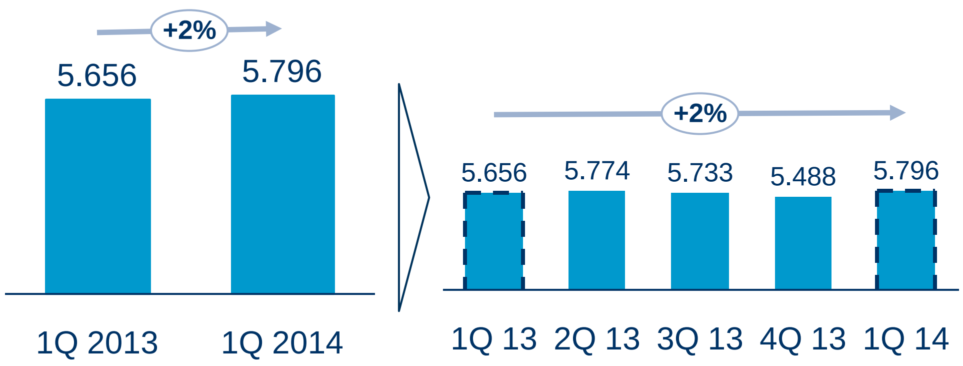
** Other = Net gains from financial instruments at FVPL + net realized gains on available-for-sale financial assets + dividend income + other net income.*

Net interest income and net fee and commission income

Higher loan and deposit volumes more than compensated impact of low interest rate environment

Net interest income (NII)

CZK bn

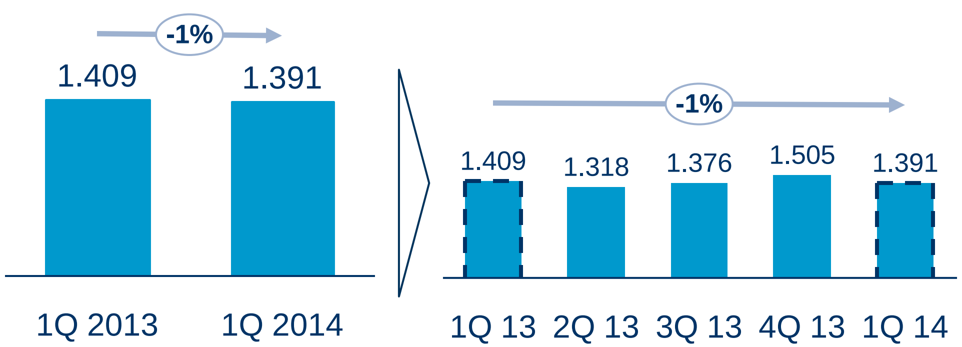


1Q 2014 **net interest income grew** by 2% Y/Y. NII in retail decreased as lower net interest margin was not fully compensated by higher volumes and mortgages from back-book were re-fixed with lower margin. NII in corporate/SME segments increased as resilient NIM was accompanied with higher loan volumes.

Q/Q growth was driven by low base in 4Q 2013 caused by adjustment of mortgage commission accruals.

Net fee and commission income (NFCI)

CZK bn

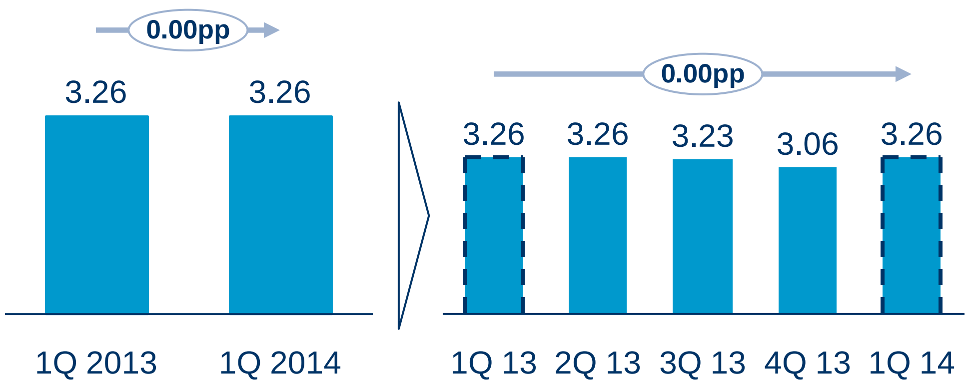


1Q 2014 **net fee and commission income declined** by 1% Y/Y due to lower fees in retail segment (account /payment area) and lower mutual fund sales fees.

Q/Q NFCI declined due to lower fees in retail (payment/cards area) as well as in corporate (custody) and higher commissions paid to distribution.

Keeping loan margins stable & active management of funding costs helped to maintain NIM flat

Net interest margin (%)



	2013
Net interest margin (Ytd., %)	3.20

1Q 2014 **NIM reached 3.26%** (flat Y/Y). Q/Q increase was mainly due to one-off adjustment of mortgage commission accruals in 4Q 2013.

Stable development of **net interest margin** over the last five quarters is a result of:

- stable loan margins
- active management of funding costs

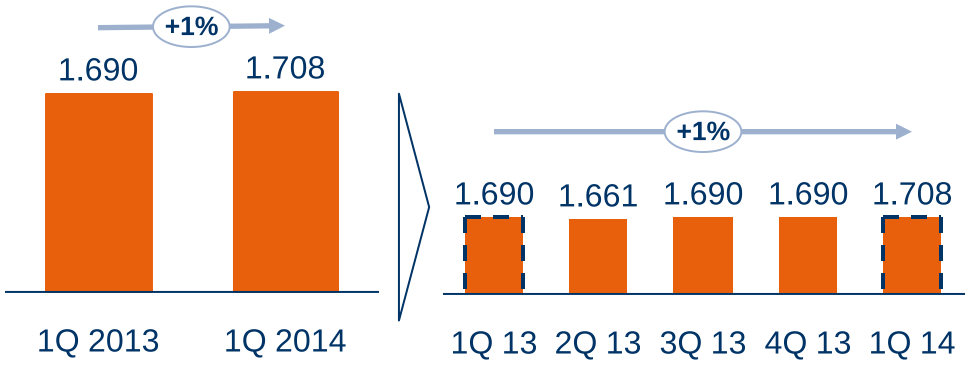
Note:
As of 1Q 2014, calculation of NIM has been changed in line with KBC methodology adjustment. As a result depo facility with Czech National Bank, cash collateral and statutory minimal reserves with Czech National Bank have been excluded from calculation. As ČMSS consolidation method changed as of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

Staff and general administrative expenses

Savings in key categories of general administrative expenses

Staff expenses

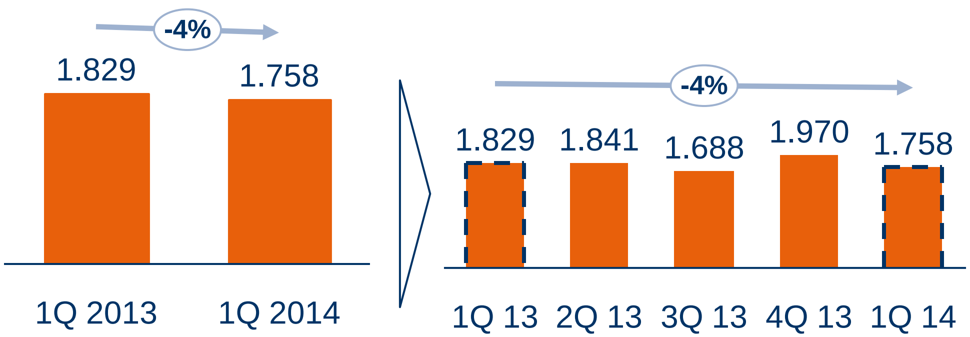
CZK bn



1Q 2014 **staff expenses increased slightly by 1% Y/Y** as a result of annual wage adjustment and gradual accruals of deferred bonuses.

General administrative expenses

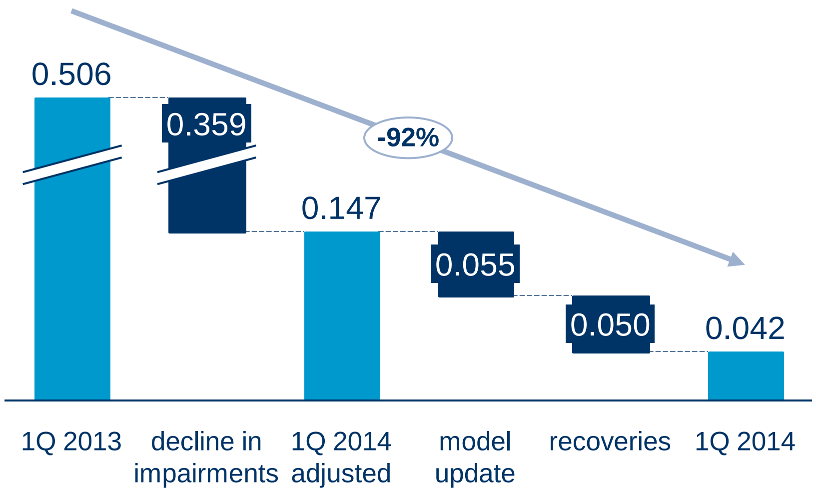
CZK bn

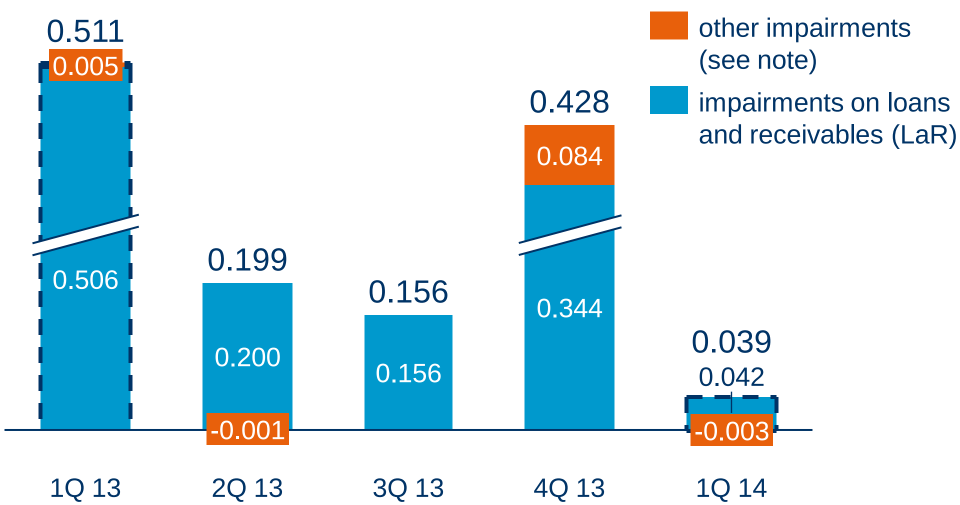


1Q 2014 **decrease of general administrative expenses** by 4% Y/Y was achieved mainly by lower spending in marketing, postage, and other expense categories except for ICT expenses.

