The Banker
Bank of the Year 2013
CZECH REPUBLIC

FY/4Q 2013 Results
ČSOB Group
Business Unit Czech Republic

EU IFRS Unaudited Consolidated
13 February 2014

ČSOB

Contents

ČSOB Group: Key Figures

Measures of sustainable performance

Solid performance despite low interest rate environment

ČSOB group key indicators		2010	2011	2012	2013
Profitability	Net profit (CZK bn)	13.5	11.2	15.3	13.7
	Return on equity	20.3%	17.9%	22.8%	18.2%
Liquidity	Loan / deposit ratio	68.5%	72.7%	75.2%	77.0%
	Net stable funding ratio	137.7%	133.6%	133.2%	135.7%
Capital	Tier 1 ratio	14.2%	11.7%	13.0%	15.8%
Credit costs	Credit cost ratio	0.75%	0.36%	0.31%	0.25%
Cost efficiency	Cost / income ratio	44.0%	46.7%	45.9%	47.1%

Note: Consistent with a reporting of KBC, ČSOB is no longer showing the underlying net profit due to decreasing differences between underlying and reported net profit in the last quarters. Exceptional items are addressed on an ad hoc basis.

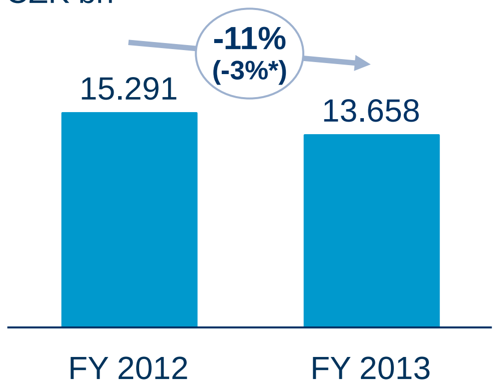
Strong and balanced business volumes growth, cost efficiency addressed, good quality of loan portfolio maintained

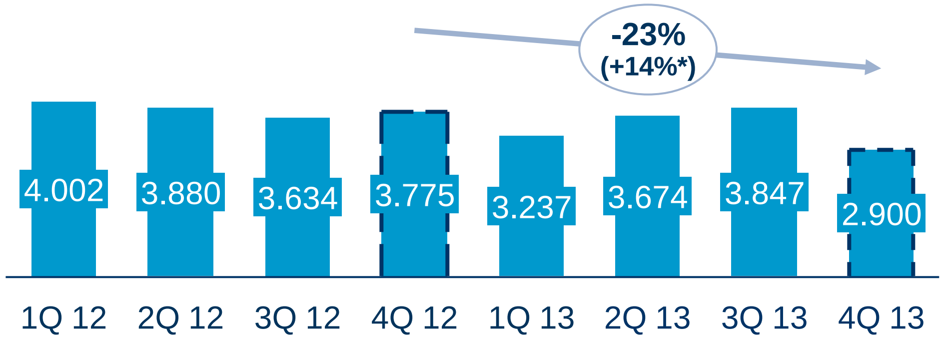
Business volumes	The **loan portfolio** kept growing to **CZK 508.5bn** (+7% Y/Y), mainly thanks to mortgages and corporate/SME loans. **Group deposits** grew to **CZK 660.3bn** (+5% Y/Y) thanks to both retail and corporate/SME deposits.
Operating income	**Operating income reached CZK 33.0bn** in 2013 (-6% Y/Y) and **CZK 7.8bn** in 4Q 2013 (-17% Y/Y). Adjusted for sale of stake in ČSOB Pojišťovna in 4Q 2012, the decline was **-2% Y/Y** and **-5% Y/Y** respectively, due to low interest rate environment which was only partly compensated by loans and deposits growth, increased demand for mutual funds and financial market products.
Operating expenses	**Operating expenses** decreased to **CZK 15.5bn** (-3% Y/Y) in 2013 and to **CZK 4.0bn** (-13% Y/Y) in 4Q 2013 thanks to savings in general administrative expenses and lower staff expenses.
Credit costs	**Credit cost ratio** decreased to **25 bps** (Ytd., -6bps Y/Y) and the decrease is to a large extent attributable to the recovery of a historical file in 3Q 2013. Adjusted for the recovery, credit cost ratio would decrease marginally to 29 bps (Ytd., -2bps Y/Y).
Net profit	As a result of above mentioned factors, **2013 net profit** stood at **CZK 13.7bn** (-11% Y/Y). **4Q 2013 net profit** decreased to **CZK 2.9bn** (-23% Y/Y). Adjusted for sale of stake in ČSOB Pojišťovna in 4Q 2012, net profit declined by 3% Y/Y in 2013 and grew 14% Y/Y in 4Q 2013.
Liquidity & Capital	**Loan / deposit ratio** increased to **77.0%** driven by stronger loan growth. **Tier 1 ratio** improved to **15.8%** thanks to profit retention and capital structure strengthening via KBC's capital increase in the amount of CZK 8bn in 3Q 2013.
Latest Innovations	In 4Q 2013, ČSOB and Era offered clients access to **Comfortable Data Box** via electronic banking. As of October **all ČSOB clients can use** their debit and credit **cards at Czech Post outlets**. ČSOB Pojišťovna started to offer **new insurance product** (Best Doctors), enabling coverage of worldwide treatment in case of serious diseases.

Higher demand in asset management and financial markets area coupled with lower impairments and OPEX partially compensate low interest rates environment

Net profit

CZK bn





FY/4Q 2013 **net profit decreased** by 11% Y/Y and 23% Y/Y respectively, mainly due to gain from sale of stake in ČSOB Pojišťovna in 4Q 2012. Continued low level interest rate environment further weighted on the result and strong business volumes, higher demand in asset management and financial markets area coupled with lower impairments and operating expenses did not fully compensate above mentioned negative effects.

The return on equity (ROE) declined to **18.2%** from 22.8% driven by weaker net profit and higher capital base, reflecting anticipated regulatory requirements.

** Excluding the impact of sale of stake in ČSOB Pojišťovna in 4Q 2012.*

Notes:

1Q 2012 one-off items (total of CZK -0.05bn) included in the results: Greek sovereign bonds sale (CZK -0.4bn), sale of the stake in ČSOB Asset Management (CZK 0.15bn), recovery of already impaired bad debt from the past (CZK 0.2bn).

2Q 2012 one-off items (total of CZK 0.1bn) included in the results: Sale of the stake in ČMZRB (CZK 0.1bn).

4Q 2012 one-off items (total of CZK 0.6bn) included in the results: Sale of a stake in ČSOB Pojišťovna (CZK 1.2bn), deferred acquisition costs in PF (CZK -0.2bn), severance reserve (CZK -0.2bn), impairment on goodwill in PF (CZK -0.2bn).

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).

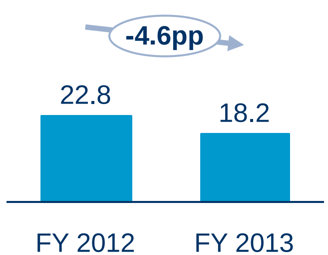
Key ratios
NIM declines due to low interest rates environment, NPL ratio further improved

Profitability

Net interest margin (%)

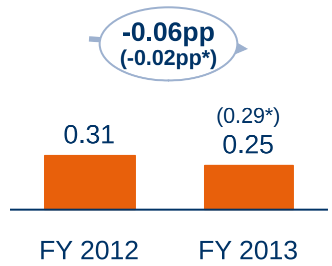
Cost / income ratio (%)

ROE (%)



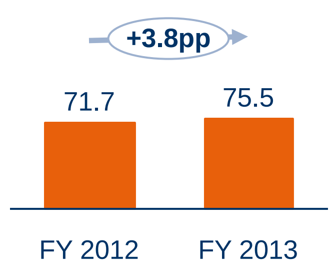
Loan portfolio quality

CCR, Ytd. (%)



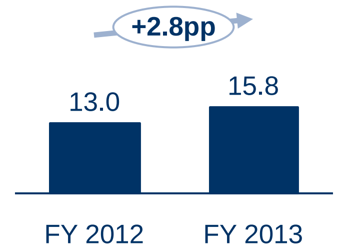
NPL ratio (%)

NPL coverage ratio (%)

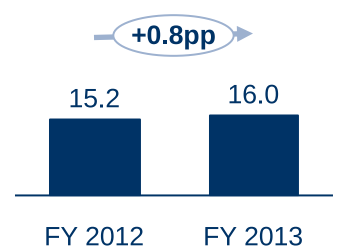


Capital

(Core) Tier 1 ratio (%)

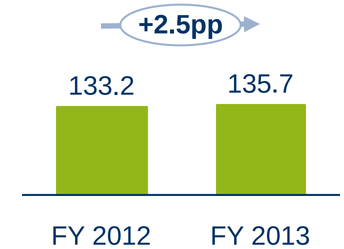


Total capital ratio (%)

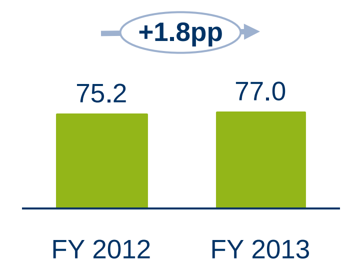


Liquidity

Net stable funding ratio (%)



Loan / deposit ratio (%)

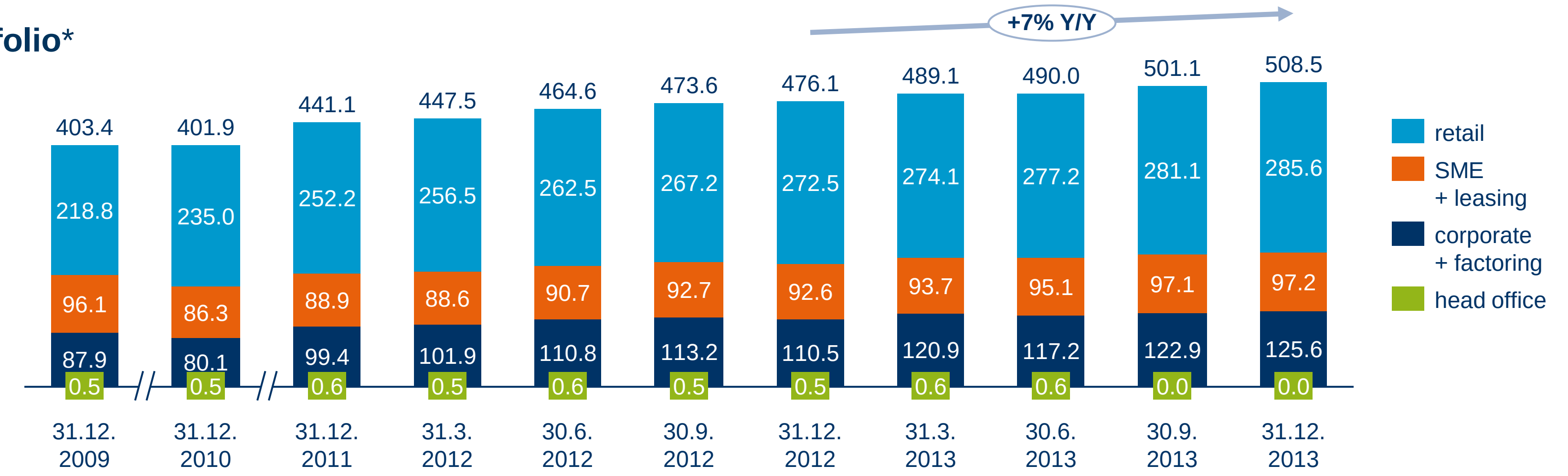


** Chart NIM: Excluding the impact of one-off adjustment of mortgage commission accruals in 4Q 2013.*
Chart CCR: Excluding the impact of the recovery of a historical file in 3Q 2013.
Chart C/I ratio: Excluding the impact of sale of stake in ČSOB Pojišťovna in 4Q 2012.

