



# **FY/4Q 2014 Results**

## **ČSOB Group**

### **Business Unit Czech Republic**

EU IFRS Unaudited Consolidated  
12 February 2015

# Contents

## ČSOB Group

Key Figures

Financial Overview

Business Overview

## ČSOB Asset Management

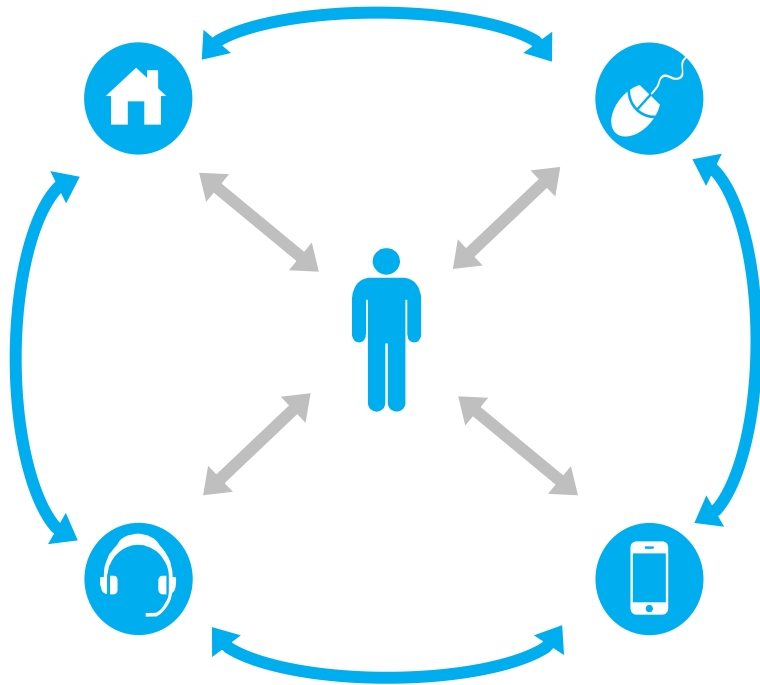
## ČSOB Pojišťovna

## Business Unit Czech Republic

## Appendix



# ČSOB Group: Key Figures



- **CLIENT**
- **DATA**
- **INTEGRATION**
- **BANK-INSURANCE**
- **3<sup>RD</sup> PARTIES**

### Payment area

- **Portable payment terminal:** ČSOB, as the first bank on the Czech market, offered merchants portable payment terminal “mPOS” connected to smartphone or tablet, enabling acceptance of payment cards.
- **Contactless sticker:** ČSOB extended portfolio of contactless payment solutions with introduction of contactless stickers.
- Introduction of **public transport ticket machines allowing contactless payments** in Brno and Liberec.

### Corporate/SME area

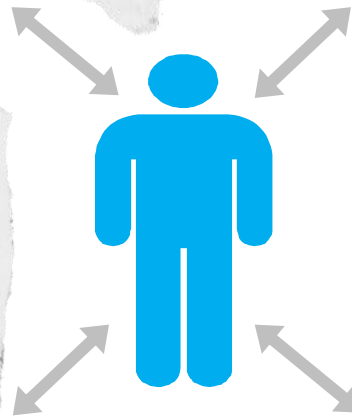
- **ČSOB has successfully issued secured bonds** for the very first time in its history.
- ČSOB offered second tranche of **loans in cooperation with European Investment Bank**.
- ČSOB introduced educational program “**ČSOB Academy**“ for its corporate clients.

### Retail area

- Introduction of **new cash loan with interest rate discount** applicable in the second half of the repayment period.
- **New mixed fund (“Vyvážený dividendový”):** ČSOB launched the new mixed fund offering the possibility to get the yield as an annual dividend.
- **Era loyalty program** rewarding active clients.

### Insurance / Bank-insurance

- **Strengthened bank-insurance sales capacity** at the branches by new insurance specialists and **promotion of one-stop shop** concept allowing clients to buy protection in the bank and save time.
- **Purchase and extended warranty insurance** introduced for additional more than 40 new items (incl. tablets, smartphones and their displays) when bought with the credit card.



### Innovations in e-channels

- **QR code for payment orders** introduced in smartbanking application. Client can generate QR code summarizing all the necessary payment order features, it can be easily forwarded digitally to counterparty.
- **Cash loans on-line:** possibility to obtain cash loan via [pujcka.csob.cz](http://pujcka.csob.cz) and [www.erasvet.cz](http://www.erasvet.cz).
- ČSOB and KBC **mutual funds offered via Patria portal**.

### Improved comfort for retail clients

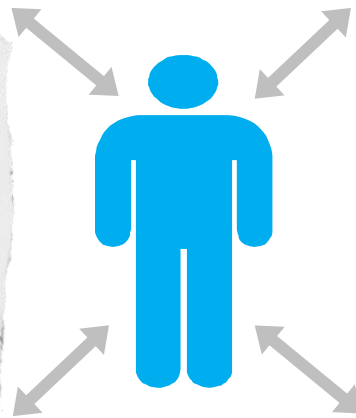
- Clients to be able to get **consumer loan instantly at Czech Post outlets** (2Q 2015).
- ČSOB will provide **consumer loan** which will allow client to **repeatedly draw the contracted credit limit** (3Q 2015).

### Innovations for Corp/SME clients

- **Remote banker:** remote services for SME clients to further improve client options and comfort (2H 2015).
- **FX4CASH:** outgoing foreign payments in over 100 less standard currencies eliminating FX risk for corporate clients (2Q 2015).

### New products in insurance and consumer finance area

- **Legal protection insurance** related to common civil situation for people living in same household (e.g. assistance with neighbour disputes, handling complaints) (1Q 2015).
- **Insurance of cyber risks:** protection against virtual identity theft, abuse of electronic payment means etc. (3Q 2015).



### Bank-insurance services

- Sale of **non-life insurance** at **Era Financial centers** (1Q 2015).
- **Increase of sale capacity and insurance competence** at bank **call center** (1Q 2015).
- New **insurance products and functions in smartbanking** (3Q 2015).

### Innovations in e-channels

- New internet site **www.csob.cz** (4Q 2015).
- **Cell phone application „Smart OTP“** increasing client comfort and simpler usage of internet banking (2Q 2015).
- **New functions in Personal Finance Management** of **www.erasvet.cz:** financial planning reflecting lifetime targets (3Q 2015).

ČSOB group key indicators		2011	2012	2013	2014
<b>Profitability</b>	Net profit (CZK bn)	11.2	15.3	13.7	13.6
	Return on equity	17.9%	22.8%	18.2%	16.4%
<b>Liquidity</b>	Loan / deposit ratio	72.7%	75.2%	75.9%	76.4%
	Net stable funding ratio	133.6%	133.2%	135.7%	135.9%
<b>Capital</b>	Tier 1 ratio	11.7% <sup>1</sup>	13.0% <sup>1</sup>	15.6% <sup>1</sup>	17.2% <sup>2</sup>
<b>Impairments</b>	Credit cost ratio	0.36%	0.31%	0.25%	0.18%
<b>Cost efficiency</b>	Cost / income ratio	46.7%	45.9%	47.5%	47.6%

<sup>1</sup> According to Basel II

<sup>2</sup> According to Basel III

# Strong business volumes growth across key segments combined with resilient NIM and continuously good quality of the loan portfolio

## Business volumes

The **loan portfolio** (excl. ČMSS) increased to **CZK 480bn** (+9% Y/Y), mainly thanks to corporate/SME loans, mortgages and leasing. **Group deposits** (excl. ČMSS, PF and repo) grew to **CZK 585bn** (+5% Y/Y) thanks to increase across all segments.

## Operating income

Despite low interest rate environment **operating income** increased to **CZK 31.4bn** in 2014 (+1% Y/Y) and **CZK 8.0bn** in 4Q 2014 (+7% Y/Y) mainly thanks to continuous growth in business volumes, resilient NIM, volumes of card transactions and sale of investment products.

## Operating expenses

**Operating expenses** reached **CZK 15.0bn** in 2014 (+1% Y/Y) and **CZK 3.9bn** in 4Q 2014 (+2% Y/Y) driven by higher ICT expenses linked to client focused solutions and additional staff to support client business

## Impairments

**Credit cost ratio** decreased to **18 bps** (Ytd. annualized, -7bps Y/Y) due to increase of regular recoveries, while historical recoveries as well as new creation on outstanding loan portfolio remain stable.

## Net profit

As a result of above mentioned factors, 2014 **net profit** came in at **CZK 13.6bn** (flat Y/Y) and 4Q 2014 at **CZK 3.1bn** (+6% Y/Y).

## Liquidity & Capital

**Loan / deposit ratio** increased to **76.4%**. **Tier 1 ratio** (Basel III) increased to **17.2%** mainly thanks to partial 2013 net profit retention of CZK 6.2bn, increased regulatory requirements and prudent capital deployment.

## Awards

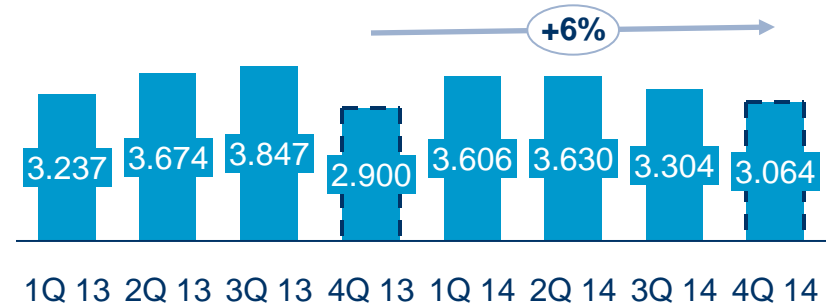
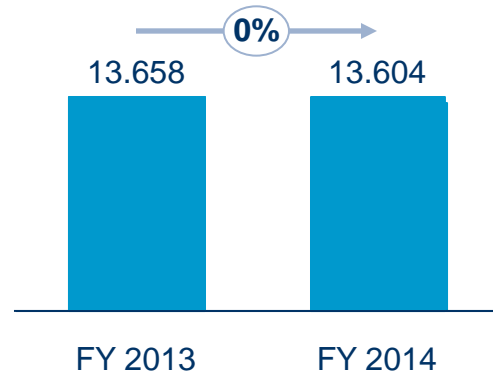
Czech financial advisory company **Fincentrum** named ČSOB the **Bank of the Year 2014** and the **Private Bank of the Year 2014** in the Czech Republic. ČSOB Private Banking awarded by the renowned magazine **Euromoney as the Best Private Bank of the Year 2015** in the Czech Republic.



# ČSOB group net profit

## Net profit remained flat despite continuous growth in business volumes, volumes of card transactions and investment products

Net profit  
CZK bn



**2014 net profit** reached **CZK 13.6bn** (flat Y/Y). Adjusted for one-off/technical items in both periods, net result would increase 4% Y/Y driven by continuous growth in business volumes, volumes of card transactions and sale of investment products. Operating expenses increased Y/Y as a combination of higher ICT expenses linked to client focused solutions and additional staff to support client business. Lower impairments reflect continuously good quality of loan portfolio.

The **4Q 2014 net profit increased to CZK 3.1bn** (+6% Y/Y). Adjusted for one-off/technical items in both periods, net result would remain flat as business volumes growth was compensated by higher ICT expenses, additional staff costs as well as higher impairments.

**The return on equity (ROE)** reached **16.4%** in 2014, down from 18.2% driven by higher equity as a result of shareholder decision to strengthen capital through net profit retention. This reflects increased regulatory requirements and prudent capital deployment.

