Prague, 7 August 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 7.2BN: HIGHER BUSINESS VOLUMES, FLAT COST BASE, LOWER IMPAIRMENTS

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

- Loan portfolio (excl. ČMSS) kept growing to CZK 456bn (+8% Y/Y)
- Deposits (excl. ČMSS and repo operations) grew to CZK 583bn (+8% Y/Y)
- Operating income decreased to CZK 15.7bn (-1% Y/Y)
- Operating expenses reached CZK 7.4bn (flat Y/Y)
- Credit cost ratio stood at 0.04% (-0.26pp Y/Y)
- Net profit came in at CZK 7.2bn (+5% Y/Y)
- Return on equity (ROE) reached 17.8% (-1.5pp Y/Y)
- Tier 1 ratio (Basel III) at 17.0% thanks to 2013 profit retention of CZK 6.2bn
- ČSOB was awarded as the Bank of the year 2014 in Czech Republic by Euromoney
- ČSOB as the first bank on the Czech market offered merchants portable payment terminal. ČSOB also extended portfolio of contactless payment solutions with introduction of contactless stickers

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

"We continue to develop our products and services to meet the needs of our clients. This helped us to sustain growing business volumes in key focused areas. In addition we maintained very good quality of our loan portfolio and further decreased impairments, which together with flat operating expenses and higher business volumes contributed positively to net profit growth."

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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) maintained steady growth and reached CZK 456bn (+8% Y/Y), mainly thanks to mortgages (+8% Y/Y), corporate/SME loans (+8% Y/Y) and leasing (+16% Y/Y). **Group deposits** (excl. ČMSS and repo operations) grew to CZK 583bn (+8% Y/Y) thanks to increase across segments.

Credit cost ratio decreased to 4 bps (Ytd. annualized) from 30 bps, due to improving quality of loan portfolio.

Continuous growth in business volumes, flat operating expenses and significantly lower impairments contributed to the 5% net profit growth and therefore **ČSOB group's net profit** stood at **CZK 7.2bn.**

The ČSOB group's **total capital ratio** (Basel III) stood at 17.4% and the (Core) Tier 1 ratio (Basel III) at 17.0% as of 30 June 2014. The **loan / deposit ratio** stood at 77.0% and the net stable funding ratio at 137.8% as of 30 June 2014.

P&L Review

The **operating profit** declined by 1% Y/Y to CZK 15.7bn, as lower revenues from financial operations exceeded positive performance of net interest income and growth in net fee and commission income. The **net interest income** grew by 2% Y/Y, supported mainly by growing business volumes in all major segments. Thanks to higher fees volume in retail (card fees driven by higher number of transactions and fund management fees) and corporate segment (loan fees driven by higher volumes and foreign payments), the **net fee and commission income** increased by 6% Y/Y.

Operating expenses were flat Y/Y at CZK 7.4bn as flat general administrative expenses were offset by increase in staff expenses. **General administrative expenses** declined by 1% Y/Y driven mainly by savings in postage, professional fees and marketing, while ICT expenses were higher. **Staff expenses** increased slightly by 2% Y/Y. Adjusted for the release of accruals in 2Q 2013, staff expenses would increase by 1% Y/Y due to annual wage adjustments.

The **impairments on loans and receivables** declined to CZK 94m, i.e. -87% Y/Y. The **credit cost ratio** decreased Y/Y to 4bps (Ytd.) mainly due to further improved quality of loan portfolio which led to lower new impairments both specific and portfolio ones.

Balance Sheet Review

Loan portfolio (excl. ČMSS) maintained steady growth and reached CZK 456.0bn at the end of 2Q 2014 mainly thanks to mortgages, corporate/SME loans and leasing.

Mortgages increased by 8% to CZK 205.7bn, thanks to relatively stable real estate prices, interest rates at new record lows and partly refinancing building savings loans. In 1H 2014, ČSOB provided over 11 thousand of new mortgages in the total amount of CZK 19.8bn and further strengthened its leading market position. Portfolio of **building savings loans** declined by 2% Y/Y to CZK 66.9bn as new sales were not enough to match maturing loans. In **consumer finance**, ČSOB newly offered cash loan with interest rate discount applicable in the second half of the repayment period. This helped to reach in May the highest monthly new sales since 2008 and to maintain strong sales also in June. Outstanding volumes slightly grew to CZK 19.3bn (+1% Y/Y).

ČSOB maintained **SME loan** (which include municipalities and housing cooperatives) growth 4% Y/Y to CZK 75.9bn, driven by mid-sized and micro companies while keeping the credit risk under control. **ČSOB Leasing** further maintained its leading market position. Outstanding volumes increased by 16 % Y/Y to CZK 25.3bn, driven by machinery and equipment asset financing. Moreover, in 1H 2014, ČSOB Leasing also strengthened its market position in car financing segment. Besides, cross selling activities with corporate/SME segment continued to support leasing sales. **Corporate loans** grew by 11% Y/Y to CZK 125.8bn driven by plain vanilla financing. The major Y/Y loan growth has been recorded in energy, telecommunications and retail sectors.

Group deposits (excl. ČMSS and repo operations) grew to CZK 583.3bn, thanks to increase across segments.

Within the total **client deposits**, current accounts reported the highest Y/Y growth, by 9%. Savings deposits grew by 8% Y/Y, while term deposits declined by 15% 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 82.7bn, i.e. -2% Y/Y. The 12% Y/Y increase of the **pension fund** to CZK 34.6bn was driven by increasing average monthly contribution. The portfolio of clients in transformed fund remained stable.

The ČSOB group is keeping its number 1 position in the funds market. **Asset under management (AUM)** increased by 7% Y/Y to CZK 125.4bn, of which capital protected and other mutual funds improved in total by 18% Y/Y thanks to lower volume of maturities and historically low interest rates. Clients continued to seek alternative investments to deposit products, which has been visible already for more than 1 year. In 2Q 2014, new sales of **mutual funds** (capital protected and other mutual funds) grew Q/Q, mainly thanks to open ended funds.

Risk Management Review

The **Tier 1 ratio** (Basel III) reached 17.0% as of 30 June 2014, compared to 13.8 % (Basel II) as of 30 June 2013, thanks 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 77.0% as of 30 June 2014 from 72.9% as of 30 June 2013.

Non-performing loans (more than 90 days overdue, according to the ČSOB methodology, in line with the KBC group methodology) decreased to 3.3% of gross loans as at 30 June 2014. The **credit cost ratio** (CCR) for 2Q 2014 stood at 0.04% compared to 0.30% for 2Q 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 (EU IFRS)

(CZK m)	1H 2013	1H 2014	Y/Y
Operating income	15,829	15,714	-1%
Net interest income	11,430	11,625	+2%
Net fee and commission income	2,727	2,889	+6%
Operating expenses	-7,396	-7,406	0%
Impairment losses	-710	-85	-88%
Profit for the period (owners of the parent)	6,911	7,236	+5%