Continuous loan growth coupled with strong growth of client deposits

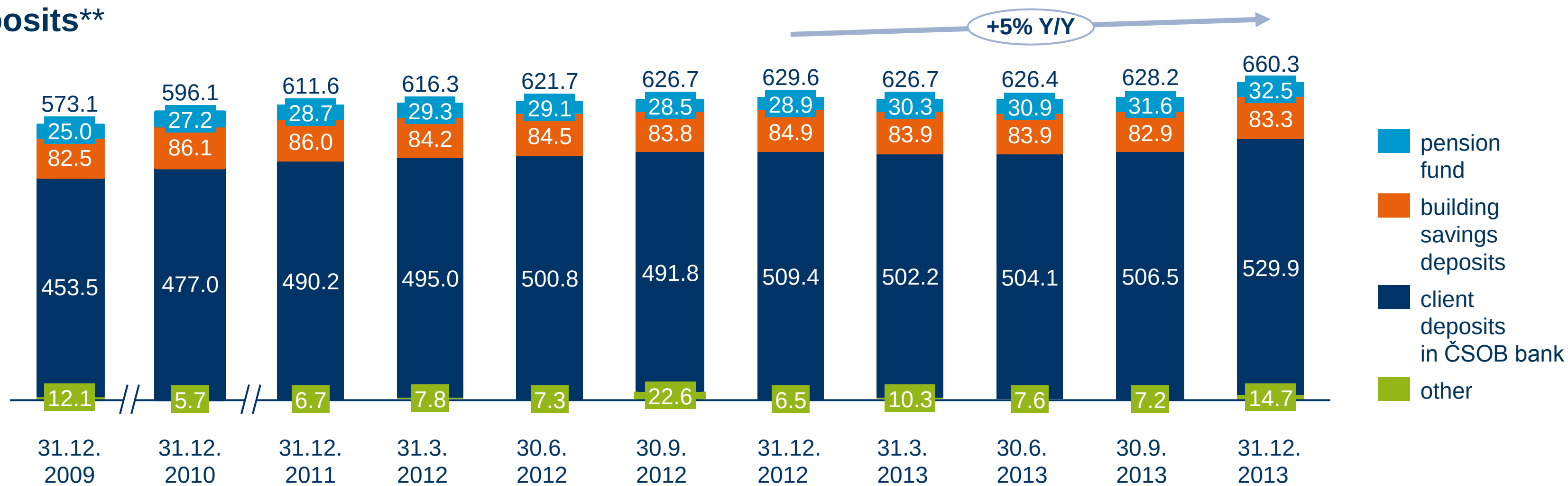
Loan portfolio*

CZK bn



Group deposits**

CZK bn

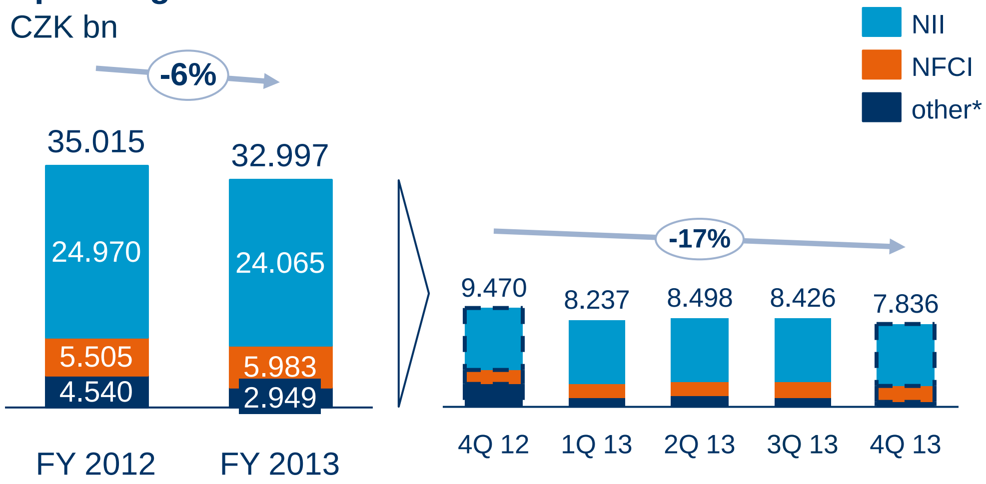


** Item Loans and receivables minus exposure to banks from inter-bank transactions plus credit replacing bonds.*
*** Item Deposits received from other than credit institutions from the consolidated balance sheet.*

ČSOB Group: Financial Overview

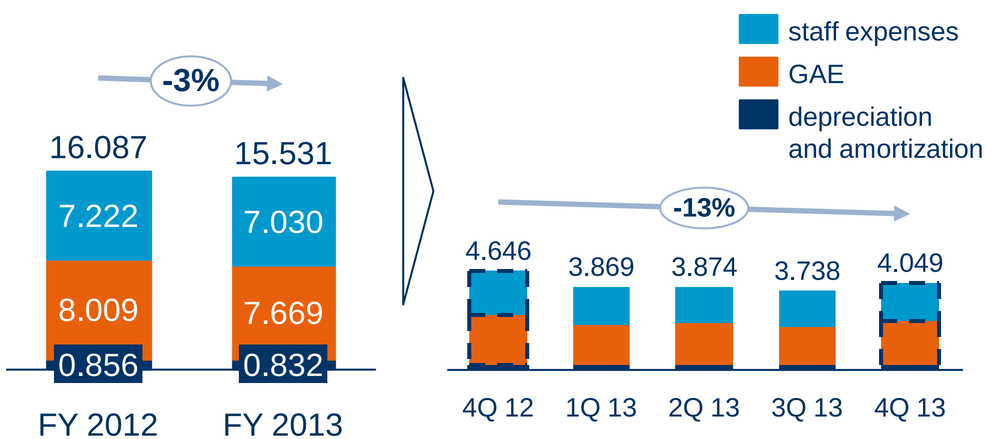
Operating expenses reduced to offset weaker operating income affected by low interest rate environment

Operating income
CZK bn



FY/4Q 2013 **operating income decreased** by 6% Y/Y and 17% Y/Y, respectively, impacted by a sale of a stake in ČSOB Pojišťovna in 4Q 2012 (item “other”). In addition, continued low interest rate environment and adjustment of mortgage commission accruals negatively impacted operating income, partly compensated by higher fees and commissions from increased mutual funds and financial markets products sales.
Item **“other”** decreased also due to technical revaluation of hedging derivatives (4Q 2013).

Operating expenses
CZK bn



FY/4Q 2013 **operating expenses declined** 3% Y/Y and 13% Y/Y, respectively, as a combination of savings in various categories and lower staff expenses due to severance reserve booked in 4Q 2012 and regular accruals of variable remuneration in ČMSS. Excluding the severance reserve, 2013 staff expenses remained flat Y/Y despite annual wage adjustment.

Cost / income ratio increased by 1.2 pp to **47.1%**. Adjusted for sale of stake in ČSOB Pojišťovna in 4Q 2012, the ratio would decline by 0.5 pp Y/Y.

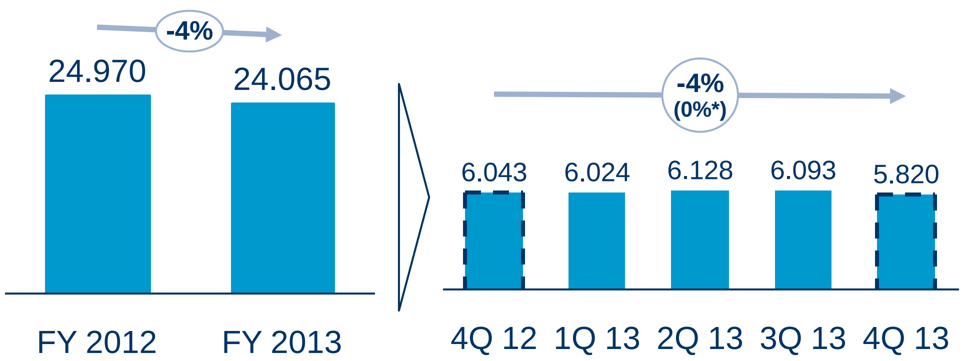
** Other = Net gains from financial instruments at FVPL + net realized gains on available-for-sale financial assets + dividend income + other net income.*

Net interest income and net fee and commission income

Higher loans and deposits volumes partially compensated impact of low interest rate environment

Net interest income (NII)

CZK bn

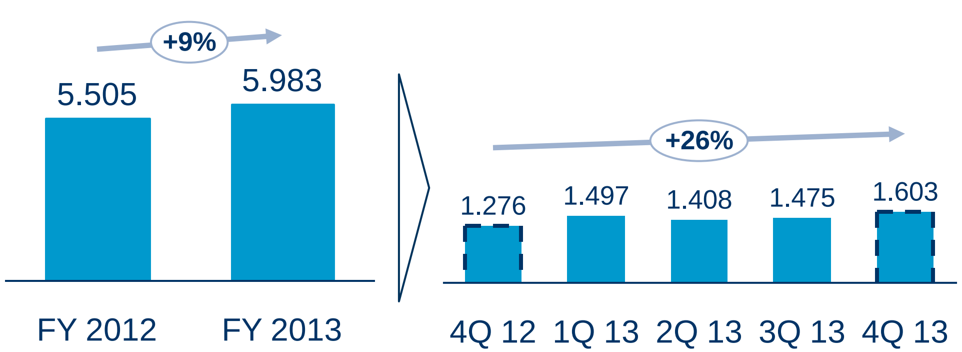


FY/4Q 2013 **net interest income declined** by 4% Y/Y. 2013 decline was due to lower interest rate environment. NII in retail decreased as lower net interest margin was not fully compensated by higher volumes and due to adjustment of mortgage commission accruals in 4Q 2013. NII in corporate/SME segments increased as resilient NIM was accompanied with higher loan volumes.

Adjusted for mortgage commission accruals, 4Q 2013 net interest income remained flat Y/Y.

Net fee and commission income (NFCI)

CZK bn



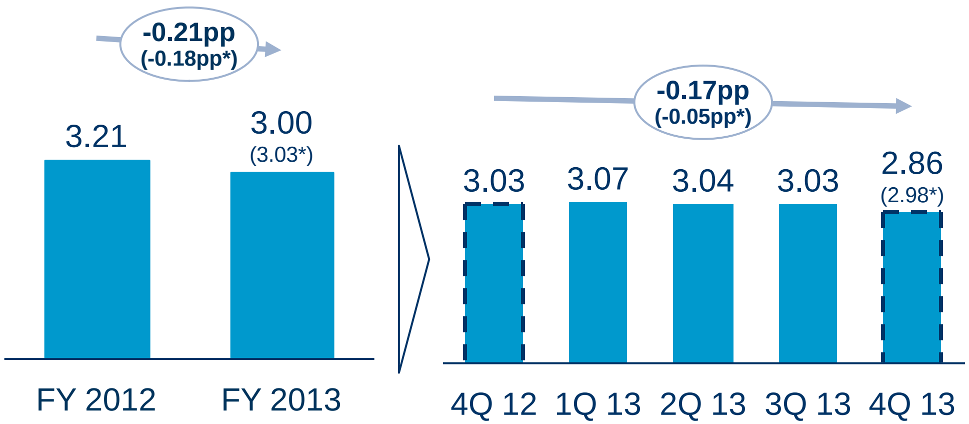
FY/4Q 2013 **net fee and commission income grew** by 9% Y/Y and 26% Y/Y, respectively. The Y/Y increase stemmed mainly from higher demand for mutual funds and higher sales in the financial markets area, partly offset by higher commissions paid to distribution. The result was also affected by low comparison basis in 4Q 2012, when ČSOB wrote-off deferred acquisition costs in pension fund.