*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).*

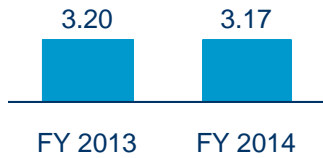
*3Q 2014 one-off items (total of CZK -0.1bn) included in the result: Forbearance impact linked to implementation of EBA's updated definition (CZK -0.1bn).*

*4Q 2014 one-off items (total of CZK 0.1bn) included in the result: recovery of already impaired historical file (CZK 0.1bn).*

### Profitability

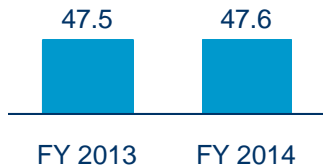
Net interest margin (%)

-0.03pp



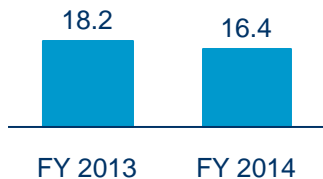
Cost / income ratio (%)

+0.1pp



ROE (%)

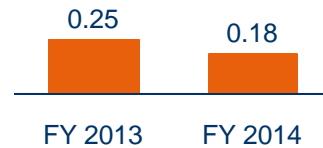
-1.8pp



### Loan portfolio quality

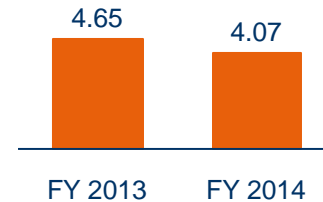
CCR, Ytd. annualized (%)

-0.07pp



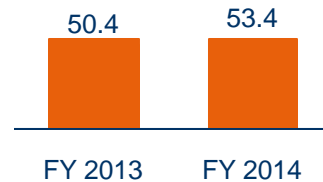
NPL ratio (%)

-0.58pp



NPL coverage ratio (%)

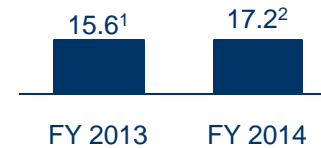
+3.0pp



### Capital

(Core) Tier 1 ratio (%)

+1.7pp



Total capital ratio (%)

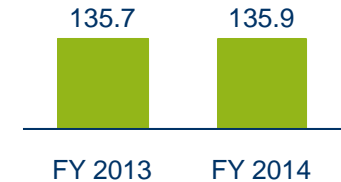
+1.9pp



### Liquidity

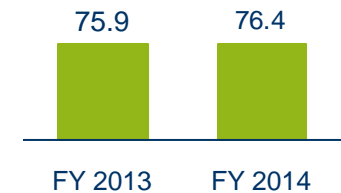
Net stable funding ratio (%)

+0.2pp



Loan / deposit ratio (%)

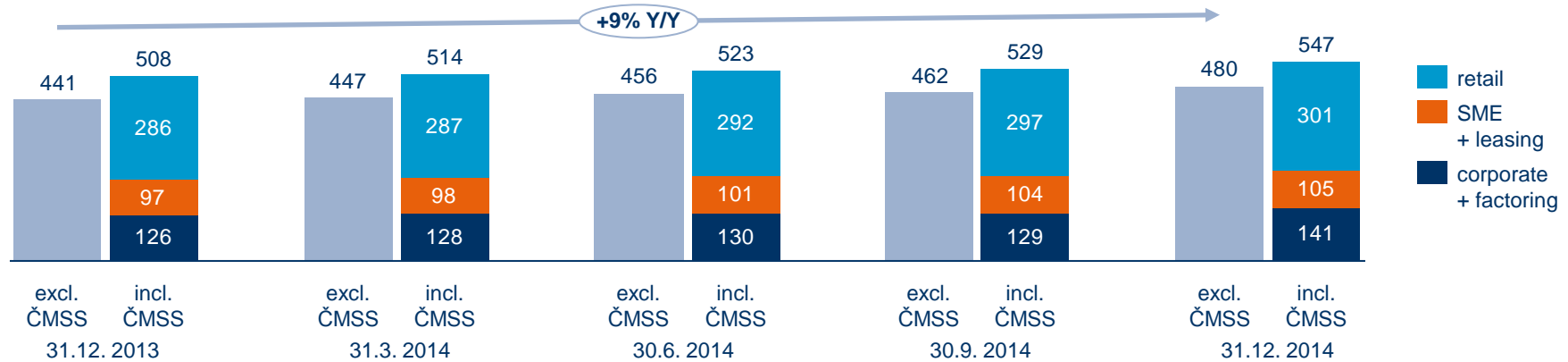
+0.5pp



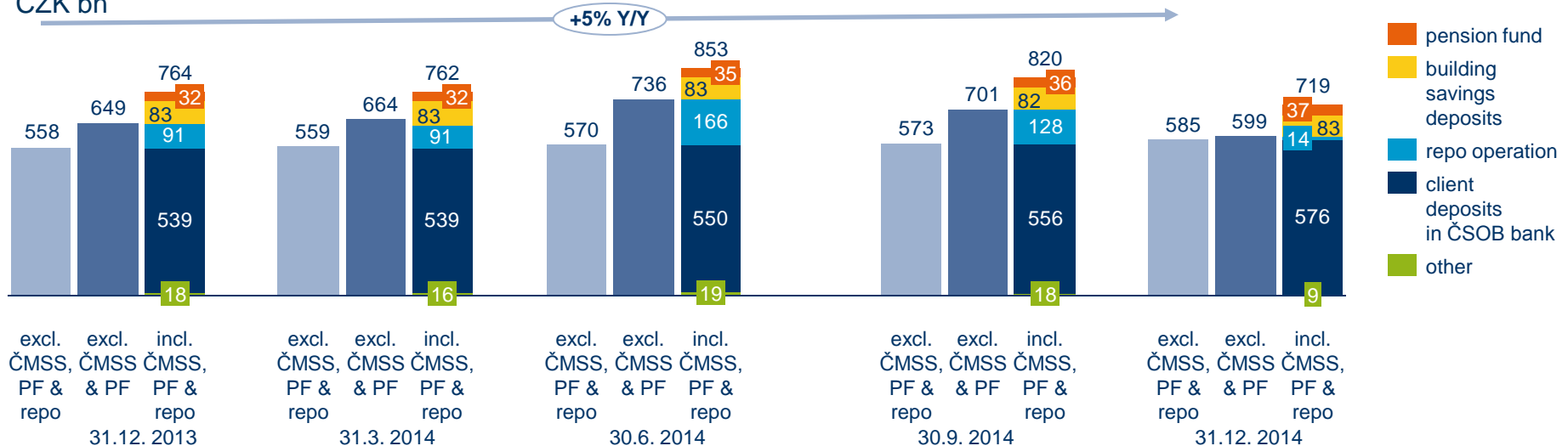
<sup>1</sup> According to Basel II

<sup>2</sup> According to Basel III

### Loan portfolio<sup>1</sup> CZK bn



### Group deposits<sup>2</sup> CZK bn



<sup>1</sup> 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.

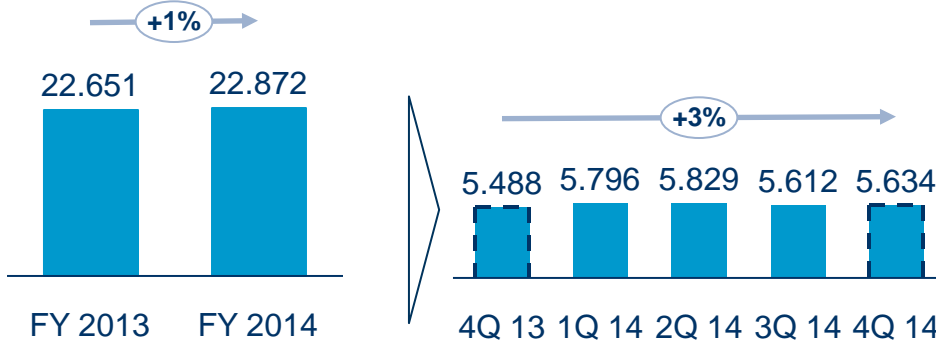
<sup>2</sup> Item Deposits received from other than credit institutions from the consolidated balance sheet (ČMSS not included) minus repo with institutional clients and pension fund.



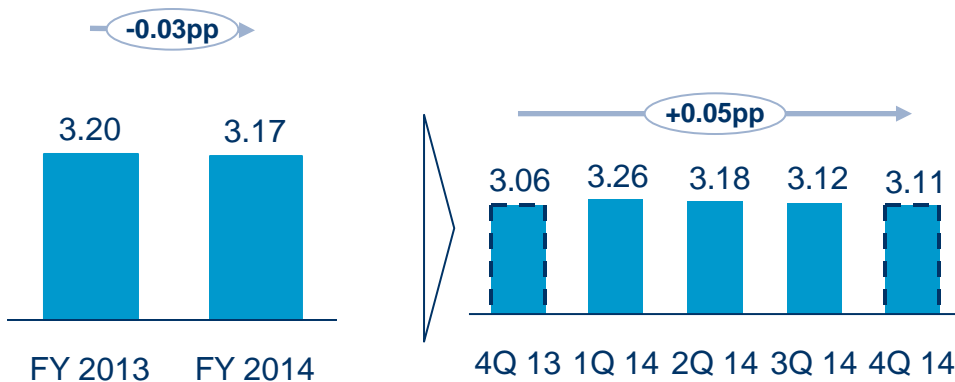
# ČSOB Group: Financial Overview

### Net interest income (NII)

CZK bn



### Net interest margin (%)



	2011	2012	2013	2014
Net interest margin (Ytd., %)*	(3.39)	(3.21)	3.20 (3.00)	3.17

FY/4Q 2014 **net interest income increased** by 1% Y/Y and 3% Y/Y, respectively. Adjusted for deconsolidation of Transformed Pension Fund (TPF), NII would increase on comparable basis by 3% Y/Y and 7% Y/Y, respectively.

The **growth** was supported by **NII from loans** resulting from growing volumes in all segments and stable loan margins. **NII from deposits** was **lower** despite their strong growth which was not sufficient to compensate new reinvestment yields at historical low levels.

2014 **NIM reached 3.17%** (-0.03 pp Y/Y).

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

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

The main reason for Y/Y increase in 4Q 2014 (+0.05 pp) is one-off adjustment of mortgage commission accruals with negative effect of 0.13 pp in 4Q 2013.

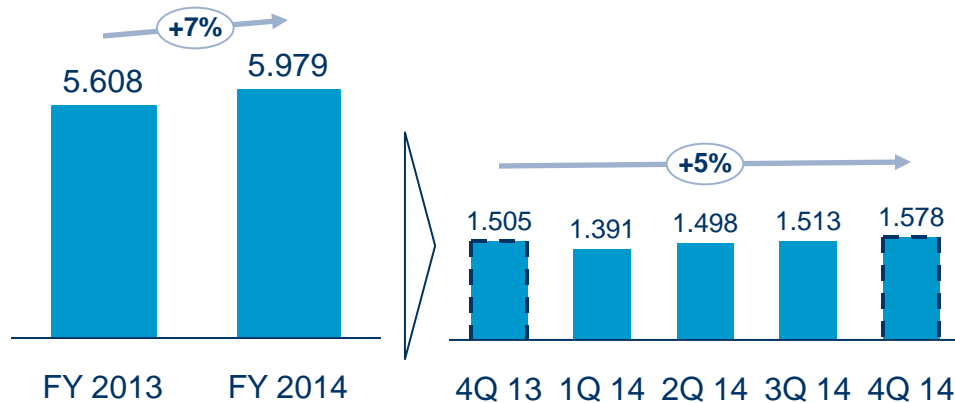
Note:

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.

\* 2011,2012 have not been restated for methodological changes (ČMSS consolidation method & NIM calculation), 2013 has been restated.

## Net fee and commission income (NFCI)

CZK bn



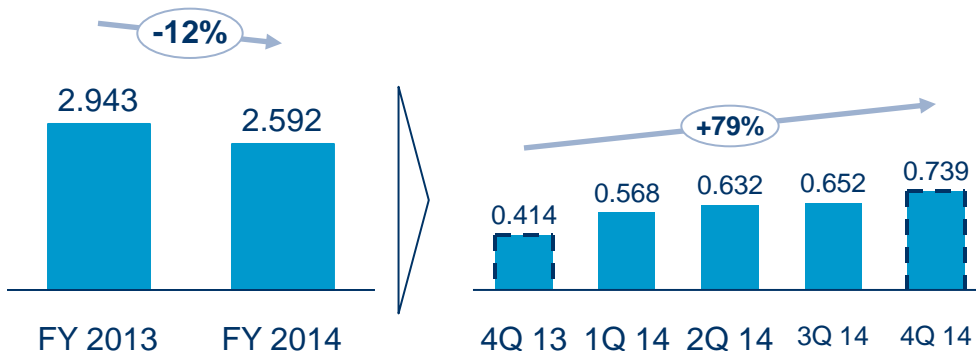
FY/4Q 2014 **net fee and commission income increased** by 7% Y/Y and 5% Y/Y respectively. Adjusted for deconsolidation of TPF, NFCI would increase on comparable basis by 4% Y/Y and decline 1% Y/Y, respectively.

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

The 12% Y/Y **decline of item "other"** in 2014 was mainly due to 2013 positive items (e.g. sale of non-strategic participation stakes, recovered income from historical file), lower FX revenues from customer hedging, lower capital gains and trading derivatives. This has been partially compensated by one-off sale of internal system to KBC ICT branch in April 2014 and deconsolidation of TPF.