Low credit costs due to further improved quality of loan portfolio

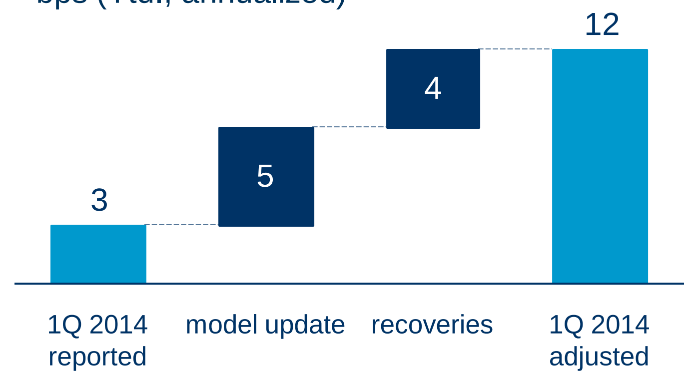
Total impairments
CZK bn





In 1Q 2014, **impairments on loans and receivables declined** to CZK 42m (-92% Y/Y) and the credit cost ratio to 3 bps (Ytd., annualized) mainly due to further improved quality of loan portfolio which led to lower new impairments in corporate/SME as well as in factoring and leasing. In addition, lower impairments were driven by release of impairments in mortgages and consumer finance linked to model update, and booking of minor part of recoveries in impairments on loans and receivables as of 1Q 2014 (booked in other net income till 4Q 2013). Excluding these two items, the credit cost ratio would reach 12 bps (Ytd., annualized).

Credit cost ratio
bps (Ytd., annualized)

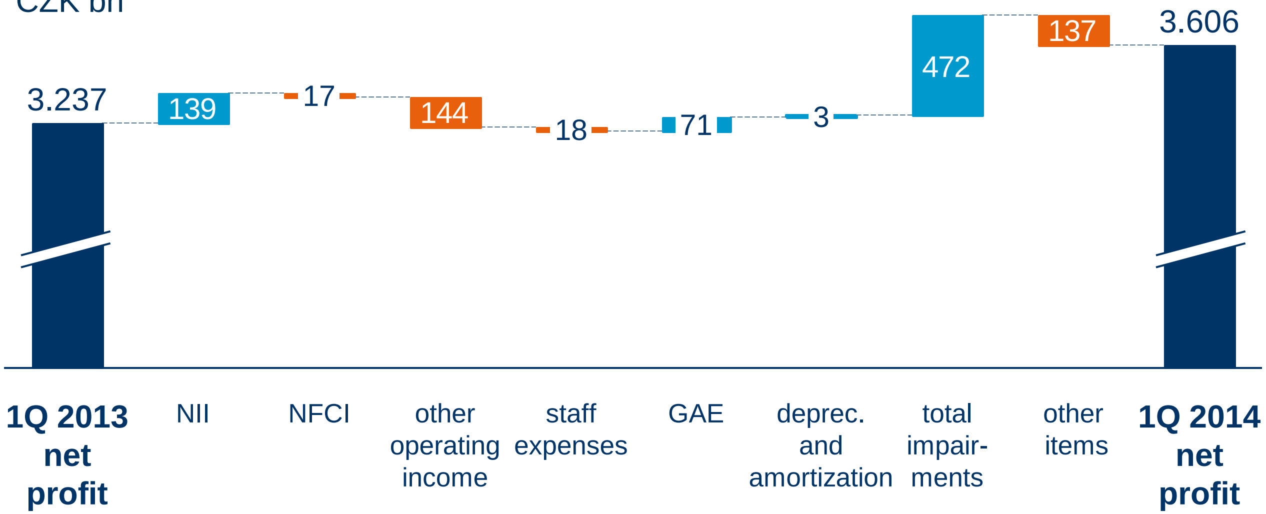


Note:
In 4Q 2013, impairment on tangible and non-tangible assets were booked in other impairments.

Wrap up of net profit drivers

Quarterly net profit (Y/Y)

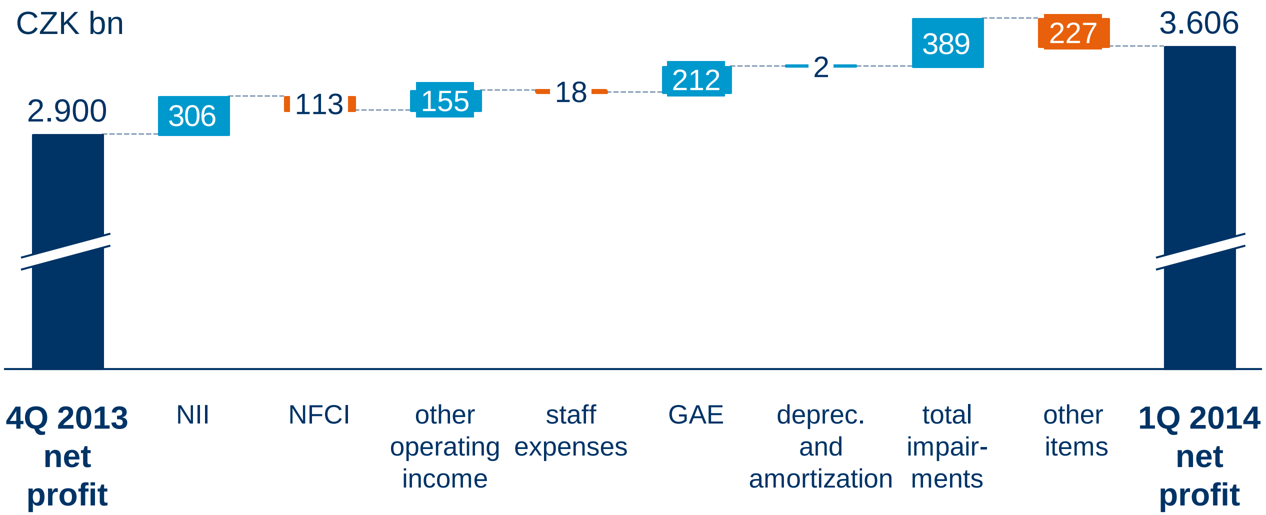
CZK bn



The **main difference between 1Q 2014 and 1Q 2013 net profit was caused by** lower impairments driven mainly by further improved quality of loan portfolio. Besides, NII increased thanks to higher business volumes. Lower general administrative expenses thanks to savings in all major expense categories except for ICT combined with slightly higher staff expenses contributed in total positively to Y/Y performance. Booking of minor part of recoveries in impairments led to lower other operating income. Higher tax expense and lower share of profit of associates affected net profit negatively.

Quarterly net profit (Q/Q)

CZK bn



The **main difference between 1Q 2014 and 4Q 2013 was caused by** lower impairments driven mainly by further improved quality of loan portfolio. NII was higher mainly due to the adjustment of mortgage commission accruals booked in 4Q 2013. In addition GAE declined due to lower spending in most of the expense categories except for ICT costs. Other net income increased thanks to release of non-credit provision (legal fees) in 1Q 2014. NFCI was lower due to lower fees in retail as well as in corporate/SME and higher commissions paid to distribution, while higher tax expense contributed negatively to net profit.

Capital position since 2013 year-end strengthened thanks to profit retention

Consolidated, CZK m	31.3.2013[1]	31.12.2013[1]	31.3.2014[2]
Total regulatory capital	**50,026**	**55,305**	**61,856**
- Tier 1 Capital	44,043	55,245	60,267
- Tier 2 Capital	6,385	76	1,589
- Deductions from Tier 1 and Tier 2	-401	-16	-
Total capital requirement	**25,422**	**28,409**	**29,056**
- Credit risk	19,652	22,475	22,714
- Market risk	1,240	1,410	1,771
- Operational risk	4,530	4,524	4,571
Total RWA	**317,779**	**355,114**	**363,198**
Core Tier 1 ratio = Tier 1 ratio	**13.8%**	**15.6%**	**16.6%**
Total capital ratio	**15.7%**	**15.6%**	**17.0%**

Tier 1 capital increased Y/Y thanks to retention of CZK 2.4bn from the 2012 net profit and CZK 6.2bn from the 2013 net profit. Capital structure was further strengthened as the remaining subordinated debt (Tier 2) in the amount of CZK 8bn was repaid in the course of 2013 and the share capital (Tier 1) was increased by CZK 8bn.

Due to implementation of Basel III, surplus/shortfall in expected credit losses is reported on gross base since 1Q 2014, while it was reported on net base till 4Q 2013.

RWA increase driven by loan portfolio growth and Basel III impact.