Q/Q increase was driven by higher fees in retail (mutual funds, payment/cards area) as well as in corporate (loan fees, custody services).

** Excluding the impact of one-off adjustment of mortgage commission accruals in 4Q 2013.*

Deceleration of NIM decline thanks to stable loan margins and active management of funding costs

Net interest margin (%)



	2011	2012	2013
Net interest margin (Ytd., %)	3.39	3.21	3.00 (3.03*)

Weakness in 4Q 2013 NIM is mainly due to one-off adjustment of mortgage commission accruals. Excluding this item, FY/4Q 2013 NIM would reach 3.03% and 2.98%, respectively.

Quarterly results development clearly shows **deceleration of NIM decline** over the last five quarters, which is a result of stable loan margins and active management of funding costs.

Other **main reasons** for the Y/Y decline of the NIM:

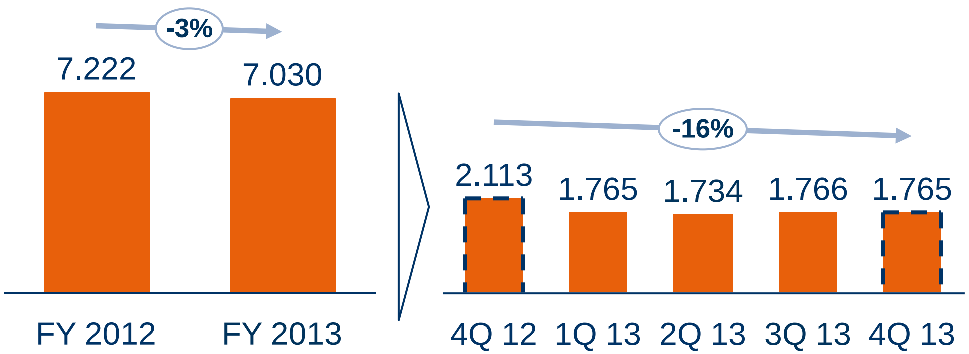
- An exceptionally low interest rate environment (ČNB lowered its 2W repo rate to 0.05 % in November 2012).
- Reinvestments of excess liquidity at lower yields (compression of CZ sovereign bonds interest rates).
- Strong volume growth in corporate loans (the average NIM lower than in retail).

** Excluding the impact of one-off adjustment of mortgage commission accruals in 4Q 2013.*

Savings in key categories of general administrative expenses complemented with lower staff expenses

Staff expenses

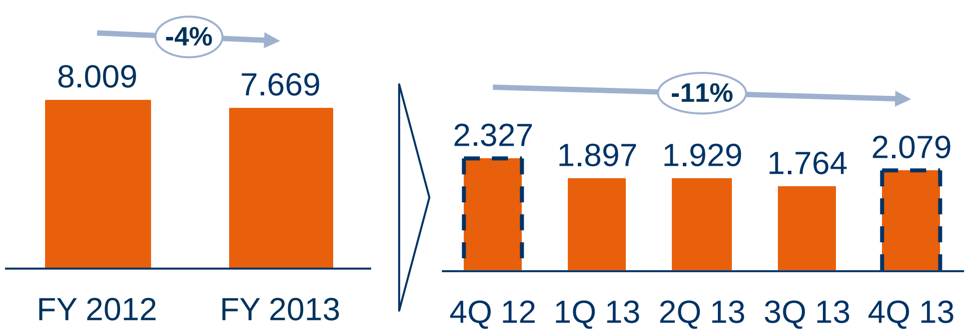
CZK bn



Staff expenses decreased by 3% Y/Y in 2013 thanks to decline in average number of employees (the number of FTE decreased Y/Y by nearly 250) and severance reserve booked in 4Q 2012. The 16% Y/Y decline in 4Q 2013 was also impacted by methodological change in ČMSS (2013: monthly vs. 2012: annual accruals of variable remuneration).

General administrative expenses

CZK bn

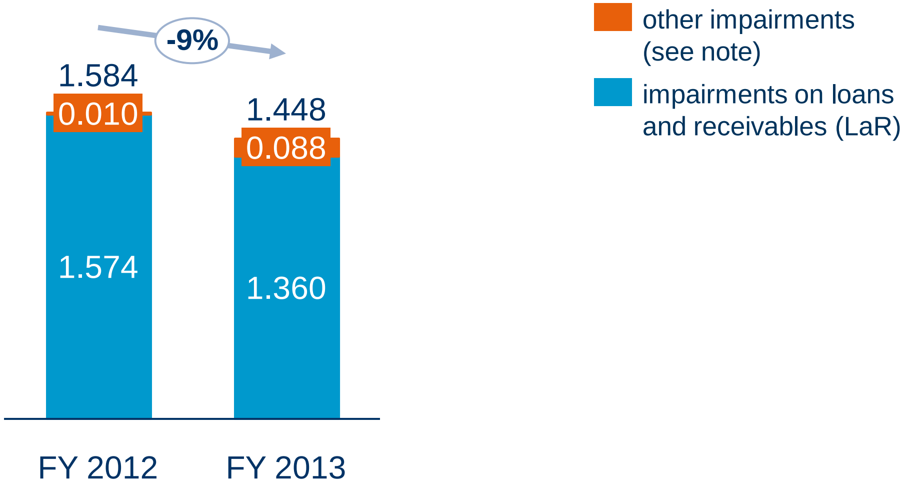


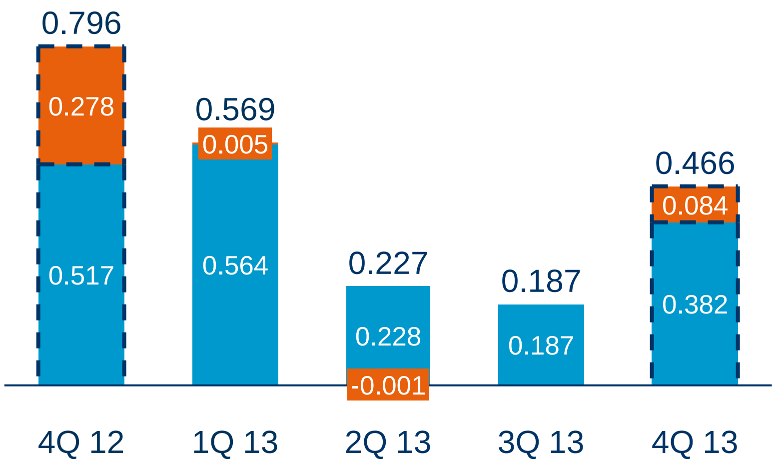
FY/4Q 2013 **decrease of general administrative expenses** by 4% Y/Y and 11% Y/Y, respectively was achieved largely by lower spending in marketing, postage, and other expense categories.

Q/Q increase was driven mainly by seasonally higher marketing expenses and training expenses.

Stable credit costs excluding recovery of historical file in 2013

Total impairments
CZK bn





In 2013, **impairments on loans and receivables declined** to CZK 1,360m (-14% Y/Y) and the credit cost ratio to 25 bps (Ytd.), i.e. 6 bps lower Y/Y, which thus remained below over-the-cycle level.

CZK 382m of impairments were created in 4Q 2013 (-26% Y/Y). Lower impairments Y/Y were recorded in consumer finance, corporate/SME, factoring as well as in mortgages (excl. model change). Building savings loans and leasing remained flat.

Q/Q, credit costs increased largely due to release of impairment linked to a historical file in 3Q 2013. Excluding this item, credit costs were flat as corporate/SME segment, consumer finance and mortgages (excl. model change) had lower impairments in comparison with the 3Q 2013, while building savings loans and leasing remained stable.

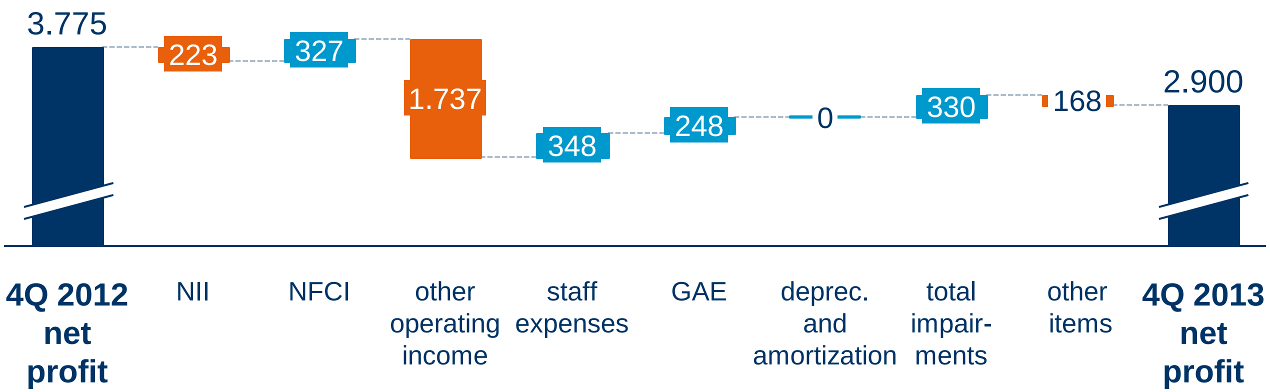
Notes:
In 1Q 2012, a release of CZK 217m was booked in other impairments due to the recovery of already impaired receivables from the past. This contributed significantly to the decrease of the total impairments.

In 4Q 2012, changes in legislation resulted in an impairment on goodwill in the pension fund reported in other impairments.

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

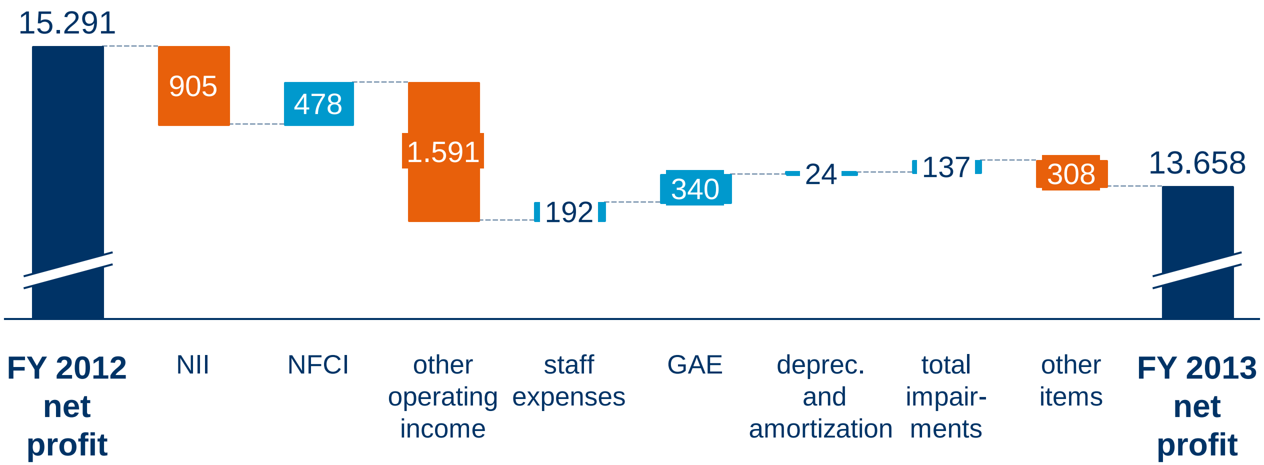
Quarterly net profit (Y/Y)

CZK bn



Ytd. net profit (Y/Y)

CZK bn



The **main difference between 4Q 2013 and 4Q 2012 net profit was caused by** sale of stake in ČSOB Pojišťovna booked in other operating income in 4Q 2012. Besides, low interest rate environment and adjustment of mortgage commission accruals led to lower NII. Positive contribution came from higher business volumes (NII) together with increased demand for mutual funds and financial markets products (NFCI). Lower general administrative expenses and staff expenses thanks to savings in all expense categories contributed positively to Y/Y performance. Impairments contributed positively thanks to impairment on goodwill in pension fund (4Q 2012). Higher tax expense affected net profit negatively.