## Other\*

CZK bn

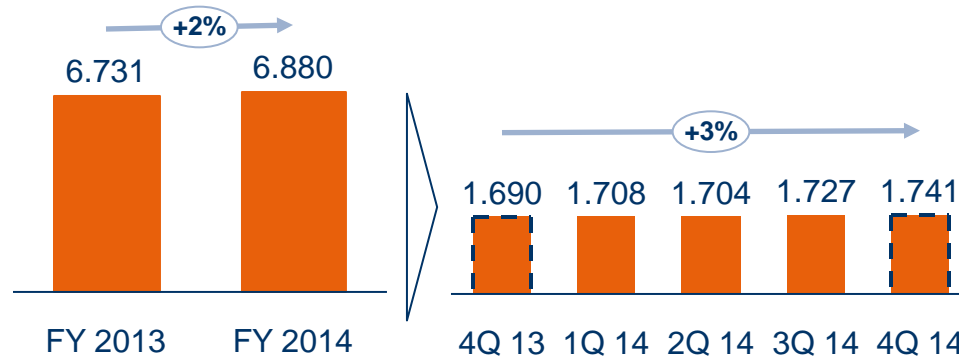


On the other hand, the 79% Y/Y increase in 4Q was mainly thanks to improved income from financial operations, TPF deconsolidation as well as lower base in 2013.

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

### Staff expenses

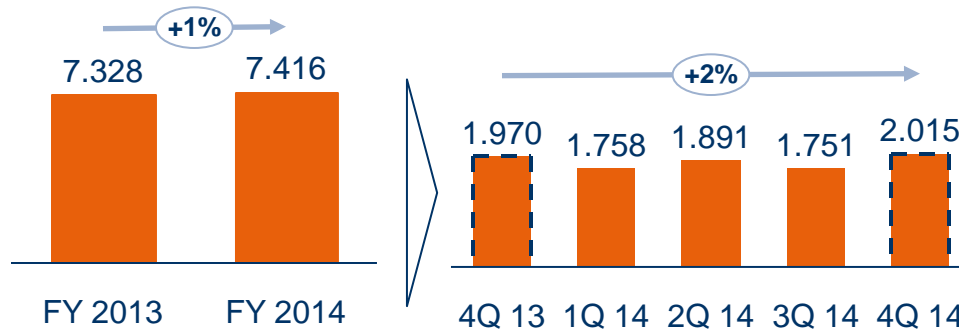
CZK bn



FY/4Q 2014 **staff expenses increased by 2% Y/Y** and **3% Y/Y**, respectively driven by annual wage adjustments and additional staff to support client business (e.g. Call center, Bank-Insurance, SME, Credits or Operations).

### General administrative expenses

CZK bn



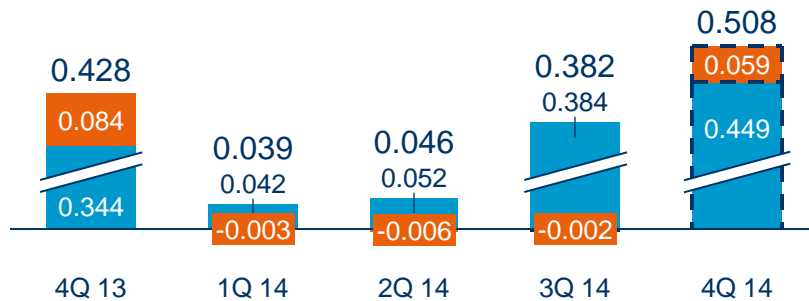
FY/4Q 2014 **general administrative expenses increased by 1% Y/Y** and **2% Y/Y**, respectively, mainly due to higher ICT expenses linked to client focused solutions and higher deposit insurance premium partly compensated by targeted savings in postage. Higher ICT expenses were also the key driver for Y/Y growth in 4Q.

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

### Total impairments

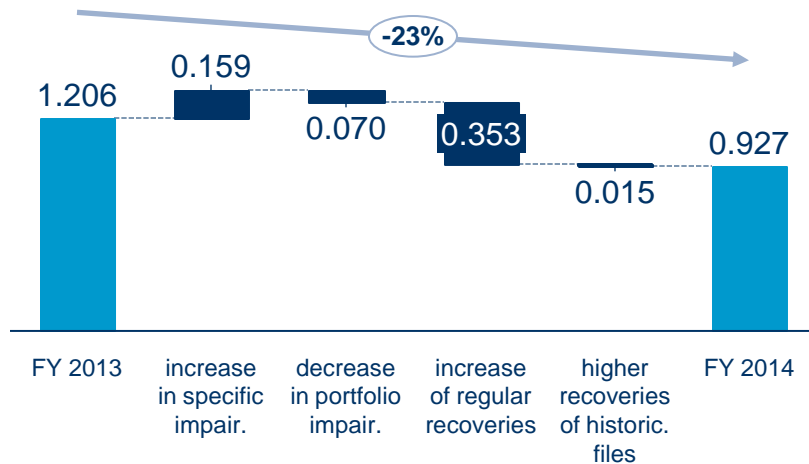
CZK bn

- other impairments (see note)
- impairments on loans and receivables (LaR)



### Impairments on LaR

CZK bn



In 2014, **impairments on loans and receivables declined** to CZK 927m (-23% Y/Y) implying non-sustainable credit cost ratio of 18 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 files), the credit cost ratio would reach 29 bps (Ytd., annualized).

CZK 449m of loans and receivables impairments were created in 4Q 2014 (+31% Y/Y) mainly due to Y/Y higher impairments in SME segment, offset by better consumer finance, mortgages and leasing with flat corporate and building savings loans.

### Credit cost ratio

bps (Ytd., annualized)



Notes:

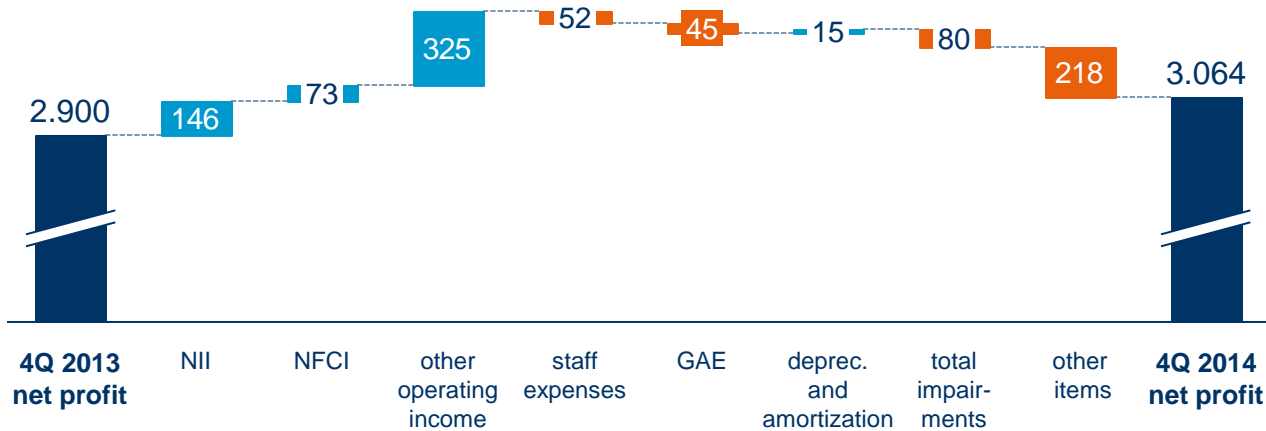
In 4Q 2013, impairment on tangible and non-tangible assets were booked in other impairments.

In 4Q 2014, impairment on tangible assets were booked in other impairments.



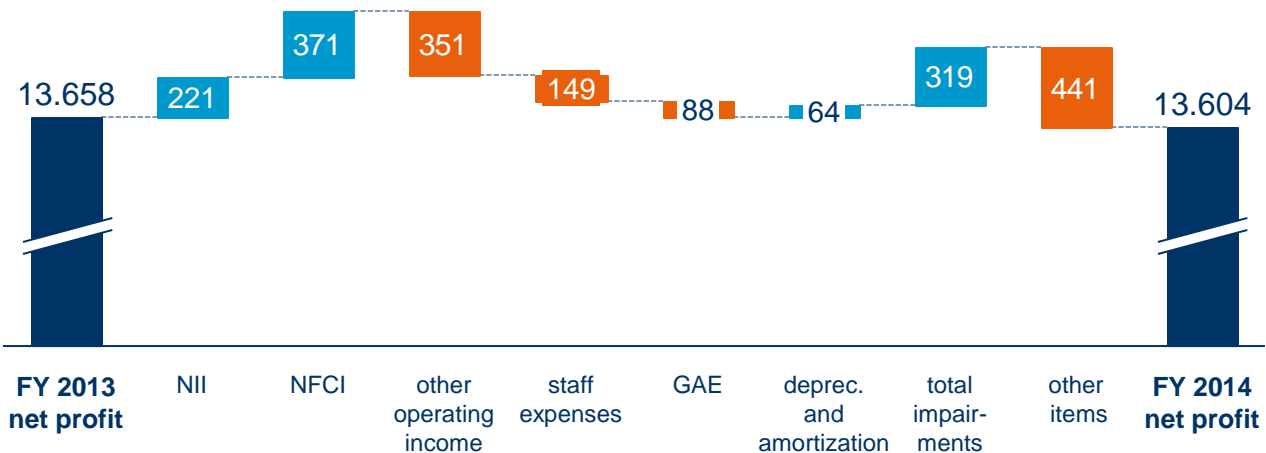
## Quarterly net profit (Y/Y)

CZK bn



## Ytd. net profit (Y/Y)

CZK bn



The main difference between 4Q 2014 and 4Q 2013 net profit was caused by the following drivers:

On the **positive side**:

- higher NII driven by strong business volumes growth and higher NFCI on the back of higher loan and card fees
- higher other net operating income mainly thanks to positive results from financial operations, TPF deconsolidation and other positive one-off /technical items

On the **negative side**:

- higher operating expenses, both staff costs as well as general administrative expenses
- higher impairments mainly due to SME segment
- higher income tax due to 2013 low base linked to deferred tax adjustment

The main difference between FY 2014 and FY 2013 was caused by the following drivers:

On the **positive side**:

- higher NII mainly driven by resilient business volumes growth partially offset by TPF deconsolidation
- NFCI was higher thanks to retail (asset management products and card transactions) and corporate (loan fees) as well as impact of TPF deconsolidation
- Impairments were lower mainly due to stable macro environment and prudential lending policy leading to ongoing good quality of the loan portfolio

On the **negative side**:

- lower other operating income mainly due to 2013 positive one-off/technical items
- higher operating expenses, both staff costs as well as general administrative expenses
- higher income tax due to 2013 low base linked to deferred tax adjustment

Consolidated, CZK m	31.12.2013 <sup>1</sup>	31.12.2014 <sup>2</sup>
<b>Total regulatory capital</b>	<b>55,305</b>	<b>60,853</b>
- Tier 1 Capital	55,245	60,104
- Tier 2 Capital	76	749
- Deductions from Tier 1 and Tier 2	-16	0
<b>Total capital requirement</b>	<b>28,409</b>	<b>27,894</b>
- Credit risk	22,475	21,959
- Market risk	1,410	1,364
- Operational risk	4,524	4,571
<b>Total RWA</b>	<b>355,114</b>	<b>348,670</b>
<b>Core Tier 1 ratio = Tier 1 ratio</b>	<b>15.6%<sup>1</sup></b>	<b>17.2%</b>
<b>Total capital ratio</b>	<b>15.6%<sup>1</sup></b>	<b>17.5%</b>

Tier 1 capital increased Y/Y thanks to retention of CZK 6.2bn from the 2013 net profit. This reflects increased regulatory requirements and prudent capital deployment.

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:

<sup>1</sup> According to Basel II

<sup>2</sup> 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

# 1st

Building savings loans <sup>1</sup>	↗ 46.9%
Building savings deposits <sup>1</sup>	↗ 37.2%
Mortgages <sup>1</sup>	↘ 29.6%
Mutual funds <sup>1</sup>	↘ 26.8%
Leasing <sup>2</sup>	↗ 15.0%

# 2nd

<b>Total Loans<sup>1</sup></b>	↗ <b>19.8%</b>
<b>Total Deposits<sup>1</sup></b>	↘ <b>19.5%</b>
Equity trading (Patria) <sup>5</sup>	↘ 22.7%

# 3rd

Pension fund <sup>3</sup>	↘ 13.8%
Corporate/SME loans <sup>1</sup>	↗ 15.2%
Consumer lending <sup>1,4</sup>	↗ 11.3%
Factoring <sup>2</sup>	↘ 18.6%

Arrows show Y/Y change. Market shares as of 31 December 2014, except for pension fund and mutual funds, which are as of 30 September 2014. The ranking is ČSOB's estimate.

