9M/3Q 2014 Results
ČSOB Group
Business Unit Czech Republic

EU IFRS Unaudited Consolidated
13 November 2014

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Methodological changes

Deconsolidation of Transformed Pension Fund (TPF)

Following the change in statutes of Transformed Pension Fund and in line with IFRS, ČSOB deconsolidated Transformed Pension Fund as of 1 July 2014. This has mainly reclassification effect on Y/Y comparison of income lines in profit and loss statement and decline of corresponding amounts in balance sheet. As both approaches are IFRS compliant, neither profit and loss statement nor balance sheet has been restated.

Implementation of Financial reporting (FinRep)

As of 3Q 2014, ČSOB has implemented new EBA rules for regulatory reporting (known also as FinRep, EU regulation No. 575/2013). This resulted in several reclassifications between various balance sheet lines, namely: “Cash and cash balances with central banks” (+), “Loans and receivables” (-), “Other assets” (-), “Financial liabilities at amortized costs” (+), “Other liabilities” (-). In order to provide fully comparable figures, 9M 2013 & 2013 balance sheet have been restated.

Classification of non-performing loans

As of 3Q 2014, classification of non-performing loans has been adjusted in-line with the new EBA definition (EU regulation No. 575/2013). Following loan categories are classified as non-performing: Uncertain performing (PD 10), Uncertain non-performing (PD 11) and Irrecoverable (PD 12), while ČSOB methodology up to now included only Uncertain non-performing (PD 11) and Irrecoverable (PD 12). As a result, the volume of non-performing loans, NPL ratio, impairement on loans and leases and NPL coverage ratio from 2013 have been restated and are in line with ČNB methodology.

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ČSOB Group: Key Figures

Measures of sustainable performance
Sound performance driven by business volumes growth and low credit costs

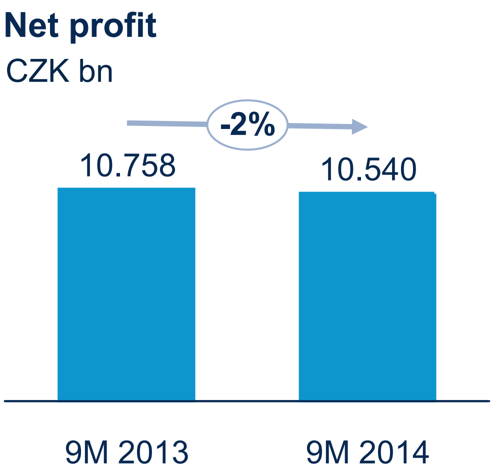
ČSOB group key indicators		2011	2012	2013	9M 2013	9M 2014
Profitability	Net profit (CZK bn)	11.2	15.3	13.7	10.8	10.5
	Return on equity	17.9%	22.8%	18.2%	19.5%	17.2%
Liquidity	Loan / deposit ratio	72.7%	75.2%	76.5%	77.5%	76.5%
	Net stable funding ratio	133.6%	133.2%	135.7%	135.3%	137.6%
Capital	Tier 1 ratio	11.7%[1]	13.0%[1]	15.6%[1]	16.1%[1]	17.7%[2]
Impairments	Credit cost ratio	0.36%	0.31%	0.25%	0.24%	0.13%
Cost efficiency	Cost / income ratio	46.7%	45.9%	47.5%	46.1%	47.1%

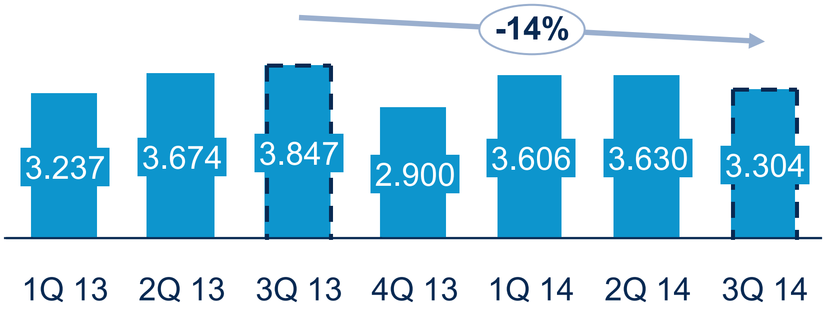
[1] *According to Basel II*
[2] *According to Basel III*

Sound business volumes growth across all segments, strong sales of investment products combined with good quality of the loan portfolio

Business volumes	The **loan portfolio** (excl. ČMSS) maintained steady growth to **CZK 462bn** (+7% Y/Y), mainly thanks to mortgages, corporate/SME loans and leasing. **Group deposits** (excl. ČMSS, PF and repo) grew to **CZK 573bn** (+8% Y/Y) thanks to increase across all segments.
Operating income	Despite growth in net fees and commission income combined with flat interest income **operating income** declined to **CZK 23.5bn** in 9M 2014 (-1% Y/Y) and **CZK 7.8bn** in 3Q 2014 (-2% Y/Y) mainly as a result of 2013 positive items. Solid growth in business volumes, flat net interest income and higher net fee and commission income compensated most of the negative impacts.
Operating expenses	**Operating expenses** reached **CZK 11.1bn** in 9M 2014 (+1% Y/Y) and **CZK 3.6bn** in 3Q 2014 (+2% Y/Y) as both general administrative expenses and staff expenses were slightly higher driven by ICT expenses and additional staff to support business.
Impairments	**Credit cost ratio** decreased to **13 bps** (Ytd. annualized, -11bps Y/Y) partially due to good quality of loan portfolio.
Net profit	As a result of above mentioned factors, the ČSOB **net profit** came in at **CZK 10.5bn** in 9M 2014 (-2% Y/Y) and **CZK 3.3bn** in 3Q 2014 (-14% Y/Y).
Liquidity & Capital	**Loan / deposit ratio** decreased to **76.5%. Tier 1 ratio** (Basel III) increased to **17.7%** mainly thanks to partial 2013 net profit retention of CZK 6.2bn earlier this year.
Rating & Innovations	ČSOB was assigned **"A" rating** with negative outlook **by S&P**, appreciating ČSOB's strong earnings and equity. ČSOB introduced together with its partners **public transport ticket machines allowing contactless payments** in two regional cities (Brno and Liberec).

Net profit declined despite continuous growth in business volumes, volumes of card transactions and investment products





9M 2014 net profit decreased to CZK 10.5bn (-2% Y/Y) mainly as a result of 2013 positive items partially compensated by continuous growth in business volumes, volumes of card transactions and sale of investment products. Operating expenses slightly increased Y/Y as a combination of mildly higher general administrative as well as staff expenses. Significantly lower impairments reflect good quality of loan portfolio.

The **3Q 2014 net profit decreased** to **CZK 3.3bn** (-14% Y/Y) mainly as a result of 2013 positive and 2014 negative one-offs and due to a combination of moderately lower operating income and slightly higher operating expenses.

The return on equity (ROE) reached **17.2%** in 9M 2014, down from 19.5% driven mainly by higher equity as a result of shareholder decision to strengthen capital through net profit retention.

Notes:
2Q 2013 one-off items (total of CZK 0.1bn) included in the result: 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 result: 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 result: impact of one-off adjustment of mortgage commission accruals (CZK -0.2bn).

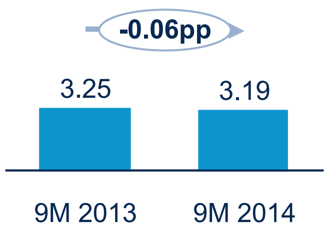
2Q 2014: one-off items (total of CZK 0.3bn) included in the result: recovery of already impaired historical file (CZK 0.1bn), sale of ICT system to KBC ICT branch (CZK 0.2bn).

3Q 2014: one-off items (total of CZK -0.1bn) included in the result: Forbearance impact linked to implementation of EBA's updated definition (CZK -0.1bn).

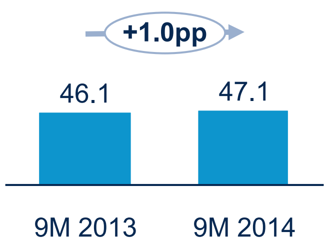
Key ratios
Improved loan portfolio quality, capital well above regulatory requirements

Profitability

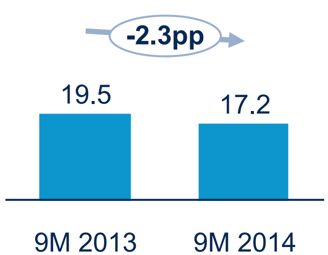
Net interest margin (%)



Cost / income ratio (%)

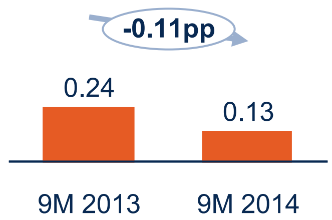


ROE (%)

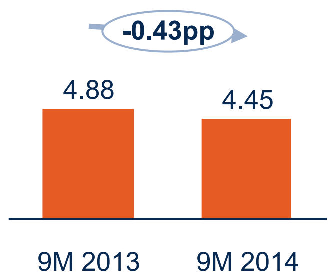


Loan portfolio quality

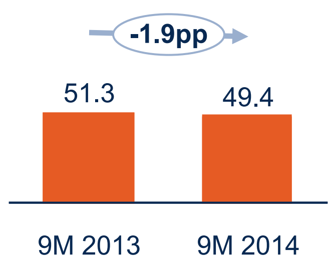
CCR, Ytd. annualized (%)



NPL ratio (%)

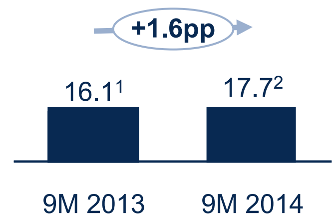


NPL coverage ratio (%)

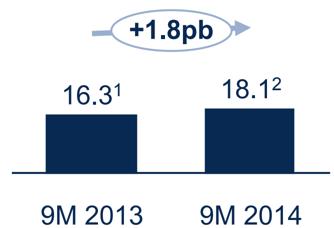


Capital

(Core) Tier 1 ratio (%)

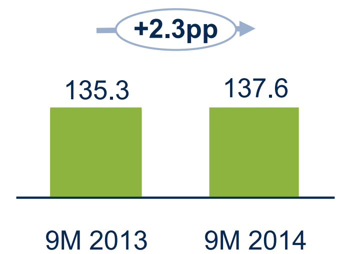


Total capital ratio (%)

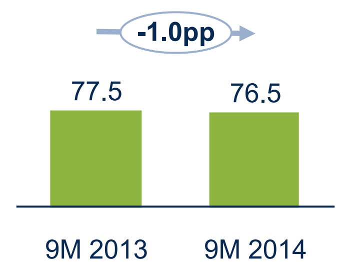


Liquidity

Net stable funding ratio (%)



Loan / deposit ratio (%)

