Prague, 13 November 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 10.5BN: RESILIENT CORE REVENUES, LOW CREDIT COSTS

9M 2014 financial results of the ČSOB group[1]:

- Loan portfolio (excl. ČMSS) kept growing to CZK 462bn (+7% Y/Y)
- Deposits (excl. ČMSS, Pension Fund and repo operations) grew to CZK 573bn (+8% Y/Y)
- Operating income decreased to CZK 23.5bn (-1% Y/Y)
- Operating expenses reached CZK 11.1bn (+1% Y/Y)
- Credit cost ratio stood at 0.13% (-0.11pp Y/Y)
- Net profit came in at CZK 10.5bn (-2% Y/Y)
- Return on equity (ROE) reached 17.2% (-2.3pp Y/Y)
- Tier 1 ratio (Basel III) at 17.7% mainly thanks to 2013 net profit retention of CZK 6.2bn earlier this year
- ČSOB was assigned "A" rating with negative outlook by S&P
- ČSOB introduced together with its partners public transport ticket machines allowing contact less payments in two regional cities (Brno and Liberec)

[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. Following the change in statutes of Transformed Pension Fund in line with IFRS, ČSOB deconsolidated Transformed Pension Fund as of 1 July 2014. This has mainly structural effect on Y/Y comparison of income lines in profit and loss statement and decline of corresponding amounts in balance sheet. At this is not a change of IFRS, neither profit and loss statement nor balance sheet has been restated retrospectively.

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

„Our 9M 2014 operating income confirmed that our performance in core areas is resilient as we managed to compensate the negative impact of low interest rate environment by strong growth of business volumes across all segments. On the other hand as we further invested in ICT and staff to support our business, operating expenses slightly grew and together with 2013 positive items contributed to the Y/Y decline in net profit."

The loan portfolio (excl. ČMSS) maintained steady growth and reached CZK 462bn (+7% Y/Y), mainly thanks to mortgages (+8% Y/Y), corporate/SME loans (+5% Y/Y) and leasing (+15% Y/Y). **Group deposits** (excl. ČMSS, Pension Fund and repo operations) grew to CZK 573bn (+8% Y/Y) thanks to increase across all segments.

Credit cost ratio decreased to 13 bps (Ytd. annualized) from 24 bps, partially due to stable macro environment as well as good quality of loan portfolio.

As a result of 2013 positive items partially compensated by continuous growth in business volumes, card transactions volumes and sale of investment products **ČSOB group's** 9M 2014 **net profit** decreased to **CZK 10.5bn.**

The ČSOB group's **total capital ratio** (Basel III) stood at 18.1% and the (Core) Tier 1 ratio (Basel III) at 17.7% as of 30 September 2014. The **loan / deposit ratio** stood at 76.5% and the net stable funding ratio at 137.6% as of 30 September 2014.

P&L Review

Despite resilient core revenues, **the operating income** declined by 1% Y/Y to CZK 23.5bn, mainly as a result of 2013 positive items. **Net interest income** remained flat Y/Y. Adjusted for deconsolidation of Transformed Pension Fund (TPF), pro-forma NII would increase by 2% Y/Y. The growth was supported mainly by growing business volumes in all business segments. The **net fee and commission income** increased by 7% Y/Y. Adjusted for deconsolidation of TPF, pro-forma NFCI would increase by 5% Y/Y. The main growth drivers were higher fees in retail segment (fund management fees and card fees driven by higher volumes of transactions) and in corporate segment (mainly loan fees driven by higher volumes).

Operating expenses grew by 1% Y/Y to CZK 11.1bn as both general administrative expenses and staff expenses were slightly higher driven mainly by ICT expenses and additional staff to support business. **General administrative expenses** increased by 1% Y/Y, as higher ICT expenses compare to 2013 were only partly compensated by savings in postage and marketing. **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 and higher FTE.

The **impairments on loans and receivables** declined to CZK 478m, i.e. -45% Y/Y. The **credit cost ratio** decreased Y/Y to non-sustainable 13bps (Ytd.) partially due to stable macro environment and prudential lending policy, which lead to good quality of loan portfolio.

Balance Sheet Review

Loan portfolio (excl. ČMSS) maintained steady growth and reached CZK 462.2bn at the end of 3Q 2014 mainly thanks to mortgages, corporate/SME loans and leasing.

Mortgages increased by 8% to CZK 210.4bn, thanks to relatively stable real estate prices, interest rates at new record lows and partly refinancing building savings loans. In 9M 2014, ČSOB provided almost 18 thousand new mortgages in the total amount of CZK 31.5bn and strengthened its leading market position in new sales. Portfolio of **building savings loans** remained flat Y/Y at CZK 67.1bn, while the market declined 4% Y/Y.

In **consumer finance,** ČSOB achieved modest volume growth on stagnating market and the outstanding volume reached CZK 19.4bn. Cash loans with interest rate discount applicable in the second half of the repayment period helped to keep solid new sales during weaker summer season.

SME loans (which include municipalities and housing cooperatives) growth continued, driven in-line with our strategy by mid-sized and micro companies while keeping the credit risk under control. The outstanding volume in 9M 2014 reached CZK 77.8bn (+4% Y/Y). **ČSOB Leasing** remains the market leader with strong new business growth. Outstanding volumes increased by 15% Y/Y to CZK 25.9bn, driven by machinery and equipment financing. Successful campaign in car financing and cross selling activities with corporate/SME segment and recently also with retail segment support leasing and asset financing sales. **Corporate loans** grew 5% Y/Y to CZK 124.5bn driven by plain vanilla financing. The major Y/Y loan growth has been recorded in energy, telecommunications and retail sectors. Y/Y decrease in specialized finance was caused by extraordinary repayment of one large acquisition loan.

Group deposits (excl. ČMSS, Pension Fund and repo operations) grew to CZK 573.1bn, thanks to increase across all segments.

Within the total **client deposits**, current accounts reported the highest Y/Y growth, by 12%. Savings deposits grew by 4% Y/Y, while term deposits declined by 16% 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 82.3bn (-1% Y/Y), however the pace of decline is decelerating. The 13% Y/Y increase of the **pension fund** to 35.8bn was driven by a good performance, improved retention and increased average 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 130.1bn, of which capital protected and other mutual funds improved in total by 22% Y/Y driven by the latter. Clients continued to seek alternative investments to deposit products, which has been visible already for more than 1 year. There were strong new sales of mutual funds (capital protected and other mutual funds) in 3Q 2014, thanks to a good performance in maturing funds.

Risk Management Review

The **Tier 1 ratio** (Basel III) reached 17.7% as of 30 September 2014, compared to 16.1% (Basel II) as of 30 September 2013, mainly thanks to partial 2013 profit retention of CZK 6.2bn earlier this year.

Liquidity remained ample; the loan / deposit ratio stood at 76.5% as of 30 September 2014 compare to 77.5% as of 30 September 2013.

Non-performing loans (more than 90 days overdue) decreased to 4.5% of gross loans as at 30 September 2014. The **credit cost ratio** (CCR) for 3Q 2014 stood at 0.13% compared to 0.24% for 3Q 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)	9M 2013	9M 2014	Y/Y
Operating income	23,794	23,491	-1%
Net interest income	17,162	17,237	0%
Net fee and commission income	4,103	4,401	+7%
Operating expenses	-10,962	-11,054	+1%
Impairment losses	-866	-467	-46%
Profit for the period (owners of the parent)	10,758	10,540	-2%