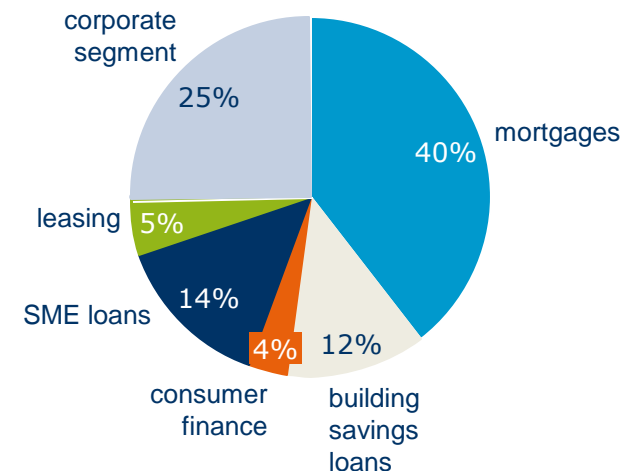
<sup>1</sup> Outstanding at the given date (including ČMSS); <sup>2</sup> New business in the year to the given date; <sup>3</sup> Number of clients at the given date; <sup>4</sup> Retail loans excluding mortgages and building savings loans. <sup>5</sup>Equity trading volumes.

Sources and detailed definitions are provided in Appendix.

Gross outstanding volumes, CZK bn	31.12.2013	31.12.2014	Y/Y
<b>Loan portfolio (excl. ČMSS)</b>	<b>441.2</b>	<b>480.0</b>	<b>9%</b>
<b>Retail/SME Segment</b>			
Mortgages <sup>1</sup>	199.3	214.8	8%
Consumer finance	19.1	19.3	1%
SME loans	73.7	77.8	6%
Leasing	23.5	27.4	17%
<b>Corporate Segment</b>			
Corporate loans <sup>2</sup>	121.5	136.6	12%
Factoring	4.1	4.0	-1%
Building savings loans <sup>3</sup>	67.2	67.1	0%
<b>Loan portfolio (incl. ČMSS)</b>	<b>508.4</b>	<b>547.0</b>	<b>8%</b>

**31.12.2014**  
(incl. ČMSS)

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



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

<sup>2</sup> Including credit-replacing bonds.

<sup>3</sup> 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.

### Mortgages

Outstanding, CZK bn

+8%

199.3    201.6    205.7    210.4    214.8

31.12. 2013    31.3. 2014    30.6. 2014    30.9. 2014    31.12. 2014

New sales\*, CZK bn

10.6    8.1    11.7    11.6    10.3

4Q 13    1Q 14    2Q 14    3Q 14    4Q 14

**Rebounding real estate prices and interest rates at new historical record lows helped ČSOB to increase outstanding mortgage volumes by 8% Y/Y in 2014.**

In 2014 ČSOB provided more than 23 thousand new mortgages (-5% Y/Y) in the total amount of CZK 42bn (flat Y/Y), while total market decreased by 7% Y/Y in number of new mortgages and decreased 4% Y/Y in total amount. Thus **ČSOB strengthened its leading market position in new sales.**

### Building savings loans

Outstanding (ČMSS 55%), CZK bn

0%

67.2    66.8    66.9    67.1    67.1

31.12. 2013    31.3. 2014    30.6. 2014    30.9. 2014    31.12. 2014

New sales (ČMSS 55%)\*, CZK bn

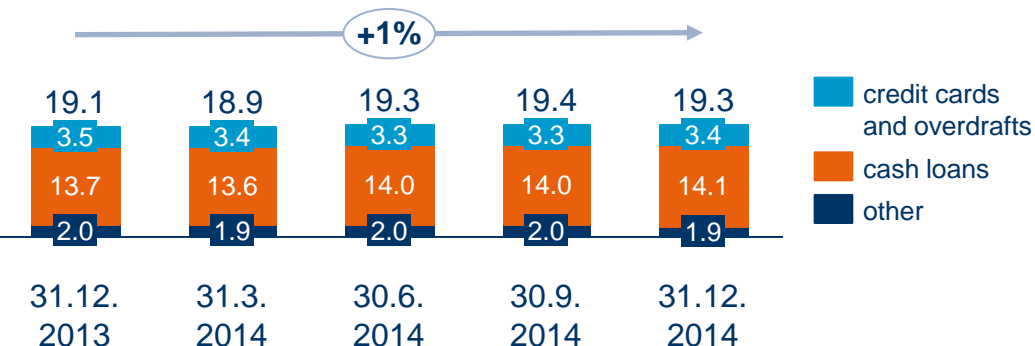
3.2    2.8    3.2    3.4    3.1

4Q 13    1Q 14    2Q 14    3Q 14    4Q 14

Outstanding loan portfolio remained flat Y/Y, while market declined 4% Y/Y. New sales of building savings loans decreased by 2% Y/Y in 4Q 2014 as **clients preferred mortgages to building savings loans** in declining interest rate environment.

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

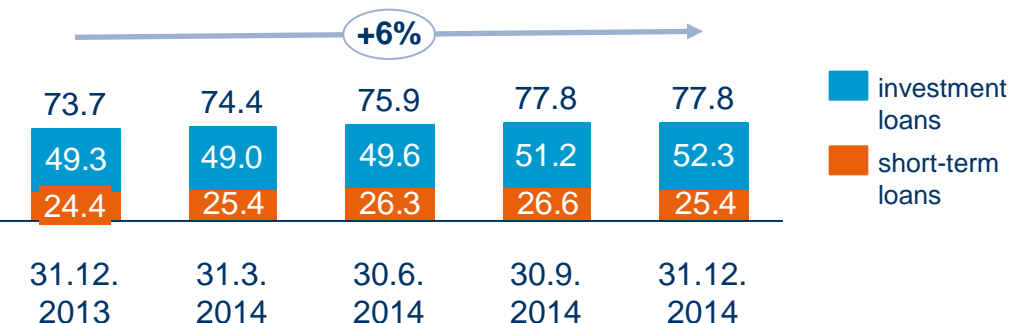
### Consumer finance, outstanding, CZK bn



In 2014, ČSOB achieved moderate growth in **consumer finance segment** on stagnating market leading to slightly higher market share.

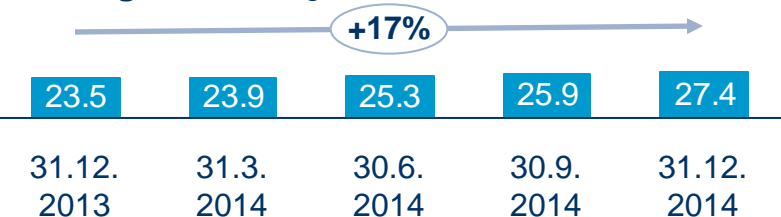
Cash loans with interest rate discount applicable in the second half of the repayment period and redesigned approach (shortened time-to-yes, simplification of the process, training) in sale of refinancing and loan consolidation helped to improve new sales. In 2H 2014, ČSOB managed to stop the decline in sales of revolving “credit cards and overdrafts”.

### SME loans, outstanding, CZK bn



In 2014, **SME loan** growth accelerated, driven in-line with ČSOB’s strategy by mid-sized and micro segments. As a result, SME market share increased by almost 1pp Y/Y. At the same time, ČSOB was able to keep stable loan volume for housing cooperatives and thus confirmed its leading market position in this area.

### Leasing, outstanding\*, CZK bn



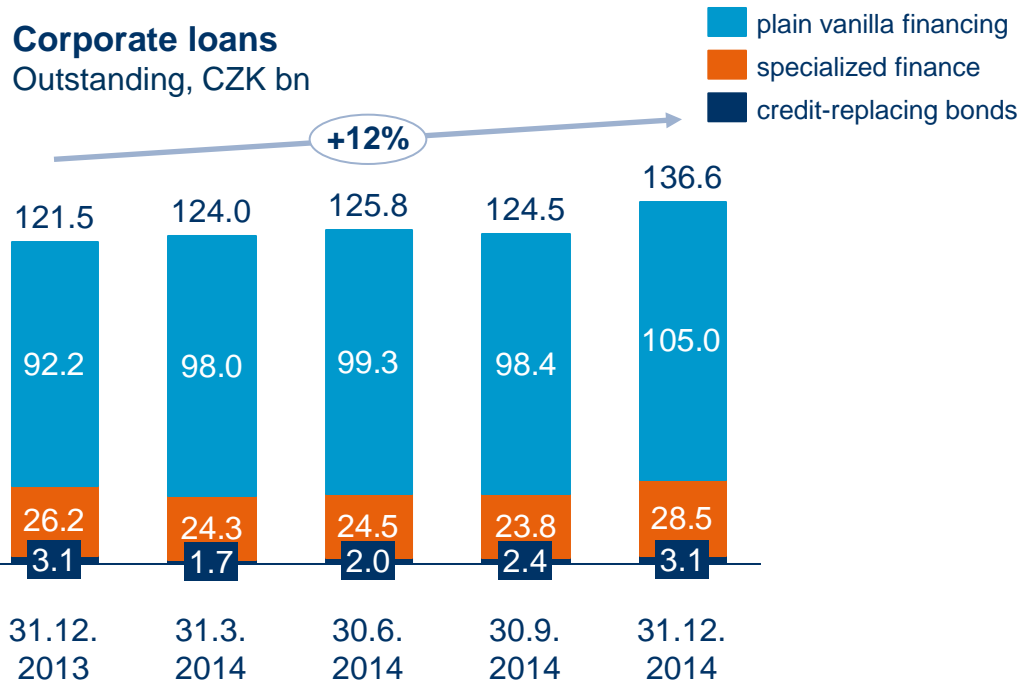
**ČSOB Leasing** strengthened its market leading position with strong volumes growth. Outstanding volumes increased by **17% Y/Y**, driven mainly by machinery & equipment, heavy transportation financing (incl. several big ticket deals). Successful campaign in car financing and cross selling activities with corporate/SME segment support leasing and asset financing sales.

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

# Exceeding the market thanks to robust growth in both plain vanilla and specialized finance

## Corporate loans

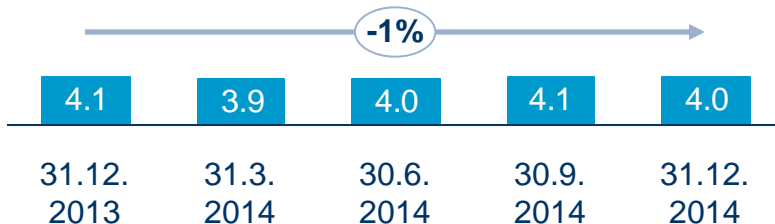
Outstanding, CZK bn



**Corporate loans increased by 12% Y/Y** driven by both plain vanilla and specialized financing and thus significantly exceeded market. The major Y/Y loan growth has been recorded in telecommunications, energy and retail sectors.