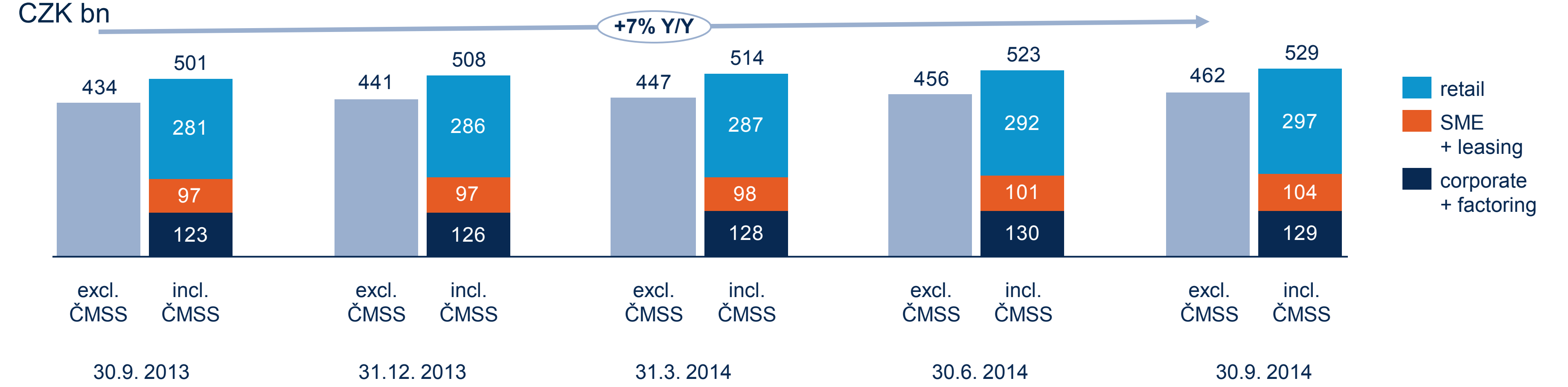


[1] *According to Basel II*
[2] *According to Basel III*

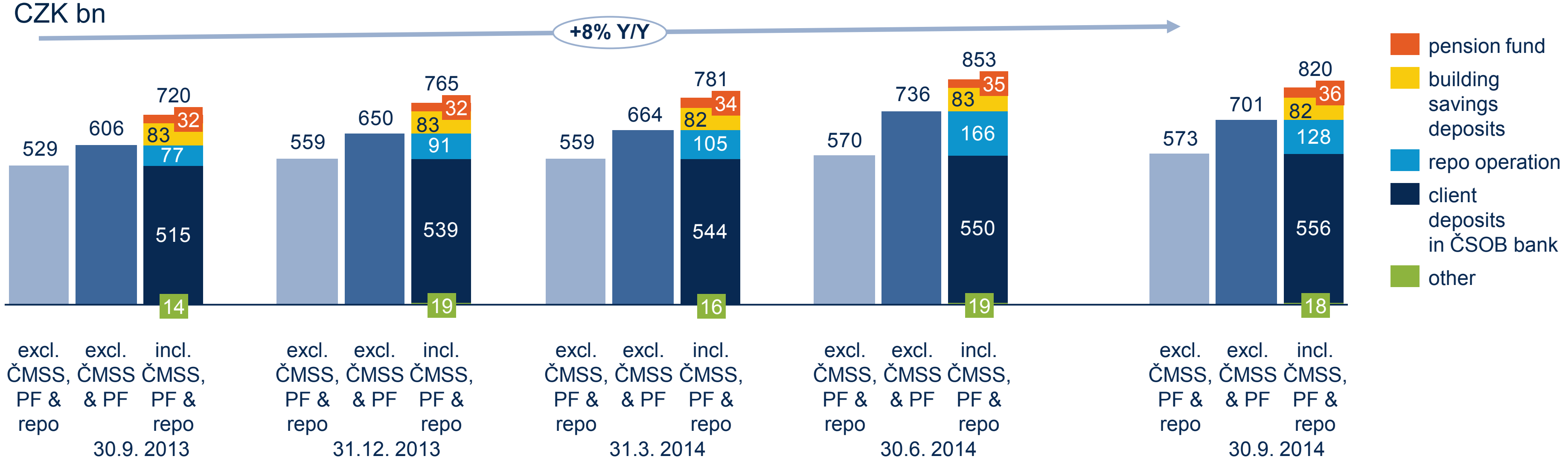
Loans and deposits

Balanced and strong growth continued both in loans and deposits

Loan portfolio[1]
CZK bn



Group deposits[2]
CZK bn

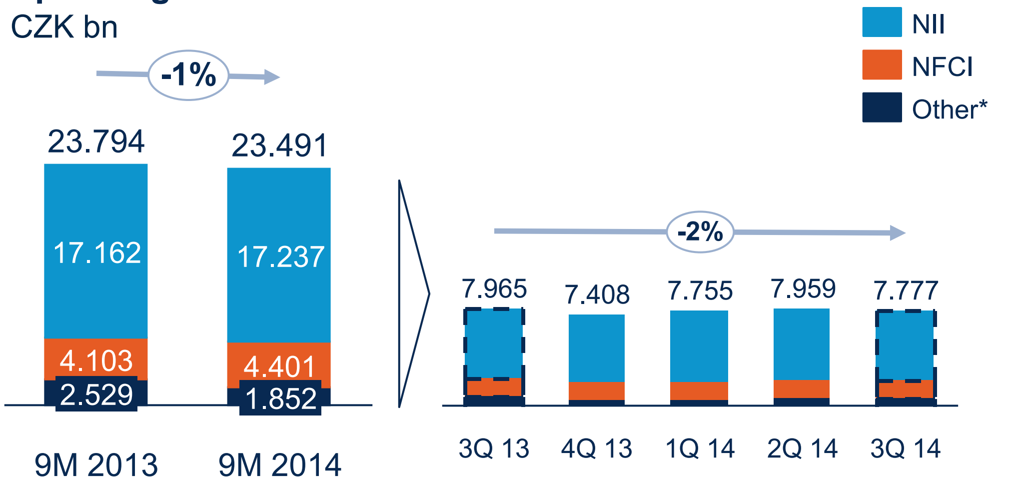


[1] *Item Loans and receivables (ČMSS not included) minus exposure to banks from inter-bank transactions and reverse repo operations with CNB plus credit replacing bonds.*
[2] *Item Deposits received from other than credit institutions from the consolidated balance sheet (ČMSS not included) minus repo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

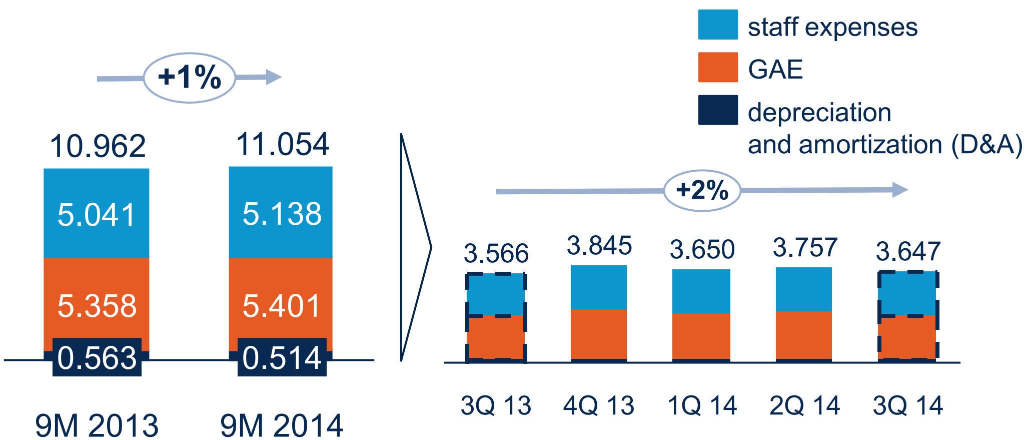
ČSOB Group: Financial Overview

Growing net fee and commission income, flat net interest income offset by lower other income and higher expenses

Operating income
CZK bn



Operating expenses
CZK bn



9M/3Q 2014 **operating profit** declined by 3% Y/Y and 6% Y/Y respectively. The **cost / income ratio** increased by 1.0 pp to **47.1%** in 9M 2014.

9M/3Q 2014 **operating income declined** by 1% Y/Y and 2% Y/Y, respectively, due to number of factors: resilient core revenues (growth in net fee and commission income, flat net interest income) compensated by other operating income (see next paragraph for details).

The 27% Y/Y decline of item “other” in 9M 2014 was mainly due to 2013 positive items (e.g. sale of non-strategic stake in payment provider, recovered income from historical file) and lower FX revenues from customer hedging. This has been partially compensated by one-off sale of internal system to KBC ICT branch in April and deconsolidation of TPF.

9M/3Q 2014 **operating expenses increased** by 1% Y/Y and 2% Y/Y respectively as both general administrative expenses and staff expenses were slightly higher driven by ICT expenses and additional staff to support business.

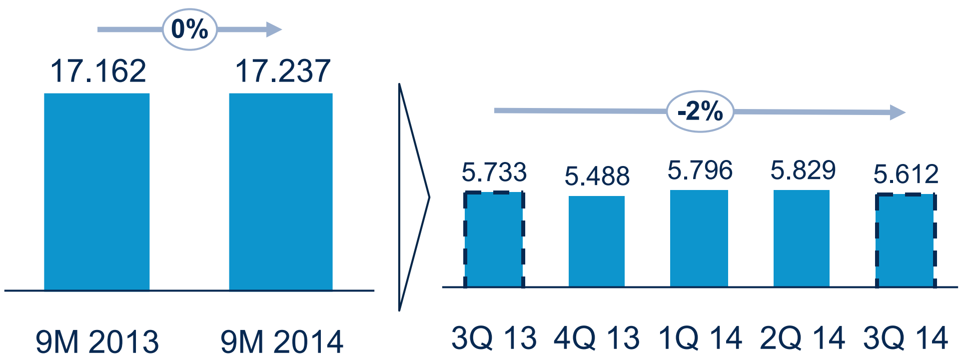
** Other = Net gains from financial instruments at FVPL + net realized gains on available-for-sale financial assets + dividend income + other net income.*

Net interest income and net fee and commission income

Higher fund, loan and card transaction volumes more than compensated impact of low interest rate environment

Net interest income (NII)

CZK bn

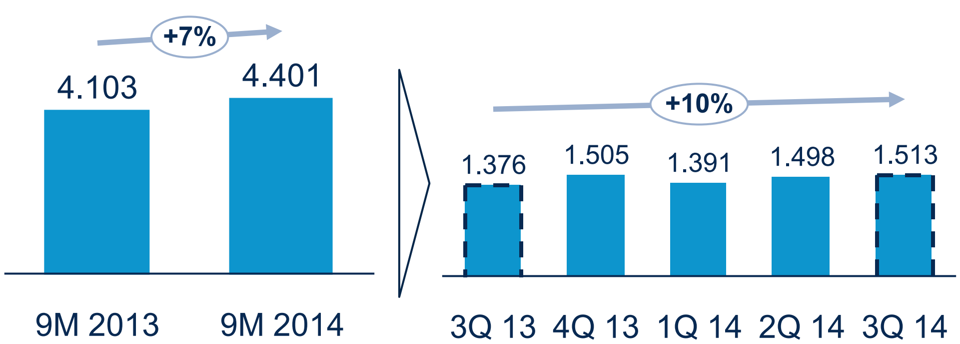


9M/3Q 2014 **net interest income remained flat** and **slightly declined** by 2% Y/Y, respectively. Adjusted for deconsolidation of TPF, NII would increase by 2% Y/Y and 1% Y/Y, respectively.

The growth was supported mainly by growing business volumes in all business segments, so far stable NIM in corporate and improved NIM in SME segment. NII in retail decreased driven mainly by lower NII from deposits despite strong growth which was not sufficient to compensate lower reinvestment yields.

Net fee and commission income (NFCI)

CZK bn

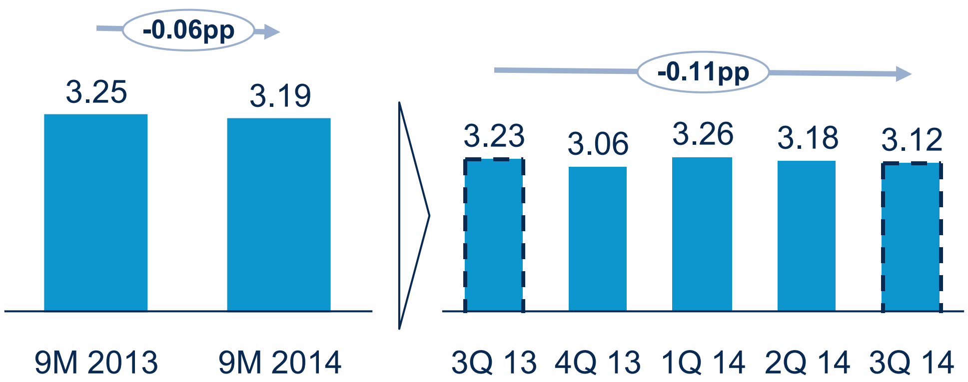


9M/3Q 2014 **net fee and commission income increased** by 7% Y/Y and 10% Y/Y respectively. Adjusted for deconsolidation of TPF, NFCI would increase by 5% Y/Y and 4% Y/Y, respectively.