Lower net profit in 2013 compared to 2012 was caused mainly by profit from sale of ČSOB Pojišťovna booked in other operating income in 2012. Besides, low interest rate environment and adjustment of mortgage commission accruals led to lower NII. Notwithstanding higher commissions paid to distribution, NFCI increased thanks to a higher demand for mutual funds and higher sales in financial markets area. Staff expenses were lower thanks to decline in headcount and severance reserve booked in 2012. Savings in key general administrative expenses items contributed positively to net profit, while higher tax expense affected net profit negatively.

Capital position further strengthened thanks to profit retention and capital structure strengthening via KBC's capital increase

Consolidated, CZK m	31.12.2012	31.12.2013
Total regulatory capital	**52,161**	**55,684**
- Tier 1 Capital	44,975	55,245
- Tier 2 Capital	7,983	454
- Deductions from Tier 1 and Tier 2	-797	-16
Total capital requirement	**27,389**	**27,936**
- Credit risk	21,669	22,002
- Market risk	1,204	1,410
- Operational risk	4,516	4,524
Total RWA	**342,360**	**349,202**
Core Tier 1 ratio = Tier 1 ratio	**13.0%**	**15.8%**
Total capital ratio	**15.2%**	**16.0%**

Tier 1 capital increased thanks to retention of CZK 2.4bn from the 2012 net profit. Capital structure was further strengthened as the remaining subordinated debt (Tier 2) in the amount of CZK 8bn was repaid in August and at the same time, the share capital (Tier 1) was increased by CZK 8bn.

RWA increase driven by loan portfolio growth.

Notes:
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

Market share in total loans stable thanks to corporate/SME loans and growth in consumer finance and building savings loans

1st

Building savings loans[1]	↗ 45.3%
Building savings deposits[1]	→ 35.7%
Mortgages[1]	↘ 30.0%
Mutual funds[1]	↘ 28.3%
Leasing[2]	↗ 13.4%

2nd

Total Loans[1]	**→ 19.2%**
Total Deposits[1]	**↘ 19.6%**
Factoring[2]	↘ 20.4%

3rd

Pension fund[3]	↘ 14.0%
Corporate/SME loans[1]	→ 14.3%
Consumer lending[1,4]	↗ 11.2%

Arrows show Y/Y change. Market shares as of 31 December 2013, except for pension fund, mutual funds and factoring, which are as of 30 September 2013. The ranking is ČSOB's estimate.

[1] Outstanding at the given date; [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.

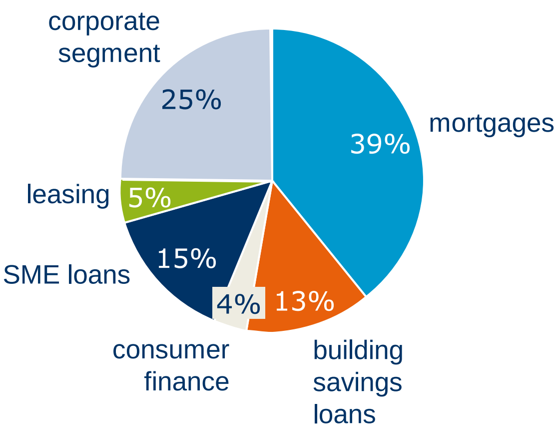
Sources and detailed definitions are provided in Appendix.

Growth in mortgages, corporate/SME as well as leasing helped to outperform the market

Gross outstanding volumes, CZK bn	31.12.2012	31.12.2013	Y/Y
Loan portfolio	**476.1**	**508.5**	**+7%**
Retail/SME Segment			
Mortgages[1]	183.6	199.3	+9%
Building savings loans[2]	69.8	67.2	-4%
Consumer finance	19.1	19.1	0%
SME loans	70.8	73.7	+4%
Leasing	21.8	23.5	+8%
Corporate Segment			
Corporate loans[3]	106.5	121.5	+14%
Factoring	4.0	4.1	+2%
Head Office[4]	0.5	0.0	-94%

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

31.12.2013



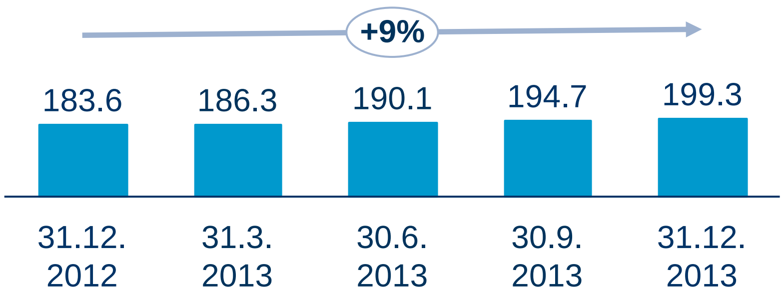
[1] The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.
[2] The ČSOB group building savings loans are booked in the balance sheet of the ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported pro rata, i.e. the way they enter ČSOB's consolidated balance sheet.
[3] Including credit-replacing bonds.
[4] Historic files.

Housing loans

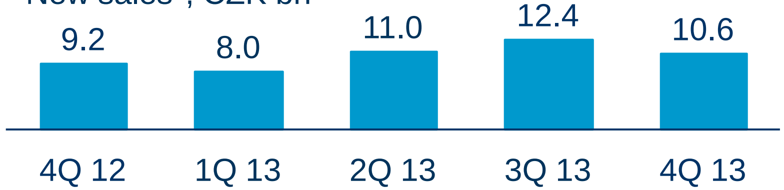
Mortgage new sales in 2013 reached record high level

Mortgages

Outstanding, CZK bn

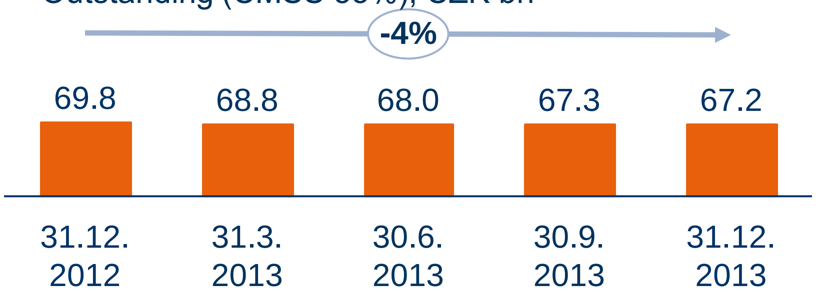


New sales*, CZK bn

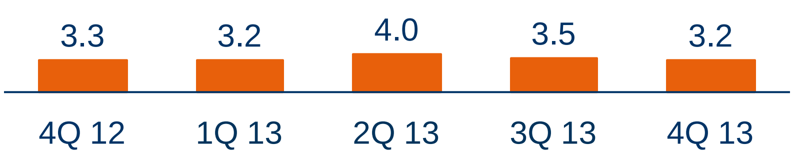


Building savings loans

Outstanding (ČMSS 55%), CZK bn



New sales (ČMSS 55%)*, CZK bn



Stable real estate prices, interest rates at record lows and partly **refinancing building savings loans** helped **ČSOB to increase outstanding mortgage volumes by 9%** Y/Y in 2013.

ČSOB provided CZK 42bn (+15% Y/Y) of new mortgages in 2013, thus reaching **record high level**. Customers demanded mainly financing for house purchases (ca. 60%) and somewhat less for apartment purchases (ca 40% of new sales in 2013).

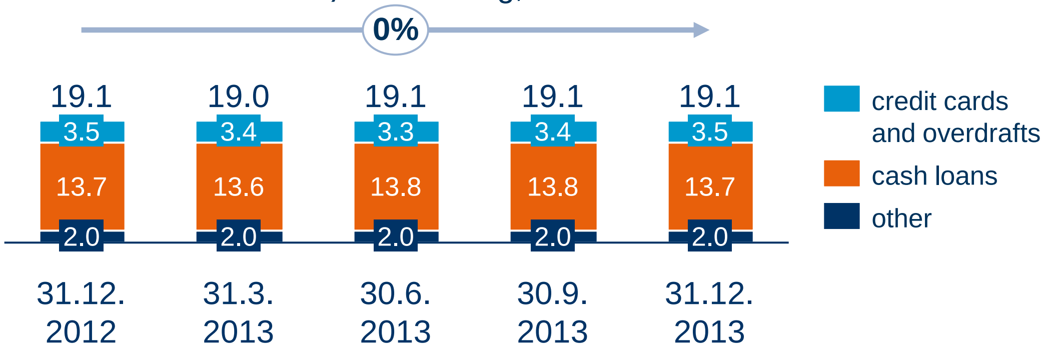
Portfolio of building savings loans decreased Y/Y as clients in general preferred mortgages to building savings loans in a low interest rate environment. As a result, the whole **market of building savings loans declined by 6% Y/Y in 4Q 2013**.

Although outstanding volumes decreased Y/Y, ČMSS strengthened its market share.

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

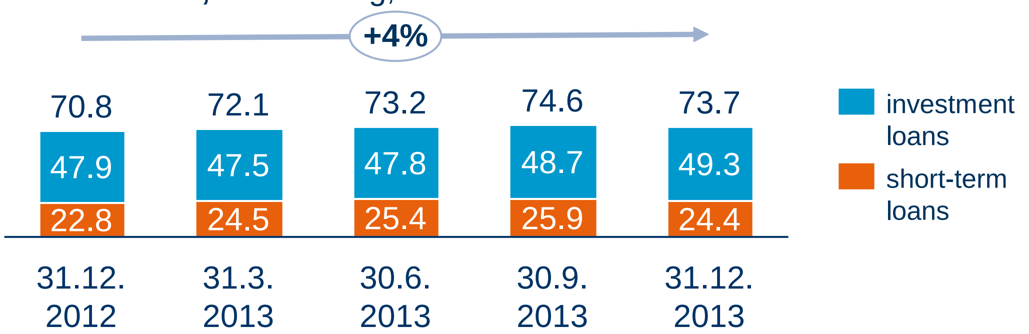
Sound growth in leasing, SME growth stable

Consumer finance, outstanding, CZK bn



In 4Q 2013, ČSOB managed to keep its market share in **consumer finance** on the stagnating market, while keeping cost of risk under control. During 4Q 2013, ČSOB introduced several new products, e.g. flexible cash loan features or online sales via smartbanking application.

SME loans, outstanding, CZK bn



ČSOB was able to keep a stable **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. Q/Q decrease in outstanding SME loans was driven by seasonality of short-term loans.