## Factoring

Outstanding, CZK bn

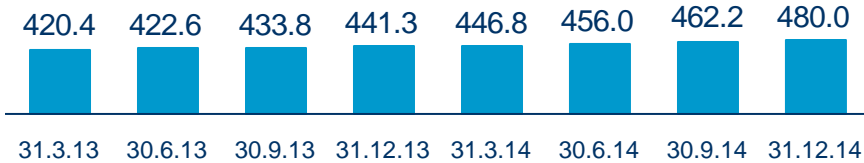


**Factoring** volumes decreased by 1% Y/Y, due to lower demand before the year end.

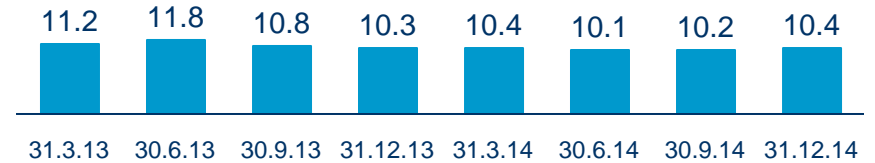
*Note: The corporate segment comprises mid-cap corporate customers with an annual turnover above CZK 300m, local subsidiaries of international groups and selected institutional clients.*



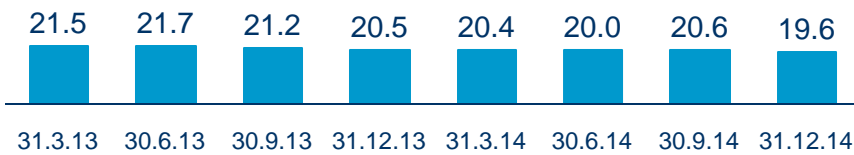
## Loan portfolio<sup>1</sup> (CZK bn)



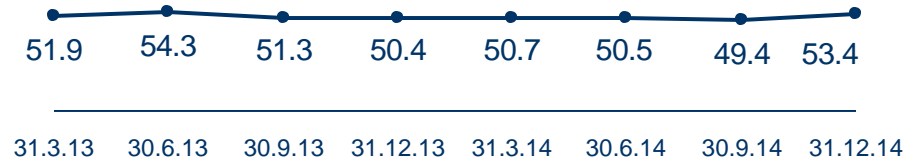
## Allowances for loans and leases<sup>2</sup> (CZK bn)



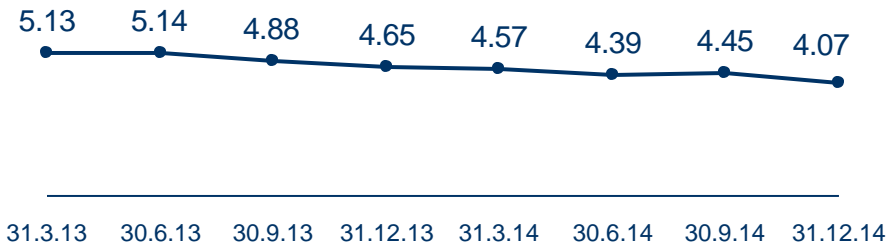
## Non-performing loans (CZK bn)



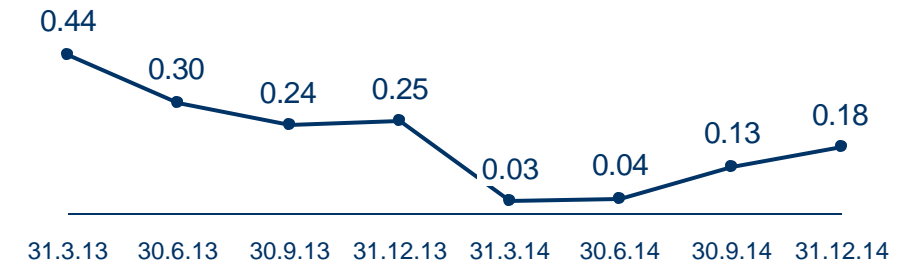
## NPL coverage ratio (%)



## NPL ratio (%)



## Credit cost ratio<sup>3</sup> (%)



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

### Impairments

- In 2014, **impairments on loans and receivables declined** to CZK 927m (-23% Y/Y) and implying non-sustainable credit cost ratio of 18 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 29 bps (Ytd., annualized).
- CZK 449m of loans and receivable impairments were created in 4Q 2014 (+31% Y/Y) mainly due to higher impairments recorded in SME segment, offset by better consumer finance, mortgages and leasing with flat corporate and building savings loans.

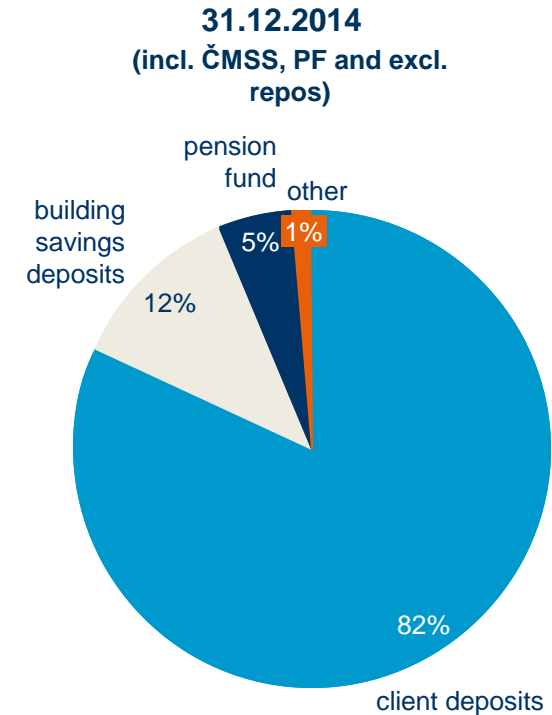
### Non-performing loans

- The NPL ratio decreased by 58 bps Y/Y to 4.07% at the end of 4Q 2014 with lower Y/Y NPL ratio being reported in all segments but flat in building savings loans and mortgages.
- In comparison with 3Q 2014, the NPL ratio was flat in building savings loans and consumer finance while it declined in leasing, mortgages as well as corporate/SME. Latter being the main driver thanks improving portfolio quality.

### Coverage of non-performing loans

- Coverage of NPLs increased by 3.0 pp Y/Y to 53.4%, due to slightly higher coverage of NPL across all segments but consumer finance.
- 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.

Outstanding volumes, CZK bn	31.12.2013	31.12.2014	Y/Y
<b>Group deposits</b>	<b>557.8</b>	<b>585.0</b>	<b>5%</b>
Client deposits	539.3	575.9	7%
Current accounts	310.8	342.4	10%
Savings deposits	216.8	222.5	3%
Term deposits	11.7	11.0	-6%
Other <sup>1</sup>	18.5	9.1	-51%
Pension fund <sup>2</sup>	32.5	36.9	14%
Building savings deposits <sup>3</sup>	83.3	83.1	0%
<b>Group deposits (incl. ČMSS, PF)</b>	<b>673.6</b>	<b>705.0</b>	<b>5%</b>
Repo operations <sup>4</sup>	90.9	14.1	-84%
<b>Group deposits (incl. ČMSS, PF and repos)</b>	<b>764.5</b>	<b>719.1</b>	<b>-6%</b>



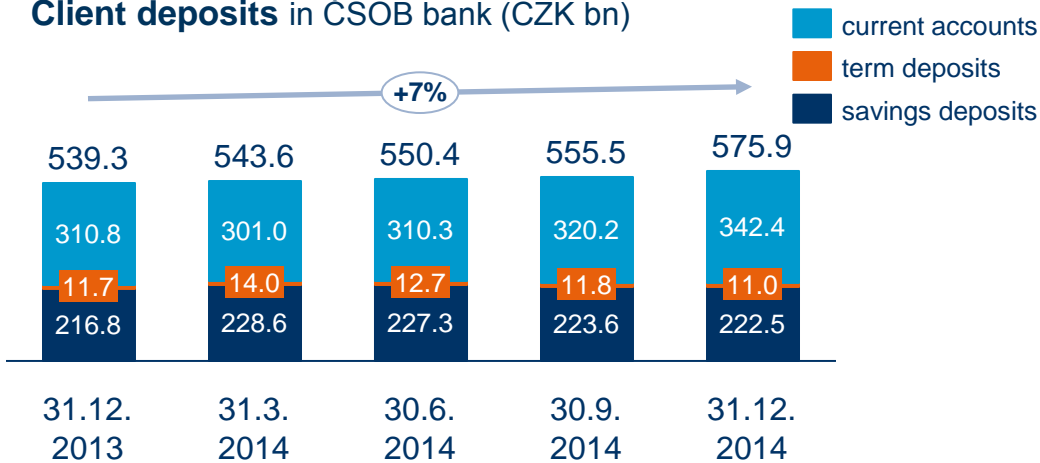
<sup>1</sup>Other deposits and repo operations with non-banking financial institutions.

<sup>2</sup>Liabilities to pension fund policy holders.

<sup>3</sup>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.

<sup>4</sup>Repo operations with institutional clients.

### Client deposits in ČSOB bank (CZK bn)

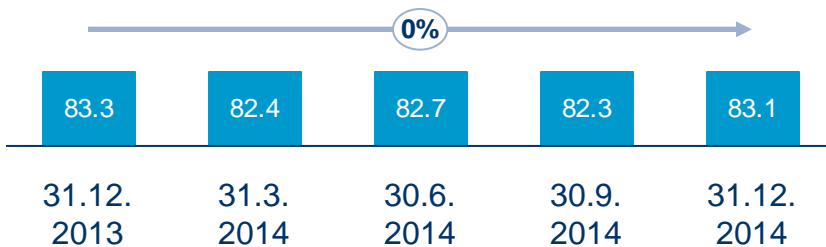


The Y/Y growth was visible in both retail (8% Y/Y) and corporate/SME (4% Y/Y) area. Within the total client deposits, **current accounts** and **saving deposits reported 10% Y/Y growth and 3% Y/Y**, respectively.

Repricing of saving accounts in line with further declining market interest rates resulted in slight **Q/Q decrease of saving accounts** volumes.

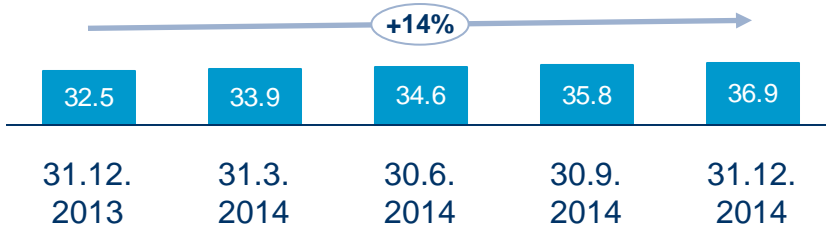
The **Q/Q increase in current accounts volumes** was driven mainly by retail.

### Building savings deposits (CZK bn)



The volume of **building savings deposits remained flat** Y/Y, as the uncertainty regarding state allowances legislation has been removed during 2014. Thus the declining trend of the last two years has stopped.

### Pension fund (CZK bn)



The **14% Y/Y increase of the pension fund** was driven by a good performance, improved retention and increased average monthly contribution (+6% Y/Y).

	31.12.2013	31.12.2014
<b>Retail/SME branches and advisory centers</b>	<b>556</b>	<b>556</b>
ČSOB Retail/SME branches	234	232
PSB branches ("Era Financial Centers")	74	76
ČMSS advisory centers	136	132
Hypoteční banka centers	26	28
ČSOB Pojišťovna branches	86	88
<b>Leasing branches</b>	<b>11</b>	<b>11</b>
<b>ČSOB corporate branches</b>	<b>11</b>	<b>11</b>
<b>PSB outlets of the Czech Post network</b>	<b>ca. 3,100</b>	<b>ca. 3,100</b>
<b>ATMs<sup>1</sup></b>	<b>1,006</b>	<b>1,047</b>
<b>ČSOB's clients (bank only, mil.)</b>	<b>2.9</b>	<b>2.9</b>

<sup>1</sup> Including ATMs of cooperating banks

ČSOB further **enlarged its ATM network**. During the last twelve months, clients could use 41 new ATMs. Number of deposit ATMs reached 139 at the end of December 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 2 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.*



## Selected 2014/2015 awards

# ČSOB named the Best Bank in the Czech Republic; private banking and other services also awarded

**Bank of the year 2014 in the Czech Republic**

Czech financial advisory company **Fincentrum** named ČSOB the **Bank of the Year 2014** and the **Private Bank of the Year 2014** in the Czech Republic.

**The Banker: Best Private Bank of the Year 2014 Czech Republic**

ČSOB has been named the **Best Private Bank 2014 in the Czech Republic** in PWM / The Banker Global Private Banking Awards 2014.

**Euromoney: Private Banking Survey 2015**

ČSOB Private Banking awarded by the renowned magazine **Euromoney** as the **Best Private Bank 2015 in the Czech Republic**.

**European Structured Products Awards 2014**

Magazine „**Structured Retail Products**“ selected ČSOB as the **Best Bank in Sales, Distribution and Product Performance in 2014**.

**Global Finance: Best FX Bank 2014**

The US-based magazine **Global Finance** awarded ČSOB as the **Best FX Bank 2014** for the eleventh time in a row.

**Global Finance: Best Bank in Czech Republic 2014**

The US-based magazine **Global Finance** awarded ČSOB as the **Best Bank 2014 in the Czech Republic**.

**Mastercard 2014**

**Mastercard** recognized ČSOB the most successful partner for 2014 with winning four out of eleven categories – **Best Issuer 2014, Acquirer 2014, Premium Product 2014, and Acquiring Innovation 2014**.

