



# 1H 2015 ČSOB Activity Report

*Semi-Annual Report*

*as required by the Act No. 256/2004 Coll., Act on Business Activities on the Capital Market*

<b>Business name:</b>	Československá obchodní banka, a. s.
<b>Registered office:</b>	Radlická 333/150, Praha 5, Postal Code 150 57, Czech Republic
<b>Legal status:</b>	Joint-stock company
<b>Registration:</b>	Registered in the Commercial Registry of the City Court in Prague, Section B XXXVI, Entry 46
<b>Date of registration:</b>	21 December 1964
<b>ID No.:</b>	00001350
<b>Tax registr. No.:</b>	CZ699000761 (for VAT) CZ00001350 (for other taxes)
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<b>Supervisory body:</b>	Czech National Bank (CNB), Na Příkopě 28, Praha 1, Postal Code 115 03, Czech Republic

The 1H 2015 ČSOB Activity Report (hereinafter referred to as Semi-Annual Report) **was published** on ČSOB's Internet website [www.csob.cz](http://www.csob.cz) **on 28 August 2015**. By publishing the Semi-Annual Report, ČSOB meets the information obligation under the Act No. 256/2004 Coll., Act on Business Activities on the Capital Market, as amended. The 1H 2015 results of the ČSOB group were published on 6 August 2015 in the form of a press release and a presentation which also contain definitions of terms and indicators used. In addition to the summary of information already published, the Semi-Annual Report contains the following: the interim consolidated financial statements of ČSOB as at 30 June 2015, the company profile, current information on ČSOB's managing and supervisory bodies, ČSOB's securities and other regulatory information.

All data and information contained in the Semi-Annual Report are as at 30 June 2015, unless stated otherwise.

This report has not been audited.

## Summary

In 1H 2015, ČSOB group's net profit came in at CZK 7.1bn (-2% Y/Y). Loan portfolio (incl. ČMSS) increased to CZK 564bn (+8% Y/Y), while the volume of deposits (incl. ČMSS) grew to CZK 689bn (+6% Y/Y). The ČSOB group's total capital ratio (Basel III) stood at 18.2% and the (Core) Tier 1 ratio (Basel III) at 17.9% as of 30 June 2015. The loan / deposit ratio stood at 77.3% and the net stable funding ratio at 134.0% as of 30 June 2015.

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# 1. ČSOB GROUP RESULTS IN 1H 2015<sup>1</sup>

## Measures of Sustainable Performance

Strong business growth, profitability affected by contribution to the Resolution Fund and ICT investments

ČSOB group key indicators		2012	2013	2014	1H 2014	1H 2015
Profitability	Net profit (CZK bn)	15.3	13.7	13.6	7.2	7.1
	Return on equity	22.8%	18.2%	16.4%	17.8%	16.9%
Liquidity	Loan / deposit ratio	75.2%	75.9%	76.4%	75.9%	77.3%
	Net stable funding ratio	133.2%	135.7%	135.9%	137.8%	134.0%
Capital	Tier 1 ratio	13.0% <sup>1</sup>	15.6% <sup>1</sup>	17.2% <sup>2</sup>	17.0% <sup>2</sup>	17.9% <sup>2</sup>
Impairments	Credit cost ratio	0.31%	0.25%	0.18%	0.04%	0.18%
Cost efficiency	Cost / income ratio	45.9%	47.5%	47.6%	47.1%	48.8%

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

## 1H 2015 at a Glance

Strong business volumes growth across key segments combined with sustained good loan quality

<b>Business volumes</b>	<b>Loan portfolio</b> (incl. ČMSS) increased to <b>CZK 564bn</b> (+8% Y/Y), mainly thanks to mortgages, SME / corporate loans and leasing. <b>Group deposits</b> (incl. ČMSS) grew to <b>CZK 689bn</b> (+6% Y/Y) mainly thanks to increase to current accounts. In addition, total <b>assets under management</b> grew to <b>CZK 182bn</b> (+14% Y/Y).
<b>Operating income</b>	Despite low interest rate environment <b>operating income</b> increased to <b>CZK 16.4bn</b> in 1H 2015 (+4% Y/Y) but declined to CZK 7.9bn in 2Q 2015 (-2% Y/Y). Drivers were strong sales of asset management products, improved income from financial markets and continuous growth in business volumes.
<b>Operating expenses</b>	<b>Operating expenses</b> increased to <b>CZK 8.0bn</b> in 1H 2015 (+8% Y/Y) and CZK 3.8bn in 2Q 2015 (+2% Y/Y), driven mainly by creating accruals for contribution to the Resolution Fund booked already in 1Q 2015 and higher ICT investments.
<b>Impairments</b>	<b>Credit cost ratio</b> reached low <b>18bps</b> (Ytd. annualized, +14bps Y/Y) thanks to ongoing good loan quality, however negatively impacted by increase of portfolio impairments due to one-off IBNR parameter changes in 2Q 2015.
<b>Net profit</b>	As a result of above mentioned factors, the ČSOB <b>net profit</b> came in at <b>CZK 7.1bn</b> in 1H 2015 (-2% Y/Y) and CZK 3.3bn in 2Q 2015 (-9% Y/Y).
<b>Liquidity &amp; Capital</b>	<b>Loan / deposit ratio</b> increased to <b>77.3%</b> . <b>Tier 1 ratio</b> (Basel III) increased to <b>17.9%</b> .
<b>Awards &amp; Innovations</b>	International magazine <b>Euromoney</b> named <b>ČSOB the Bank of the Year 2015</b> and <b>Business Worldwide</b> named <b>Patria the Best Investment Bank of the Year 2015</b> in the Czech Republic. Sodexo Employer of the year selected <b>ČSOB 2nd best employer</b> above 5,000 employees in Prague. ČSOB launched algorithmic "flexible" mutual funds and in cooperation with COOP, prepaid card "Dobra karta".