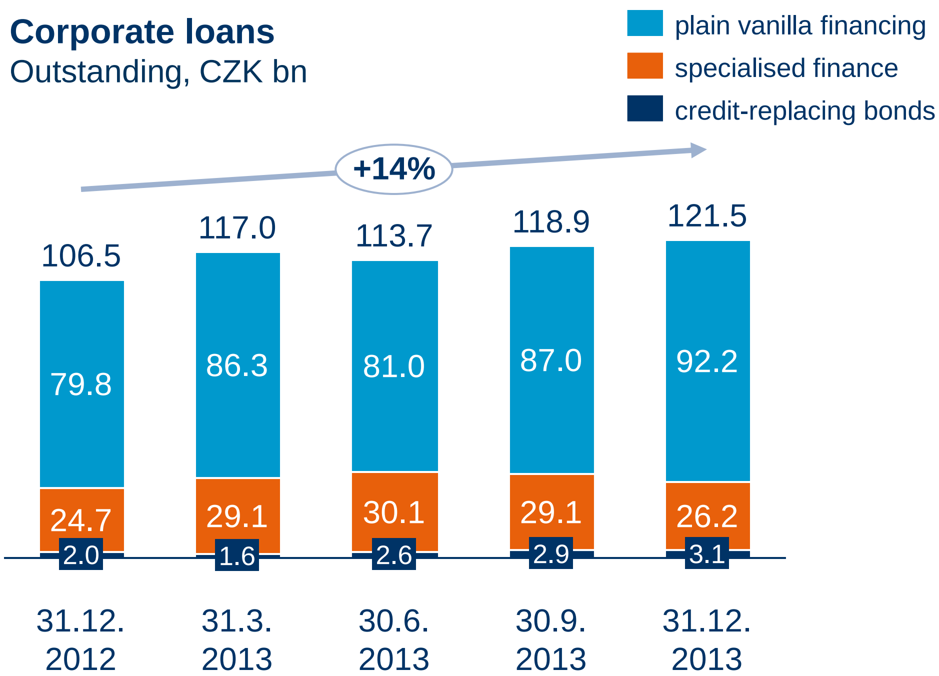
Leasing, outstanding*, CZK bn

ČSOB Leasing outperformed the market and further strengthened its leading market position. New sales increased by 11% Y/Y, driven by machinery and equipment asset financing. Besides, cross selling activities supported leasing sales.

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

Corporate segment
Strong growth driven by plain vanilla as well as specialized financing

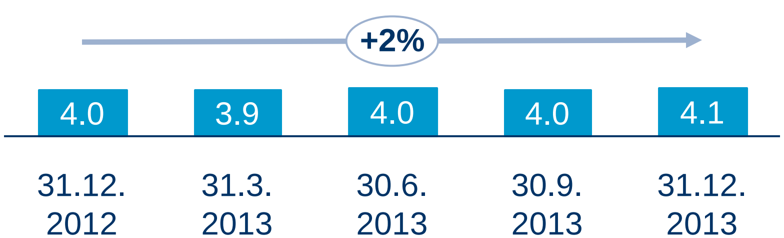
Corporate loans
Outstanding, CZK bn



Corporate loans grew by 14% Y/Y driven by plain vanilla financing as well as specialized finance, mainly acquisition, export and trade finance deals.

The US-based magazine **Global Finance** awarded ČSOB as the **Best FX Bank for the tenth time in a row**. **The Banker** magazine selected ČSOB as the **best bank in the Czech Republic** in 2013.

Factoring
Outstanding, CZK bn

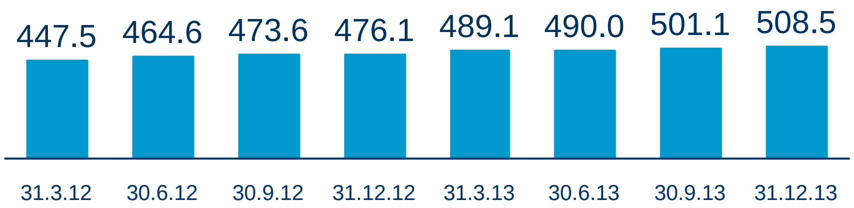


Factoring volumes increased by 2% Y/Y, thanks to fragile recovery of the economy.

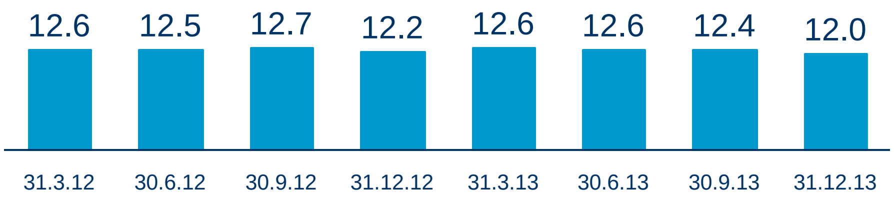
Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.

Credit risk under control (1/2)

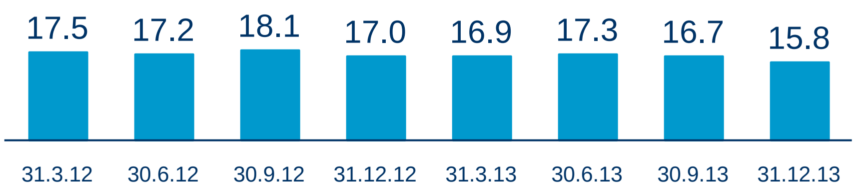
Loan portfolio[1] (CZK bn)



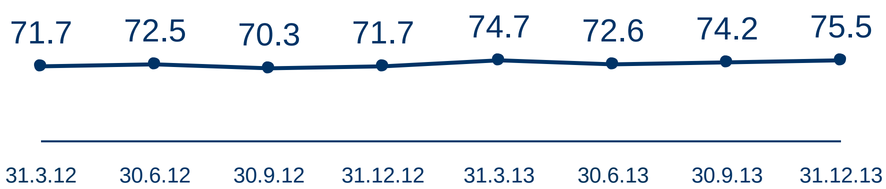
Allowances for loans and leases [3] (CZK bn)



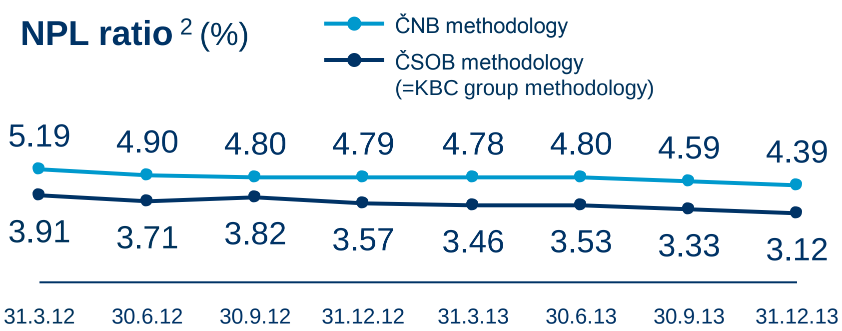
Non-performing loans (CZK bn)



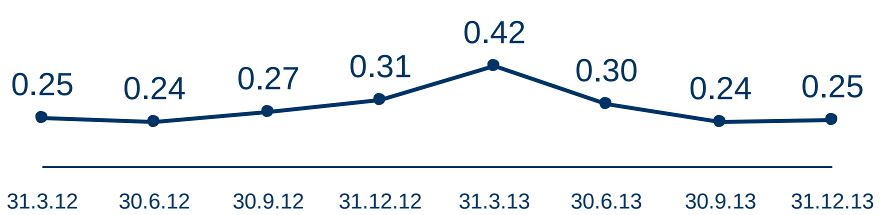
NPL coverage ratio (%)



NPL ratio [2] (%)



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 2013, impairments on loans and receivables declined to CZK 1,360m (-14% Y/Y) and the credit cost ratio to 25 bps, i.e. 6 bps lower Y/Y, which thus remained below over-the-cycle level.
- CZK 382m of impairments were created in 4Q 2013 (-26% Y/Y). Lower impairments Y/Y were recorded in consumer finance, corporate/SME, factoring as well as in mortgages (excl. model change). Building savings loans and leasing remained flat.
- Q/Q, credit costs increased due to release of impairment linked to a historical file (ca CZK 200m) in 3Q 2013. Excluding this item, credit costs were flat as corporate/SME segment, consumer finance and mortgages (excl. model change) had lower impairments in comparison with the 3Q 2013, while building savings loans and leasing remained stable.

Non-performing loans

- The NPL ratio decreased Y/Y in all segments except for leasing. In addition, recovery of the historical file in 3Q 2013 and methodology change in ČMSS contributed to the decrease (see note). The methodology change accounts for one-third of the decrease.
- In comparison with 3Q 2013, the NPL ratios were lower or stable in all segments.
- ČSOB's NPL ratio in retail as well as corporate/SME segment is lower compared to the market.

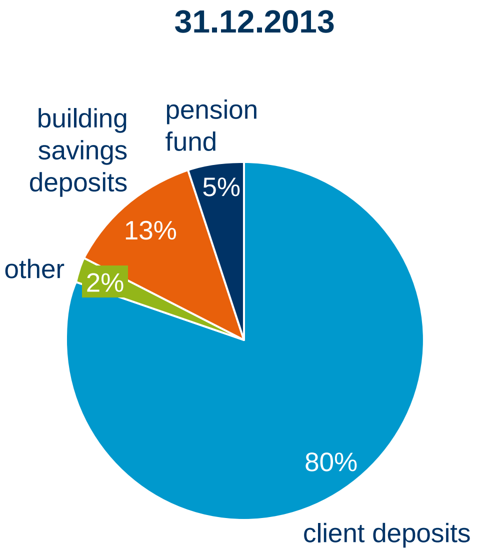
Coverage of non-performing loans

- The provision coverage of NPLs increased Y/Y to 75.5%, partly attributable to ČMSS alignment to ČSOB methodology. Lower non-performing loans mentioned above contributed to the both Q/Q and Y/Y increase of the coverage ratio.
- Housing loans (mortgages and building savings loans), representing more than a half of the ČSOB group's loan portfolio, require less provisioning given the fact they are largely secured by collateral. NPLs from the remaining part of the portfolio are almost or fully covered by allowances, i.e. showing the coverage ratio around 100%.

Note: Since 1Q 2013, there is a change in methodology of non-performing loans in building savings loans. PD rating 10 was newly identified, meaning not all the loans are classified as non-performing according to ČSOB methodology (NPL include PD rating 11 and PD rating12 only). NPL, NPL ratio and NPL coverage ratio was not recalculated retrospectively. NPL ratio according to ČNB methodology remained unchanged.

5% Y/Y growth of deposits mainly thanks to strong growth both in current accounts and savings deposits

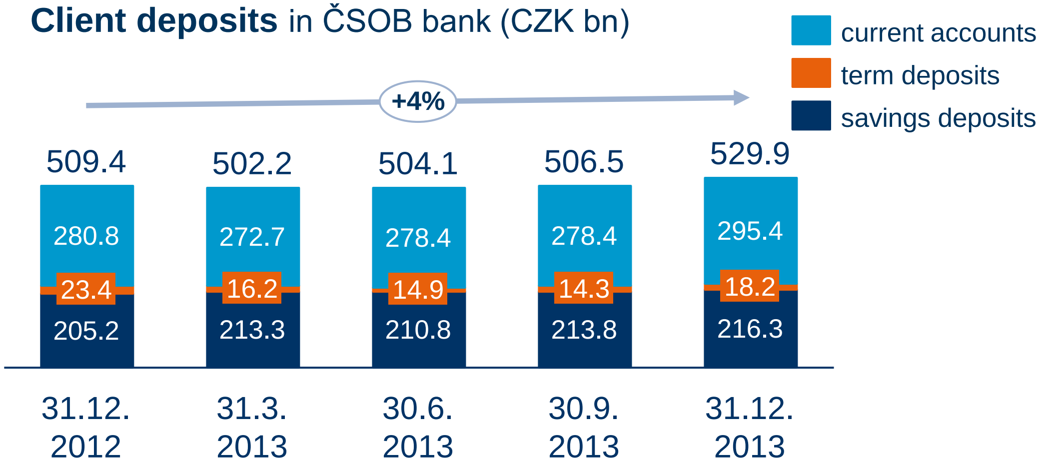
Outstanding volumes, CZK bn	31.12.2012	31.12.2013	Y/Y
Group deposits	**629.6**	**660.3**	**+5%**
Client deposits	509.4	529.9	+4%
Current accounts	280.8	295.4	+5%
Savings deposits	205.2	216.3	+5%
Term deposits	23.4	18.2	-22%
Building savings deposits[1]	84.9	83.3	-2%
Pension fund[2]	28.9	32.5	+12%
Other[3]	6.4	14.7	>+100%



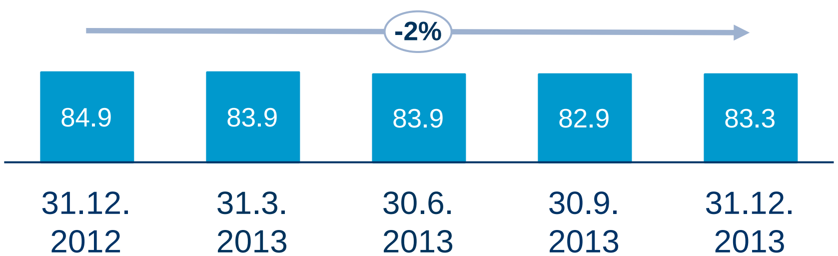
[1] The ČSOB group building savings deposits are in the balance sheet of the ČMSS building savings company, 55%-owned by ČSOB. Volumes are reported pro rata, i.e. the way they enter ČSOB's consolidated balance sheet.
[2] Liabilities to pension fund policy holders.
[3] Repo operations with non-banking financial institutions and other.