The main growth drivers were higher fees in retail segment (fund management fees and card fees driven by higher number of transactions) and corporate segment (mainly loan fees driven by higher volumes).

Low interest rates environment negatively impacted NIM, despite stable loan margins & active management of funding costs

Net interest margin (%)



	2011	2012	2013	9M 2014
Net interest margin (Ytd., %)*	3.39	3.21	3.20 (3.00)	3.19

9M 2014 **NIM reached 3.19%** (-0.06 pp Y/Y).

The **main reasons** for the Y/Y development of the net interest margin:

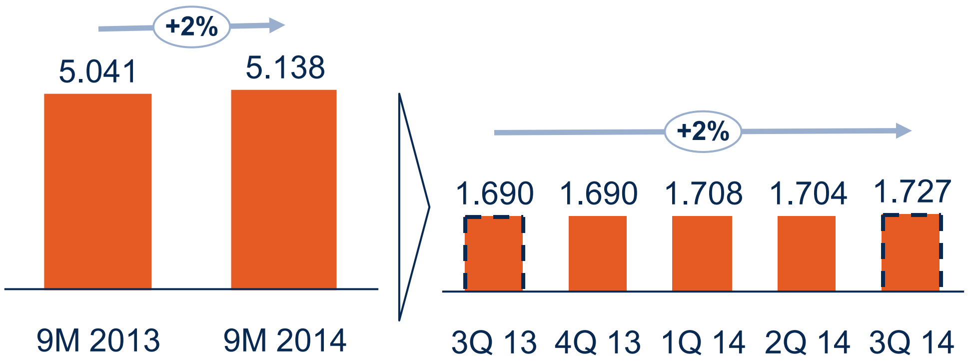
- (-) reinvestments of excess liquidity at lower yields
- (=) stable loan margins
- (+) active management of funding costs

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.

** 2011 and 2012 have not been restated for methodological changes (ČMSS consolidation method & NIM calculation), 2013 has been restated. Figure in bracket is before restatement.*

Growing expenses driven mainly by ICT expenses and additional staff to support business

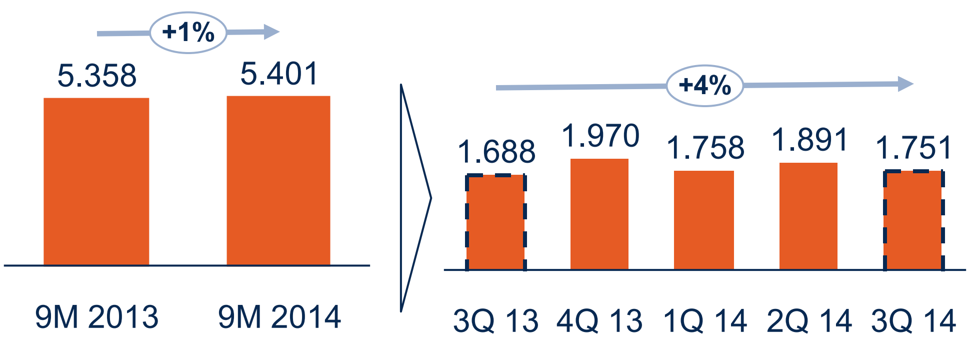
Staff expenses
CZK bn



Both 9M/3Q 2014 **staff expenses increased slightly** by **2% Y/Y**. Adjusted for the release of accruals in 2Q 2013, staff expenses would increase by 1% Y/Y in 9M 2014.

9M/3Q 2014 increase is due to annual wage adjustments and higher FTE's.

General administrative expenses
CZK bn



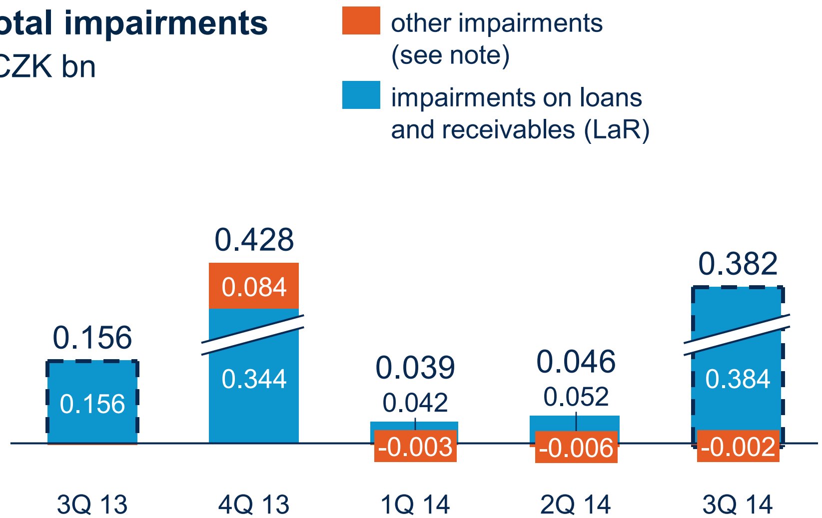
9M/3Q 2014 **general administrative expenses increased** by **1% Y/Y** and **4% Y/Y**, respectively.

Y/Y growth in 9M was mainly due to higher ICT expenses, partly compensated by savings in postage and marketing. Y/Y growth in 3Q was, besides higher ICT expenses, driven by higher professional fees.

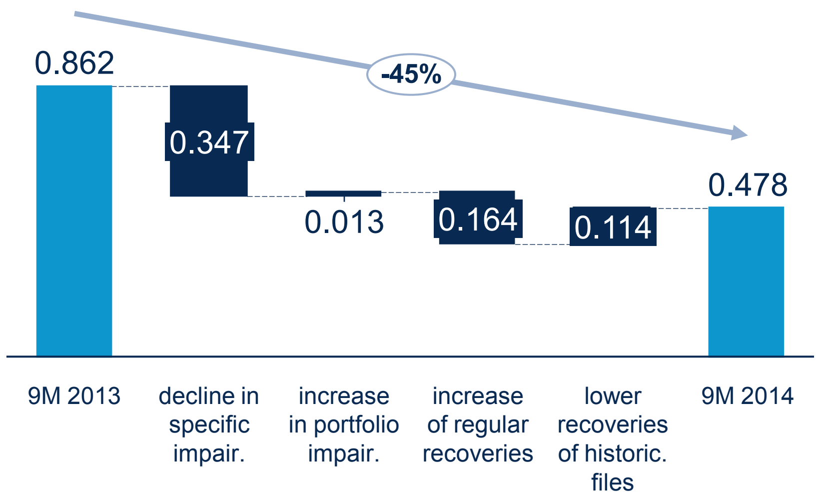
Lower ICT and marketing expenses were the key drivers for Q/Q decline.

Impairments remain below through-the-cycle level, despite one-off Forbearance impact

Total impairments
CZK bn



Impairments on LaR
CZK bn



In 9M 2014, **impairments on loans and receivables declined** to CZK 478m (-45% Y/Y) and the credit cost ratio to non-sustainable 13 bps (Ytd., annualized). Stable macro environment and prudential lending policy lead to good quality of the loan portfolio. In addition, further decrease was caused by booking of all recoveries in impairments since 1Q 2014 (minor part booked in other net income till 4Q 2013).

Excluding recoveries in 2014 (regular as well as those linked to historical file), the credit cost ratio would reach 19 bps (Ytd., annualized).

CZK 384m of impairments were created in 3Q 2014 (>+100% Y/Y) partially due to one-off Forbearance impact and lower base in 2013 (due to release of impairments linked to a historical file). Higher Y/Y impairments were recorded in mortgages, consumer loans, to a large extent offset by better corporate/SME segment.

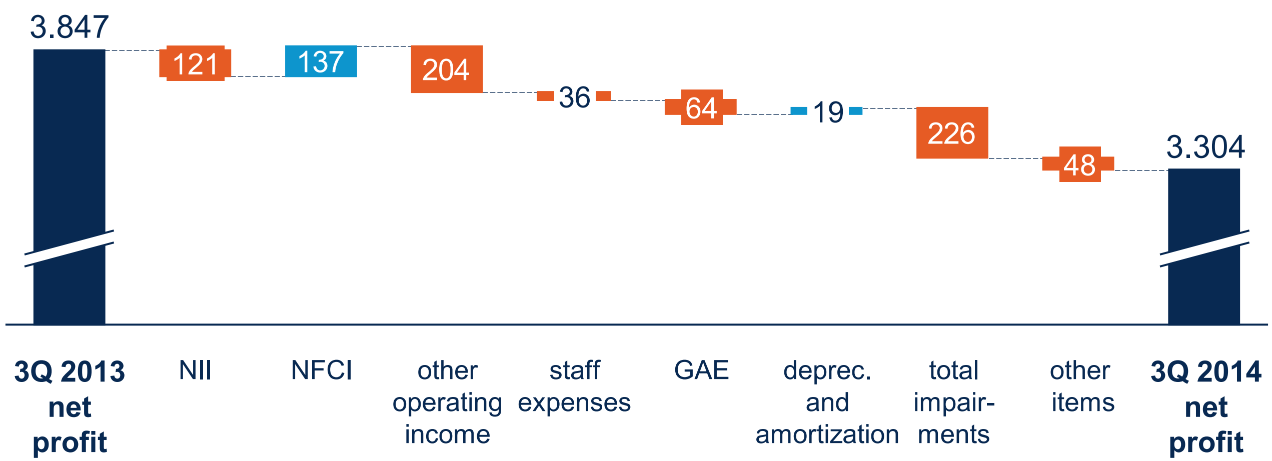
Credit cost ratio
bps (Ytd., annualized)

Note:
In 4Q 2013, impairment on tangible and non-tangible assets were booked in other impairments.
Forbearance impact (CZK -0.1bn) is linked to implementation of EBA's updated definition. Low impact is due to CNB's similar approach already in the past.

Wrap up of net profit drivers

Quarterly net profit (Y/Y)

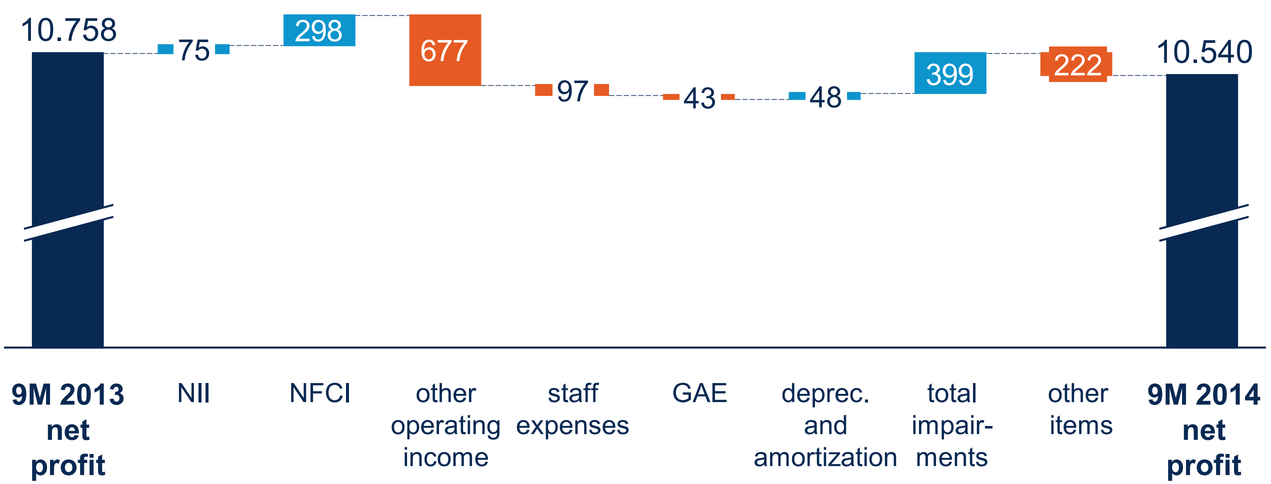
CZK bn



The **main difference between 3Q 2014 and 3Q 2013 net profit was caused by** higher impairments partially due to one-off Forbearance impact and lower base in 2013, lower other operating income mainly due to 2013 positive items. NFCI improved on the back of higher loan and card fees as well as positive impact from deconsolidation of TPF. On the other hand, latter had negative impact on NII, which more than offset higher business volumes. Operating expenses were higher, both staff costs as well as general administrative expenses. Share of profit of associates declined largely due to lower profit in ČMSS.