Notes:
[1] According to Basel II
[2] According to Basel III
RWA (risk weighted assets) = total capital requirement / 0.08
Tier 1 capital = share capital + share premium + legal reserve funds + retained earnings – goodwill – intangible assets
Tier 2 capital = subordinated debt weighted by regulatory coefficient + surplus in expected credit losses
Total regulatory capital = Tier 1 + Tier 2 – deductions
*Tier 1 ratio = (Tier 1 capital – 0.5*deductions) / (total capital requirement / 0.08)*

ČSOB Group: Business Part

Growing market share in total loans thanks to corporate/SME loans and building savings loans

1st

Building savings loans[1]	⇗ 45.5%
Building savings deposits[1]	⇗ 35.9%
Mortgages[1]	⇘ 30.0%
Mutual funds[1]	⇘ 28.1%
Leasing[2]	⇗ 14.5%

2nd

Total Loans[1]	**⇗ 19.5%**
Total Deposits[1]	**⇨ 19.5%**
Factoring[2]	⇘ 18.3%

3rd

Pension fund[3]	⇨ 14.0%
Corporate/SME loans[1]	⇗ 14.8%
Consumer lending[1,4]	⇗ 11.1%

Arrows show Y/Y change. Market shares as of 31 March 2014, except for pension fund and mutual funds, which are as of 31 December 2013. The ranking is ČSOB's estimate.

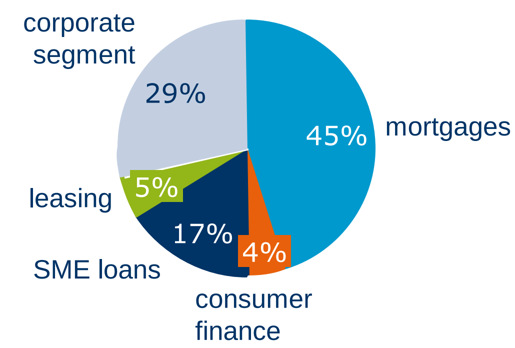
[1] Outstanding at the given date (including ČMSS); [2] New business in the year to the given date; [3] Number of clients at the given date; [4] Retail loans excluding mortgages and building savings loans.

Sources and detailed definitions are provided in Appendix.

Loan portfolio
Growth in mortgages, corporate/SME as well as leasing

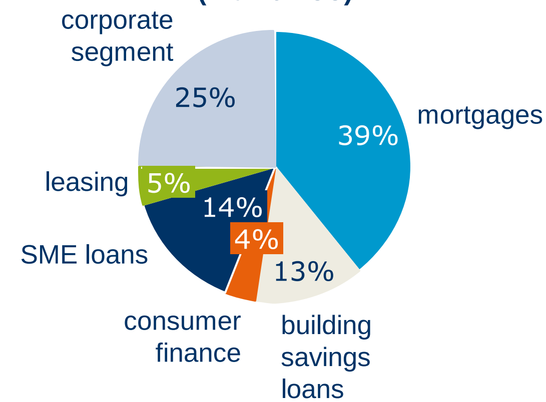
Gross outstanding volumes, CZK bn	31.3.2013	31.3.2014	Y/Y
Loan portfolio (excl. ČMSS)	**420.4**	**446.8**	**+6%**
Retail/SME Segment			
Mortgages[1]	186.3	201.6	+8%
Consumer finance	19.0	18.9	0%
SME loans	72.1	74.4	+3%
Leasing	21.6	23.9	+11%
Corporate Segment			
Corporate loans[2]	117.0	124.0	+6%
Factoring	3.9	3.9	+1%
Head Office[3]	0.6	0.0	-95%
Building savings loans[4]	68.8	66.8	-3%
Loan portfolio (incl. ČMSS)	**489.1**	**513.6**	**+5%**

31.3.2014



Nearly 60% of the total loan portfolio is in retail, out of which majority is used to finance housing needs.

(incl. ČMSS)

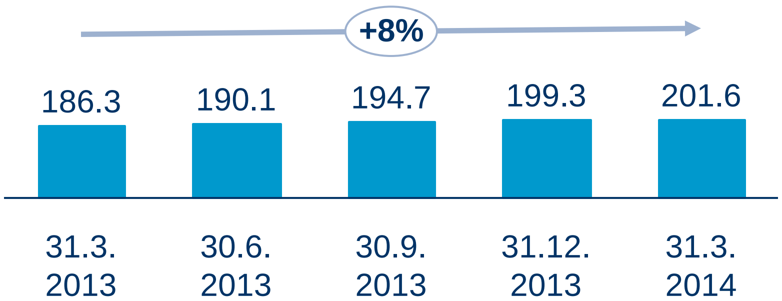


[1] The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.
[2] Including credit-replacing bonds.
[3] Historic files.
[4] The ČSOB group building savings loans are booked in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are not reported in the ČSOB's consolidated balance sheet.

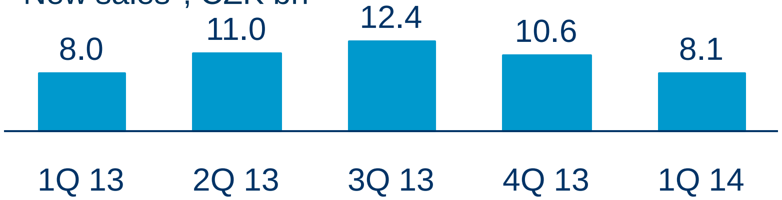
Mortgages above CZK 200bn level

Mortgages

Outstanding, CZK bn

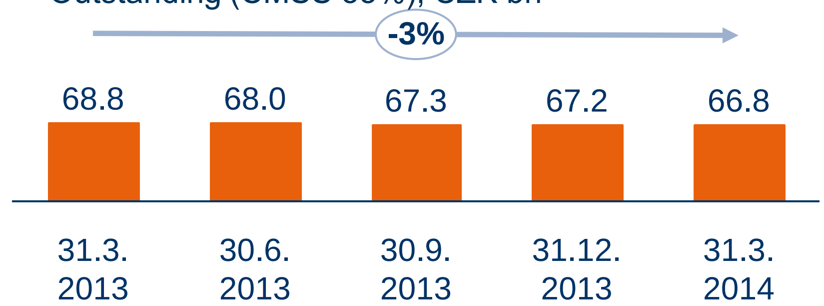


New sales*, CZK bn

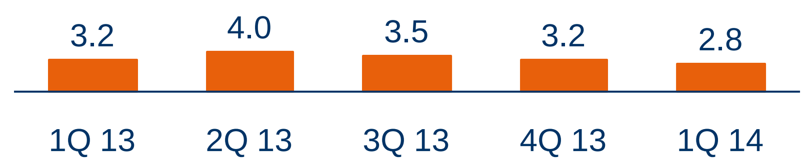


Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn



Relatively stable real estate prices, interest rates at record lows and partly **refinancing building savings loans** helped **ČSOB to increase outstanding mortgage volumes by 8%** Y/Y in 1Q 2014.

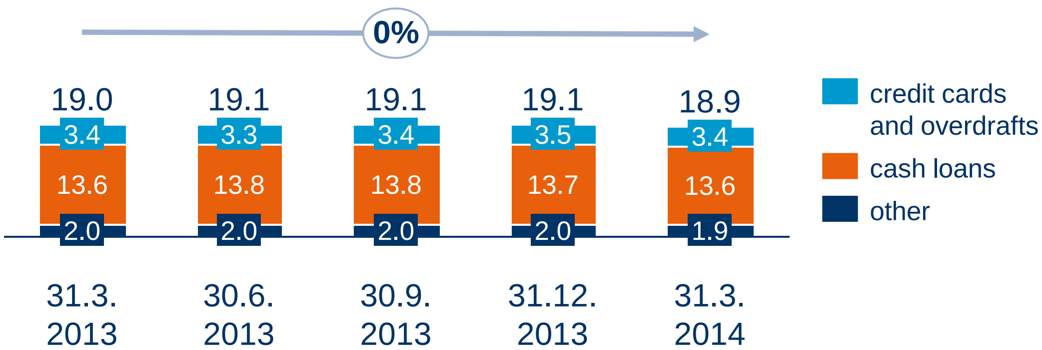
ČSOB provided CZK 8.1bn (+2% Y/Y) of new mortgages in 1Q 2014. Beginning of the year is in general seasonally weaker than other quarters of the year.

Outstanding loan portfolio declined by 3% Y/Y **as new sales are not enough to match maturing loans**. New sales of building savings loans decreased by 15% Y/Y as clients in general preferred mortgages to building savings loans in a low interest rate environment and due to negative impact of new Civil Code implementation at the beginning of 1Q 2014. As a result, the whole **market of building savings loans declined by 2% Y/Y in 1Q 2014**.

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

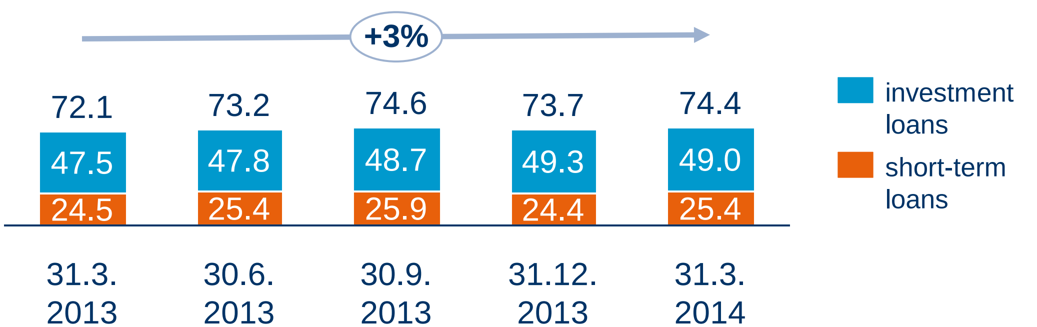
Consumer finance, SME loans, Leasing
Sound growth in leasing, SME growth continues

Consumer finance, outstanding, CZK bn



In 1Q 2014, ČSOB kept its market share in **consumer finance** products on stagnating market.
ČSOB newly introduced online sales via Era internet banking.