<sup>1</sup> All numbers in this part of the 1H 2015 ČSOB Activity Report are consolidated, unaudited, according to EU IFRS.

## Ratios and Other Indicators

Ratio / Indicator	31. 12. 2012	31.12.2013	31.12.2014	30.6.2014	30.6.2015
Net interest margin (Ytd., annualized, %)	(3.21)	3.20 (3.00)	3.17	3.22	3.06
Cost / income ratio (%)	45.9	47.5 (47.1)	47.6	47.1	48.8
RoE (Ytd., %)	22.8	18.2	16.4	17.8	16.9
RoA (Ytd., %)	1.63	1.42	1.40	1.46	1.55
RoAC, BU Czech Republic (Ytd., %)	35.1	40.0 (35.2)	36.7	40.1	37.4
Credit cost ratio (% , annualized)	0.31	0.25	0.18	0.04	0.18
NPL ratio (%)	(4.79)	4.65 (4.39)	4.07	4.39	3.84
NPL coverage ratio (%)	(50.5)	50.4 (49.7)	53.4	50.5	52.9
Core Tier 1 ratio (%)	13.0 <sup>1</sup>	15.6 <sup>1</sup>	17.2 <sup>2</sup>	17.0 <sup>2</sup>	17.9 <sup>2</sup>
Total capital ratio (%)	15.2 <sup>1</sup>	15.6 <sup>1</sup>	17.5 <sup>2</sup>	17.4 <sup>2</sup>	18.2 <sup>2</sup>
Solvency (Solvency I, %)	224.0	217.0	213.0	214.7	198.9
Leverage ratio (Basel III, %)	4.73	5.46	5.15	4.56	5.02
Net stable funding ratio (Basel III, %)	133.2	135.7	135.9	137.8	134.0
Liquidity coverage ratio (Basel III, %)	336.1	225.6	348.4	220.4	219.7
Loan to deposit ratio (%)	(75.2)	75.9 (77.0)	76.4	75.9	77.3

2012 has 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 2012 to reflect change in classification of NPL.

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

## Consolidated Unaudited Financial Statements as at 30 June 2015

### Consolidated P&L

(CZK m)	2Q 2014	1Q 2015	2Q 2015	Y/Y	Q/Q	1H 2014	1H 2015	Y/Y
Interest income	6,863	6,509	6,568	-4%	+1%	13,701	13,077	-5%
Interest expense	-1,033	-853	-1,068	+3%	+25%	-2,076	-1,921	-7%
Net interest income	5,830	5,656	5,500	-6%	-3%	11,625	11,156	-4%
Net fee and commission income	1,497	1,584	1,600	+7%	+1%	2,889	3,184	+10%
Net gains from financial instruments at FVPL <sup>1</sup>	361	704	560	+55%	-20%	623	1,264	>+100%
Other operating income <sup>2</sup>	270	504	257	-5%	-49%	577	761	+32%
<b>Operating income</b>	<b>7,958</b>	<b>8,448</b>	<b>7,917</b>	<b>-1%</b>	<b>-6%</b>	<b>15,714</b>	<b>16,365</b>	<b>+4%</b>
Staff expenses	-1,704	-1,784	-1,755	+3%	-2%	-3,412	-3,539	+4%
General administrative expenses	-1,891	-2,216	-1,918	+1%	-13%	-3,649	-4,134	+13%
Depreciation and amortisation	-161	-152	-154	-4%	+1%	-345	-306	-11%
<b>Operating expenses</b>	<b>-3,756</b>	<b>-4,152</b>	<b>-3,827</b>	<b>+2%</b>	<b>-8%</b>	<b>-7,406</b>	<b>-7,979</b>	<b>+8%</b>
Impairment losses	-46	-53	-427	>+100%	>+100%	-85	-480	>+100%
Impairment on loans and receivables	-52	-55	-428	>+100%	>+100%	-94	-483	>+100%
Impairment on other assets	6	2	1	-88%	-72%	9	3	-67%
Share of profit of associates	189	188	210	+11%	+11%	374	397	+6%
<b>Profit before tax</b>	<b>4,345</b>	<b>4,431</b>	<b>3,872</b>	<b>-11%</b>	<b>-13%</b>	<b>8,597</b>	<b>8,303</b>	<b>-3%</b>
Income tax expense	-710	-653	-584	-18%	-11%	-1,355	-1,237	-9%
<b>Profit for the period</b>	<b>3,635</b>	<b>3,778</b>	<b>3,288</b>	<b>-10%</b>	<b>-13%</b>	<b>7,242</b>	<b>7,066</b>	<b>-2%</b>
Attributable to:								
<b>Owners of the parent</b>	<b>3,630</b>	<b>3,777</b>	<b>3,290</b>	<b>-9%</b>	<b>-13%</b>	<b>7,236</b>	<b>7,067</b>	<b>-2%</b>
Non-controlling interests	5	1	-2	N/A	N/A	6	-1	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.

### P&L Review

1H 2015 net profit decreased to CZK 7.1bn (-2% Y/Y) as growth in business volumes, sale of asset management products and improved income from financial markets did not offset declining NIM, increased impairments and higher operating expenses (contribution to the Resolution Fund).

Adjusted for contribution to Resolution Fund, 1H 2015 net profit would increase by 1% Y/Y, thanks to business growth.



Notes:

- 1H 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).
- 1H 2015 one-off item (total of CZK -0.3bn) included in the result: IBNR parameter changes (CZK -0.3bn).

**Operating income** increased to CZK 16.4bn in 1H 2015 (+4% Y/Y) despite low interest rate environment. Drivers were strong sales of asset management products, improved income from financial markets and continuous growth in business volumes. The **net interest income** decreased by 4% Y/Y. The **net fee and commission** income increased by 10% Y/Y, mainly thanks to strong sales of asset management products partially offset by lower loan and account fees.