Ytd. net profit (Y/Y)

CZK bn



The **main difference between 9M 2014 and 9M 2013 was caused by** lower other operating income mainly due to 2013 positive items. Impairments were lower mainly due to stable macro environment and prudential lending policy leading to good quality of the loan portfolio. NFCI was higher thanks to retail (fund management and card fees) and corporate (loan fees) as well as impact from deconsolidation of TPF. NII was higher mainly due to higher business volumes, which more than offset deconsolidation of TPF. Operating expenses were higher, both staff costs as well as general administrative expenses. Share of profit of associates declined largely due to lower profit in ČMSS.

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

Consolidated, CZK m	30.9.2013[1]	31.12.2013[1]	30.9.2014[2]
Total regulatory capital	**55,709**	**55,305**	**61,390**
- Tier 1 Capital	55,275	55,245	60,050
- Tier 2 Capital	443	76	1,340
- Deductions from Tier 1 and Tier 2	-10	-16	0
Total capital requirement	**27,406**	**28,409**	**27,089**
- Credit risk	21,222	22,475	21,072
- Market risk	1,660	1,410	1,446
- Operational risk	4,524	4,524	4,571
Total RWA	**342,577**	**355,114**	**338,608**
Core Tier 1 ratio = Tier 1 ratio	**16.1%**	**15.6%**	**17.7%**
Total capital ratio	**16.3%**	**15.6%**	**18.1%**

Tier 1 capital increased Y/Y thanks to retention of CZK 6.2bn from the 2013 net profit.

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

Total capital requirement declined mainly due to better risk measurement of updated models (for credit risk) and due to changed market conditions (for market risk).

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

ČSOB group market shares
Growing market share in total loans thanks to building savings loans

1st

Building savings loans[1]	↗ 46.3%
Building savings deposits[1]	↗ 36.9%
Mortgages[1]	↘ 29.7%
Mutual funds[1]	↘ 27.6%
Leasing[2]	↗ 14.3%

2nd

Total Loans[1]	**↗ 19.7%**
Total Deposits[1]	**↘ 19.4%**

3rd

Pension fund[3]	↗14.1%
Corporate/SME loans[1]	⇨15.0%
Consumer lending[1,4]	↗11.4%
Factoring[2]	↘18.3%

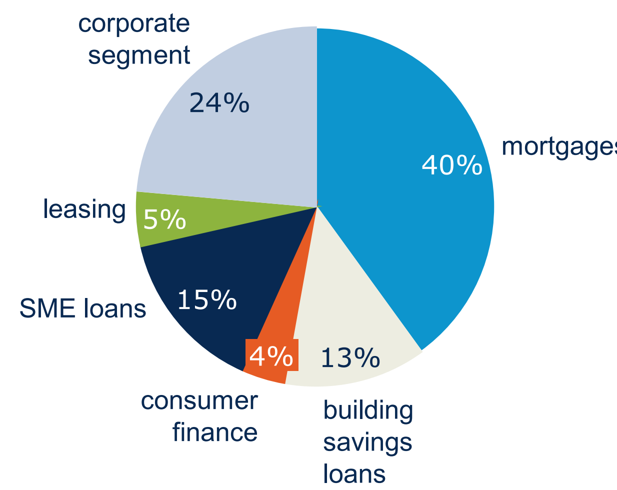
Arrows show Y/Y change. Market shares as of 30 September 2014, except for pension fund and mutual funds, which are as of 30 June 2014. The ranking is ČSOB's estimate.
[1] Outstanding at the given date (including ČMSS); [2] New business in the year to the given date; [3] Number of clients at the given 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 in leasing continues

Gross outstanding volumes, CZK bn	30.9.2013	30.9.2014	Y/Y
Loan portfolio (excl. ČMSS)	**433.8**	**462.2**	**+7%**
Retail/SME Segment			
Mortgages[1]	194.7	210.4	+8%
Consumer finance	19.1	19.4	+1%
SME loans	74.6	77.8	+4%
Leasing	22.4	25.9	+15%
Corporate Segment			
Corporate loans[2]	118.9	124.5	+5%
Factoring	4.0	4.1	+4%
Building savings loans[3]	67.3	67.1	0%
Loan portfolio (incl. ČMSS)	**501.1**	**529.2**	**+6%**

30.9.2014
(incl. ČMSS)

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

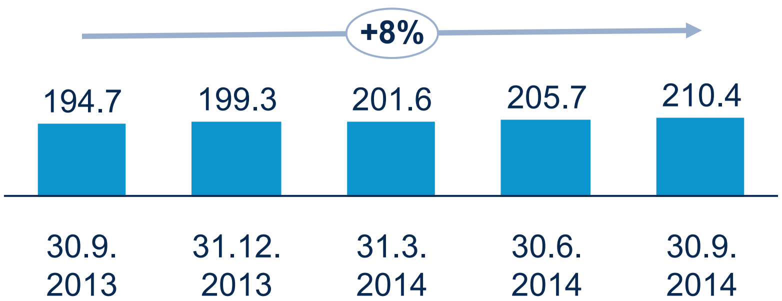


[1] *The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.*
[2] *Including credit-replacing bonds.*
[3] *The ČSOB group building savings loans are booked in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes reported in 55%, but are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

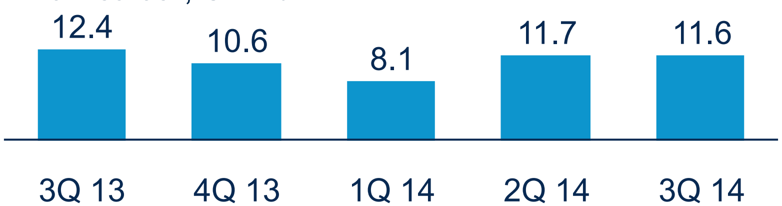
Mortgage as well as building savings loan sales above market

Mortgages

Outstanding, CZK bn

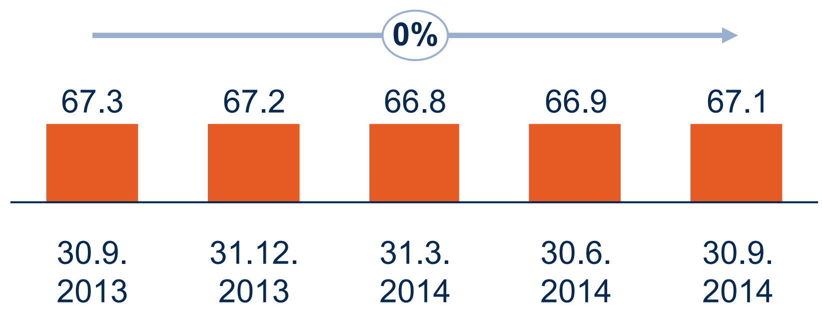


New sales*, CZK bn

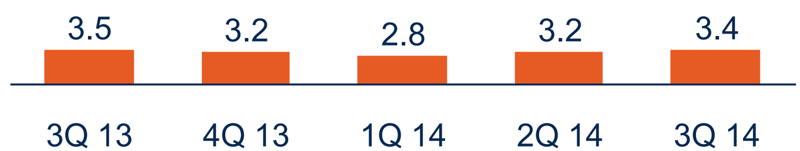


Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn



Relatively stable real estate prices, interest rates at new record lows and partly **refinancing building savings loans** helped **ČSOB to increase outstanding mortgage volumes by 8%** Y/Y in 9M 2014.

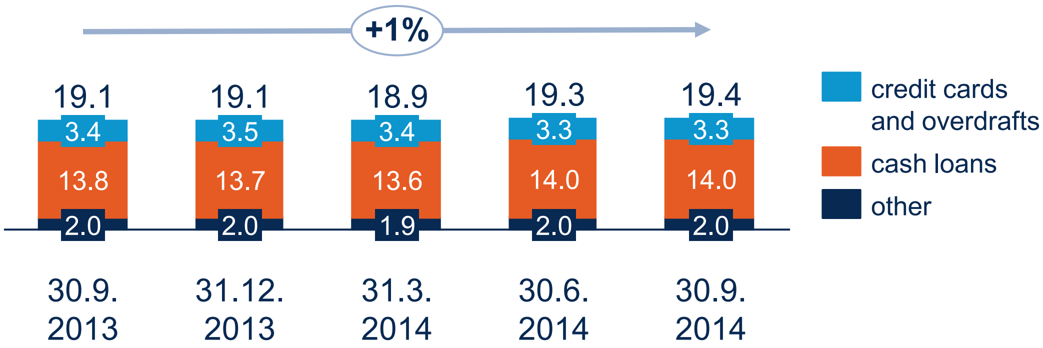
In 9M 2014, ČSOB provided almost 18 thousand new mortgages (-4% Y/Y) in the total amount of CZK 31.5bn (flat Y/Y), while total market decreased by 6% Y/Y in number of new mortgages and 4% Y/Y in total amount. Thus **ČSOB strengthened its leading market position in new sales**.

Outstanding loan portfolio remained flat Y/Y, while market declined 4% Y/Y. New sales of building savings loans decreased by 1% Y/Y in 3Q 2014.

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

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

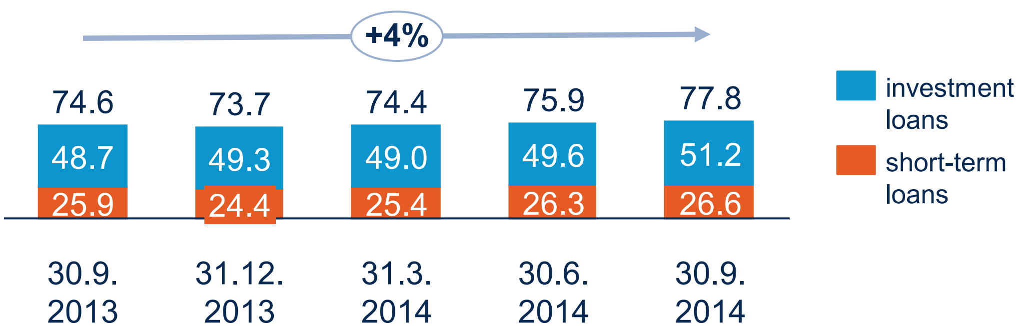
Consumer finance, outstanding, CZK bn



In 9M 2014, ČSOB achieved moderate growth on stagnating market leading to slightly higher market share.

Cash loans with interest rate discount applicable in the second half of the repayment period helped to keep solid new sales during weaker summer season. Besides, summer credit card campaign helped to stop decline in “credit cards and overdrafts”.

SME loans, outstanding, CZK bn



In 9M 2014, **SME loan** growth continued, driven in-line with our strategy by mid-sized and micro companies while keeping the credit risk under control.