Both retail and corporate/SME deposits grew in line with the market

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, both **saving deposits** and **current accounts reported 5% Y/Y growth**. On the other hand, term deposits declined by 22% Y/Y, but from very low basis compared to the other two categories.

The **Q/Q increase in all categories of client deposits volumes** is thanks to both retail and corporate/SME coupled with year-end seasonality.

The volumes of **building savings deposits remained relatively stable**.

The **Y/Y increase of the pension fund** was driven mainly by the growth of assets in transformed fund. The growth was stemming from stable portfolio of clients and the fact, that two-thirds of clients increased their monthly contribution.

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

	31.12.2012	31.12.2013
Retail/SME branches and advisory centers	561	556
ČSOB Retail/SME branches	238	234
PSB branches ("Era Financial Centers")	73	74
ČMSS advisory centers	139	136
Hypoteční banka centers	27	26
ČSOB Pojišťovna branches	84	86
Leasing branches	13	11
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,200	ca. 3,100
ATMs	914	1,006
ČSOB's clients (bank only, mil.)	3.0	2.9

ČSOB further **enlarged its ATM network**. During the last twelve months, clients could use 92 new ATMs, 62 of them were added in 4Q 2013. Number of deposit enabling ATM reached 98 at the end of 2013.

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 in 2013, ČSOB has started to use new methodology for client calculation, which further limits existing duplicities.

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.*

Selected awards announced in 2013

ČSOB named the best bank in the Czech Republic, private banking and other services also awarded

Award	Description
The Banker: Bank of the Year 2013 Czech Republic	**The Banker** magazine selected ČSOB as the **best bank in the Czech Republic** in 2013.
EMEA Finance: Best Bank Czech Republic 2012	The UK's **EMEA Finance** named ČSOB **the best bank in the Czech Republic** for 2012, based on market share, portfolio size and profitability or corporate strategy.
Hospodářské noviny: Award: The Best Bank	The business daily **Hospodářské noviny** awarded ČSOB as the **best bank in 2013** based on a hard criteria survey.
Euromoney: Private Banking Survey 2013	ČSOB Private Banking awarded by the renown magazine **Euromoney as the best private bank in the Czech Republic** in the overall ranking and many categories.
Private Bank of the Year in the Czech Republic	The specialized magazine **Private Wealth Management** named ČSOB the **Private Bank of the Year** in the Czech Republic.
Euroweek deals of the year 2012 in CEE	Specialized magazine Euroweek included two syndicated loans by ČSOB among top three transactions of 2012 in the CEE region.
Global Finance Best FX Bank 2013	The US-based magazine **Global Finance** awarded ČSOB as the **Best FX Bank for the tenth time in a row**.
ACQ Finance Bank of the year in acquisition finance	ČSOB won the title of Best bank in the Czech Republic in acquisition finance in 2013 from ACQ Finance Magazine, claiming the prize for sixth time.

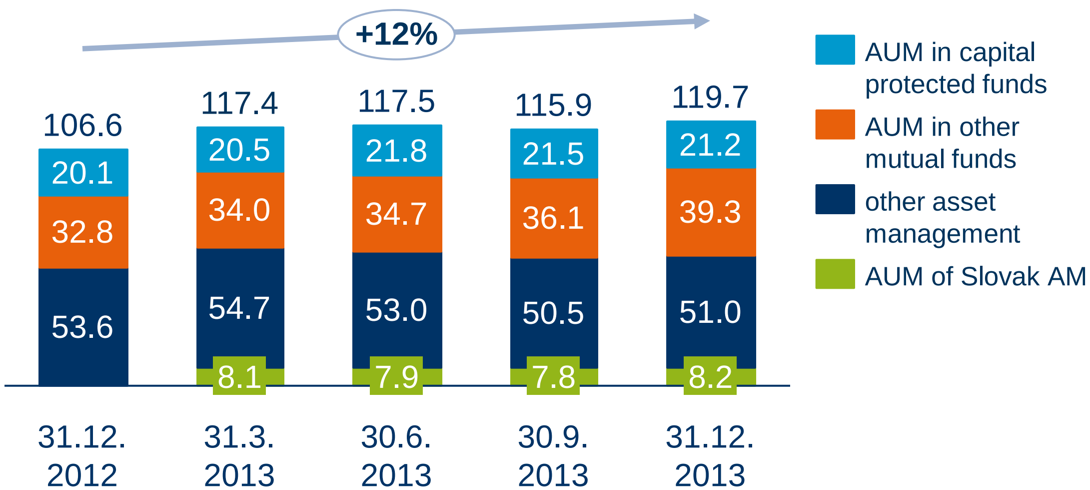
Note: full list of 2013 awards available at: http://www.csob.cz/en/CSOB/About-CSOB/Stranky/Awards.aspx

ČSOB Asset Management: Key Figures

Strong demand for mixed funds with protection

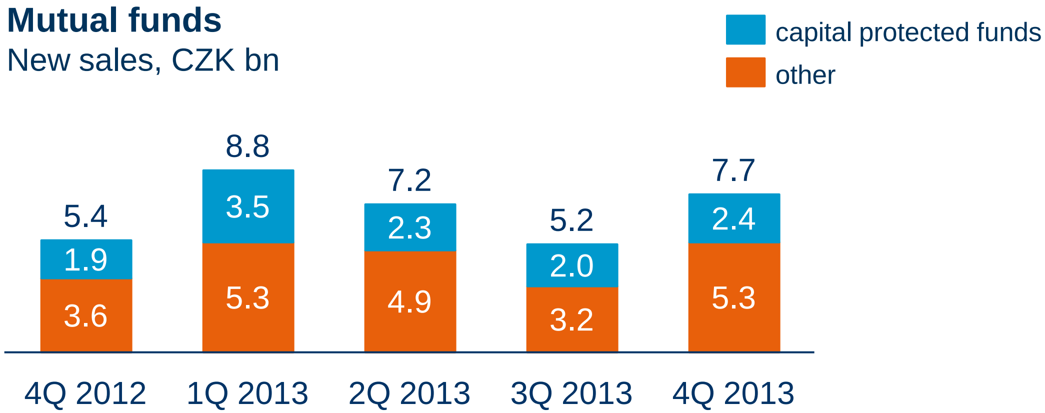
Assets under management

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 (5% Y/Y adjusted for takeover of Slovak AM). Assets grew thanks to higher volumes of new sales exceeding outflows from matured funds and partly thanks to good performance.

In 4Q 2013, **new sales** were **up by 42% Y/Y.** The strongest demand was for **mixed funds**, especially funds with a more conservative profile, and funds with 95% capital protection (Portfolio Pro funds), giving a better return potential. Interest in equity, money market and bond funds was lower. 2013 new sales were the highest since 2007.

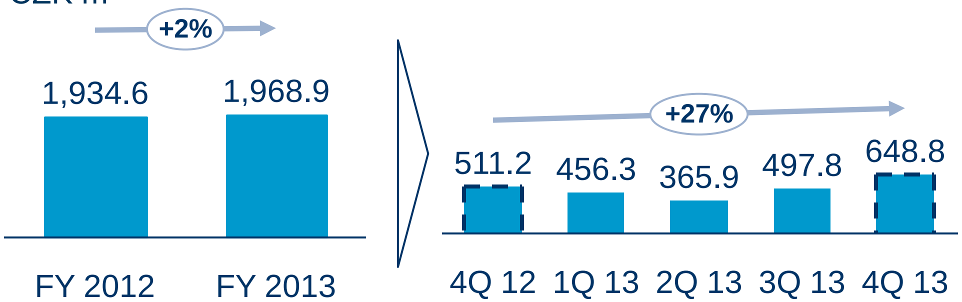
Notes:
AUM definition: funds managed by ČSOB AM as well as those distributed by the ČSOB group but managed by the KBC AM.
AUM in funds: Only direct positions are included (the funds bought directly by clients).
Other asset management: Discretionary mandates and Qualified Investors Funds.

ČSOB Pojišťovna: Key Figures

Net profit driven by technical result in life segment

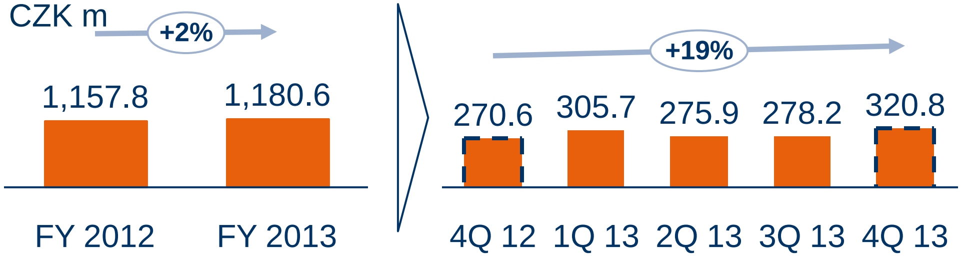
Operating income

CZK m



Operating expenses

CZK m



Non-life combined ratio (%)

Solvency ratio (%)

FY/4Q 2013 **net profit reached CZK 635m** (+2% Y/Y) and **CZK 245m** (+14% Y/Y), respectively. 4Q 2013 was positively influenced by better non-life performance thanks to release of provision and higher gross written premium. 2013 net profit was negatively impacted by higher claims in non-life area mainly due to floods in June. Adjusted for the latter, net profit increased by 26% Y/Y thanks to higher technical result in life area.

FY/4Q 2013 **technical result in non-life segment declined to CZK 305m** (-16% Y/Y) and **increased to CZK 190m** (+60% Y/Y), respectively. 2013 technical result was positively impacted by release of unexpired risk reserve and release of provision related to contribution to Czech insurers’ bureau reserve fund (both 4Q 2013). Besides, floods, continuing price competition in motor and industrial risk area and higher claims in the motor insurance area contributed to the lower result of the segment. As a result, the non-life combined ratio deteriorated by 2 pp (1 pp without the floods effect).

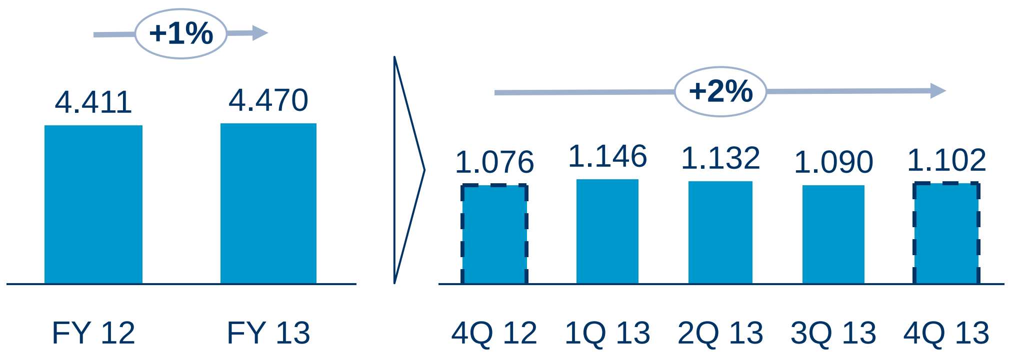
FY/4Q 2013 **technical result in life segment increased to CZK 537m** (+11% Y/Y) and **decreased to CZK 130m** (-6% Y/Y), respectively. 2013 technical result was influenced mainly by lower profit sharing and lapse rates. In 4Q 2013 an impairment of property fund was booked.