The **operating expenses** increased to CZK 8.0bn (+8% Y/Y) due to combination of higher staff and general administrative expenses. **Staff expenses** increased by 4% Y/Y driven mainly by salary indexation and severance payments linked to reduction of average number of employees (-134 FTE). The main drivers of 13% increase of **general administrative expenses** were mainly creating accruals for contribution to the Resolution Fund, higher ICT investments and higher deposit insurance premium

The **impairments on loans and receivables** increased from very low base to CZK 483m implying **credit cost ratio** of 18 bps (Ytd., annualized). Y/Y higher impairments were booked on mortgages linked to collateral revaluation already in 1Q 2015 and increase of portfolio impairments due to one-off IBNR parameter changes. These were partially offset by lower impairments in SME segment influenced by model updates, leasing and consumer finance.

The **return on equity** (ROE) slightly decreased to 16.9%, driven equally by lower net profit and higher average equity.

## Consolidated Balance Sheet – Assets

(CZK m)	30/6 2014	31/12 2014	30/6 2015	Ytd.
Cash and balances with central banks	21,933	72,076	52,471	-27%
Financial assets held for trading	66,392	50,626	56,159	+11%
Financial assets designated at fair value through P/L	6,621	3,327	3,340	0%
Available-for-sale financial assets	84,127	56,121	62,160	+11%
Loans and receivables - net	714,344	506,635	604,736	+19%
<i>Loans and receivables to credit institutions - gross</i>	278,670	49,779	127,110	>+100%
<i>Loans and receivables to other than credit institutions - gross</i>	446,384	468,054	488,757	+4%
<i>Allowance for impairment losses</i>	-10,710	-11,198	-11,131	-1%
Held-to-maturity investments	149,272	144,074	134,845	-6%
Fair value adjustments of the hedged items in portfolio hedge	1,833	1,654	1,146	-31%
Derivatives used for hedging	12,435	13,967	11,320	-19%
Current tax assets	15	69	124	80%
Deferred tax assets	99	100	117	17%
Investments in associate	4,596	4,992	4,570	-8%
Investment property	295	284	2	-99%
Property and equipment	6,705	6,796	6,884	+1%
Goodwill and other intangible assets	2,889	2,913	2,964	+2%
Non-current assets held-for-sale	707	515	413	-20%
Other assets	1,781	1,490	2,622	+76%
<b>Total assets</b>	<b>1,074,044</b>	<b>865,639</b>	<b>943,873</b>	<b>+9%</b>

Increase thanks to reverse repo operations with CNB.

## Consolidated Balance Sheet – Liabilities and Equity

(CZK m)	30/6 2014	31/12 2014	30/6 2015	Ytd.	
Financial liabilities held for trading	104,962	69,624	36,773	-47%	Decrease due to reclassification of repo and money market transactions to Deposits (see note).
Financial liabilities at amortised cost	864,429	686,136	807,198	+18%	
of which Deposits received from central banks	0	0	0	0%	>+100%
of which Deposits received from credit institutions	63,603	59,065	128,417	+8%	
of which Deposits received from other than credit institut.	771,375	599,142	648,682	+8%	Increase due to reclassification of repo and money market transactions from Financial liabilities held for trading.
of which Debt securities in issue	29,451	27,929	30,099	+8%	
of which Subordinated liabilities	0	0	0	0%	
Fair value adjustments of the hedged items in portfolio hedge	3,134	5,145	2,804	-46%	
Derivatives used for hedging	12,553	11,987	11,019	-8%	
Current tax liabilities	379	196	24	-88%	
Deferred tax liabilities	2,160	2,280	2,091	-8%	
Provisions	743	736	465	-37%	
Other liabilities	4,699	3,955	5,367	+36%	
<b>Total liabilities</b>	<b>993,059</b>	<b>780,059</b>	<b>865,741</b>	<b>+11%</b>	
Share capital	5,855	5,855	5,855	0%	
Share premium account	15,509	15,509	15,509	0%	
Statutory reserve	18,687	18,687	18,687	0%	
Retained earnings	32,076	38,397	32,185	-16%	
Available-for-sale reserve	5,265	3,732	2,916	-22%	
Cash flow hedge reserve	3,389	3,192	2,775	-13%	
Foreign currency translation reserve	2	0	0	0%	
<b>Parent shareholders' equity</b>	<b>80,783</b>	<b>85,372</b>	<b>77,927</b>	<b>-9%</b>	
Minority interest	202	208	205	-1%	
<b>Total equity</b>	<b>80,985</b>	<b>85,580</b>	<b>78,132</b>	<b>-9%</b>	
<b>Total liabilities and equity</b>	<b>1,074,044</b>	<b>865,639</b>	<b>943,873</b>	<b>+9%</b>	

Note: ČSOB reconsidered management of some liabilities. As a result, repo and money market transactions, which were reported in "Financial liabilities held for trading" until 4Q 2014, are included as of 1Q 2015 in "Financial liabilities at amortized cost" (deposits received from credit institutions). No restatements of 2014 balance sheet have been made.

### Balance Sheet Review

**Loan portfolio** (incl. ČMSS) increased to CZK 564bn (+8% Y/Y), mainly thanks to mortgages, SME / corporate loans and leasing.

**Mortgages** increased by 8% Y/Y to CZK 221.7bn thanks to slight increase of real estate prices and interest rates at new historical record lows. ČSOB provided almost 13 thousand new mortgages (+16% Y/Y) in the total amount of almost CZK 24bn (+19% Y/Y) thereby 2Q 2015 became the record high quarter in the ČSOB history.

