Prague, 13 February 2014

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 has been included into the Business Unit Czech Republic. Next to the ČSOB group, it also includes ČSOB Pojišťovna, ČSOB Asset Management and Patria.

Following analysis contains only information about the ČSOB group.

NET PROFIT AT CZK 13.7BN: STRONG BUSINESS VOLUMES, COST EFFICIENCY ADDRESED

FY 2013 financial results of the ČSOB group[1]:

- Loan portfolio increased to CZK 508.5bn (+7% Y/Y)
- Deposits grew to CZK 660.3bn (+5% Y/Y)
- Operating income declined to CZK 33.0bn (-6% Y/Y), adjusted for the sale of stake in ČSOB Pojišťovna in 4Q 2012 operating income decline by 2% Y/Y
- Operating expenses decreased to CZK 15.5bn (-3% Y/Y)
- Credit cost ratio stood at 0.25% (-0.06pp Y/Y)
- Net profit came in at CZK 13.7bn (-11% Y/Y), adjusted for the sale of stake in ČSOB Pojišťovna in 4Q 2012 net profit decline by 3 % Y/Y
- Return on equity (ROE) declined to 18.2% (-4.6pp Y/Y)
- Tier 1 ratio at 15.8% thanks to profit retention and capital structure strengthening
- ČSOB was awarded as the best bank in the Czech Republic in 2013 by the Banker magazine

Marek Ditz, Senior Executive Officer for Customer Relationships comments on business results:

> *"From business perspective, 2013 was successful year as we strengthened our relationship with clients while meeting their needs. Thanks to our product proposition we reached strong business volumes in deposits both savings and current accounts, assets under management as well as loans. Loans to our clients crossed CZK 0.5 trillion mark. New mortgages reached record high level and thus beat so far the strongest year 2007. Demand from corporate and SME clients to finance their investments and working capital needs continued to be strong."*

[1] *All numbers in this press release are consolidated, unaudited, according to EU IFRS.*

Bartel Puelinckx, Chief Finance Officer comments on financial results:

> *"Strong business results translate also into financial results. We managed to partly mitigate the impact of low interest rate environment by loan and deposit growth, increased demand for mutual funds and financial market products. We have contained our operating costs and thanks to high quality of our credit portfolio, credit costs remained low. We strengthened our capital base and we have ample liquidity. Adjusted for the sale of our stake in ČSOB Pojišťovna in 4Q 2012, our net profit declined by 3% Y/Y."*

Loan portfolio further grew and reached CZK 508.5bn at the end of 2013. The 7% Y/Y growth was thanks to mortgages (+9% Y/Y) and corporate/SME loans (+10% Y/Y). **Group deposits** grew to CZK 660.3bn (+5% Y/Y) thanks to both retail and corporate/SME deposits.

The **credit cost ratio** decreased to 25bps from 31bps. The decrease is to large extent attributable to the recovery of historical file in 3Q 2013.

Strong business volumes, higher demand in asset management and financial markets area coupled with lower impairments and operating expenses did not fully compensate negative effect of continued low level interest rate environment and impact of the sale of stake in ČSOB Pojišťovna in 4Q 2012. As a result **ČSOB group's net profit** decreased by 11% Y/Y **to CZK 13.7bn**. Adjusted for the sale of stake in ČSOB Pojišťovna, net profit declined by 3% Y/Y.

The ČSOB group's **total capital ratio** stood at 16.0% and the (Core) Tier 1 ratio at 15.8% as of 31 December 2013. The **loan / deposit ratio** stood at 77.0% and the net stable funding ratio at 135.7% as of 31 December 2013.

P&L Review

The **operating income** decreased by 6% Y/Y to CZK 33.0bn, impacted by the sale of a stake in ČSOB Pojišťovna in 4Q 2012 and due to low interest rate environment which was only partly compensated by loan and deposit growth, increased demand for mutual funds and financial market products. Adjusted for the sale of stake in ČSOB Pojišťovna, the decline was 2% Y/Y. The **net interest income** declined by 4% Y/Y due to lower interest rate environment. The **net fee and commission income** grew by 9% Y/Y. The 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 2012, when ČSOB wrote-off deferred acquisition costs in pension fund.