**Acquisition International: Best Investment Bank of the Year 2014 in the Czech Rep.**

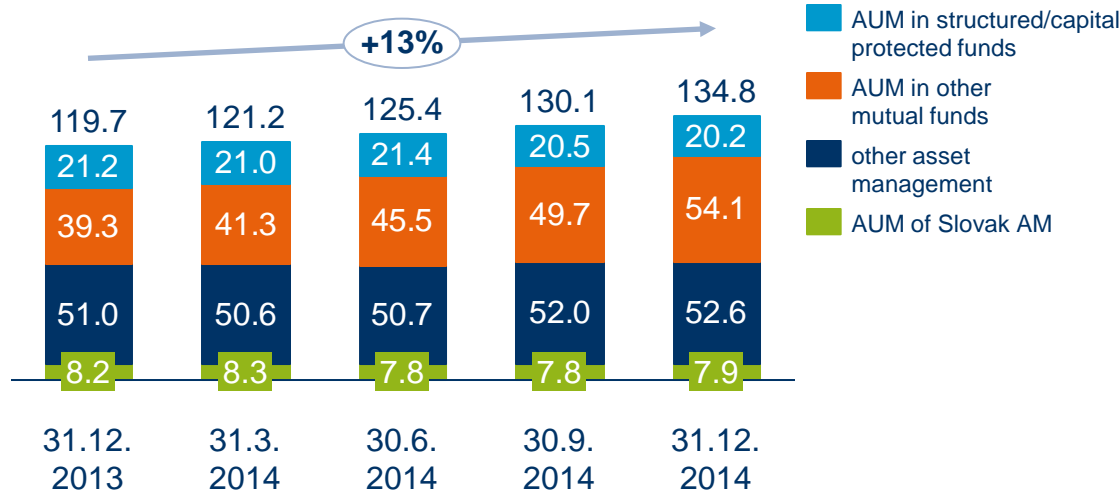
**Patria** awarded by the magazine „**Acquisition International**“ as the **Best Investment Bank of the Year 2014 in the Czech Republic**.



# ČSOB Asset Management: Key Figures

### Assets under management

Outstanding volumes, CZK bn



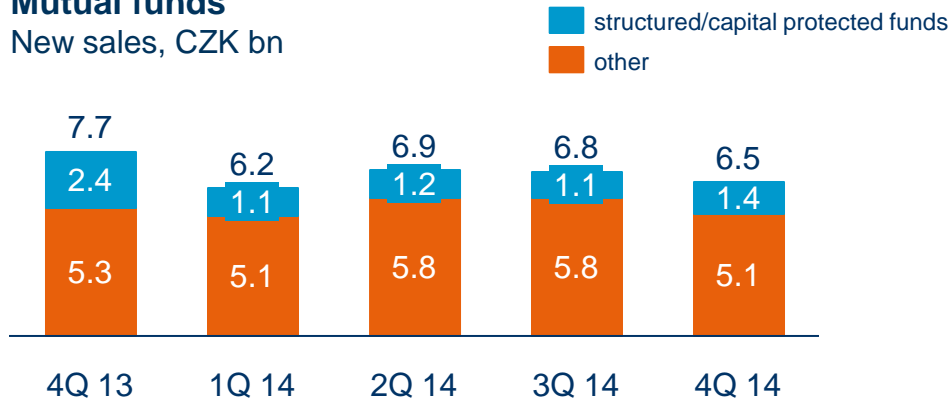
The ČSOB group is keeping its **number 1 position in the funds market.**

Very low interest rates on savings products and bullish equity markets stimulate clients to seek other investment opportunities. **AUM increased by 13% Y/Y**, of which structured/capital protected and other mutual funds improved in total by 23% Y/Y, fully driven by the latter.

There were solid new sales in 4Q 2014, thanks to a good performance in maturing funds. As a result, clients reinvested most of the maturing volumes and added additional money to benefit from the potential on the market.

### Mutual funds

New sales, CZK bn



Due to the fact, that interest rates are historically low and 100% protection would be at the expense of potential of profit, clients preferred mixed funds and structured funds.

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.*

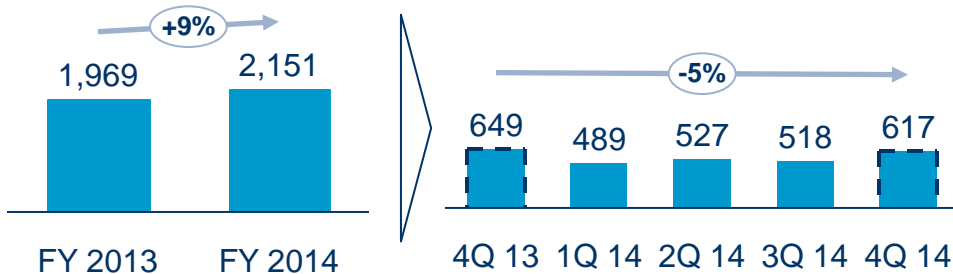




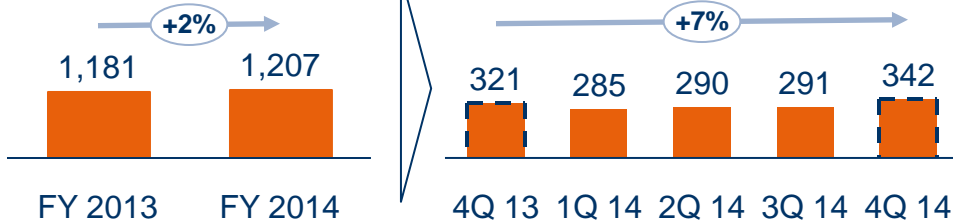
# ČSOB Pojišťovna: Key Figures

# 2014 net profit growth driven by low base, good non-life performance and stable life contribution

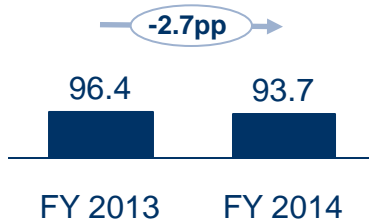
## Operating income CZK m



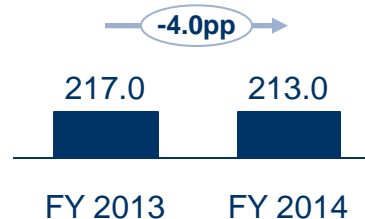
## Operating expenses CZK m



## Non-life combined ratio\* (%)



## Solvency ratio (%)



FY/4Q 2014 net profit reached **CZK 747m** (+18% Y/Y) and **CZK 214m** (-13% Y/Y), respectively. 2013 low base was caused by floods in June. Excluding this effect, net profit would grow by 3% Y/Y. Net profit was positively influenced by better non-life technical result and supported by stable life segment.

FY/4Q 2014 technical result in non-life segment increased to **CZK 399m** (+42% Y/Y) and decline to **CZK 128m** (-31% Y/Y), respectively. Better 2014 technical result was driven by absence of big claims, improved profitability in fleets and leasing as well as higher average premium of motor retail. As a result, non-life combined ratio further improved below 94% level.

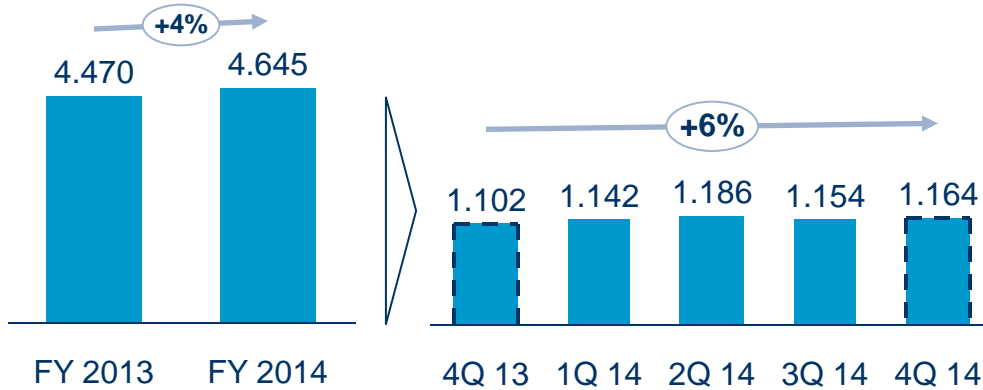
FY/4Q 2014 technical result in life segment reached **CZK 589m** (+12% Y/Y) and **CZK 154m** (+21% Y/Y), respectively. Life profit contribution remained solid despite lower Y/Y gross written premium thanks to operating cost control.

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

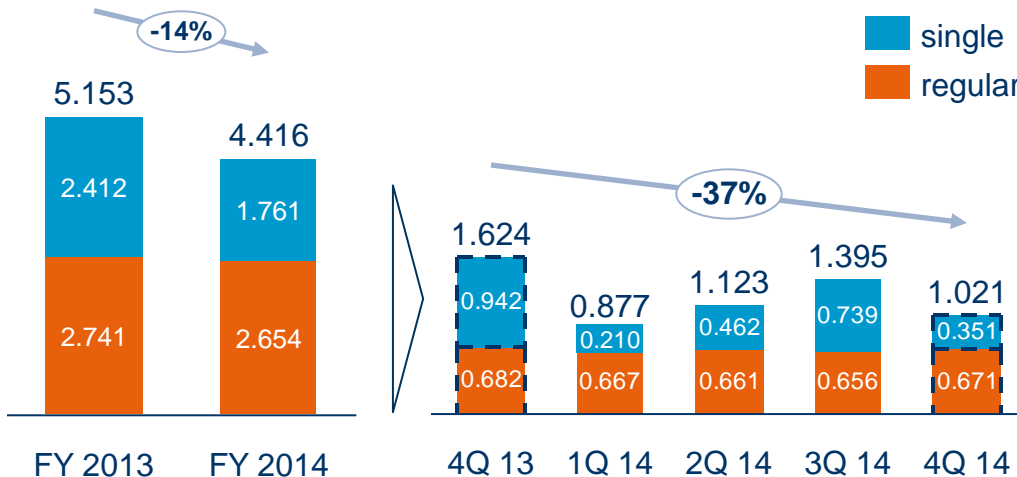
*\*As a result of methodological change (based on KBC direction building depreciation costs are allocated from non-technical to technical accounts) in 4Q 2014, non-life combined ratio for FY 2013 has been restated.*

# Non-life revenue growth continues, life revenues lagging behind last year due to lack of investment opportunities

**Gross written premium – non-life insurance**  
CZK bn



**Gross written premium – life insurance**  
CZK bn



Market shares	4Q 2014	Market position
Non-life	↗ 6.6%	6 <sup>th</sup>
Life insurance	↘ 6.1%	7 <sup>th</sup>

Arrows show Y/Y change.

### Non-life insurance

FY/4Q 2014 gross written premium in **non-life insurance** increased by 4% Y/Y and 6% Y/Y respectively, thanks to successful sales of motor retail supported by improved house & household business.

### Life insurance

FY/4Q 2014 **regularly paid** gross written premium slightly decreased by 3% Y/Y and 2% Y/Y respectively, as decrease in universal & traditional life insurance products was only partly compensated by higher sales of unit linked products.

Moreover, unfavorable market conditions (tax law changes) and continuing downward tendency caused lower Y/Y business performance.

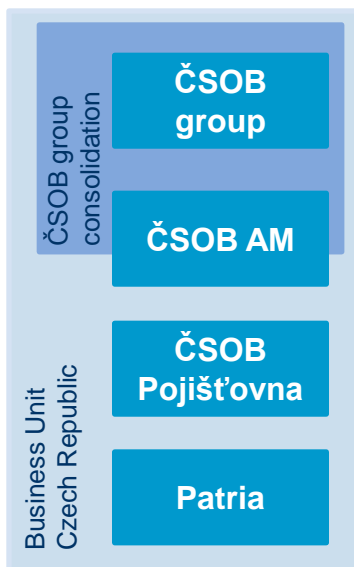
FY/4Q 2014 **single paid** gross written premium declined 27% Y/Y and 63% Y/Y respectively. The drop was mainly driven by less investment opportunities both in 2014 and 4Q 2014.



# Business Unit Czech Republic

# Business Unit Czech Republic

## ČSOB group net profit flat, other entities improved



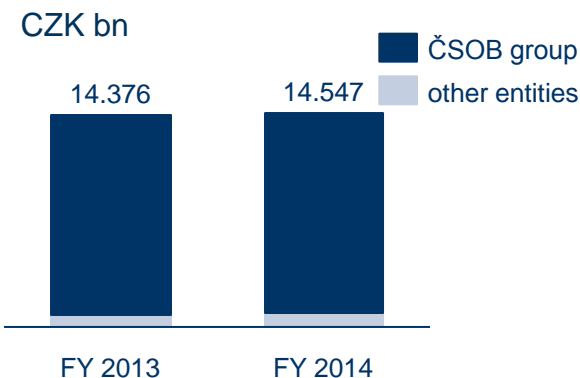
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, all KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

**FY/4Q 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 14.5bn** (+1% Y/Y) and **CZK 3.3bn** (+5% 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.