Note: As a result of methodological change in 4Q 2013, 2012 and 2013 figures for technical results in life and non-life segments as well as non-life combined ratio have been restated to allow full comparison.

Regular paid life and non-life insurance stable, single paid life below strong 2012 sales

Gross written premium – non-life insurance

CZK bn



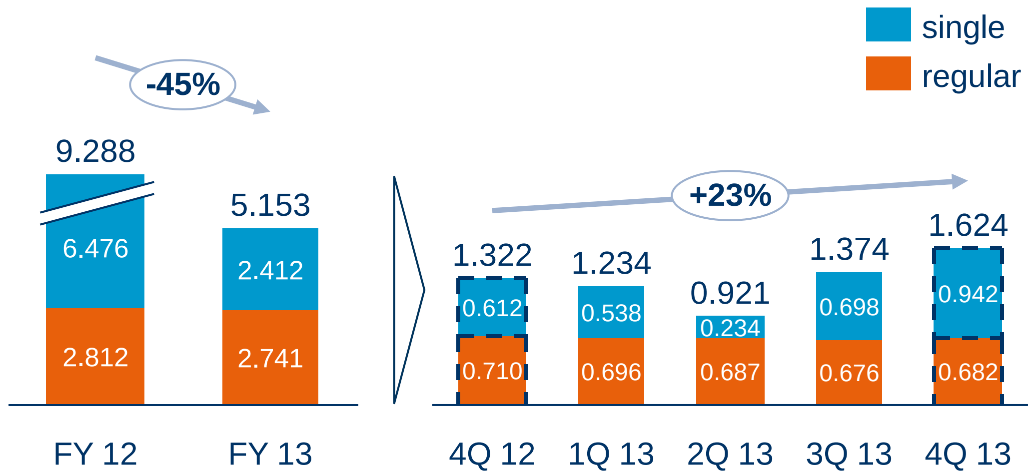
Market shares	4Q 2013	Market position
Non-life	↗ 6.5%	6th
Life insurance	↘ 6.4%	5th

Arrows show Y/Y change.

Non-life insurance:
FY/4Q 2013 sales of non-life insurance remained broadly flat Y/Y thanks to sales of car retail and households business.

Gross written premium – life insurance

CZK bn

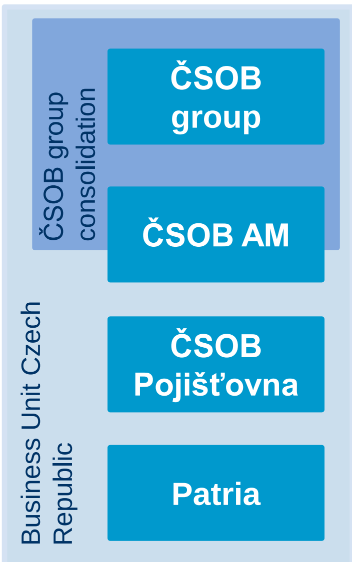


Life insurance:
FY/4Q 2013 confirmed the stable development in the **regularly paid** gross written premium. Lower gross written premium of universal life insurance products was only partly compensated by higher gross written premium of unit linked products.

2013 **single paid** gross written premium declined due to less investment opportunities in comparison to previous year. 4Q 2013 single paid gross written premium increased 54% Y/Y thanks to unit linked products offer.

Business Unit Czech Republic

ČSOB Pojišťovna's 2013 net profit improved, while ČSOB group and other business unit entities slightly decline



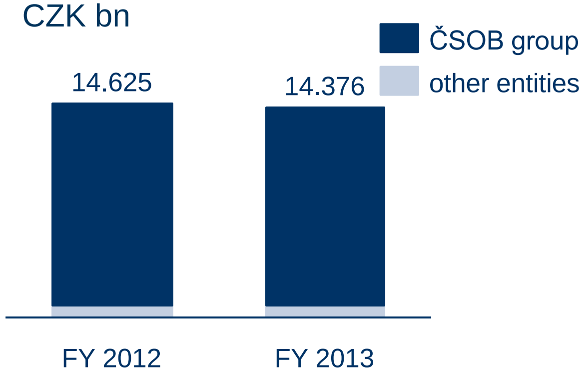
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into the newly established Business Unit Czech Republic.

The FY/4Q 2013 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, decreased to **CZK 14.4bn** (-2% Y/Y) but increased to **CZK 3.2bn** (+11% Y/Y) respectively.

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)	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	4Q/4Q	FY2012	FY 2013	FY/FY
ČSOB group[1)]	2.638	3.228	3.658	3.829	2.883	+9%	13.864	13.598	-2%
ČSOB Pojišťovna	0.215	0.125	0.087	0.178	0.273	+27%	0.619	0.662	+7%
ČSOB AM	0.029	0.034	0.030	0.032	0.031	+8%	0.130	0.127	-3%
Patria[2)]	-0.008	-0.001	-0.002	0.001	-0.009	+15%	0.012	-0.011	N/A
Total	**2.874**	**3.386**	**3.773**	**4.040**	**3.178**	**+11%**	**14.625**	**14.376**	**-2%**

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).*
   - *Profit from the sale of stakes in ČSOB AM (CZK 0.15bn in 1Q 2012) and in ČSOB Pojišťovna (CZK 1.2bn in 4Q 2012) to KBC are visible in the ČSOB group results, while not in the BU CZ results due to consolidation.*

2) *Only Patria Finance and Patria Direct are included.*

Appendix

ČSOB continues to invest into society and its community

Responsible Business

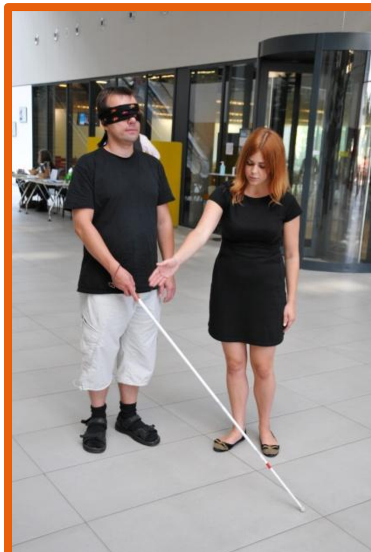
We offer modern **payment tool** "**Klikniadaruj.cz",** which enables non-profit organizations to accept online donations, identify the donor and send a confirmation about the donation.

648 employees participated in **volunteering program** and provided either their expert knowledge or manual help to **non-profit organizations** across the Czech Republic.

Education

We continue in strategic support of the project **Debt Advisory founded** Association of Citizens Advice Centers and Debt Advisory Center.

In 2013 we supported 67 students from the **Education Fund**. It is ČSOB's oldest program founded in 1995 together with the Committee of Good Will – the Olga Havlová Foundation.



Environment

We supported **regional development** in areas of preservation of natural and cultural heritage, creating active communities and in engaging citizens into social and cultural life. We distributed almost CZK 3m to community projects.

Diversity

We were the main partner of the project **"Srdcerváči"** founded by the Foundation "Nadační fond pro podporu zaměstnávání osob se zdravotním postižením". Its goal was to raise money by nontraditional way and support creation of new jobs for disabled.

We started new long term initiative to support the **employment of disabled people** in ČSOB.

Ratios and other indicators

Ratio / Indicator	31. 12. 2009	31. 12. 2010	31. 12. 2011	31. 12. 2012	31.12.2013
Net interest margin (Ytd., %)	N/A	3.36	3.39	3.21	3.00
Cost / income ratio (%)	34.4	44.0	46.7	45.9	47.1
RoE (Ytd., %)	28.3	20.3	17.9	22.8	18.2
RoA (Ytd., %)	2.00	1.55	1.23	1.63	1.42
RoAC, BU Czech Republic (Ytd., %)	N/A	N/A	N/A	35.1	35.2
Credit cost ratio (%, annualized)	1.12	0.75	0.36	0.31	0.25
NPL ratio (%)	3.35	4.05	3.88	3.57	3.12
NPL ratio (ČNB definition, %)	4.75	5.83	5.19	4.79	4.39
NPL coverage ratio (%)	79.2	76.7	73.5	71.7	75.5
Core Tier 1 ratio (Basel II, %)	11.9	14.2	11.7	13.0	15.8
Total capital ratio (Basel II, %)	15.0	18.0	15.5	15.2	16.0
Solvency (Solvency I, %)	263.9	236.5	244.4	255.4	249.1
Leverage ratio (Basel III, %)	N/A	4.50	3.96	4.73	5.46
Net stable funding ratio (Basel III, %)	N/A	137.7	133.6	133.2	135.7
Liquidity coverage ratio (Basel III,%)	N/A	N/A	220.4	336.1	225.6
Loan to deposit ratio (%)	71.1	68.5	72.7	75.2	77.0

Profit and loss statement

(CZK m)	4Q 2012	3Q 2013	4Q 2013	Y/Y	Q/Q	FY 2012	FY 2013	Y/Y
Interest income	*7 824*	*7 493*	*7 334*	*-6%*	*-2%*	*32 697*	*30 229*	*-8%*
Interest expense	*-1 781*	*-1 401*	*-1 514*	*-15%*	*8%*	*-7 727*	*-6 164*	*-20%*
Net interest income	6 043	6 092	5 820	-4%	-4%	24 970	24 065	-4%
Net fee and commission income	1 276	1 475	1 603	+26%	+9%	5 505	5 983	+9%
Net gains from financial instruments at FVPL	398	591	347	-13%	-41%	2 315	2 046	-12%
Other operating income	1 752	268	66	-96%	-75%	2 225	903	-59%
Operating income	**9 469**	**8 426**	**7 836**	**-17%**	**-7%**	**35 015**	**32 997**	**-6%**
Staff expenses	-2 113	-1 766	-1 765	-16%	0%	-7 222	-7 030	-3%
General administrative expenses	-2 327	-1 764	-2 079	-11%	+18%	-8 009	-7 669	-4%
Depreciation and amortisation	-206	-208	-206	0%	-1%	-856	-832	-3%
Operating expenses	**-4 646**	**-3 738**	**-4 050**	**-13%**	**+8%**	**-16 087**	**-15 531**	**-3%**
Impairment losses	-795	-187	-465	-42%	>+100%	-1 584	-1 447	-9%
Impairment on loans and receivables	*-517*	*-187*	*-381*	*-26%*	*>+100%*	*-1 574*	*-1 359*	*-14%*
Impairment on available-for-sale securities	*-23*	*0*	*0*	*N/A*	*N/A*	*-26*	*0*	*N/A*
Impairment on other assets	*-255*	*0*	*-84*	*N/A*	*N/A*	*16*	*-88*	*N/A*
Share of profit of associates	49	14	13	-73%	-7%	195	52	-73%
Profit before tax	**4 077**	**4 515**	**3 334**	**-18%**	**-26%**	**17 539**	**16 071**	**-8%**
Income tax expense	-318	-672	-438	38%	-35%	-2 258	-2 420	+7%
Profit for the period	**3 759**	**3 843**	**2 896**	**-23%**	**-25%**	**15 281**	**13 651**	**-11%**
Attributable to:								
Owners of the parent	**3 775**	**3 847**	**2 900**	**-23%**	**-25%**	**15 291**	**13 658**	**-11%**
Non-controlling interests	-16	-4	-4	N/A	0%	-10	-7	N/A

Notes: FVPL = fair value through profit and loss.
Other operating income = Net realised gains on available-for-sale fin. assets, dividend income, other net income.