SME loans, outstanding, CZK bn



ČSOB was able to keep a sound **SME loans** growth driven by mid-size and micro companies without deteriorating the risk profile. In addition ČSOB maintained stable loans for housing cooperatives, thus confirming its leading market position in this area.

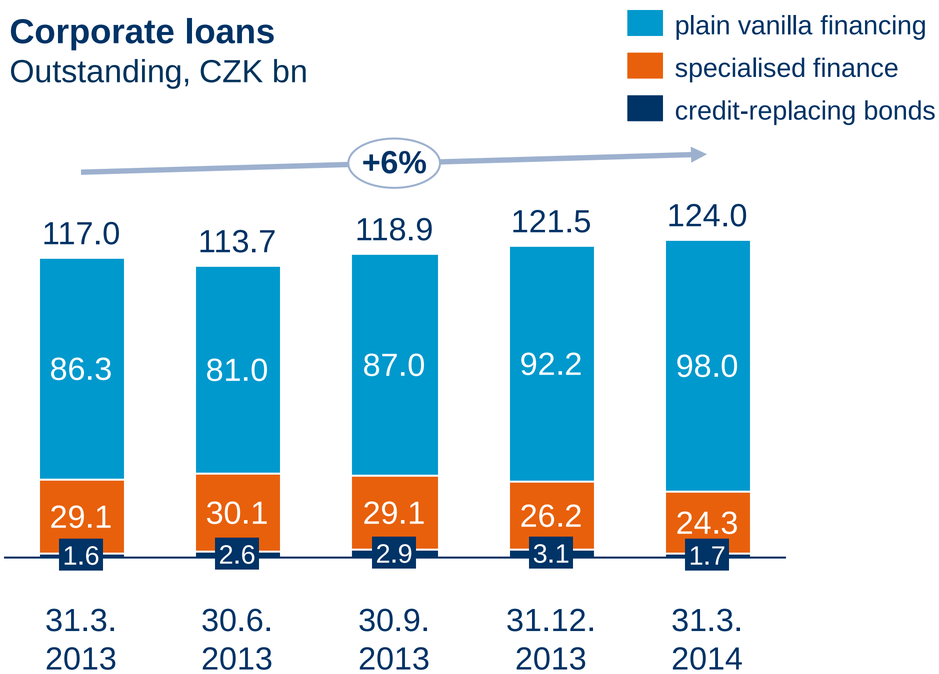
Leasing, outstanding*, CZK bn

ČSOB Leasing further maintained its leading market position. Outstanding volumes increased by 11% Y/Y, driven by machinery and equipment asset financing. Besides, cross selling activities with corporate/SME segment continued to support leasing sales.

* *Total exposure of ČSOB Leasing, excluding operational leasing.*

Strong growth driven by plain vanilla financing

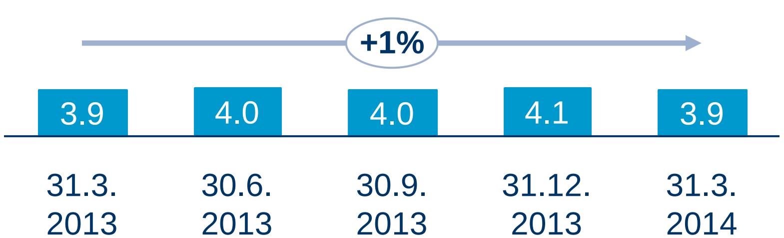
Corporate loans
Outstanding, CZK bn



Corporate loans grew by 6% Y/Y driven by plain vanilla financing.

Q/Q decrease in specialized finance is due to extraordinary repayment of one large acquisition loan.

Factoring
Outstanding, CZK bn

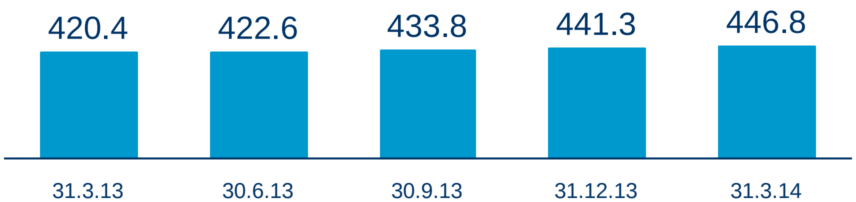


Factoring volumes increased by 1% Y/Y, thanks to fragile recovery of the economy.

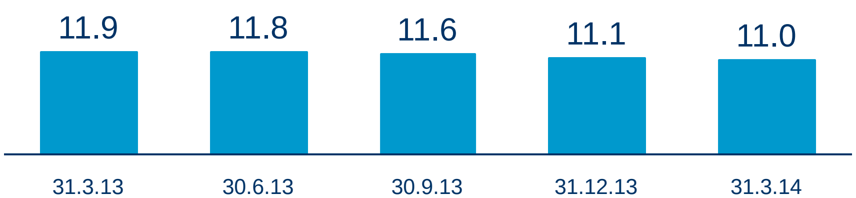
Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

Credit risk under control (1/2)

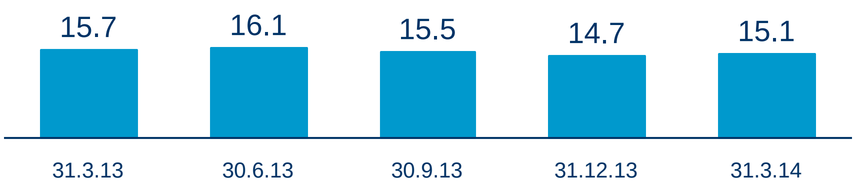
Loan portfolio[1] (CZK bn)



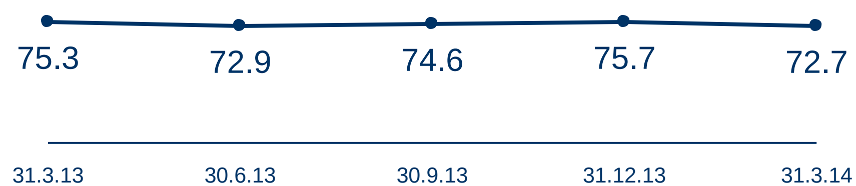
Allowances for loans and leases[3] (CZK bn)



Non-performing loans (CZK bn)



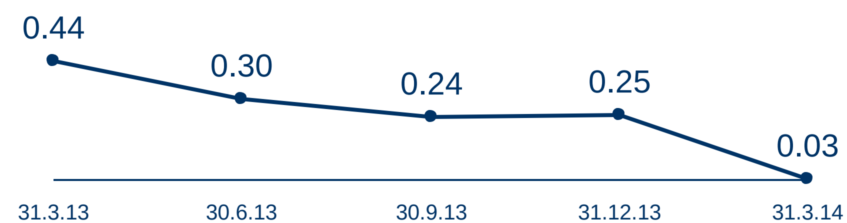
NPL coverage ratio (%)



NPL ratio[2] (%)

ČNB methodology
ČSOB methodology
(=KBC group methodology)

Credit cost ratio[4] (%)



[1] For definition, see Appendix.
[2] ČSOB methodology in line with KBC group methodology.
[3] Allowances for on-balance sheet items.
[4] Ytd. annualized, including off-balance sheet items.

Credit risk under control (2/2)

Credit costs

- In 1Q 2014, impairments on loans and receivables declined to CZK 42m (-92% Y/Y) and the credit cost ratio to 3 bps (Ytd., annualized) mainly due to further improved quality of loan portfolio which led to lower new impairments in corporate/SME as well as in factoring and leasing.
- In addition, lower impairments were driven by release of impairments in mortgages and consumer finance linked to model update, and booking of minor part of recoveries in impairments as of 1Q 2014 (booked in other net income till 4Q 2013). Excluding these two items, the credit cost ratio would reach 12 bps (Ytd., annualized).

Non-performing loans

- The NPL ratio decreased Y/Y in all segments.
- In comparison with 4Q 2013, the NPL ratios were broadly flat in corporate/SME and consumer loans and mortgages, while NPL ratio in leasing was lower.

Coverage of non-performing loans

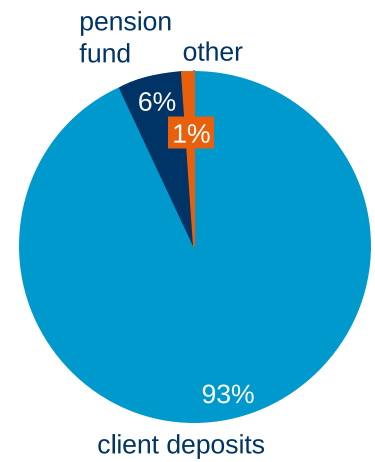
- The provision coverage of NPLs decreased by 2.6 pp Y/Y to 72.7%, largely due to lower coverage of NPL from corporate/SME loans.
- Mortgages representing almost half of the ČSOB group’s loan portfolio, require less provisioning given the fact they are largely secured by collateral. NPLs from the portfolio of consumer and corporate/SME loans are almost or fully covered by allowances, i.e. showing the coverage ratio around 100%.