Effective as of 1 January 2015 Patria has become a part of ČSOB Group.

### Net profit of the Business Unit Czech Republic



Net profit (CZK bn)	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	4Q/4Q	FY2013	FY2014	FY/FY
ČSOB group <sup>1</sup>	2.883	3.594	3.620	3.290	3.064	6%	13.598	13.568	0%
ČSOB Pojišťovna	0.273	0.160	0.186	0.187	0.219	-20%	0.662	0.752	14%
ČSOB AM	0.031	0.032	0.038	0.026	0.035	12%	0.127	0.130	3%
Patria <sup>2</sup>	-0.009	-0.009	-0.007	0.092	0.020	N/A	-0.011	0.096	N/A
<b>Total</b>	<b>3.178</b>	<b>3.776</b>	<b>3.838</b>	<b>3.594</b>	<b>3.338</b>	<b>5%</b>	<b>14.376</b>	<b>14.547</b>	<b>1%</b>

<sup>1</sup> 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).

<sup>2</sup> 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 negative impact of CZK 8m.



# Appendix

Responsible Business

ČSOB and Era developed **Klikni a daruj (Click and Donate)**, an application allowing its users to **donate – safely and easily – money** to a variety of **transparent NGOs**. They can choose from 91 projects of 77 NGOs.

Since May, clients of ČSOB Private Banking have been offered a **unique product – Good Will Card**. It is a contactless debit card MasterCard World ELITE that **donates 0,6% of each payment to charitable purposes**.



For the fourth time in a row, our employees could have applied for help from the **Help Fund** for their family member or a close person. The fund focuses on helping to **individuals with disability, family caring for a disabled kid or a lonesome person in a difficult situation**. In 2014, 62 children and adults were supported.

Diversity



**Akademie Modrého života (Blue Life Academy)** consists of a series of workshops, consultations, mentoring and concrete initiatives oriented on improvement of communication and marketing of NGOs. It is unique in **its intensity, concrete focus and involvement of our employees as well as representatives of our suppliers**. In the first round of the Academy, 7 NGOs received support.

The second year of the **Stabilisation of Social Enterprises** grant programme saw 9 organisations that won support – either financial or expert. We do not only invest finance in their development but we concentrate on providing **know-how, consultations, mentoring or coaching**.

Education



Thanks to the **Era Helps to Regions** grant programme, almost CZK 4 mil. will help to projects in all regions in the Czech Republic. In each of the 20 regions, three projects are supported – i.e. **60 of those submitted by local NGOs, contribution-based organisations and schools**.

Regions

Ratio / Indicator	31. 12. 2010	31. 12. 2011	31. 12. 2012	31.12.2013	31.12.2014
<b>Net interest margin</b> (Ytd., annualized, %)	(3.36)	(3.39)	(3.21)	3.20 (3.00)	3.17
<b>Cost / income ratio</b> (%)	44.0	46.7	45.9	47.5 (47.1)	47.6
<b>RoE</b> (Ytd., %)	20.3	17.9	22.8	18.2	16.4
<b>RoA</b> (Ytd., %)	1.55	1.23	1.63	1.42	1.40
<b>RoAC, BU Czech Republic</b> (Ytd., %)	N/A	N/A	35.1	40.0 (35.2)	36.7
<b>Credit cost ratio</b> (% , annualized)	0.75	0.36	0.31	0.25	0.18
<b>NPL ratio</b> (%)	(5.83)	(5.19)	(4.79)	4.65 (4.39)	4.07
<b>NPL coverage ratio</b> (%)	(76.7)	(51.0)	(50.5)	50.4 (49.7)	53.4
<b>Core Tier 1 ratio</b> (%)	14.2 <sup>1</sup>	11.7 <sup>1</sup>	13.0 <sup>1</sup>	15.6 <sup>1</sup>	17.2 <sup>2</sup>
<b>Total capital ratio</b> (%)	18.0 <sup>1</sup>	15.5 <sup>1</sup>	15.2 <sup>1</sup>	15.6 <sup>1</sup>	17.5 <sup>2</sup>
<b>Solvency</b> (Solvency I, %)	236.5	213.0	224.0	217.0	213.0
<b>Leverage ratio</b> (Basel III, %)	4.50	3.96	4.73	5.46	5.15
<b>Net stable funding ratio</b> (Basel III, %)	137.7	133.6	133.2	135.7	135.9
<b>Liquidity coverage ratio</b> (Basel III, %)	N/A	220.4	336.1	225.6	348.4
<b>Loan to deposit ratio</b> (%)	(68.5)	(72.7)	(75.2)	75.9 (77.0)	76.4

2010, 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.

<sup>1</sup> According to Basel II, <sup>2</sup> According to Basel III



(CZK m)	4Q 2013	3Q 2014	4Q 2014	Y/Y	Q/Q	FY 2013	FY 2014	Y/Y
<i>Interest income</i>	6,582	6,603	6,537	-1%	-1%	27,102	26,841	-1%
<i>Interest expense</i>	-1,093	-991	-902	-17%	-9%	-4,451	-3,969	-11%
Net interest income	5,489	5,612	5,635	+3%	0%	22,651	22,872	+1%
Net fee and commission income	1,505	1,512	1,578	+5%	+4%	5,608	5,979	+7%
Net gains from financial instruments at FVPL <sup>1</sup>	349	550	527	+51%	-4%	2,048	1,700	-17%
Other operating income <sup>2</sup>	65	103	212	>-100%	>+100%	895	892	0%
<b>Operating income</b>	<b>7,408</b>	<b>7,777</b>	<b>7,952</b>	<b>+7%</b>	<b>+2%</b>	<b>31,202</b>	<b>31,443</b>	<b>+1%</b>
Staff expenses	-1,690	-1,726	-1,742	+3%	+1%	-6,731	-6,880	+2%
General administrative expenses	-1,970	-1,752	-2,015	+2%	+15%	-7,328	-7,416	+1%
Depreciation and amortisation	-186	-169	-171	-8%	+1%	-749	-685	-9%
<b>Operating expenses</b>	<b>-3,846</b>	<b>-3,647</b>	<b>-3,928</b>	<b>+2%</b>	<b>+8%</b>	<b>-14,808</b>	<b>-14,981</b>	<b>+1%</b>
Impairment losses	-428	-382	-508	+19%	+33%	-1,294	-975	-25%
<i>Impairment on loans and receivables</i>	-344	-384	-449	+31%	+17%	-1,206	-927	-23%
<i>Impairment on other assets</i>	-84	2	-59	-30%	N/A	-88	-48	-45%
Share of profit of associates	162	162	155	-4%	-4%	800	691	-14%
<b>Profit before tax</b>	<b>3,296</b>	<b>3,910</b>	<b>3,671</b>	<b>+11%</b>	<b>-6%</b>	<b>15,900</b>	<b>16,178</b>	<b>+2%</b>
Income tax expense	-400	-609	-593	+48%	-3%	-2,249	-2,557	+14%
<b>Profit for the period</b>	<b>2,896</b>	<b>3,301</b>	<b>3,078</b>	<b>+6%</b>	<b>-7%</b>	<b>13,651</b>	<b>13,621</b>	<b>0%</b>
Attributable to:								
<b>Owners of the parent</b>	<b>2,900</b>	<b>3,304</b>	<b>3,064</b>	<b>+6%</b>	<b>-7%</b>	<b>13,658</b>	<b>13,604</b>	<b>0%</b>
Non-controlling interests	-4	-3	14	N/A	N/A	-7	17	N/A

<sup>1</sup> FVPL = fair value through profit and loss.

<sup>2</sup> Other operating income = Net realised gains on available-for-sale fin. assets, dividend income, other net income.

# Profit and loss statement (pro-forma excluding TPF)

(CZK m)	4Q 2013	3Q 2014	4Q 2014	Y/Y	Q/Q	FY 2013	FY 2014	Y/Y
<i>Interest income</i>	6,386	6,603	6,537	+2%	-1%	26,333	26,435	0%
<i>Interest expense</i>	-1,115	-991	-902	-19%	-9%	-4,541	-4,014	-12%
Net interest income	5,270	5,612	5,635	+7%	0%	21,793	22,421	+3%
Net fee and commission income	1,590	1,512	1,578	-1%	+4%	5,896	6,128	+4%
Net gains from financial instruments at FVPL <sup>1</sup>	376	550	527	+40%	-4%	2,175	1,793	-18%
Other operating income <sup>2</sup>	171	103	212	+24%	>+100%	1,346	1,118	-17%
<b>Operating income</b>	<b>7,407</b>	<b>7,777</b>	<b>7,952</b>	<b>+7%</b>	<b>+2%</b>	<b>31,210</b>	<b>31,461</b>	<b>+1%</b>
Staff expenses	-1,690	-1,726	-1,742	+3%	+1%	-6,731	-6,880	+2%
General administrative expenses	-1,970	-1,752	-2,015	+2%	+15%	-7,328	-7,416	+1%
Depreciation and amortisation	-186	-169	-171	-8%	+1%	-749	-685	-9%
<b>Operating expenses</b>	<b>-3,846</b>	<b>-3,647</b>	<b>-3,928</b>	<b>+2%</b>	<b>+8%</b>	<b>-14,808</b>	<b>-14,981</b>	<b>+1%</b>
Impairment losses	-428	-382	-508	+19%	+33%	-1,294	-975	-25%
<i>Impairment on loans and receivables</i>	-344	-384	-449	+31%	+17%	-1,206	-927	-23%
<i>Impairment on other assets</i>	-84	2	-59	-30%	N/A	-88	-48	-45%
Share of profit of associates	162	162	155	-4%	-4%	800	691	-14%
<b>Profit before tax</b>	<b>3,295</b>	<b>3,910</b>	<b>3,671</b>	<b>+11%</b>	<b>-6%</b>	<b>15,908</b>	<b>16,196</b>	<b>+2%</b>
Income tax expense	-434	-609	-593	+37%	-3%	-2,279	-2,591	+14%
<b>Profit for the period</b>	<b>2,861</b>	<b>3,301</b>	<b>3,078</b>	<b>+8%</b>	<b>-7%</b>	<b>13,628</b>	<b>13,605</b>	<b>0%</b>
Attributable to:								
<b>Owners of the parent</b>	<b>2,866</b>	<b>3,304</b>	<b>3,064</b>	<b>+7%</b>	<b>-7%</b>	<b>13,635</b>	<b>13,588</b>	<b>0%</b>
Non-controlling interests	-4	-3	14	N/A	N/A	-7	17	N/A

<sup>1</sup> FVPL = fair value through profit and loss.

<sup>2</sup> Other operating income = Net realised gains on available-for-sale fin. assets, dividend income, other net income.

Note: 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. Pro-forma profit and loss statement is provided for comparison purposes only.