Balance sheet - assets

(CZK m)	31/12 2012	31/12 2013	Y/Y
Cash and balances with central banks	28 293	55 036	+95%
Financial assets held for trading	162 265	204 729	+26%
Financial assets designated at fair value through P/L	7 352	7 467	+2%
Available-for-sale financial assets	91 904	83 340	-9%
Loans and receivables - net	479 516	509 256	+6%
Loans and receivables to credit institutions - gross	*24 461*	*28 161*	*+15%*
Loans and receivables to which other than credit institutions - gross	*467 250*	*493 067*	*+6%*
Allowance for impairment losses	*-12 195*	*-11 972*	*-2%*
Held-to-maturity investments	138 437	150 944	+9%
Fair value adjustments of the hedged items in portfolio hedge	1 030	927	-10%
Derivatives used for hedging	14 453	9 285	-36%
Current tax assets	17	99	>+100%
Deferred tax assets	88	96	+9%
Investments in associate	126	124	-2%
Investment property	430	289	-33%
Property and equipment	8 045	7 787	-3%
Goodwill and other intangible assets	3 093	3 234	+5%
Non-current assets held-for-sale	85	194	>+100%
Other assets	2 040	2 023	-1%
Total assets	**937 174**	**1 034 830**	**+10%**

Increase due to reverse repo operations with ČNB.

A decrease of bonds in AFS portfolio due to reclassification of some bonds from AFS into HTM portfolio.

Balance sheet - liabilities and equity

(CZK m)	31/12 2012	31/12 2013	Y/Y
Financial liabilities held for trading	133 587	186 920	+40%
Financial liabilities at amortised cost	703 792	743 165	+6%
of which Deposits received from central banks	*492*	*492*	+0%
of which Deposits received from credit institutions	*35 365*	*52 140*	*+47%*
of which Deposits received from other than credit institut.	*629 622*	*660 342*	+5%
of which Debt securities in issue	*30 330*	*30 191*	+0%
of which Subordinated liabilities	*7 983*	*0*	*-100%*
Fair value adjustments of the hedged items in portfolio hedge	1 741	-57	N/A
Derivatives used for hedging	9 166	9 507	+4%
Current tax liabilities	772	913	+18%
Deferred tax liabilities	2 532	2 057	-19%
Provisions	935	887	-5%
Other liabilities	10 508	10 985	+5%
Total liabilities	**863 033**	**954 377**	**11%**
Share capital	5 855	5 855	+0%
Share premium account	7 509	15 509	>100%
Statutory reserve	18 687	18 687	+0%
Retained earnings	32 611	32 949	+1%
Available-for-sale reserve	5 701	4 699	-18%
Cash flow hedge reserve	3 567	2 548	-29%
Foreign currency translation reserve	0	2	N/A
Parent shareholders' equity	**73 930**	**80 249**	**+9%**
Minority interest	211	204	-3%
Total equity	**74 141**	**80 453**	**+9%**
Total liabilities and equity	**937 174**	**1 034 830**	**+10%**

Higher trading activity triggered by ČNB intervention

Repayment of subordinated debt.

Capital increase by CZK 8bn.

Other information

Non-performing loans

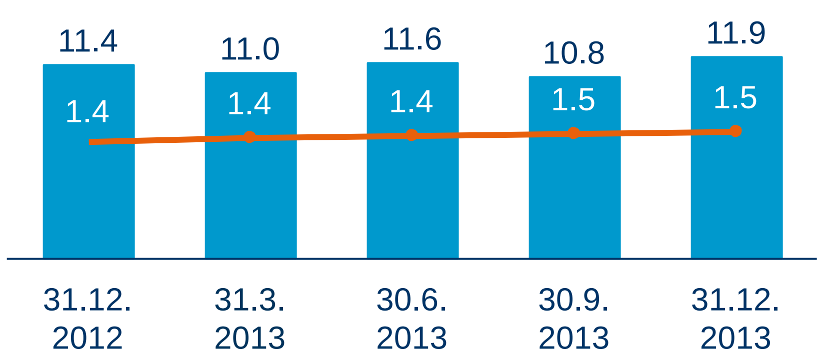
	31. 12. 2012		31.12.2013	
PD rating distribution	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
Total loans	476.1	100%	508.5	100%
Normal (PD 1-7)	442.0	93%	475.5	93%
Asset quality review (PD 8-9)	11.5	2%	10.6	2%
Uncertain performing (PD 10)	6.2	1%	6.5	1%
Uncertain non-performing (PD 11)	3.1	1%	2.6	1%
Irrecoverable (PD 12)	13.3	3%	13.3	3%

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

Internet banking

number of users (million)

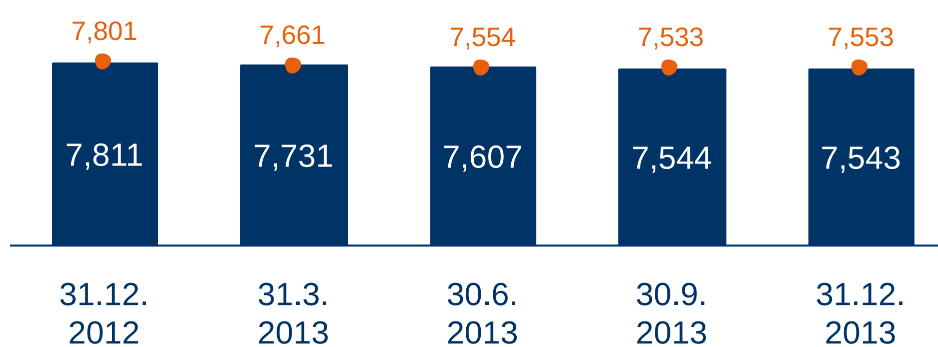
number of transaction during the period (million)



Group employees

FTEs (average in the quarter)

FTEs (end of period)



Credit rating and shareholder structure

ČSOB's credit ratings

As at 13 February 2014

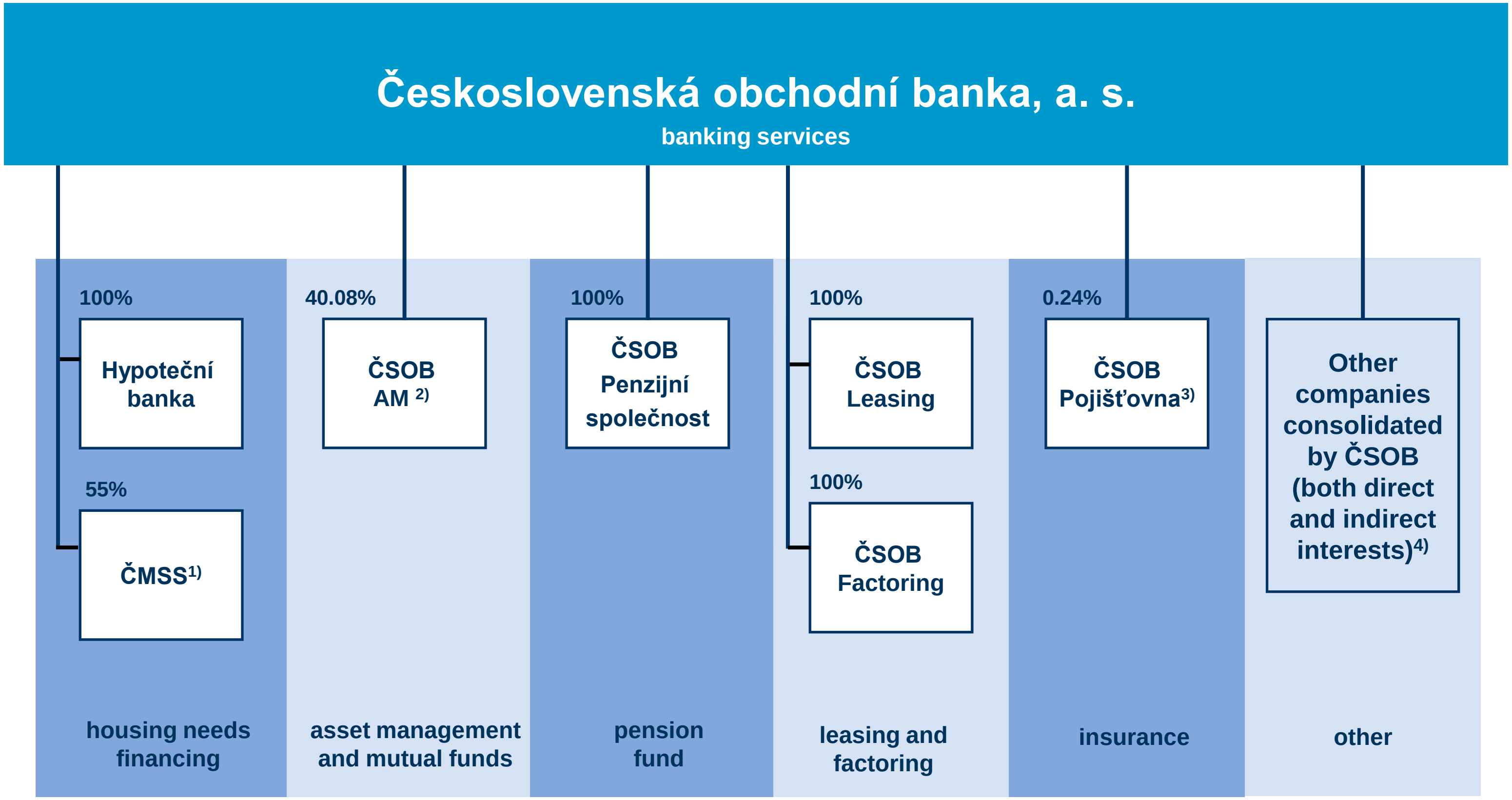
Rating agency	Moody's		Fitch	
	Long-term rating:	**A2**	**Long-term rating:**	**BBB+**
	Outlook:	stable	Outlook:	stable
	Short-term rating:	Prime-1	Short-term rating:	F2
	Financial strength:	C-	Viability rating:	bbb+
			Support:	2
LT rating valid since		20 June 2012		3 February 2012
Last confirmation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

Shareholder structure

As at 31 December 2013, 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. (On 11 July 2013, KBC Bank NV as ČSOB's sole shareholder decided on increase in share capital of ČSOB by CZK 20, under the following conditions: increase of share capital was made by subscription of one piece of common uncertificated bearer share with a nominal value of CZK 20, issue price of the subscribed share is CZK 8,000,000,000, whereas CZK 7,999,999,980 is a share premium.)

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 December 2013.
[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 with MF CR including unmarketable bills of exchange) + 55% of ČMSS deposits + 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 + 55% of building savings loans + mortgages for private individuals + CORP/SME loans	ČNB (ARAD), Ministry for Regional Development, HB, ČSOB, ČMSS
Leasing	Volume of newly granted loans (leasing of movables, commercial loans and consumer loans); related to the relevant market comprising both banks and non-banking institutions	Association of Leasing and Factoring Companies ČR (ČLFA)
Mortgages	Outstanding volumes; mortgages for private individuals excl. 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)
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 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.
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.

Contacts

ČSOB Investor Relations Team
Robert Keller (Head of IR)
Jakub Hampl
Jana Kloudová
Michal Nosek
Markéta Pellantová

Tel: +420 224 114 106
Tel: +420 224 114 109
investor.relations@csob.cz
www.csob.cz/ir

Československá obchodní banka, a. s.
Radlická 333/150, Praha 5
Czech Republic

ČSOB group Czech Republic
Member of the KBC Group