Group deposits

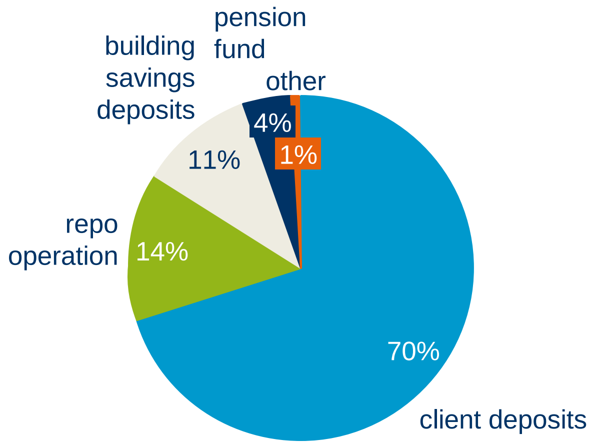
6% Y/Y growth of client deposits mainly thanks to strong growth both in current accounts and savings deposits

Outstanding volumes, CZK bn	31.3.2013	31.3.2014	Y/Y
Group deposits	**541.6**	**574.8**	**+6%**
Client deposits	502.2	534.3	+6%
Current accounts	272.7	293.5	+8%
Savings deposits	213.3	226.9	+6%
Term deposits	16.2	13.9	-14%
Pension fund[1]	30.3	33.9	+12%
Other[2]	9.1	6.6	-28%
Building savings deposits[3]	83.9	82.4	-2%
Repo operations[4]	95.0	105.0	+11%
Group deposits (incl. ČMSS and repos)	**720.6**	**762.2**	**+6%**

31.3.2014



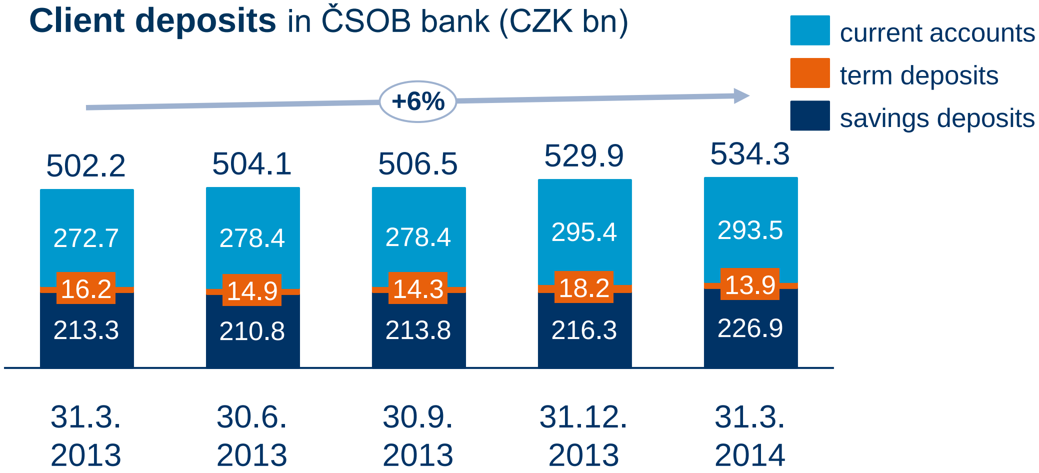
(incl. ČMSS and repos)



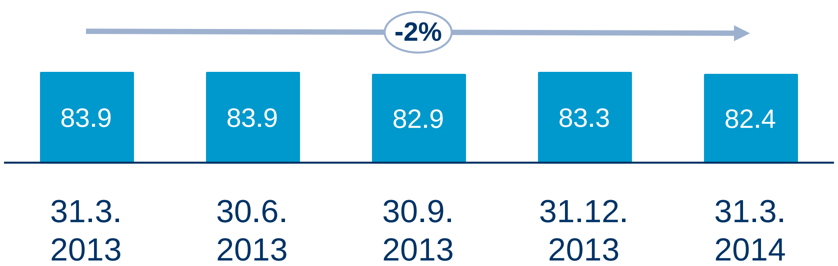
[1] *Liabilities to pension fund policy holders.*
[2] *Repo operations with non-banking financial institutions and other.*
[3] *The ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are not reported in the ČSOB's consolidated balance sheet.*
[4] *Repo operations with institutional client.*

Growth driven by both retail and corporate/SME deposits

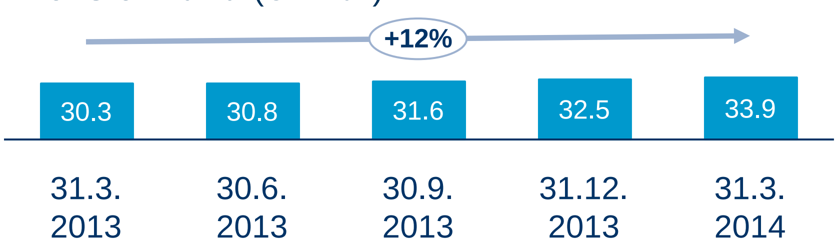
Client deposits in ČSOB bank (CZK bn)



Building savings deposits (CZK bn)



Pension fund (CZK bn)



The Y/Y growth was visible in both retail and corporate/SME area. Within the total client deposits, **saving deposits** and **current accounts reported 6% and 8% Y/Y growth** respectively. On the other hand, term deposits declined by 14% Y/Y, but from very low basis compared to the other two categories.

The **Q/Q increase in savings deposits volumes** is thanks to both retail and corporate/SME, while **decrease in current accounts volumes** was driven by corporate.

The volumes of **building savings deposits** continued **to slowly decline**.

The **12% Y/Y increase of the pension fund** was driven by stable portfolio of clients in transformed fund and 7%Y/Y growth in average monthly contribution on new contracts in 1Q 2014. Q/Q growth was positively influenced by 2013 net profit distribution.

ATM network exceeded 1,000 level, branch network further optimized

	31.3.2013	31.3.2014
Retail/SME branches and advisory centers	**562**	**555**
ČSOB Retail/SME branches	238	234
PSB branches ("Era Financial Centers")	74	74
ČMSS advisory centers	138	134
Hypoteční banka centers	27	26
ČSOB Pojišťovna branches	85	87
Leasing branches	13	11
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,200	ca. 3,100
ATMs[1]	971	1,012
ČSOB's clients (bank only, mil.)	3.0	2.9

[1] *Including ATMs of affiliate banks*

ČSOB further **enlarged its ATM network**. During the last twelve months, clients could use 41 new ATMs, 6 of them were added in 1Q 2014. Number of deposit enabling ATM reached 106 at the end of March 2014.

Due to optimization of the branch network in order to make it even more effective, some branches were closed and few new ones were opened. Number of ČSOB retail/SME branches decreased by 4 over the last twelve months.

The **number of ČSOB's clients** (bank only) slightly declined by 1% Y/Y. Note that as of 2013, ČSOB has excluded additional duplicities from client calculation.

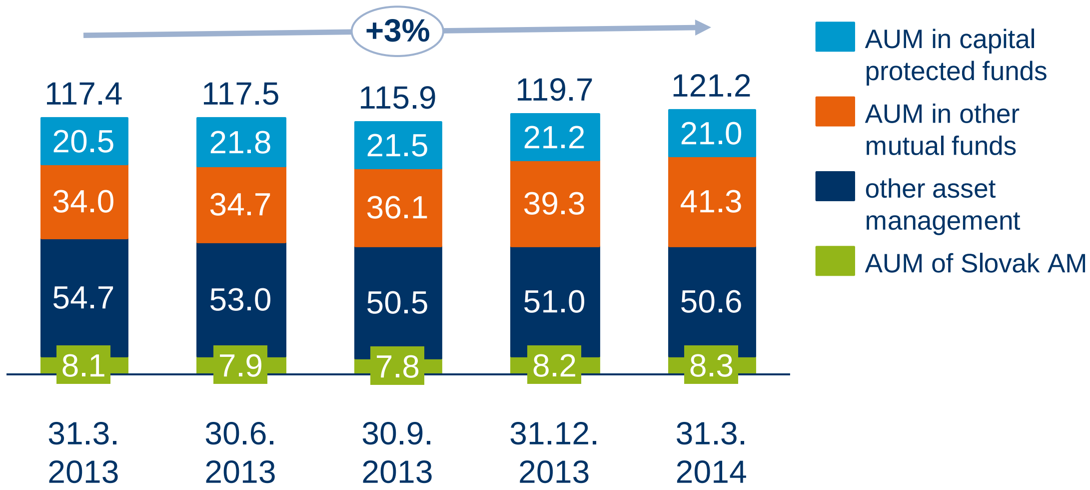
*Note: The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.*

ČSOB Asset Management: Key Figures

Strong demand for mixed funds with protection

Assets under management

Outstanding volumes, CZK bn

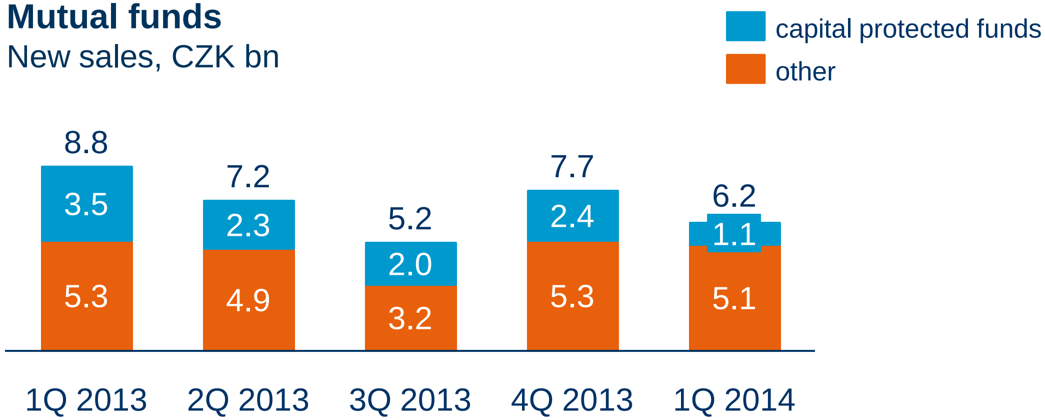


The ČSOB group is keeping its **number 1 position in the funds market.**
AUM increased by 3% Y/Y thanks to lower volume of maturities and improved demand for Portfolio Pro funds (mixed funds with protection).

In 1Q 2014, **new sales** were **down by 30% Y/Y** due to lack of demand for fix income products (low level of interest rates). At the same time higher volatility on equity markets caused some postponement of investments.