**Outstanding loan portfolio** declined by 1% Y/Y to CZK 66.4bn. **Consumer finance** lending picked-up with portfolio growing 3% Y/Y as cash loans growth was supported also by marketing campaigns.

**SME loans** continued to accelerate and increased 7% Y/Y to CZK 81.0bn with a bias towards investment loans. The growth was driven mainly by micro and mid-sized companies. As a result, SME market share increased 0.5pp Y/Y. In the area of housing cooperatives, ČSOB confirms its leading market position. **ČSOB Leasing**, further strengthened its market leading position with very strong new sales (+41% Y/Y). Outstanding volumes increased 21% Y/Y driven mainly by machinery & equipment financing in cooperation with SME / corporate segment. **Corporate loans** increased by 11% Y/Y to CZK 140.2bn driven by all categories including plain vanilla (+6% Y/Y) and specialized financing (+28% Y/Y). The major Y/Y loan growth was recorded in sectors: distribution & services, energy and real estate.

**Group deposits** (incl. ČMSS) grew to CZK 689bn (+6% Y/Y) mainly thanks to increase in current accounts.

The Y/Y growth of **client deposits** was fully driven by current accounts with 16% Y/Y growth. Saving deposit and term deposit decreased combined by 6% Y/Y due to continuously low interest rate environment and re-pricing of saving account in June. The volume of **building saving deposits** continued to have downward trend showing decline of 1% Y/Y. This was affected also by pricing adjustment. The 14% Y/Y increase of the **pension fund** was driven mainly by improved retention and increased average monthly contribution (+10% Y/Y).

Ongoing very low interest rates on savings products confirm that investing into mutual funds with different risk profiles is for clients viable alternative how to effectively increase the value of their savings. Despite market uncertainty related to Greek and Chinese economy in 2Q 2015, **AUM** increased by 14% Y/Y. Structured/capital protected and other mutual funds improved in total by 25% Y/Y, fully driven by the latter. 2Q 2015 new sales increased 9% Y/Y. ČSOB introduced algorithmic „flexible“ mutual funds, reacting automatically on actual situation on the markets (switching between bonds and equities based on the trend). During subscription period (2 months) clients invested more than CZK 0.5bn.



## Details on the 1H 2015 ČSOB Group Results

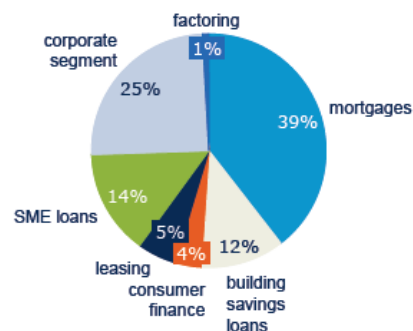
### Business Results – Group Lending

Strong growth in mortgages, SME / corporate as well as in leasing

Gross outstanding volumes, CZK bn	30.6.2014	30.6.2015	Y/Y
<b>Loan portfolio (incl. ČMSS)</b>	<b>522.9</b>	<b>564.1</b>	<b>8%</b>
<b>Retail Segment</b>			
Mortgages <sup>1</sup>	205.7	221.7	8%
Consumer finance	19.3	19.8	3%
Leasing	25.3	30.5	21%
Building savings loans <sup>2</sup>	66.9	66.4	-1%
<b>SME/corporate Segment</b>			
Corporate loans <sup>3</sup>	125.8	140.2	11%
SME loans	75.9	81.0	7%
Factoring	4.0	4.4	11%
<b>Loan portfolio (excl. ČMSS)</b>	<b>456.0</b>	<b>497.7</b>	<b>9%</b>

**30.6.2015**  
(incl. ČMSS)

Almost 60% of the total loan portfolio is in retail, out of which majority in financing housing needs.



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

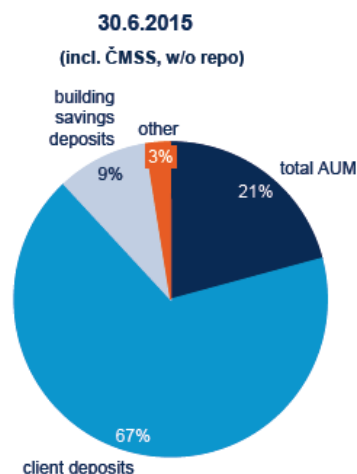
<sup>2</sup> The ČSOB group building savings loans are booked in the balance sheet of ČMSS building savings company, 55%-owned by ČSOB. Volumes reported in 55%, but are not included in the ČSOB's consolidated balance sheet.

<sup>3</sup> Including credit-replacing bonds.

### Business Results – Group Deposits

Strong growth of both group deposits and total assets under management

Outstanding volumes, CZK bn	30.6.2014	30.6.2015	Y/Y
<b>Group deposits</b> (incl. ČMSS and w/o repo)	<b>652.2</b>	<b>689.4</b>	<b>6%</b>
Client deposits	550.4	585.6	6%
Current accounts	310.3	360.3	16%
Savings deposits	227.3	215.0	-5%
Term deposits	12.7	10.3	-19%
Other <sup>1</sup>	19.2	22.0	15%
Building savings deposits <sup>2</sup>	82.7	81.7	-1%
Repo operations <sup>3</sup>	166.2	41.1	-75%
<b>Total AUM</b>	<b>159.7</b>	<b>182.2</b>	<b>14%</b>
Pension funds <sup>4</sup>	34.6	39.4	14%
Mutual funds and other AM <sup>5</sup>	125.0	142.8	14%



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

<sup>2</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>3</sup> Repo operations with institutional clients.

<sup>4</sup> Liabilities to pension fund policy holders.

<sup>5</sup> AUM includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak AM.