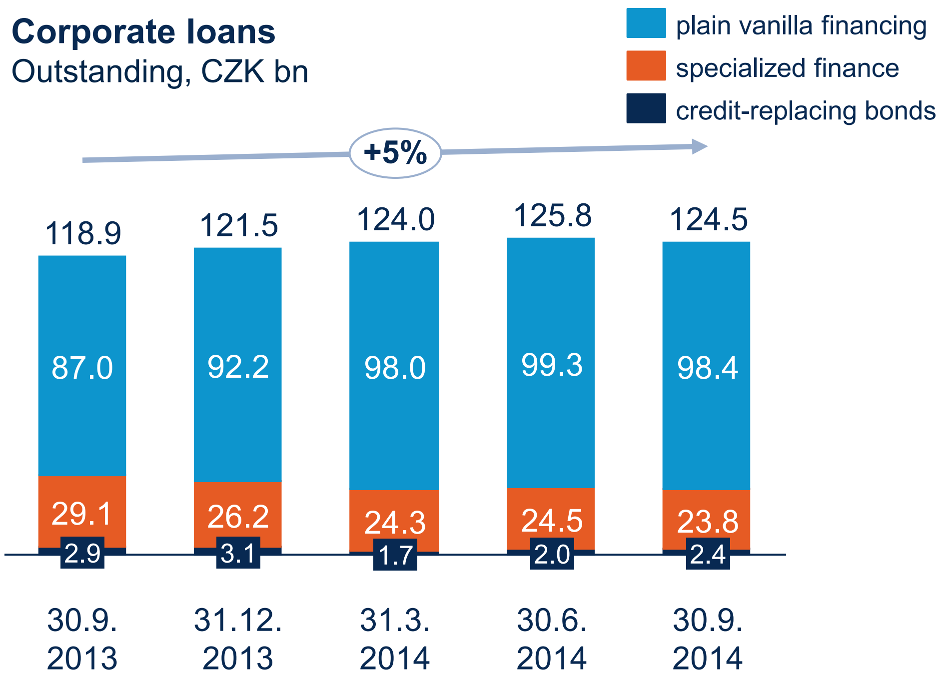
Leasing, outstanding*, CZK bn

ČSOB Leasing remains the market leader with strong new business growth. Outstanding volumes increased by 15% Y/Y, driven by machinery and equipment financing. Successful campaign in car financing and cross selling activities with corporate/SME segment and recently also with retail segment support leasing and asset financing sales.

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

Continued growth despite couple extraordinary repayments in plain vanilla and one in specialized finance area

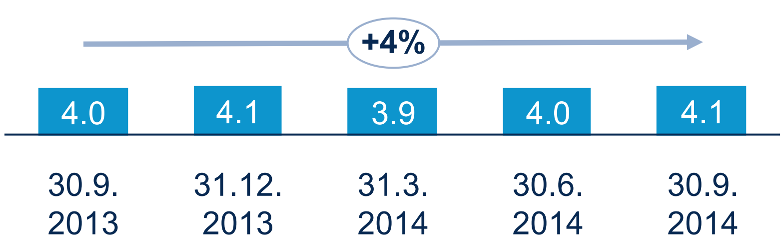
Corporate loans
Outstanding, CZK bn



Corporate loans grew 5% Y/Y driven by plain vanilla financing. The major Y/Y loan growth has been recorded in energy, telecommunications and retail sectors. Y/Y decrease in specialized finance was caused by extraordinary repayment of one large acquisition loan.

Q/Q decline in plain vanilla financing is due to two extraordinary repayments, which more then offset newly drawn loans in 3Q.

Factoring
Outstanding, CZK bn

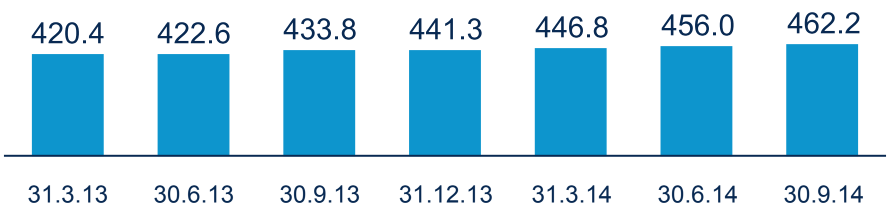


Factoring volumes increased 4% Y/Y, thanks to recovery in SME segment, mainly in distribution, automotive and manufacturing sector.

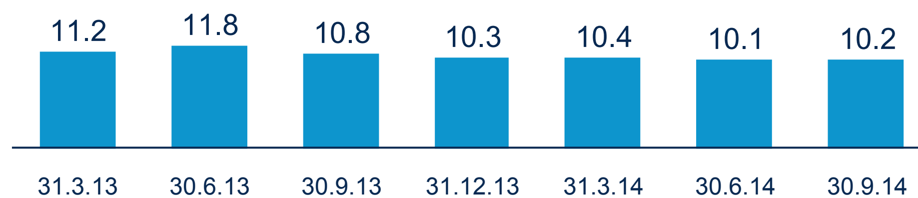
Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

Credit risk under control (1/2)

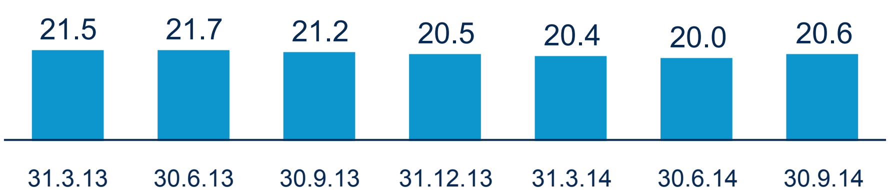
Loan portfolio[1] (CZK bn)



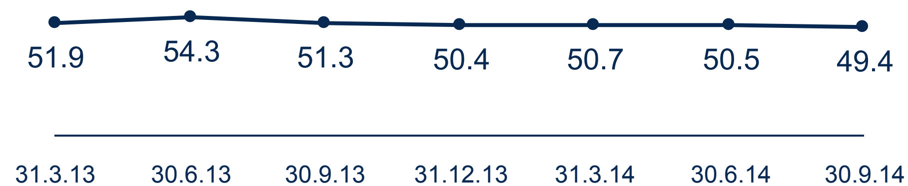
Allowances for loans and leases[2] (CZK bn)



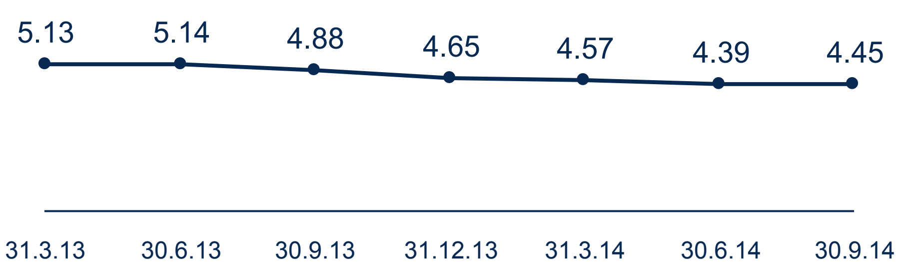
Non-performing loans (CZK bn)



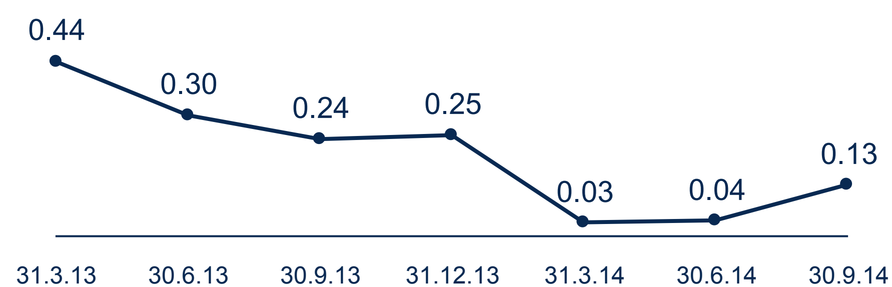
NPL coverage ratio (%)



NPL ratio (%)



Credit cost ratio[3] (%)



[1] For definition, see Appendix. *[2] Allowances for on-balance sheet items (PD10, PD11 and PD 12 only).* *[3] Ytd. annualized, including off-balance sheet items.*

Credit risk under control (2/2)

Impairments

- In 9M 2014, impairments on loans and receivables declined to CZK 478m (-45% Y/Y) and the credit cost ratio to non-sustainable 13 bps (Ytd., annualized). Stable macro environment and prudential lending policy lead to good quality of the loan portfolio. In addition, further decrease was caused by booking of all recoveries in impairments since 1Q 2014 (minor part booked in other net income till 4Q 2013).
- Excluding recoveries in 2014 (regular as well as those linked to historical file), the credit cost ratio would reach 19 bps (Ytd., annualized).
- CZK 384m of impairments were created in 3Q 2014 (>+100% Y/Y) partially due to Forbearance impact and lower base in 2013 (release of impairments linked to a historical file). Higher Y/Y impairments were recorded in mortgages, consumer loans, to a large extent offset by better corporate/SME segment.

Non-performing loans

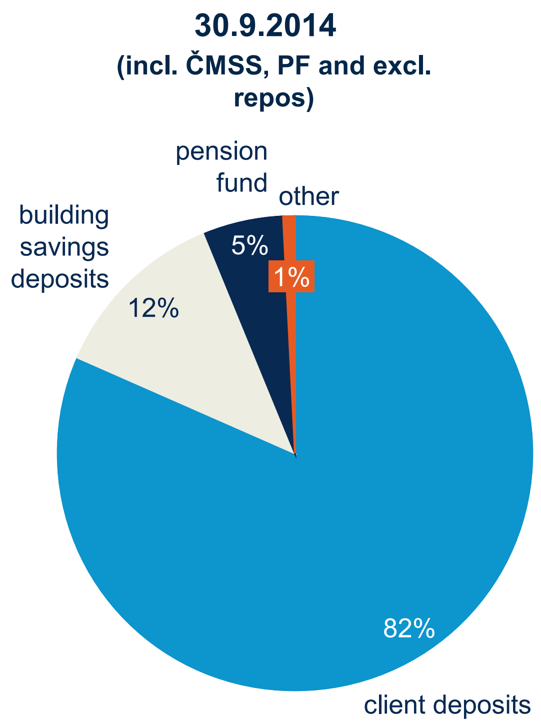
- The NPL ratio decreased by 43 bps Y/Y to 4.45% at the end of 3Q 2014 with lower Y/Y NPL ratio being reported in all segments and flat in building savings loans.
- In comparison with 2Q 2014, the NPL ratio was flat in leasing, while it declined in consumer loans, building savings loans, as well as in corporate/SME and increased in mortgages due to one-off implementation of Forbearance.

Coverage of non-performing loans

- Coverage of NPLs decreased by 1.9 pp Y/Y to 49.4%, due to slightly lower coverage of NPL across all segments but building savings loans.
- Mortgages representing almost half of the ČSOB group’s loan portfolio (excl. ČMSS), require less provisioning given the fact they are largely secured by collateral. Structure of the ČSOB group’s loan portfolio explains lower coverage ratio in comparison with the market.