Mutual funds

New sales, CZK bn



Notes:
AUM definition: funds managed by ČSOB AM as well as those distributed by the ČSOB group but managed by the KBC AM.
AUM in funds: Only direct positions are included (the funds bought directly by clients).
Other asset management: Discretionary mandates and Qualified Investors Funds.

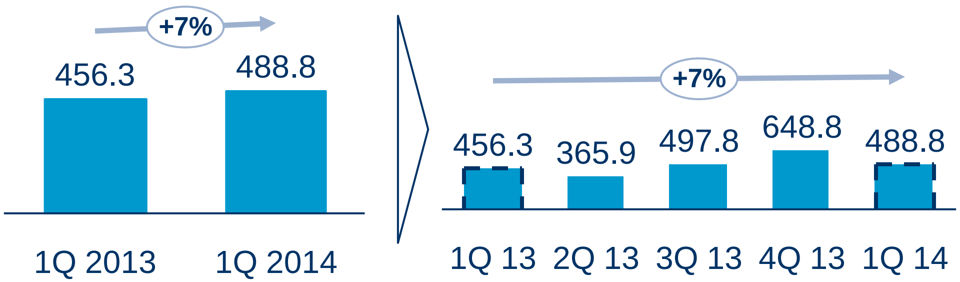
ČSOB Pojišťovna: Key Figures

Insurance

28% net profit growth driven by good performance of claims in non-life area & overall cost savings

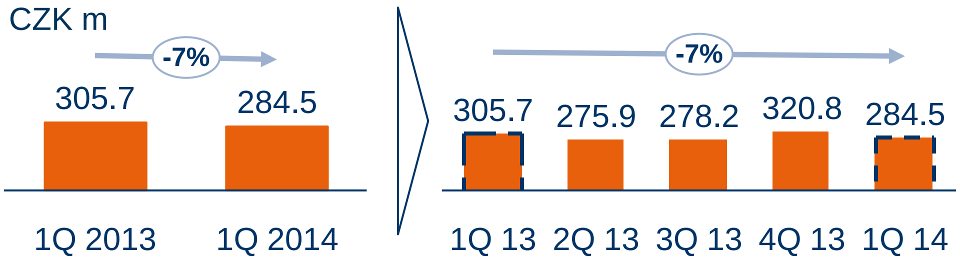
Operating income

CZK m



Operating expenses

CZK m

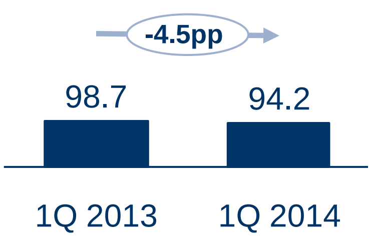


1Q 2014 **net profit reached CZK 160m** (+28% Y/Y). Net profit was positively influenced by better non-life technical result. Technical result in life area was also better than in 1Q 2013, despite the fact that gross written premium was lower than last year.

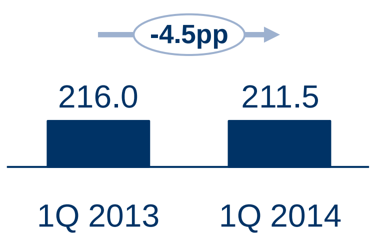
1Q 2014 **technical result in non-life segment increased to CZK 81m** (+151% Y/Y). Technical result was positively impacted by lower number of claims (soft winter conditions with a positive impact mainly into motor insurance) and better net earned premium.

1Q 2014 **technical result in life segment increased to CZK 144m** (+9% Y/Y). Profitability in life area remained solid mainly due to operating cost control.

Non-life combined ratio* (%)



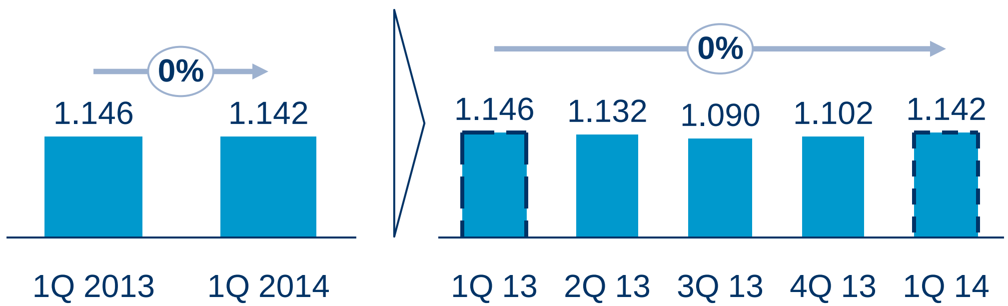
Solvency ratio (%)



** As a result of methodological change in 1Q 2014, non-life combined ratio for 1Q 2013 has been restated.*

Non-life insurance stable, life below 2013 sales

Gross written premium – non-life insurance
CZK bn

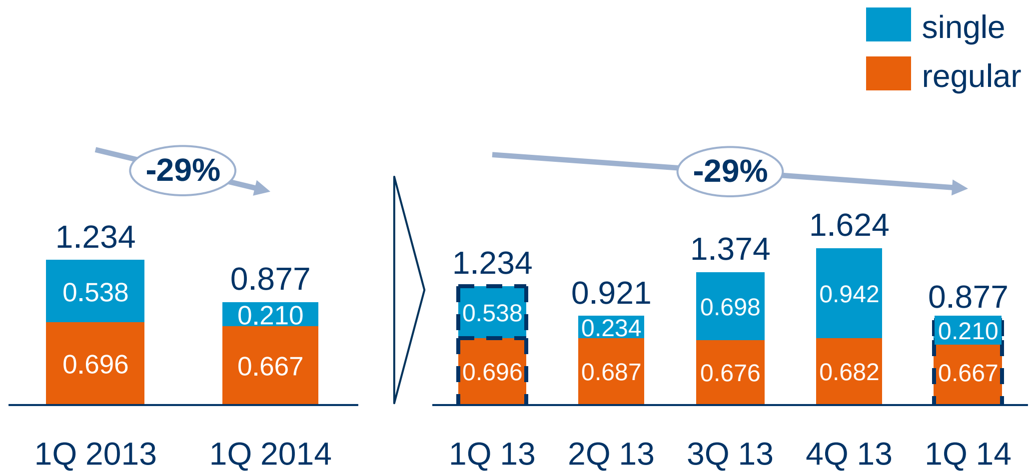


Market shares	1Q 2014	Market position
Non-life	⇨ 6.0%	6th
Life insurance	⬂ 5.9%	7th

Arrows show Y/Y change.

Non-life insurance
1Q 2014 gross written premium in **non-life insurance** remained flat Y/Y thanks to sales of car retail and households business.

Gross written premium – life insurance
CZK bn

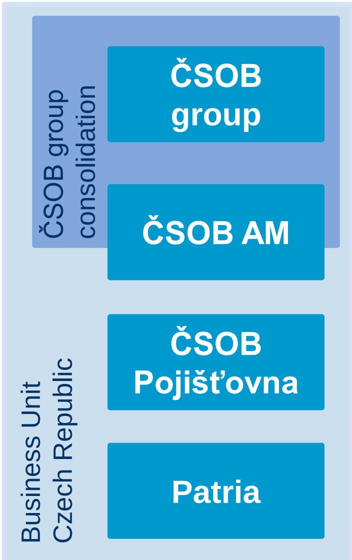


Life insurance
1Q 2014 **regularly paid** gross written premium decreased by 4% Y/Y as lower gross written premium of universal & traditional life insurance products was only partly compensated by higher gross written premium of unit linked products.

1Q 2014 **single paid** gross written premium declined due to less investment opportunities on the market in comparison to previous year. In 1Q 2014, one tranche of CZK 105m was launched in comparison to one tranche of CZK 272m in 1Q 2013.

Business Unit Czech Republic

1Q 2014 net profit of main business unit entities improved

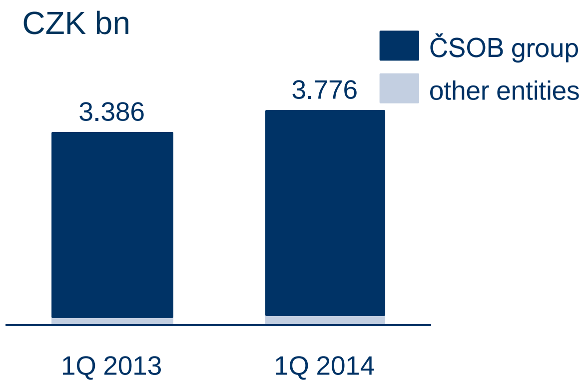


Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 1Q 2014 net profit of the Business Unit Czech Republic, which contains all KBC's operations in the Czech Republic, namely the ČSOB group, ČSOB Pojišťovna, ČSOB Asset Management (ČSOB AM) and Patria, increased to **CZK 3.8bn** (+12% Y/Y).