(CZK m)	31/12 2013	31/12 2014	Ytd.	
Cash and balances with central banks	20 728	72 076	>+100%	Increase due to reclassification of overnight loan with CNB (implementation of FinRep).
Financial assets held for trading	204 729	50 626	-75%	
Financial assets designated at fair value through P/L	7 467	3 327	-55%	Decrease due to reclassification of reverse repo operations with CNB to Loans & Receivables.
Available-for-sale financial assets	75 843	56 121	-26%	
Loans and receivables - net	475 543	506 635	+7%	
<i>Loans and receivables to credit institutions - gross</i>	58 688	49 779	-15%	
<i>Loans and receivables to other than credit institutions - gross</i>	427 999	468 054	+9%	
<i>Allowance for impairment losses</i>	-11 144	-11 198	0%	
Held-to-maturity investments	150 944	144 074	-5%	
Fair value adjustments of the hedged items in portfolio hed	927	1 654	+78%	
Derivatives used for hedging	9 285	13 967	+50%	
Current tax assets	13	69	>+100%	
Deferred tax assets	96	100	+4%	
Investments in associate	4 913	4 992	+2%	
Investment property	289	284	-2%	
Property and equipment	7 557	6 796	-10%	
Goodwill and other intangible assets	2 885	2 913	+1%	
Non-current assets held-for-sale	194	515	>+100%	
Other assets	1 541	1 490	-3%	
<b>Total assets</b>	<b>962 954</b>	<b>865 639</b>	<b>-10%</b>	

(CZK m)	31/12 2013	31/12 2014	Ytd.
Financial liabilities held for trading	186 920	69 624	-63%
Financial liabilities at amortised cost	677 232	686 136	+1%
<i>of which Deposits received from central banks</i>	492	0	>-100%
<i>of which Deposits received from credit institutions</i>	54 598	59 065	+8%
<i>of which Deposits received from other than credit institut.</i>	591 126	599 142	+1%
<i>of which Debt securities in issue</i>	31 016	27 929	-10%
<i>of which Subordinated liabilities</i>	0	0	0%
Fair value adjustments of the hedged items in portfolio hedge	-57	5 145	>+100%
Derivatives used for hedging	9 507	11 987	+26%
Current tax liabilities	913	196	-79%
Deferred tax liabilities	1 913	2 280	+19%
Provisions	876	736	-16%
Other liabilities	5 197	3 955	-24%
<b>Total liabilities</b>	<b>882 501</b>	<b>780 059</b>	<b>-12%</b>
Share capital	5 855	5 855	0%
Share premium account	15 509	15 509	0%
Statutory reserve	18 687	18 687	0%
Retained earnings	32 949	38 397	+17%
Available-for-sale reserve	4 699	3 732	-21%
Cash flow hedge reserve	2 548	3 192	+25%
Foreign currency translation reserve	2	0	>-100%
<b>Parent shareholders' equity</b>	<b>80 249</b>	<b>85 372</b>	<b>+6%</b>
Minority interest	204	208	+2%
<b>Total equity</b>	<b>80 453</b>	<b>85 580</b>	<b>+6%</b>
<b>Total liabilities and equity</b>	<b>962 954</b>	<b>865 639</b>	<b>-10%</b>

Decrease due to reclassification of repo operations with institutional clients to Deposits

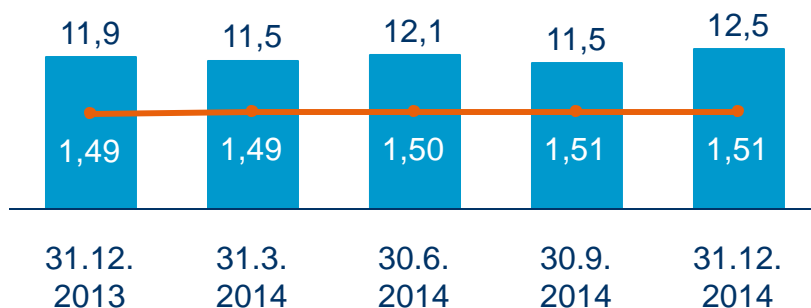
## Non-performing loans

	31. 12. 2013		31.12. 2014	
PD rating distribution	Amount (CZK bn)	Share on total loans	Amount (CZK bn)	Share on total loans
Total loans	441.2	100%	480.0	100%
Normal (PD 1-7)	411.2	93%	451.9	94%
Asset quality review (PD 8-9)	9.5	2%	8.6	2%
Uncertain performing (PD 10)	5.8	1%	4.9	1%
Uncertain non-performing (PD 11)	2.3	1%	1.9	0%
Irrecoverable (PD 12)	12.4	3%	12.8	3%

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

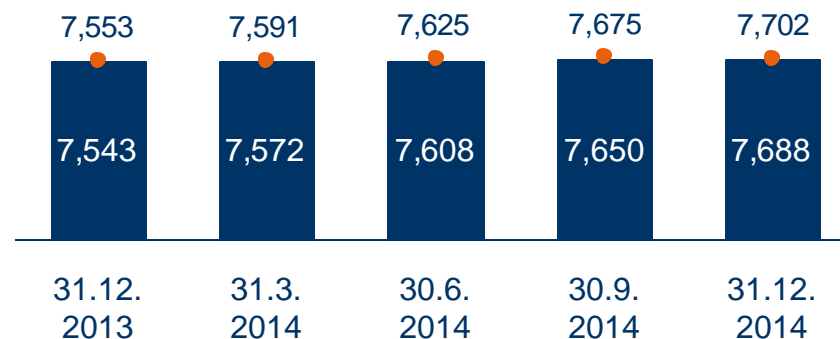
## Internet banking

Number of users (million)  
 Number of transaction during the period (million)



## Group employees

FTEs (average in the quarter)  
 FTEs (end of period)



## ČSOB's credit ratings

As at 12 February 2015

Rating agency

**Moody's**

**S&P**

**Long-term rating: A2**

**Long-term rating: A**

Outlook: negative

Outlook: negative

Short-term rating: Prime-1

Short-term rating: A-1

Financial strength: C-

LT rating valid since

20 June 2012

1 October 2014

Last confirmation

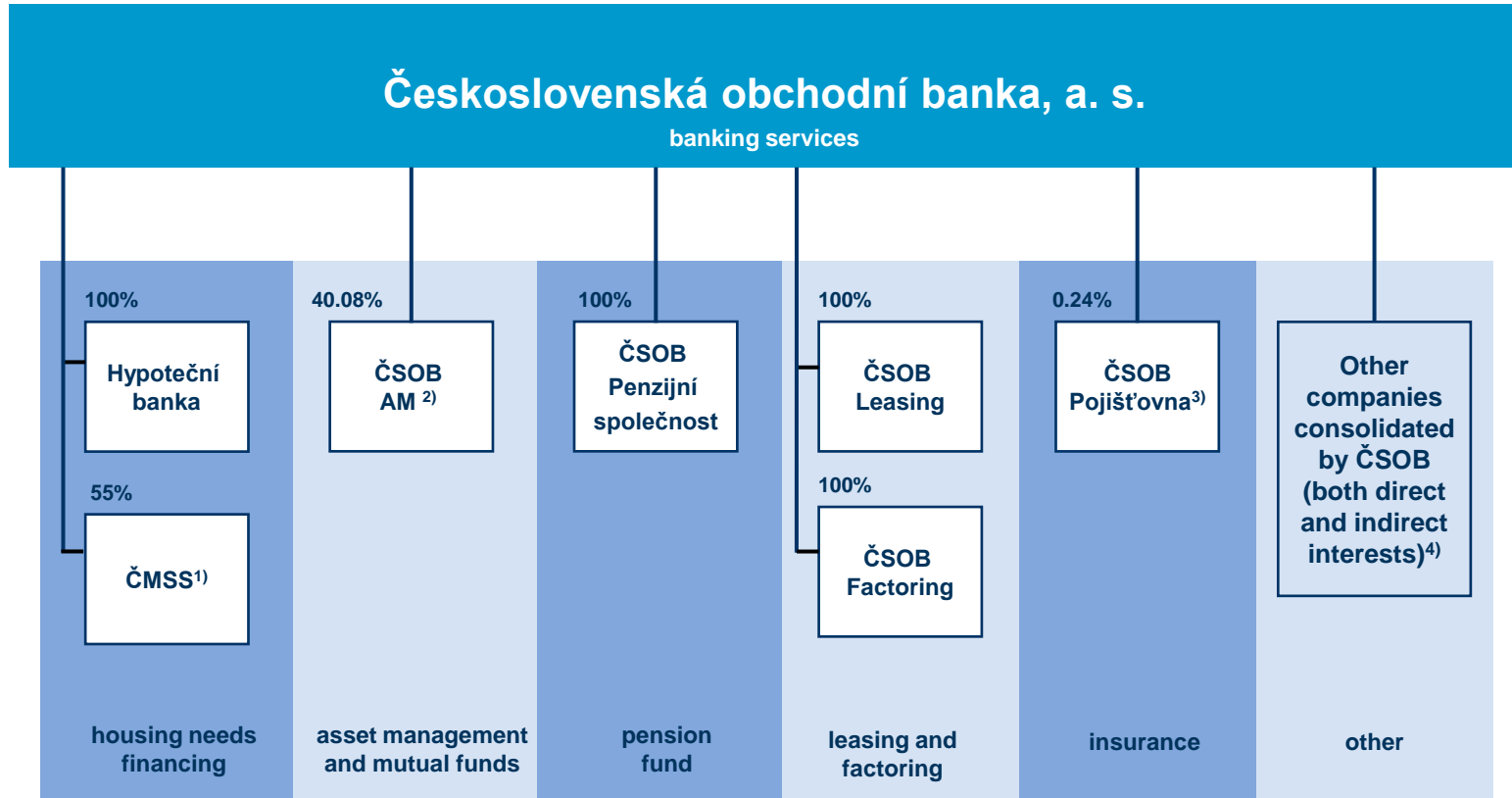
29 May 2014

1 October 2014

## Shareholder structure

As at 31 December 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%.



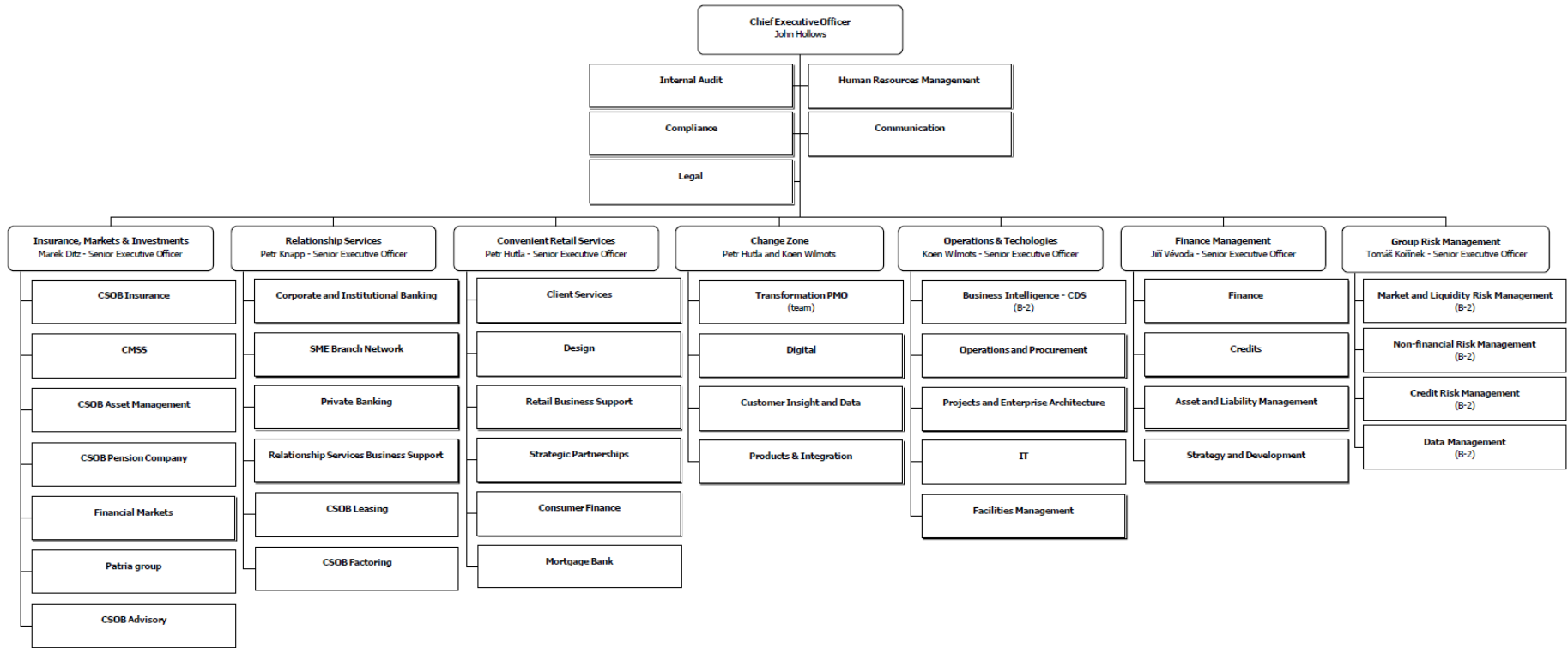
Percentages show ownership interests on company's equity as at 31 December 2014. <sup>1</sup> 45% of shares owned by Bausparkasse Schwäbisch Hall; by the equity method consolidation.

<sup>2</sup> 59.92% of shares owned by KBC Participations Renta C; subsidiary consolidated in ČSOB by an equity method.

<sup>3</sup> 99.76% of shares owned by KBC Insurance; subsidiary consolidated in ČSOB by an equity method.

<sup>4</sup> A complete list of companies consolidated by ČSOB in 2014 is stated in ČSOB Annual Report.

Effective as of 1 January 2015 Patria has become a part of ČSOB Group.





Item	Definition	Source
Total deposits	Total bank deposits excl. repo including unmarketable bills of exchange + AUM of Pension fund	ČNB (Time series ARAD), ČSOB
Building savings loans	Outstanding volumes of building savings loans, ČMSS 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
Equity trading (Patria)	Volumes of equity trading processed by Prague Stock Exchange on monthly basis as of first calendar day of a month.	Stock Exchange Prague

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)

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, ERA 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.

# Contacts

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**Member of the KBC Group**