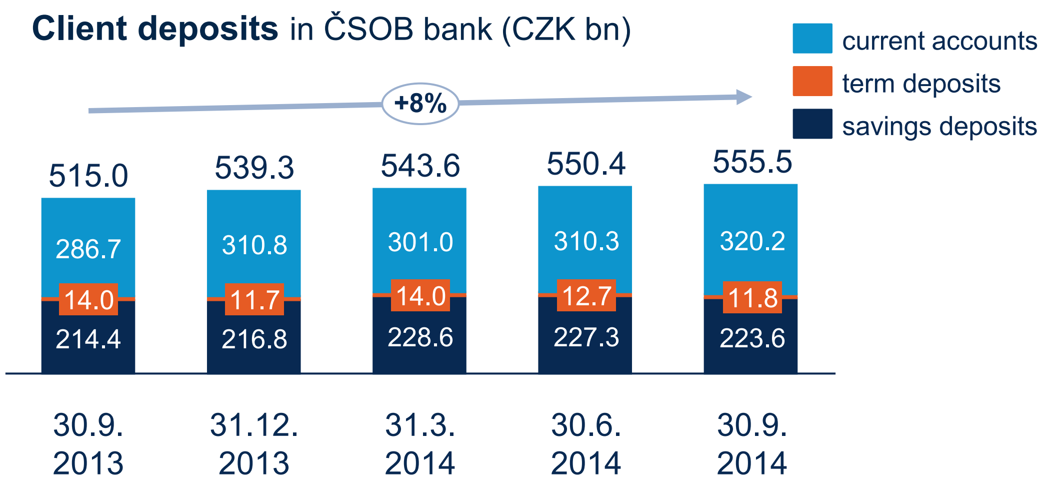
8% Y/Y growth of client deposits mainly thanks to strong growth of current accounts

Outstanding volumes, CZK bn	30.9.2013	30.9.2014	Y/Y
Group deposits	**529.1**	**573.1**	**+8%**
Client deposits	515.0	555.5	+8%
Current accounts	286.7	320.2	+12%
Savings deposits	214.4	223.6	+4%
Term deposits	14.0	11.8	-16%
Other[1]	14.1	17.5	+25%
Pension fund[2]	31.6	35.8	+13%
Building savings deposits[3]	82.9	82.3	-1%
Group deposits (incl. ČMSS, PF)	**643.6**	**691.2**	**+7%**
Repo operations[4]	76.5	128.3	+68%
Group deposits (incl. ČMSS, PF and repos)	**720.1**	**819.6**	**+14%**



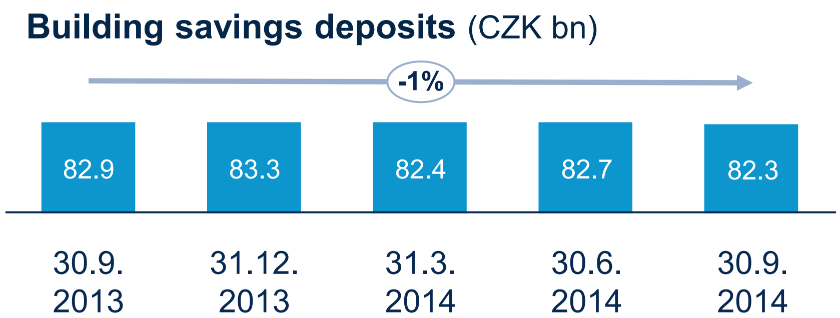
[1]Other deposits and repo operations with non-banking financial institutions.
[2]Liabilities to pension fund policy holders.
[3]ČSOB group building savings deposits are in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported in 55% but not included in the ČSOB's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

Growth driven by both retail and corporate/SME deposits

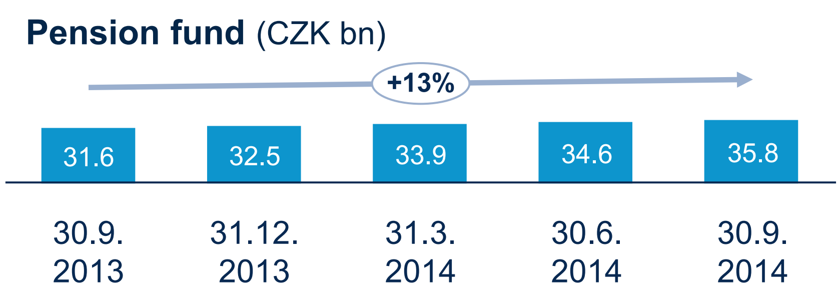


The Y/Y growth was visible in both retail and corporate/SME area. Within the total client deposits, **saving deposits** and **current accounts reported 4% Y/Y and 12% Y/Y growth**, respectively. Term deposits declined by 16% Y/Y, but from very low basis compared to the other two categories.

The **Q/Q increase** in **current accounts volumes** was driven mainly by retail.



The volume of **building savings deposits continued to slowly decline** Y/Y, however the pace is decelerating.



The **13% Y/Y increase of the pension fund** was driven by a good performance, improved retention and increased average monthly contribution (+5% Y/Y).

ATM network keeps growing, branch network further optimized

	30.9.2013	30.9.2014
Retail/SME branches and advisory centers	**562**	**558**
ČSOB Retail/SME branches	237	234
PSB branches ("Era Financial Centers")	74	73
ČMSS advisory centers	138	135
Hypoteční banka centers	27	28
ČSOB Pojišťovna branches	86	88
Leasing branches	11	12
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,100	ca. 3,100
ATMs[1]	994	1 023
ČSOB's clients (bank only, mil.)	2.9	2.9

[1] *Including ATMs of cooperating banks*

ČSOB further **enlarged its ATM network**. During the last twelve months, clients could use 29 new ATMs. Number of deposit ATMs reached 128 at the end of September 2014.

Due to ongoing optimization of the branch network, some branches were closed and few new ones were opened reflecting customers' changing needs for branch services. Number of ČSOB retail/SME branches decreased by 3 over the last twelve months.

The **number of ČSOB's clients** (bank only) slightly declined by 1% Y/Y.

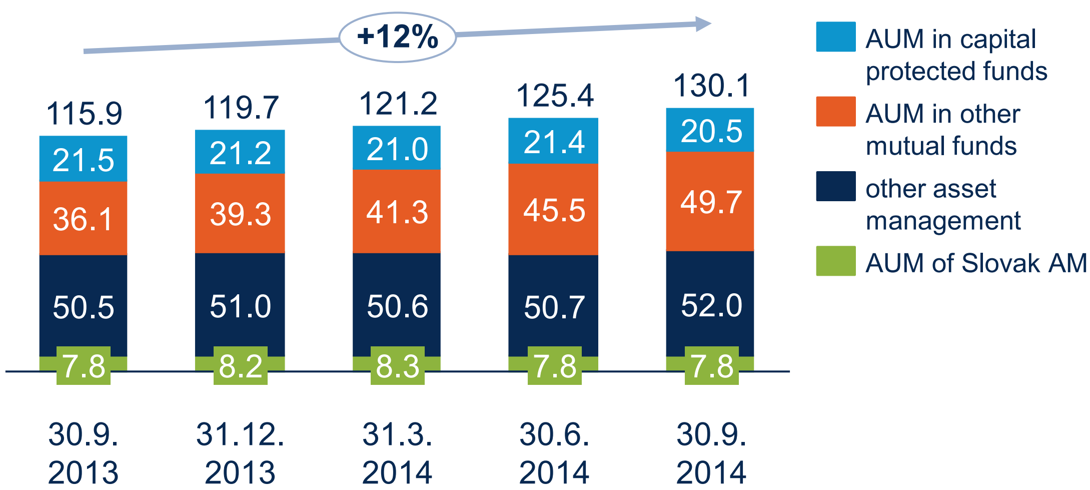
*Note: The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišťovna's tied agents, multi-agents and individual brokers.*

ČSOB Asset Management: Key Figures

Strong sales of mixed and structured mutual funds

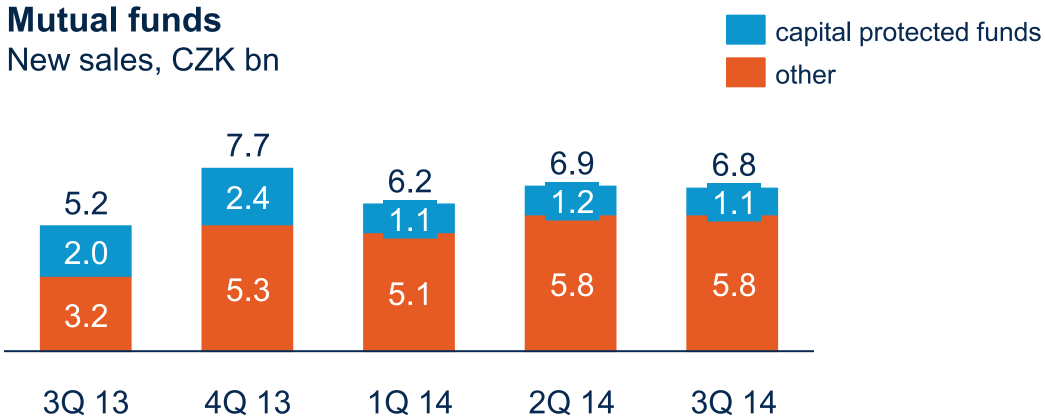
Assets under management

Outstanding volumes, CZK bn



Mutual funds

New sales, CZK bn



The ČSOB group is keeping its **number 1 position in the funds market.**
AUM increased by 12% Y/Y, of which capital protected and other mutual funds improved in total by 22% Y/Y, fully driven by the latter.

Clients continued to seek alternative investments to deposit products, which has been visible already for more than 1 year. Due to the fact, that interest rates are historically low, and 100% protection would be at the expense of potential appreciation, clients preferred mixed and structured funds.

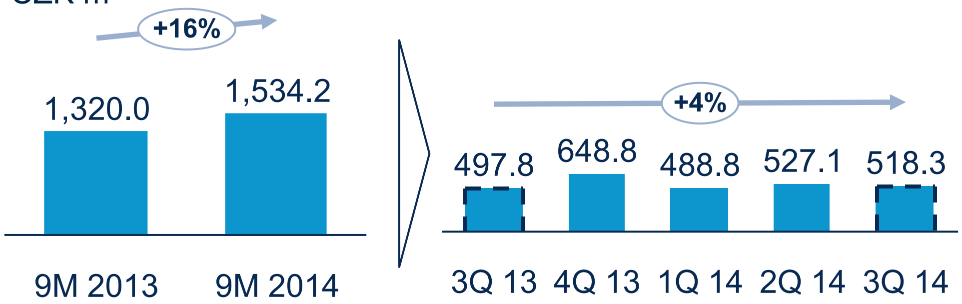
There were strong new sales in 3Q 2014, thanks to a good performance in maturing funds. As a result, satisfied clients reinvested most of the maturing volumes and added additional money to benefit from the potential on the market.

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.

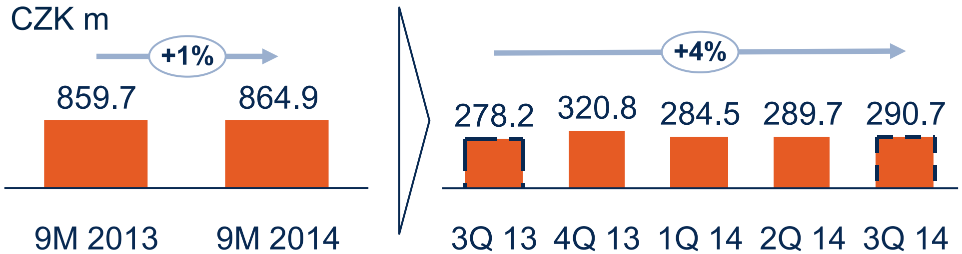
ČSOB Pojišťovna: Key Figures

Net profit growth driven by low base in 2013, good non-life performance and stable life segment

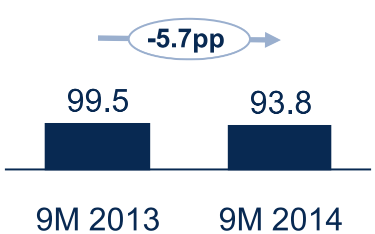
Operating income
CZK m



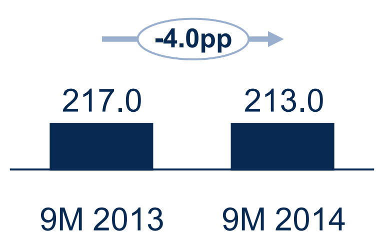
Operating expenses
CZK m



Non-life combined ratio* (%)



Solvency ratio (%)



9M/3Q 2014 **net profit reached CZK 533m** (+37% Y/Y) and **CZK 187m** (+5% Y/Y) respectively due to low base in 2013 caused by floods in June 2013. Excluding this effect, net profit would grow by 11% Y/Y and 5% Y/Y in 9M/3Q 2014 respectively. Net profit was positively influenced by better non-life technical result and supported by stable life segment.

9M/3Q 2014 **technical result in non-life segment increased to CZK 290m** and **CZK 98m** respectively. 9M 2014 technical result was positively influenced by continuing better evolution of Net earned premium despite several small claims. As a result, non-life combined ratio further improved below 94% level.