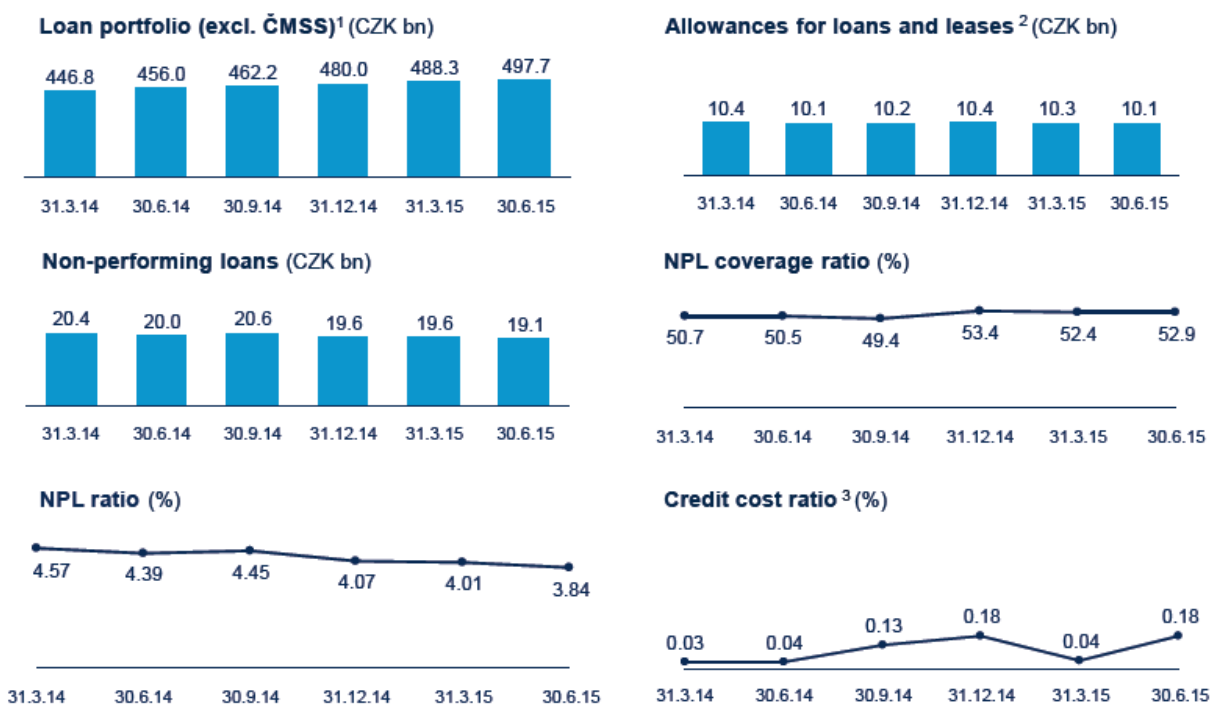
## Risk Management Review

The **Tier 1 ratio** (Basel III) reached 17.9% as of 30 June 2015, compared to 17.0% (Basel II) as of 30 June 2014.

**Liquidity** remained ample; the loan / deposit ratio increased to 77.3% as of 30 June 2015 from 75.9% as of 30 June 2014.

**Non-performing loans** (more than 90 days overdue, according ČNB methodology) decreased to 3.84% of gross loans as at 30 June 2015. The **credit cost ratio** (CCR) for 1H 2015 stood at 0.18% compared to 0.04% for 1H 2014.

### Credit risk under kontrol



<sup>1</sup> Loans and receivables to other than credit institutions (incl. ČMSS) plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in HTM, AFS and FVPL portfolios).

<sup>2</sup> Allowances for on-balance sheet items (PD10, PD 11 and PD12 only).

<sup>3</sup> Ytd. annualized, including off-balance sheet items.

### Impairments

- In 1H 2015, impairments on loans and receivables increased from very low base to CZK 483m implying credit cost ratio of 18 bps (Ytd., annualized).
- Y/Y higher impairments were booked on mortgages linked to collateral revaluation already in 1Q 2015 and increase of portfolio impairments due to one-off IBNR parameter changes. These were partially offset by lower impairments in SME segment influenced by model updates, leasing and consumer finance.
- Adjusting for impact of one-off IBNR parameter changes in 1H 2015, the credit cost ratio would reach 6 bps (Ytd., annualized). Besides, adjusting for regular recoveries and model updates the credit cost ratio would reach 13 bps (Ytd., annualized).
- CZK 428m of impairments on LaR were created in 2Q 2015 mainly due to increase of portfolio impairments due to one-off IBNR parameter changes in the amount of CZK 307m mainly for mortgages and consumer finance.

### Non-performing loans

- The NPL ratio decreased by 55 bps Y/Y to 3.84% at the end of 1H 2015 with lower Y/Y NPL ratio in all segments.

### Coverage of non-performing loans

- Coverage of NPLs increased by 2.4 pp Y/Y to 52.9%, thanks to slightly higher coverage of NPL across key 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.



## Capital Position

Capital position strengthened above regulatory requirement

Consolidated, CZK m	30.6.2014	31.12.2014	30.6.2015
<b>Total regulatory capital</b>	61,875	60,853	64,497
- Tier 1 Capital	60,316	60,104	63,396
- Tier 2 Capital	1,559	749	1,101
- Deductions from Tier 1 and Tier 2	-	-	-
<b>Total capital requirement</b>	28,422	27,894	28,358
- Credit risk	22,061	21,959	22,620
- Market risk	1,791	1,364	1,215
- Operational risk	4,571	4,571	4,523
<b>Total RWA</b>	355,280	348,670	354,474
<b>Core Tier 1 ratio = Tier 1 ratio</b>	17.0%	17.2%	17.9%
<b>Total capital ratio</b>	17.4%	17.5%	18.2%

Tier 1 capital increased Y/Y thanks to newly included AFS reserve.

