Prague, 15 May 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 3.6BN: SOUND BUSINESS VOLUMES, CREDIT COSTS SIGNIFICANTLY LOWER

1Q 2014 financial results of the ČSOB group[1]:

- Loan portfolio (excl. ČMSS) kept growing to CZK 446.8bn (+6% Y/Y)
- Deposits (excl. ČMSS and repo operations) grew to CZK 574.8bn (+6% Y/Y)
- Operating income reached 7.8bn (flat Y/Y)
- Operating expenses decreased to CZK 3.7bn (-2% Y/Y)
- Credit cost ratio stood at 0.03% (-0.41pp Y/Y)
- Net profit came in at CZK 3.6bn (+11% Y/Y)
- Return on equity (ROE) improved to 17.7% (+0.3pp Y/Y)
- Tier 1 ratio (Basel III) at 16.6% also thanks to 2013 profit retention of CZK 6.2bn
- ČSOB was named the best bank in the Czech Republic for the year 2014 by the Global Finance magazine

John Hollows, the Chief Executive Officer of ČSOB, comments on financial results:

> *„We ended the 1Q 2014 with increasing net profit by 11%, thanks to strong and balanced business volumes and lower operating expenses. Despite higher volumes, we again managed to keep very good quality of our loan portfolio which led to significantly lower credit costs. I am glad that we had a good start to 2014 and that I am getting on board when ČSOB is in such a healthy condition."*

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

The loan portfolio (excl. ČMSS) kept growing to CZK 446.8bn (+6% Y/Y), mainly thanks to mortgages (+8% Y/Y) and corporate/SME loans (+5% Y/Y). **Group deposits** (excl. ČMSS and repo operations) grew to CZK 574.8bn (+6% Y/Y) thanks to both retail and corporate/SME deposits.

Credit cost ratio decreased to 3 bps (Ytd. annualized) from 44 bps, mainly due to improving quality of loan portfolio.

As a combination of low impairments, strong growth in business volumes and lower operating expenses, **ČSOB group's net profit** increased by 11% Y/Y **to CZK 3.6bn.**

The ČSOB group's **total capital ratio** (Basel III) stood at 17.0% and the (Core) Tier 1 ratio (Basel III) at 16.6% as of 31 March 2014. The **loan / deposit ratio** stood at 76.5% and the net stable funding ratio at 138.3% as of 31 March 2014.

P&L Review

The **operating income** remained flat Y/Y on CZK 7.8bn, as slightly higher net interest income was offset by moderate decline in net fee and commission income and other net income.
The **net interest income** grew by 2% Y/Y, driven by higher business volumes. Due to lower fees in retail segment and lower mutual fund sales fees, the **net fee and commission income** declined by 1% Y/Y.

Operating expenses decreased by 2% Y/Y to CZK 3.7bn as savings in general administrative expenses were higher than increase in staff expense. Slight increase of **staff expenses** by 1% Y/Y is a result of annual wage adjustment and gradual accruals of deferred bonuses. The 4% Y/Y decrease of **general administrative expenses** was achieved mainly by lower spending in marketing, postage and other expense categories, except for ICT expenses.

The **impairments on loans and receivables** declined to CZK 42m, i.e. -92% Y/Y. The **credit cost ratio** decreased Y/Y to 3bps (Ytd.) mainly due to further improved quality of loan portfolio which led to lower new impairments in corporate/SME as well as in factoring and leasing.

Balance Sheet Review

Loan portfolio (excl. ČMSS) kept growing and reached CZK 446.8bn at the end of 1Q 2014 mainly thanks to mortgages and corporate/SME loans.

Mortgages increased by 8% Y/Y to CZK 201.6bn thanks to relatively stable real estate prices, interest rates at record lows and partly thanks to refinancing building savings loans. ČSOB provided CZK 8.1bn (+2% Y/Y) of new mortgages in 1Q 2014. Portfolio of **building savings loans** declined by 3% Y/Y to CZK 66.8bn as new sales are not enough to match maturing loans. Volumes in **consumer finance** remained stable at CZK 18.9bn and ČSOB keeps its market share on the stagnating market.

Volumes of **SME loans** (which include municipalities and housing cooperatives) increased by 3% Y/Y to CZK 74.4bn. The growth was driven by mid-size and micro companies without deteriorating the risk profile. ČSOB maintained stable loans for building cooperatives and confirmed its leading market position in this area. **ČSOB Leasing** further maintained its the its leading market position. Outstanding volumes increased by 11% Y/Y to CZK 23.9bn, driven by machinery and equipment asset financing. Besides, cross selling activities continued to support leasing sales. **Corporate loans grew** by 6% Y/Y to CZK 124.0bn driven by plain vanilla financing.

Group deposits (excl. ČMSS and repo operations) grew to CZK 574.8bn, thanks to both retail and corporate/SME deposits. Within the total **client deposits**, savings deposits and current accounts reported Y/Y growth by 6% to CZK 293.5bn and by 8% to CZK 226.9bn, respectively. On the other hand, term deposits declined by 14% Y/Y, but from very low basis compared to the other two categories. The volumes of **building savings deposits** continued to slowly decline to CZK 82.4bn, i.e. 2% Y/Y. The 12% Y/Y increase of the **pension fund** to CZK 33.9bn was driven by stable portfolio of clients in transformed fund and by 7% Y/Y growth in average monthly contribution on new contracts in 1Q 2014.

The ČSOB group is keeping its number 1 position in the funds market. Asset under management (AUM) increased by 3% Y/Y to CZK 121.2bn, thanks to lower volume of maturities and improved demand for mixed funds with protection. In 1Q 2014, new sales of **mutual funds** (capital protected and other mutual funds) were down by 30% Y/Y, due to lack of demand for fixed income products.

Risk Management Review

The **Tier 1 ratio** (Basel III) reached 16.6% as of 31 March 2014, compared to 13.8 % (Basel II) as of 31 March 2013, thanks to 2012 as well as 2013 profit retention and capital structure strengthening via KBC's capital increase in the course of 2013.

Liquidity remained ample; the loan / deposit ratio increased to 76.5% as of 31 March 2014 from 75.2% as of 31 March 2013.

Non-performing loans (more than 90 days overdue, according to the ČSOB methodology, in line with the KBC group methodology) decreased to 3.4% of gross loans as at 31 March 2014. The **credit cost ratio** (CCR) for 1Q 2014 stood at 0.03% compared to 0.44% for 1Q 2013.

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

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Consolidated P&L – Reported (EU IFRS)

(CZK m)	1Q 2013	1Q 2014	Y/Y
Operating income	7,778	7,756	0%
Net interest income	5,656	5,795	+2%
Net fee and commission income	1,409	1,392	-1%
Operating expenses	-3,706	-3,650	-2%
Impairment losses	-511	-39	-92%
Profit for the period (owners of the parent)	3,237	3,606	+11%