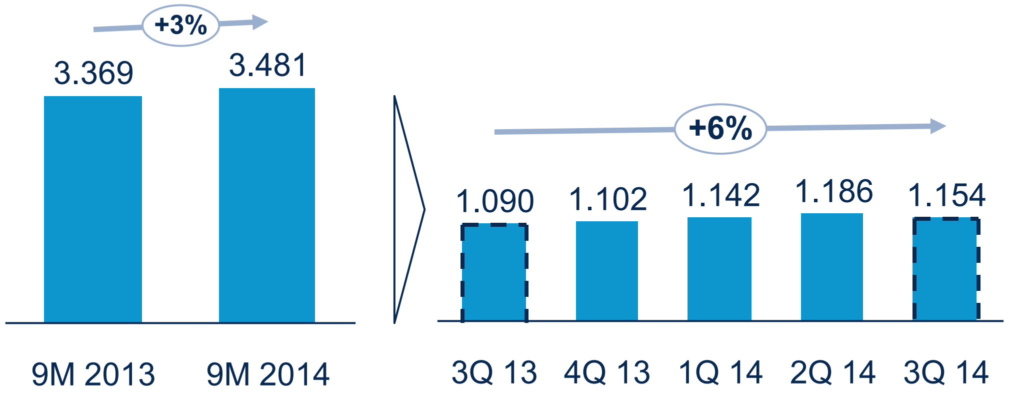
9M/3Q 2014 **technical result in life segment reached CZK 442m** (+11% Y/Y) and **CZK 150m** (-4% Y/Y), respectively. Life profit contribution remained solid despite lower Y/Y gross written premium and delivered better result in comparison to last year thanks to operating cost control.

Capital position of ČSOB Pojišťovna based on solvency ratio remained stable and broadly in line with last year level.

** As a result of methodological change in 1Q 2014, non-life combined ratio for 9M 2013 has been restated.*

Non-life revenue growth continues, life revenues lagging behind for 9M despite single paid improvement in 3Q

Gross written premium – non-life insurance
CZK bn

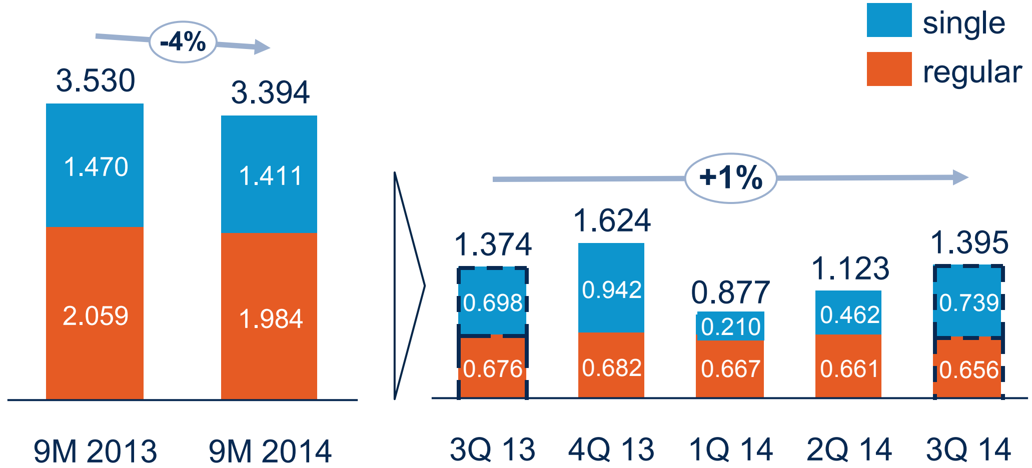


Market shares	3Q 2014	Market position
Non-life	⇨ 6.5%	6th
Life insurance	⬂ 6.1%	7th

Arrows show Y/Y change.

Non-life insurance
9M/3Q 2014 gross written premium in **non-life insurance** increased by 3% Y/Y and 6% Y/Y respectively, thanks to improved sales of households business.

Gross written premium – life insurance
CZK bn

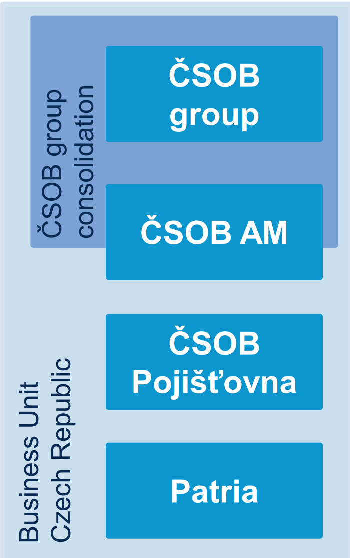


Life insurance
9M/3Q 2014 **regularly paid** gross written premium decreased 4% Y/Y and 3% Y/Y respectively as lower gross written premium of universal & traditional life insurance products was only partly compensated by higher gross written premium of unit linked products.

9M 2014 **single paid** gross written premium declined 4% Y/Y, while in 3Q 2014 increased by 6% Y/Y. The improvement in 3Q was driven by issued tranches of Maximal Invest in the amount of CZK 632m.

Business Unit Czech Republic

Decline in ČSOB group net profit was fully compensated by ČSOB Pojišťovna and Patria



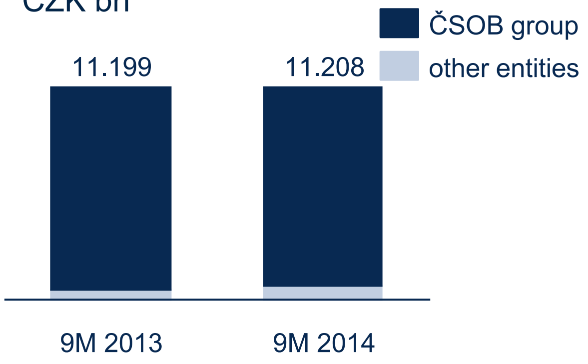
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 9M/3Q 2014 net profit of the Business Unit Czech Republic, which contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership in ČSOB Pojišťovna, ČSOB Asset Management (ČSOB AM) and Patria, reached **CZK 11.2bn** (flat Y/Y) and **CZK 3.6bn** (-11% 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

CZK bn



Net profit (CZK bn)	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	3Q/3Q	9M 2013	9M 2014	9M/9M
ČSOB group[1]	3.829	2.883	3.594	3.620	3.290	+14%	10.716	10.503	-2%
ČSOB Pojišťovna	0.178	0.273	0.160	0.186	0.187	+5%	0.390	0.533	+37%
ČSOB AM	0.032	0.031	0.032	0.038	0.026	-19%	0.095	0.096	0%
Patria[2]	0.001	-0.009	-0.009	-0.007	0.092	N/A	-0.002	0.076	N/A
Total	**4.040**	**3.178**	**3.776**	**3.838**	**3.594**	**-11%**	**11.199**	**11.208**	**0%**

[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 until 2Q 2014, while as of 3Q 2014 Patria Corporate Finance and Patria Online are also included, which had positive impact of CZK 38m.*

Appendix

Ratios and other indicators

Ratio / Indicator	31. 12. 2011	31. 12. 2012	31.12.2013	30.9.2013	30.9.2014
Net interest margin (Ytd., annualized, %)	3.39	3.21	3.20 (3.00)	3.25 (3.05)	3.19
Cost / income ratio (%)	46.7	45.9	47.5 (47.1)	46.1 (45.6)	47.1
RoE (Ytd., %)	17.9	22.8	18.2	19.5	17.2
RoA (Ytd., %)	1.23	1.63	1.42	1.52	1.41
RoAC, BU Czech Republic (Ytd., %)	N/A	35.1	40.0 (35.2)	43.4 (36.2)	37.6
Credit cost ratio (%, annualized)	0.36	0.31	0.25	0.24 (0.24)	0.13
NPL ratio (%)	5.19	4.79	4.65 (4.39)	4.88 (4.59)	4.45
NPL coverage ratio (%)	51.0	50.5	50.4 (49.7)	51.3 (50.5)	49.4
Core Tier 1 ratio (%)	11.7[1]	13.0[1]	15.6[1]	16.1[1]	17.7[2]
Total capital ratio (%)	15.5[1]	15.2[1]	15.6[1]	16.3[1]	18.1[2]
Solvency (Solvency I, %)	213.0	224.0	217.0	217.0	213.0
Leverage ratio (Basel III, %)	3.96	4.73	5.46	5.95	4.61
Net stable funding ratio (Basel III, %)	133.6	133.2	135.7	135.3	137.6
Liquidity coverage ratio (Basel III,%)	220.4	336.1	225.6	262.2	241.0
Loan to deposit ratio (%)	72.7	75.2	75.9 (77.0)	77.5 (80.5)	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. NPL coverage ratio has been restated from 2011 to reflect change in classification of NPL.
[1] According to Basel II, [2] According to Basel III

Profit and loss statement

(CZK m)	3Q 2013	2Q 2014	3Q 2014	Y/Y	Q/Q	9M 2013	9M 2014	Y/Y
Interest income	*6 720*	*6 863*	*6 603*	*-2%*	*-4%*	*20 520*	*20 304*	*-1%*
Interest expense	*-988*	*-1 033*	*-991*	*0%*	*-4%*	*-3 358*	*-3 067*	*-9%*
Net interest income	5 732	5 830	5 612	-2%	-4%	17 162	17 237	0%
Net fee and commission income	1 376	1 497	1 512	+10%	+1%	4 103	4 401	+7%
Net gains from financial instruments at FVPL[1]	591	361	550	-7%	+52%	1 699	1 173	-31%
Other operating income[2]	266	270	103	-61%	-62%	830	680	-18%
Operating income	**7 965**	**7 958**	**7 777**	**-2%**	**-2%**	**23 794**	**23 491**	**-1%**
Staff expenses	-1 690	-1 704	-1 726	+2%	+1%	-5 041	-5 138	+2%
General administrative expenses	-1 688	-1 891	-1 752	+4%	-7%	-5 358	-5 401	+1%
Depreciation and amortisation	-188	-161	-169	-10%	+5%	-563	-514	-9%
Operating expenses	**-3 566**	**-3 756**	**-3 647**	**+2%**	**-3%**	**-10 962**	**-11 054**	**+1%**
Impairment losses	-156	-46	-382	>+100%	>+100%	-866	-467	-46%
Impairment on loans and receivables	*-156*	*-52*	*-384*	*>+100%*	*>+100%*	*-862*	*-478*	*-45%*
Impairment on other assets	*0*	*6*	*2*	*>+100%*	*-67%*	*-4*	*11*	*N/A*
Share of profit of associates	229	189	162	-29%	-14%	638	536	-16%
Profit before tax	**4 472**	**4 345**	**3 910**	**-13%**	**-10%**	**12 604**	**12 507**	**-1%**
Income tax expense	-629	-710	-609	-3%	-14%	-1 849	-1 964	+6%
Profit for the period	**3 843**	**3 635**	**3 301**	**-14%**	**-9%**	**10 755**	**10 543**	**-2%**
Attributable to:								
Owners of the parent	**3 847**	**3 630**	**3 304**	**-14%**	**-9%**	**10 758**	**10 540**	**-2%**
Non-controlling interests	-4	5	-3	N/A	N/A	-3	3	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)	30/9 2013	31/12 2013	30/9 2014	Ytd.
Cash and balances with central banks	18 204	20 728	30 483	+47%
Financial assets held for trading	140 644	204 729	64 678	-68%
Financial assets designated at fair value through P/L	7 402	7 467	3 501	-53%
Available-for-sale financial assets	74 298	75 843	58 638	-23%
Loans and receivables - net	448 517	475 543	653 707	+37%
Loans and receivables to credit institutions - gross	*35 886*	*58 688*	*211 965*	*>+100%*
Loans and receivables to other than credit institutions - gross	*424 201*	*427 999*	*452 632*	*+6%*
Allowance for impairment losses	*-11 570*	*-11 144*	*-10 890*	*-2%*
Held-to-maturity investments	146 723	150 944	144 350	-4%
Fair value adjustments of the hedged items in portfolio hedge	660	927	1 700	+83%
Derivatives used for hedging	10 026	9 285	12 645	+36%
Current tax assets	24	13	16	+23%
Deferred tax assets	93	96	100	+4%
Investments in associate	4 768	4 913	4 779	-3%
Investment property	292	289	291	+1%
Property and equipment	7 698	7 557	6 581	-13%
Goodwill and other intangible assets	2 918	2 885	2 888	0%
Non-current assets held-for-sale	193	194	698	>+100%
Other assets	1 031	1 541	1 275	-17%
Total assets	**863 491**	**962 954**	**986 330**	**+2%**

Increase due to reclassification of overnight loan with CNB (implementation of FinRep).