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

Net profit of the Business Unit Czech Republic



Net profit (CZK bn)	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	1Q/1Q
ČSOB group[1]	3.228	3.658	3.829	2.883	3.594	+11%
ČSOB Pojišťovna	0.125	0.087	0.178	0.273	0.160	+28%
ČSOB AM	0.034	0.030	0.032	0.031	0.032	-7%
Patria[2]	-0.001	-0.002	0.001	-0.009	-0.009	N/A
Total	**3.386**	**3.773**	**4.040**	**3.178**	**3.776**	**+12%**

[1] *Differences between the ČSOB group results within the Business Unit Czech Republic (BU CZ) and the stand-alone ČSOB group consolidated results are stemming from:*

- *BU CZ results includes ČSOB AM result with 100% share, while the ČSOB group results include ČSOB AM only with 40% share (in line with ownership interest).*

[2] *Only Patria Finance and Patria Direct are included.*

Appendix

Ratios and other indicators

Ratio / Indicator	31. 12. 2011	31. 12. 2012	31.12.2013	31.3.2013	31.3.2014
Net interest margin (Ytd., annualized, %)	3.39	3.21	3.20 (3.00)	3.26 (3.07)	3.26
Cost / income ratio (%)	46.7	45.9	47.5 (47.1)	47.6 (47.0)	47.1
RoE (Ytd., %)	17.9	22.8	18.2	17.4	17.7
RoA (Ytd., %)	1.23	1.63	1.42	1.38	1.46
RoAC, BU Czech Republic (Ytd., %)	N/A	35.1	40.0 (35.2)	37.9 (33.1)	39.6
Credit cost ratio (%, annualized)	0.36	0.31	0.25	0.44 (0.42)	0.03
NPL ratio (%)	3.88	3.57	3.34 (3.12)	3.74 (3.46)	3.38
NPL ratio (ČNB definition, %)	5.19	4.79	4.65 (4.39)	5.13 (4.78)	4.57
NPL coverage ratio (%)	73.5	71.7	75.7 (75.5)	75.3 (74.7)	72.7
Core Tier 1 ratio (%)	11.7[1]	13.0[1]	15.6[1]	13.8[1]	17.7%[1] 16.6%[2]
Total capital ratio (%)	15.5[1]	15.2[1]	15.6[1]	15.7[1]	17.7%[1] 17.0%[2]
Solvency (Solvency I, %)	213.0	224.0	217.0	216.0	211.5
Leverage ratio (Basel III, %)	3.96	4.73	5.46	4.59	5.10
Net stable funding ratio (Basel III, %)	133.6	133.2	135.7	134.0	138.3
Liquidity coverage ratio (Basel III,%)	220.4	336.1	225.6	299.6	287.5
Loan to deposit ratio (%)	72.7	75.2	76.5 (77.0)	75.2 (77.6)	76.5

2011 and 2012 have not been restated for methodological changes (ČMSS & NIM calculation), 2013 has been restated. Figures in brackets are before restatement.
[1] According to Basel II, [2] According to Basel III

Profit and loss statement

(CZK m)	1Q 2013	4Q 2013	1Q 2014	Y/Y	Q/Q
Interest income	*6 857*	*6 582*	*6 838*	*0%*	*4%*
Interest expense	*-1 201*	*-1 093*	*-1 043*	*-13%*	*-5%*
Net interest income	5 656	5 489	5 795	2%	6%
Net fee and commission income	1 409	1 505	1 392	-1%	-8%
Net gains from financial instruments at FVPL[1]	402	349	262	-35%	-25%
Other operating income[2]	311	65	307	-1%	>+100%
Operating income	**7 778**	**7 408**	**7 756**	**0%**	**5%**
Staff expenses	-1 690	-1 690	-1 708	1%	1%
General administrative expenses	-1 829	-1 970	-1 758	-4%	-11%
Depreciation and amortisation	-187	-186	-184	-2%	-1%
Operating expenses	**-3 706**	**-3 846**	**-3 650**	**-2%**	**-5%**
Impairment losses	-511	-428	-39	-92%	>+100%
Impairment on loans and receivables	*-506*	*-344*	*-42*	*-92%*	*>+100%*
Impairment on other assets	*-5*	*-84*	*3*	*N/A*	*N/A*
Share of profit of associates	205	162	185	-10%	14%
Profit before tax	**3 766**	**3 296**	**4 252**	**+13%**	**+29%**
Income tax expense	-524	-400	-645	+23%	+61%
Profit for the period	**3 242**	**2 896**	**3 607**	**+11%**	**+25%**
Attributable to:					
Owners of the parent	**3 237**	**2 900**	**3 606**	**+11%**	**+24%**
Non-controlling interests	5	-4	1	N/A	N/A

[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)	31/3 2013	31/12 2013	31/3 2014	Ytd.
Cash and balances with central banks	17 932	20 728	18 756	-10%
Financial assets held for trading	166 425	204 729	51 574	-75%
Financial assets designated at fair value through P/L	7 455	7 467	6 612	-11%
Available-for-sale financial assets	89 904	75 843	81 116	+7%
Loans and receivables - net	438 186	475 169	630 706	+33%
Loans and receivables to credit institutions - gross	*39 914*	*60 429*	*203 830*	*>+100%*
Loans and receivables to other than credit institutions - gross	*410 124*	*425 883*	*437 853*	*+3%*
Allowance for impairment losses	*-11 852*	*-11 144*	*-10 977*	*-1%*
Held-to-maturity investments	138 318	150 944	151 809	+1%
Fair value adjustments of the hedged items in portfolio hedge	1 135	927	1 126	+21%
Derivatives used for hedging	13 457	9 285	10 163	+9%
Current tax assets	31	13	16	+22%
Deferred tax assets	90	96	98	+2%
Investments in associate	5 444	4 913	5 134	+5%
Investment property	301	289	288	-1%
Property and equipment	7 787	7 557	7 400	-2%
Goodwill and other intangible assets	2 929	2 885	2 875	+0%
Non-current assets held-for-sale	189	194	182	-6%
Other assets	1 810	1 915	2 395	25%
Total assets	**891 393**	**962 954**	**970 249**	**+1%**

Decrease due to reclassification of reverse repo operations with CNB to Loans & Receivables.

Increase due to reclassification of reverse repo operations with CNB from financial assets held for trading.

Balance sheet - liabilities and equity

(CZK m)	31/3 2013	31/12 2013	31/3 2014	Ytd.
Financial liabilities held for trading	145 821	186 920	81 237	-57%
Financial liabilities at amortised cost	642 423	672 601	777 707	+16%
of which Deposits received from central banks	*492*	*492*	*0*	-100%
of which Deposits received from credit institutions	*62 849*	*64 318*	*67 894*	*+6%*
of which Deposits received from other than credit institut.	*541 620*	*576 774*	*679 781*	+18%
of which Debt securities in issue	*29 477*	*31 016*	*30 031*	-3%
of which Subordinated liabilities	*7 985*	*0*	*0*	*0%*
Fair value adjustments of the hedged items in portfolio hedge	1 822	-57	1 053	N/A
Derivatives used for hedging	9 850	9 507	10 918	+15%
Current tax liabilities	820	913	1 138	+25%
Deferred tax liabilities	2 362	1 913	1 859	-3%
Provisions	863	876	844	-4%
Other liabilities	10 375	9 828	11 172	+14%
Total liabilities	**814 335**	**882 501**	**885 928**	**0%**
Share capital	5 855	5 855	5 855	+0%
Share premium account	7 509	15 509	15 509	+0%
Statutory reserve	18 687	18 687	18 687	+0%
Retained earnings	35 855	32 949	36 555	+11%
Available-for-sale reserve	5 337	4 700	4 716	+0%
Cash flow hedge reserve	3 598	2 548	2 793	+10%
Foreign currency translation reserve	1	2	2	+1%
Parent shareholders' equity	**76 841**	**80 249**	**84 116**	**+5%**
Minority interest	217	204	205	+1%
Total equity	**77 058**	**80 453**	**84 321**	**+5%**
Total liabilities and equity	**891 393**	**962 954**	**970 249**	**+1%**

Decrease due to reclassification of repo operation with institutional client to Deposits.

Increase due to reclassification of repo operation with institutional client from Financial liabilities held for trading.

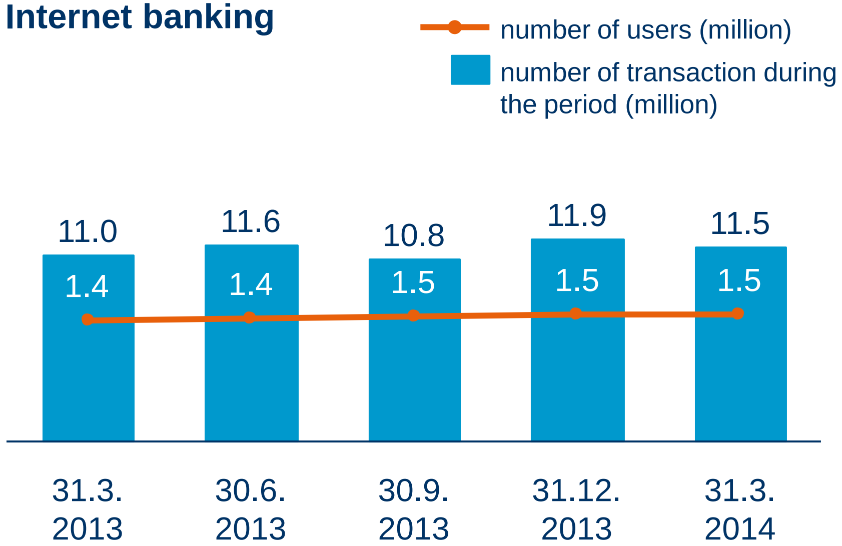
Other information

Non-performing loans

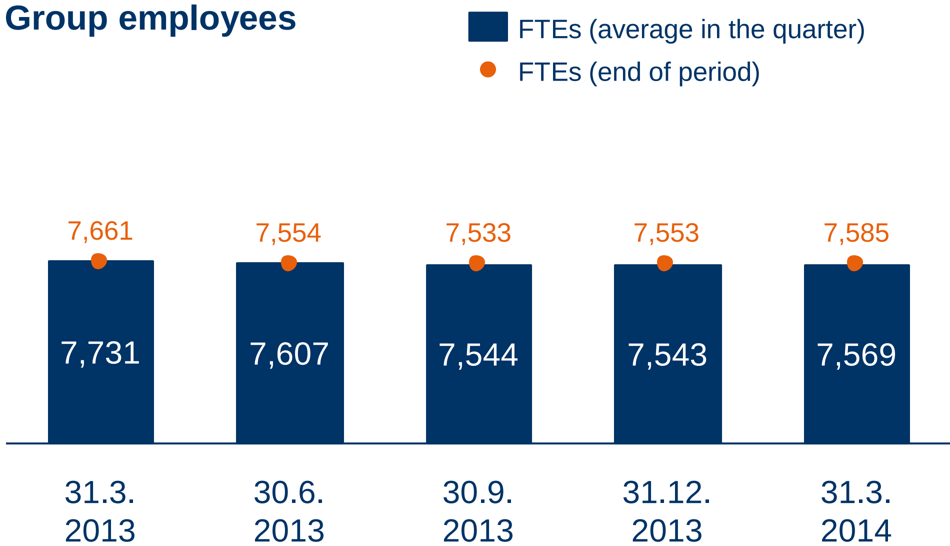
	31. 3. 2013		31.3.2014	
PD rating distribution	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
Total loans	420.4	100%	446.8	100%
Normal (PD 1-7)	388.5	93%	416.4	93%
Asset quality review (PD 8-9)	10.4	2%	10.0	2%
Uncertain performing (PD 10)	5.8	1%	5.3	1%
Uncertain non-performing (PD 11)	2.8	1%	2.4	1%
Irrecoverable (PD 12)	12.9	3%	12.7	3%

CNB methodology of NPL: PD10, PD11 and PD12, ČSOB methodology of NPL: PD11 and PD12.