*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)*

## Selected ČSOB Group's Market Shares in the Czech Republic

Growing market share in total loans thanks to SME / corporate and building saving loans led to strengthening market leader position

<b>1st</b>	<b>Total Loans<sup>1</sup></b>	↗ 19.8%
	Building savings loans <sup>1</sup>	↗ 47.1%
	Building savings deposits <sup>1</sup>	↗ 37.1%
	Mortgages <sup>1</sup>	↘ 29.3%
	Mutual funds <sup>1</sup>	↘ 26.9%
<b>2nd</b>	Leasing <sup>2</sup>	↗ 17.3%
	<b>Total Deposits<sup>1</sup></b>	↘ 18.8%
<b>3rd</b>	Equity trading (Patria) <sup>5</sup>	↘ 19.8%
	Pension funds <sup>3</sup>	↘ 13.9%
	SME/corporate loans <sup>1</sup>	↗ 15.7%
	Consumer lending <sup>1,4,7</sup>	⇒ 9.6%
<b>Other</b>	Factoring <sup>2</sup>	↗ 21.5%
	Insurance <sup>6</sup> - combined (5th)	↗ 6.4%
	Non-life insurance <sup>6</sup> (6th)	↗ 6.6%
	Life insurance <sup>6</sup> (7th)	↗ 6.2%

Market shares as of 30 June 2015. Arrows show Y/Y change. 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.

<sup>6</sup> New business in the year according to gross written premium.

<sup>7</sup> Due to change in market data, ČSOB market share declined by ca 1.8pp (non-purpose part of mortgage loans is as of March 2015 reported within mortgages and new player has been included into market statistics as of June 2015). Split of the decline between above mentioned effects is ca 60:40.

## ČSOB's Credit Rating (as at 26 August 2015)

Rating agency	Moody's		Standard & Poor's	
	Long-term rating	A2	Long-term rating	A
Outlook	stable	Outlook	negative	
Short-term rating	Prime-1	Short-term rating	A-1	
Financial strenght	C-			
LT rating valid since	20 June 2012		1 October 2014	
Last confirmation	17 March 2015		1 October 2014	

## Selected Awards for the ČSOB Group Announced in 1H 2015

ČSOB named the Best Bank in Czech Republic, Private Banking and Patria services received several awards

<b>Euromoney: Best Bank 2015 in the Czech Republic</b>	The magazine Euromoney awarded ČSOB as <b>the Best Bank in the Czech Republic for 2015</b> .
<b>Global Finance: Best Bank 2015 Czech Republic</b>	The US-based magazine Global Finance awarded ČSOB as <b>the Best Bank in the Czech Republic for 2015</b> .
<b>Euromoney Private Banking Survey 2015</b>	ČSOB Private Banking awarded by the renowned magazine Euromoney as <b>the Best Private Bank 2015 in the Czech Republic</b> .
<b>Sodexo Employer of the Year 2015</b>	ČSOB was selected <b>the second best employer above 5,000 employees in Prague and the fourth in the Czech Republic</b> (overall ranking regardless of industry).
<b>Awards for Patria in 2015</b>	<b>The Best Investment Bank</b> of the Year 2015 by Business Worldwide <b>The Best Corporate Finance Firm</b> of the Year 2015 by Acquisition International <b>The Best M&amp;A Advisory Firm</b> of the Year 2015 by Corporate LiveWire <b>The Best Corporate Finance Firm</b> of the Year 2015 by Finance Monthly Global Awards

## 2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**Interim Consolidated Financial Statements of ČSOB as at 30 June 2015** prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (Unaudited) please refer to **Annex No. 1** of this Report.

## 3. COMPANY PROFILE

### ČSOB and ČSOB Group Profile

#### From ČSOB's History

<b>1964</b>	ČSOB established by the state as a bank to provide foreign trade financing and convertible currency operations in the then Czechoslovak market.
<b>1993</b>	Continuation of ČSOB's activities in both Czech and Slovak market after the split of Czechoslovakia.
<b>1999</b>	ČSOB privatized – Belgium-based KBC Bank becoming the majority shareholder of ČSOB.
<b>2000</b>	Acquisition of Investiční a Poštovní banka (IPB).
<b>2007</b>	KBC Bank becoming ČSOB's sole shareholder after buying out all minority shareholders.
<b>2007</b>	New environmentally friendly building of ČSOB's headquarters in Prague – Radlice for 2,600 employees (Building of the Year 2007).
<b>2008</b>	As at 1 January, ČSOB's Slovak branch separated into a separate entity, fully controlled by KBC Bank via 100% of voting rights.
<b>2009</b>	In December, ČSOB sold remaining interest in the Slovak activities to KBC Bank.
<b>2013</b>	The establishment of the separate Business Unit Czech Republic within the KBC Group.

## ČSOB and ČSOB Group Profile

Československá obchodní banka, a. s. (hereinafter referred to as "ČSOB" or the "Bank") is operating in the Czech Republic as a **universal bank**. ČSOB is a wholly-owned subsidiary of Belgian KBC Bank NV (since 1999, since 2007 fully). KBC Bank is fully owned by an integrated bank-insurance group KBC Group NV. Effective as of 1 January 2013, KBC Group has organized its core markets activities into three business units – Belgium, Czech Republic (includes all KBC's business in the Czech Republic) and International Markets.

ČSOB provides its **services to all groups of clients**, i.e. retail as well as SME, corporate and institutional clients. **In retail banking in the Czech Republic**, ČSOB is operating under main recognized brands – ČSOB (branches), Era (Financial centers) and Poštovní spořitelna (Postal Savings Bank – PSB; outlets of the Czech Post network). ČSOB offers to its clients a **wide range of banking products and services**, including the products and services of the entire ČSOB group.