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)	30/9 2013	31/12 2013	30/9 2014	Ytd.
Financial liabilities held for trading	131 422	186 920	96 208	-49%
Financial liabilities at amortised cost	637 684	677 232	784 455	+16%
of which Deposits received from central banks	492	*492*	*0*	N/A
of which Deposits received from credit institutions	47 227	*54 598*	*55 680*	+2%
of which Deposits received from other than credit institut.	560 735	*591 126*	*701 423*	+19%
of which Debt securities in issue	29 230	*31 016*	*27 352*	-12%
of which Subordinated liabilities	0	*0*	*0*	0%
Fair value adjustments of the hedged items in portfolio hedge	-92	-57	3 732	N/A
Derivatives used for hedging	8 563	9 507	12 014	+26%
Current tax liabilities	726	913	297	-67%
Deferred tax liabilities	2 192	1 913	2 188	+14%
Provisions	797	876	712	-19%
Other liabilities	4 422	5 197	4 066	-22%
Total liabilities	**785 714**	**882 501**	**903 672**	**+2%**
Share capital	5 855	5 855	5 855	0%
Share premium account	15 509	15 509	15 509	0%
Statutory reserve	18 687	18 687	18 687	0%
Retained earnings	30 049	32 949	35 334	+7%
Available-for-sale reserve	4 921	4 699	3 914	-17%
Cash flow hedge reserve	2 543	2 548	3 158	+24%
Foreign currency translation reserve	1	2	2	+0%
Parent shareholders' equity	**77 565**	**80 249**	**82 459**	**+3%**
Minority interest	212	204	199	-2%
Total equity	**77 777**	**80 453**	**82 658**	**+3%**
Total liabilities and equity	**863 491**	**962 954**	**986 330**	**+2%**

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

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

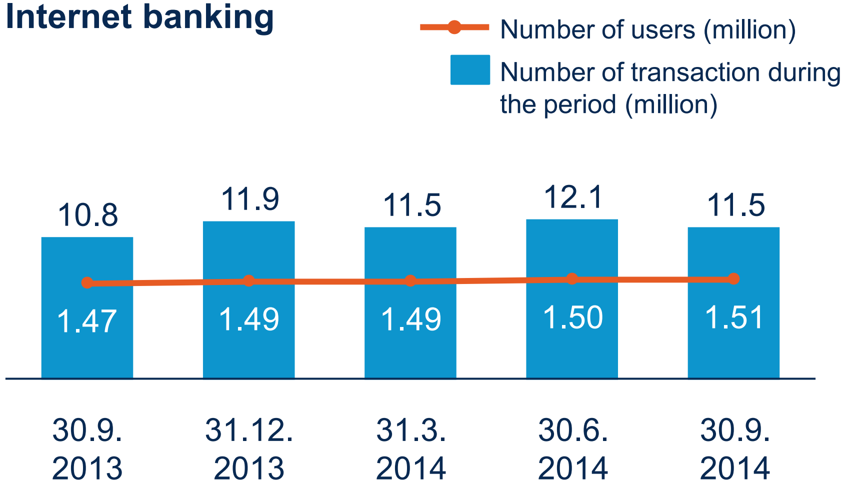
Other information

Non-performing loans

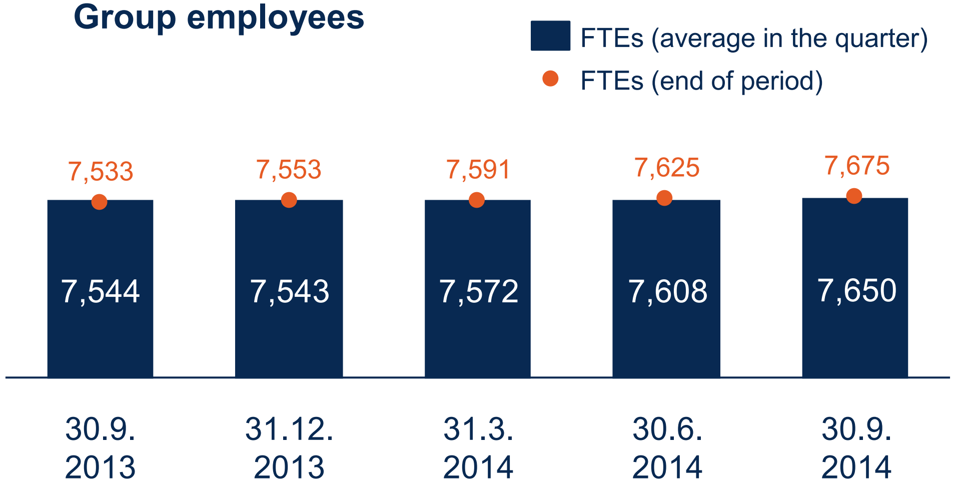
	30. 9. 2013		30. 9. 2014	
PD rating distribution	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
Total loans	433.8	100%	462.2	100%
Normal (PD 1-7)	402.4	93%	433.4	94%
Asset quality review (PD 8-9)	10.2	2%	8.2	2%
Uncertain performing (PD 10)	5.6	1%	5.6	1%
Uncertain non-performing (PD 11)	2.5	1%	2.3	0%
Irrecoverable (PD 12)	13.0	3%	12.7	3%

Note: Uncertain performing (PD 10) newly classified as non-performing loans according to new EBA definition.

Internet banking



Group employees



Credit rating and shareholder structure

ČSOB's credit ratings
As at 13 November 2014

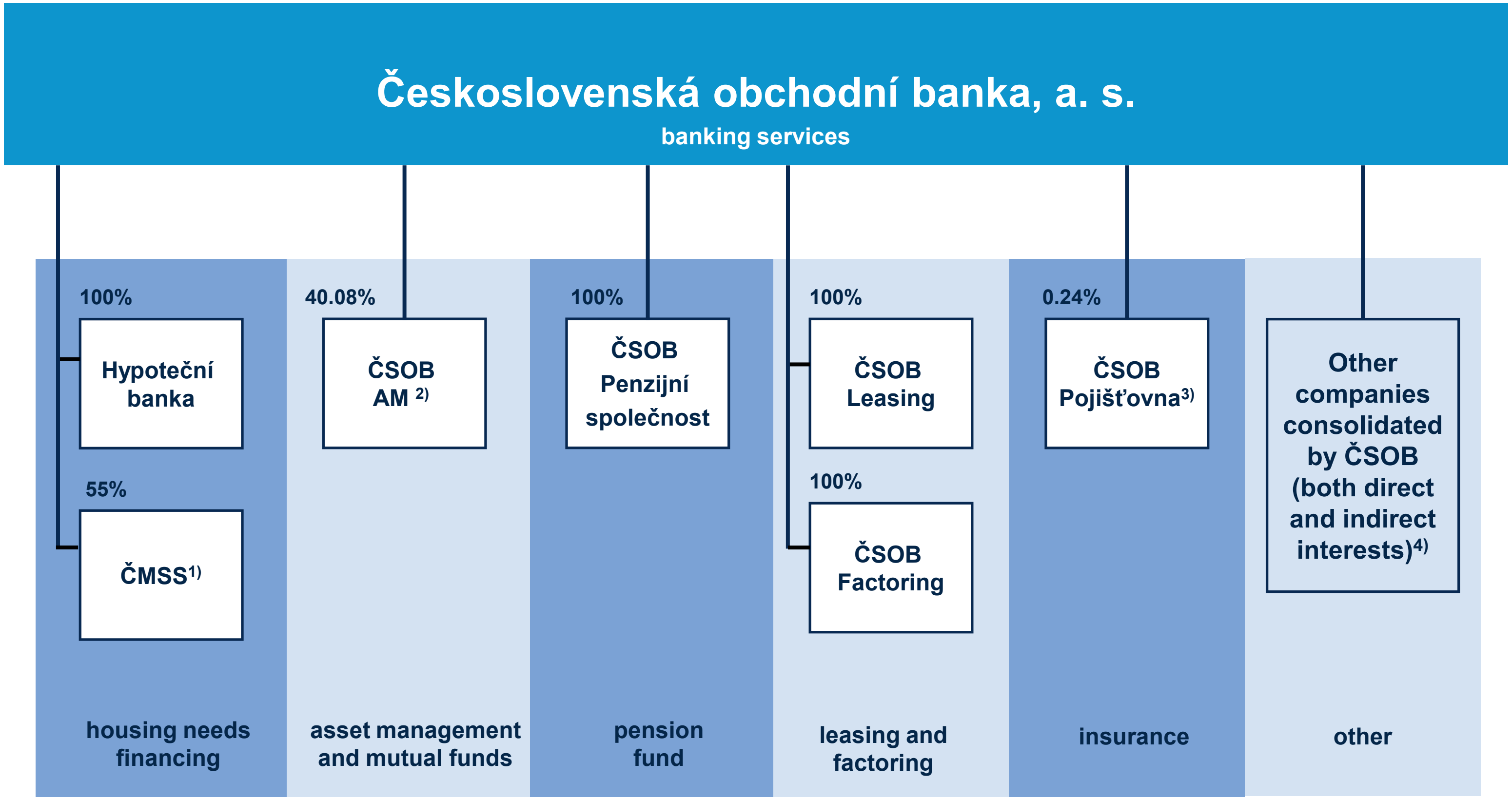
Rating agency	Moody's	S&P
Long-term rating:	A2	A
Outlook:	negative	negative
Short-term rating:	Prime-1	A-1
Financial strength:	C-	
LT rating valid since	20 June 2012	1 October 2014
Last confirmation	29 May 2014	1 October 2014

Shareholder structure

As at 30 September 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 30 September 2014.

[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; 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 in 2013 is stated in ČSOB Annual Report.

Organizational structure as of 1 October 2014

- **Chief Executive Officer** – John Hollows
  - **Internal Audit**
  - **Human Resources Management**
  - **Group Risk Management**
  - **Compliance**
  - **Communication**
  - **Legal**
  - **Insurance, Markets & Investments** – Marek Ditz - Senior Executive Officer
    - CSOB Insurance
    - CMSS
    - CSOB Asset Management
    - CSOB Pension Company
    - Financial Markets
    - Patria group
    - CSOB Advisory
  - **Relationship Services** – Petr Knapp - Senior Executive Officer
    - Corporate and Institutional Banking
    - SME Branch Network
    - Private Banking
    - Relationship Services Business Support
    - CSOB Leasing
    - CSOB Factoring
  - **Convenient Retail Services** – Petr Hutla - Senior Executive Officer
    - Client Services
    - Design
    - Retail Business Support
    - Strategic Partnerships
    - Consumer Finance
    - Mortgage Bank
  - **Change Zone** – Petr Hutla and Koen Wilmots
    - Transformation PMO (tým)
    - Digital Service and Channels
    - Customer Insight and Data
    - Products & Integration
  - **Operations & Techologies** – Koen Wilmots - Senior Executive Officer
    - Business Intelligence - CDS (B-2)
    - Operations and Procurement
    - Projects and Enterprise Architecture
    - IT
    - Facilities Management
  - **Finance Management** – Jiří Vévoda - Senior Executive Officer
    - Finance
    - Credits
    - Asset and Liability Management
    - Strategy and Development

Market shares definitions and sources

Item	Definition	Source
Total deposits	Total bank deposits excl. repo including unmarketable bills of exchange + ČMSS 55% and AUM of Pension fund	ČNB (Time series ARAD), ČSOB
Building savings loans	Outstanding volumes of building savings loans, ČMSS 100%	ČNB (ARAD), ČMSS
Building savings deposits	Deposits of buildings savings clients, ČMSS 100%	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 (ČNB methodology) / loan portfolio
NPL coverage ratio	Allowances for loans and leases / non-performing loans (ČNB methodology)
Core tier 1 ratio Total capital ratio	According to prudential reports of ČNB – Basel II (since 1 July 2007 till 31 December 2013), Basel III (since 1 January 2014)
Solvency (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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