Internet banking



Group employees



Credit rating and shareholder structure

ČSOB's credit ratings

As at 15 May 2014

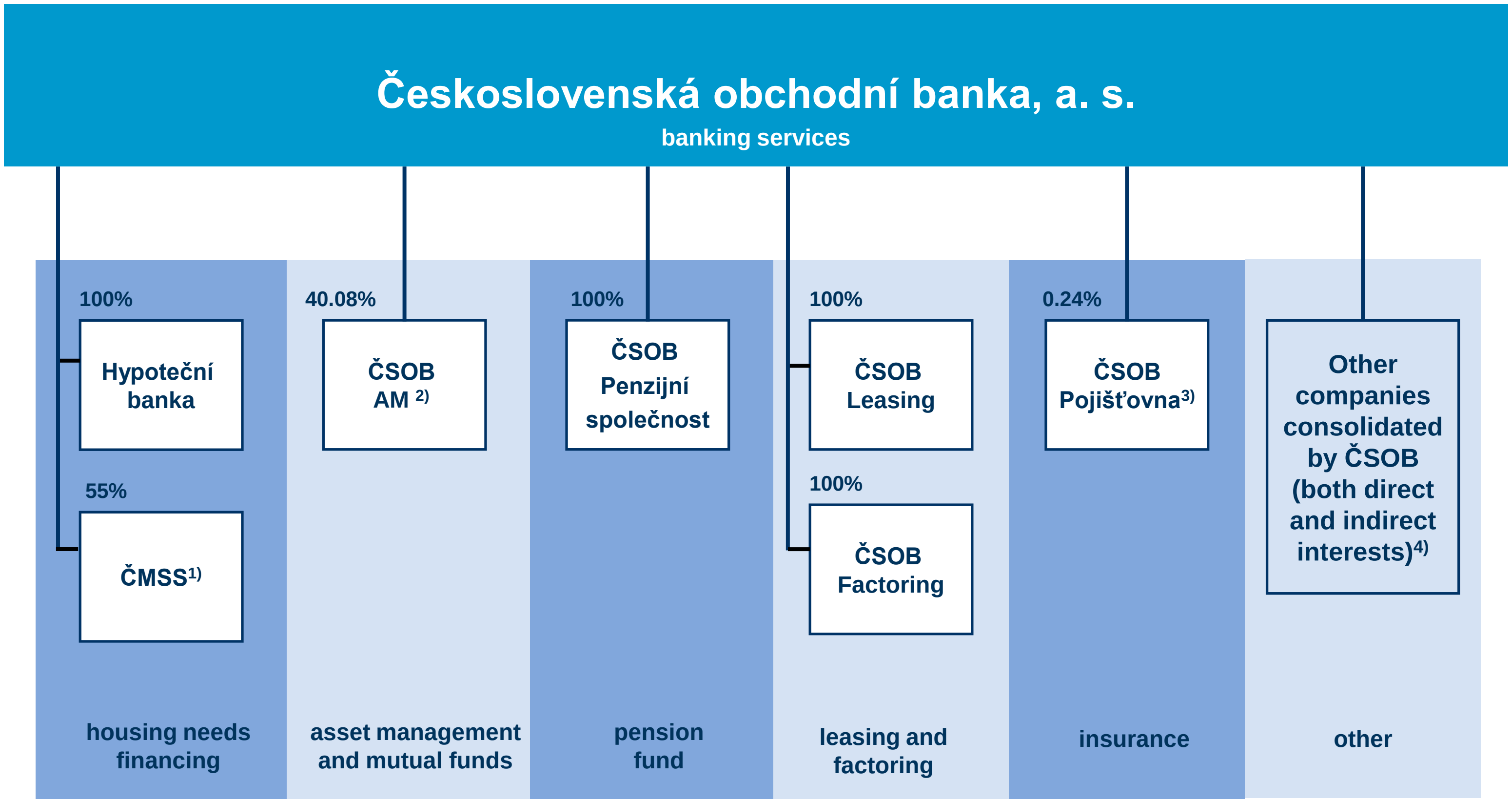
Rating agency	Moody's		Fitch	
	Long-term rating:	**A2**	**Long-term rating:**	**BBB+**
	Outlook:	stable	Outlook:	stable
	Short-term rating:	Prime-1	Short-term rating:	F2
	Financial strength:	C-	Viability rating:	bbb+
			Support:	2
LT rating valid since		20 June 2012		3 February 2012
Last confirmation		5 December 2013		1 October 2013

Shareholder structure

As at 31 March 2014, ČSOB's share capital was CZK 5,855,000,020 and comprised of 292,750,001 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%.

The ČSOB group in the Czech Republic



Percentages show ownership interests on company's equity as at 31 March 2014.

[1] 45% of shares owned by Bausparkasse Schwäbisch Hall; a proportionally consolidated subsidiary of ČSOB.

[2] 59.92% of shares owned by KBC Participations Renta C; subsidiary consolidated in ČSOB by an equity method.

[3] 99.76% of shares owned by KBC Insurance; subsidiary consolidated in ČSOB by an equity method.

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

Market shares definitions and sources

Item	Definition	Source
Total deposits	Total bank deposits excl. repo including unmarketable bills of exchange + AUM of Pension fund	ČNB (Time series ARAD), ČSOB
Building savings loans	Outstanding volumes of building savings loans, ČMSS 55%	ČNB (ARAD), ČMSS
Building savings deposits	Deposits of buildings savings clients, ČMSS 55%	ČNB (ARAD), ČMSS
Mutual funds	AUM in both Czech and foreign funds at the given date, including institutional funds and third parties funds; according to AKAT methodology	Association for Capital Market (AKAT)
Total Loans	Outstanding volumes of consumer loans and other retail loans + mortgages for private individuals + CORP/SME loans	ČNB (ARAD), Ministry for Regional Development, HB, ČSOB
Leasing	Volume of newly granted loans (leasing of movables, commercial loans and consumer loans); related to the relevant market comprising both banks and non-banking institutions	Association of Leasing and Factoring Companies ČR (ČLFA)
Mortgages	Outstanding volumes; mortgages for private individuals excl. home-equity consumer loans and mortgages for non-housing real estate purposes, consumer loans for house purchase, according to ČNB definition	ČNB (ARAD), HB, ČSOB
Factoring	Volume of new business	ČLFA
Pension fund	Number of clients at the given date	Association of Pension Funds, ČSOB PF
CORP/SME loans	Remaining loans that are not reported in any of the retail loans categories (loans to other than households)	ČNB (ARAD), ČSOB
Consumer loans	Outstanding volume of cash loans, credits cards, overdrafts, consumer loans on real estate and American mortgages.	ČNB (ARAD), ČSOB

Glossary - ratios

NIM (net interest margin)	Net interest income / average interest earnings assets excluding repo operations; Qtd./Ytd., annualized
C/I (cost/income ratio)	Operating expenses / operating income, Ytd.
RoA (return on assets)	Net profit for the year / average of total assets; Ytd., annualized
RoE (return on equity)	Net profit for the year / average of total shareholders' equity; Ytd., annualized
RoAC (return on allocated capital)	Result after tax (including minority interests) of the ČSOB group, adjusted to take account of allocated capital instead of actual capital / average allocated capital of the ČSOB group (KBC group methodology)
Combined ratio	According to KBC methodology.
CCR (credit-cost ratio)	Total credit costs / average outstanding credit portfolio (loans, loans replacements and drawn credit commitments - e.g. guarantees) and non-sovereign bonds in credit book; Ytd., annualized
NPL (non-performing loans) ratio	Outstanding amount of non-performing loans (KBC group methodology) / loan portfolio
NPL coverage ratio	Allowances for loans and leases / non-performing loans
Core tier 1 ratio Total capital ratio	According to prudential reports of ČNB – Basel II (since 1 July 2007 till 31 December 2013), Basel III (since 1 January 2014)
Solvency (insurance)	According to prudential reports of ČNB – Solvency I, after expected dividend payment
Loan to deposit ratio	Loan portfolio / primary deposits
Net stable funding ratio (NSFR)	Available amount of stable funding (equity and liability which are expected to be reliable sources of funds over a one-year time horizon under extended stress) to stable funding required by an institution based on types of its assets, off-balance sheet exposures and activities pursued (according to Basel III)
Leverage ratio	Tier 1 capital / non-risk value of assets (According to Basel III)
Liquidity coverage ratio	High quality liquid assets (unencumbered and convertible into cash) to liquidity needs (outflow – inflow) for a 30 calendar days time horizon under specified significant stress scenario (According to Basel III)

Glossary - other definitions

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

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