The ČSOB group consists of the Bank and entities related with the Bank. ČSOB's financial group includes strategic companies in the Czech Republic controlled directly or indirectly by ČSOB, or KBC, which offer financial services, namely Hypoteční banka, ČMSS, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Factoring, Patria group (from 1 January 2015, a part of the ČSOB group), ČSOB Pojišťovna and ČSOB Asset Management.

The ČSOB group's (Business Unit Czech Republic) **product portfolio includes next to standard banking services**: financing housing needs (mortgages and building savings loans), insurance products, pension funds, collective investment products and asset management, specialized services (leasing and factoring) and services related to trading equities on financial markets.

ČSOB Group in Figures	31. 12. 2014	30. 6. 2015
Employees (FTEs) <sup>1</sup>	7,552	7,326
of which the Bank <sup>2</sup>	6,491	6,237
Clients (the Bank; in millions)	2.86	2.85
Users of internet banking (the Bank; in millions)	1.51	1.53
Retail / SME branches and advisory centers	762	753
ČSOB retail / SME branches	232	230
Era Financial centers	76	76
ČMSS advisory centers <sup>3</sup>	338	329
Hypoteční banka centers	28	28
ČSOB Pojišťovna branches	88	90
Leasing branches	10	10
ČSOB corporate branches	11	11
PSB outlets of the Czech Post network	ca. 3,100	ca. 3,100
ATMs (the Bank) <sup>4</sup>	1,047	1,053

<sup>1</sup> Excluding employees of the joint venture and associated companies. Patria FTE and newly employees in program for mothers were included in ČSOB group employees; figures for 2014 has been restated.

<sup>2</sup> Employees in program for mothers were included newly; figures for 2014 has been restated.

<sup>3</sup> As of 30 June 2015 ČMSS advisory centers include also ČMSS advisory touch-points; figures for 2014 has been restated.

<sup>4</sup> Including ATMs of cooperating banks.

Annual reports and other information about ČSOB and ČSOB's group are available at [www.csob.cz](http://www.csob.cz).

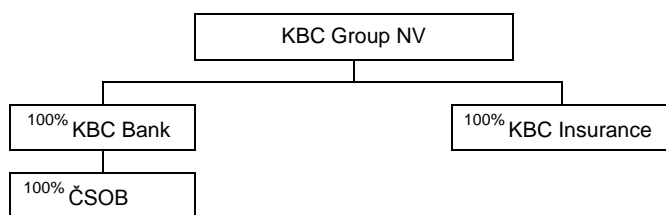
## KBC Group Profile

ČSOB is a wholly-owned subsidiary of KBC Bank NV. KBC Bank is fully owned by KBC Group NV. KBC Bank and KBC Group are both based in Brussels, Belgium.

KBC is an **integrated bank-insurance group**, catering mainly for retail, private banking, SME and mid-cap clients. Geographically, KBC focuses on its home markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. In the rest of the world, KBC is present in Ireland and, to a limited extent, in several other countries to support corporate clients from its core markets.

As of the end of 2014, KBC Group served approximately 10 million clients in its five home markets and Ireland, and employed approximately 36,000 employees (FTEs), roughly half of which in Central and Eastern Europe.

## The simplified scheme of the KBC Group as at 30 June 2015



For an overview of companies of the KBC Group please refer to KBC's corporate website [www.kbc.com](http://www.kbc.com).

KBC Group's shares are traded publicly on the Euronext Exchange in Brussels. KBC Group's core shareholders are: KBC Ancora, Cera, MRBB (a farmers association) and other core shareholders.

<b>KBC Group in Figures</b>		<b>31. 12. 2014</b>	<b>30. 6. 2015</b>
Total assets	EURbn	245.2	256.7
Loans and advances to customers	EURbn	124.6	126.1
Deposits from customers and debt securities	EURbn	161.8	170.2
Net profit, group share	EURm	1,762	1,176
Common equity Tier 1 ratio, group level (Basel III, fully loaded, including remaining state aid)	%	14.3	16.7
Cost / income ratio, banking	%	58	55

For more information please refer to the KBC's corporate website [www.kbc.com](http://www.kbc.com).

### ČSOB as a Controlled and Controlling Entity

Within the KBC group and the ČSOB group, ČSOB acts as both a controlled entity and a controlling entity.

ČSOB is a **controlled entity** of the sole shareholder KBC Bank NV (ID No. 90029371), or more precisely, of KBC Group NV (ID No. 90031317), which is KBC Bank's sole shareholder. Both KBC Bank and KBC Group have their registered addresses at: Havenlaan 2, B-1080 Brussels (Sint-Jans Molenbeek), Belgium.

The control is exercised by decisions of the sole shareholder when exercising the general meeting's competence according to the Corporations Act. Within the limits stipulated by law, the controlling entity also exercises influence through its representatives in the Supervisory Board or the Board of Directors. The control covers cooperation and coordination in the area of risk management, audit functions and prudential rules. The Board of Directors is responsible for management of business.

ČSOB follows the legislation applicable on the territory of the Czech Republic which protect against abuse of position of controlling entity. In particular, ČSOB activities are governed by the Corporations Act, regulatory rules for banks and tax law including transfer pricing principles. ČSOB is also subject of supervision of the CNB. The regulatory and supervisory system is supplemented by the internal control system which is secured by the Board of Directors, the Supervisory Board, the Audit Committee and specialized department of internal audit, compliance and risk management. The Board of Directors is responsible for internal control system efficiency.

ČSOB did not hold any shares of KBC Bank or KBC Group between 1 January and 30 June 2015.

ČSOB is also a **controlling entity**. For information on companies controlled by ČSOB as at 30 June 2015 please refer to **Annex No. 2** of this Report.

ČSOB is not dependent on any entity in the concern into which ČSOB belongs.