Operating expenses decreased to CZK 15.5bn. The decline was achieved thanks to savings in general administrative expenses and lower staff expenses. **Staff expenses** decreased by 3% Y/Y thanks to decline in average number of employees and severance reserve booked in 4Q 2012. Number of FTE decreased Y/Y by nearly 250. The 4% decrease of **general**

administrative expenses was achieved largely by lower spending in marketing, postage, and other expense categories**.**

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

Balance Sheet Review

Loan portfolio further grew to CZK 508.5bn at the end of 2013, especially thanks to mortgages and corporate/SME loans.

Mortgages increased by 9% Y/Y to CZK 199.3bn thanks to stable real estate prices, interest rates at record lows and partly thanks to refinancing building savings loans. ČSOB provided CZK 42bn (+15% Y/Y) of new mortgages in 2013, thus reaching record high level. Portfolio of **building savings loans** decreased by 4% Y/Y to CZK 67.2bn as clients in general preferred mortgages to building savings loans in a low interest rate environment. Although outstanding volumes decreased Y/Y, ČMSS strengthened its market share. Volumes in **consumer finance** remained stable at CZK 19.1bn and ČSOB managed to keep its market share on the stagnating market.

Volumes of **SME loans** (which include also municipalities and housing cooperatives) increased by 4% Y/Y to CZK 73.7bn, 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. Outstanding volumes in **leasing** reached CZK 23.5bn, i.e. +8% Y/Y and 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. The **corporate loans** grew by 14% Y/Y to CZK 121.5bn driven by plain vanilla financing as well as specialized finance, mainly acquisition, export and trade finance deals.

Group deposits grew to CZK 660.3bn, mainly due to sound growth in both current accounts and savings deposits. The 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 to CZK 295.4bn and CZK 216.3bn, respectively. On the other hand, term deposits declined by 22% Y/Y, but from very low basis compared to the other two categories. The volumes of **building savings deposits** remained relatively stable Y/Y at CZK 83.3bn. The 12% Y/Y increase of the **pension fund** to CZK 32.5bn 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.

The ČSOB group is keeping its number 1 position in the funds market. Asset under management (AUM) increased by 12% Y/Y to CZK 119.7bn, adjusted for takeover of Slovak AM, AUM increased by 5% Y/Y. 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 of **mutual funds** (capital protected and other mutual funds) were up by 42% Y/Y, while the 2013 new sales were the highest since 2007. 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.

Risk Management Review

The **Tier 1 ratio** reached 15.8% as of 31 December 2013, compared to 13.0% as of 31 December 2012, thanks to profit retention and capital structure strengthening via KBC's capital increase in the amount of CZK 8bn in 3Q 2013.

Liquidity remained ample; the loan / deposit ratio grew to 77.0% as of 31 December 2013 from 75.2% as of 31 December 2012. **Non-performing loans** (more than 90 days overdue, according to the ČSOB methodology, in line with the KBC group methodology) decreased to 3.1% of gross loans as at 31 December 2013. The **credit cost ratio** (CCR) for 2013 stood at 0.25% compared to 0.31% for 2012.

Please find more details on the ČSOB group's financial results in the current presentation at:
http://www.csob.cz/en/csob/Investor-relations/Stranky/Financial-and-business-results.aspx

Analysts contact:
Robert Keller,
Head of Investor Relations

rokeller@csob.cz; +420 224 114 106

Media contact:
Ivo Měšťánek,
Head of External Communication and Internal Media
ivmestanek@csob.cz; +420 224 114 107

Consolidated P&L – Reported (EU IFRS)

(CZK m)	FY 2012	FY 2013	Y/Y
Operating income	35,015	32,997	-6%
Net interest income	24,970	24,065	-4%
Net fee and commission income	5,505	5,983	+9%
Operating expenses	-16,087	-15,531	-3%
Impairment losses	-1,584	-1,447	-9%
Profit for the period (owners of the parent)	15,291	13,658	-11%