## 4. MANAGING AND SUPERVISORY BODIES

**ČSOB has the following bodies:** General Meeting, Board of Directors, Supervisory Board, and Audit Committee. The powers and activities of ČSOB's bodies are determined in the Articles of Association of ČSOB as approved by the General Meeting.

The sole shareholder (KBC Bank NV) exercises the powers of ČSOB's General Meeting.

### The Board of Directors

ČSOB's Board of Directors represents ČSOB in all matters and is assigned its management.

## ČSOB's Board of Directors in 1H 2015

First Name and Surname	Position	Membership since	The Beginning of the Member's Current Term of Office <sup>1</sup>	ČSOB's Top Management <sup>4</sup> / Area of Responsibility
<b>John Arthur Hollows</b>	Chairman <sup>2</sup>	1. 5. 2014	1. 5. 2014	Chief Executive Officer
<b>Marek Ditz</b>	Member	1. 1. 2013	1. 1. 2013	Senior Executive Officer, Specialised Banking and Insurance
<b>Petr Knapp</b>	Member	20. 5.1996	21. 5. 2014 <sup>3</sup>	Senior Executive Officer, Relationship Services
<b>Petr Hutla</b>	Member	27. 2. 2008	28. 2. 2013 <sup>3</sup>	Senior Executive Officer, Retail
<b>Jiří Vévoda</b>	Member	8. 12. 2010	8. 12. 2010	Senior Executive Officer, Finance Management
<b>Tomáš Kořínek</b>	Member	1. 1. 2015	1. 1. 2015	Senior Executive Officer, Group Risk Management
<b>Koen Wilmots</b>	Member of ČSOB's Board of Directors from 8 December 2010 to 31 March 2015 Member of ČSOB's Top Management until 9 March 2015			

<sup>1</sup> The term in office of the members elected prior to 3 June 2011, lasts five years; in other cases it lasts four years.

<sup>2</sup> Chairman since 2 May 2014.

<sup>3</sup> Elected to a new term in office.

<sup>4</sup> In 1H 2015, members of ČSOB's Top Management were identical with the members of the Board of Directors.

For description of **areas of responsibility managed by ČSOB's Board of Directors** (Top Management) as at 30 June 2015 please refer to **ČSOB's Organisation Chart** to **Annex No. 3** of this Report.

## The Supervisory Board

ČSOB's Supervisory Board supervises the exercising of the powers of the Board of Directors, the business of the Company and the manner in which it is conducted.

### ČSOB's Supervisory Board in 1H 2015

First Name and Surname	Position	Membership since	The Beginning of the Member's Current Term of Office <sup>1</sup>
<b>Pavel Kavánek</b>	Chairman <sup>2</sup>	1. 5. 2014	1. 5. 2014
<b>Hendrik George Adolphe Gerard Soete</b>	Member	24. 2. 2007 <sup>3</sup>	20. 6. 2012 <sup>4</sup>
<b>Franky Depickere</b>	Member	1. 6. 2014	1. 6. 2014
<b>Christine Van Rijseghem</b>	Member	1. 6. 2014	1. 6. 2014
<b>Martin Jarolím</b>	Member	1. 1. 2015	1. 1. 2015
<b>Marko Voljč</b>	Member from 29 June 2010 to 1 January 2015		
<b>Jan Gysels</b>	Member from 14 February 2013 to 15 April 2015		

<sup>1</sup> The term in office of the members lasts four years.

<sup>3</sup> Co-opted.

<sup>2</sup> Chairman since 30 June 2014.

<sup>4</sup> Elected to a new term in office.

## The Audit Committee

ČSOB's Audit Committee acts as an independent body of ČSOB. Its members shall be elected and removed by the General Meeting of ČSOB's shareholders.

### ČSOB's Audit Committee in 1H 2015

First Name and Surname	Position	Membership since
<b>Martin Jarolím</b>	Chairman <sup>1</sup>	Member of ČSOB's Supervisory Board
<b>Pavel Kavánek</b>	Member	Chairman of ČSOB's Supervisory Board
<b>Petr Šobotník</b>	Independent Member	Not a member of any ČSOB body
<b>Jan Gysels</b>	Member from 5 April 2013 to 15 April 2015	

<sup>1</sup> Chairman since 9 April 2015.

## Changes in ČSOB's Managing and Supervisory Bodies in 1H 2015

**KBC Bank as the sole shareholder of ČSOB decided as follows:**

### On 30 December 2014

- Tomáš Kořínek was elected a member of ČSOB's Board of Directors with effect from 1 January 2015. (Area of responsibility: Group Risk Management)
- Marko Voljč was recalled from ČSOB's Supervisory Board with effect from 1 January 2015.
- Martin Jarolím was elected a member of ČSOB's Supervisory Board with effect from 1 January 2015.

### On 3 March 2015

- Koen Wilmots was recalled from ČSOB's Board of Directors with effect from 31 March 2015.
- Jan Gysels was recalled from ČSOB's Supervisory Board with effect from 15 April 2015.
- Jan Gysels was recalled from ČSOB's Audit Committee with effect from 15 April 2015.

For description of **introducing new members of Managing and Supervisory Bodies** please refer to ČSOB's Annual Report 2014 available at [www.csob.cz](http://www.csob.cz), page 43 (Tomáš Kořínek) and page 46 (Martin Jarolím).

## 5. INFORMATION ABOUT ČSOB SECURITIES

<b>ČSOB's Shares</b> (as at 30 June 2015)	<b>ISIN</b>	<b>CZ0008000288</b>	<b>KBC Bank NV</b> , with its registered address at: Havenlaan 2, B-1080 Brussels (Sint-Jans Molenbeek), Belgium, <b>is the sole shareholder of ČSOB.</b>
	Class	Ordinary shares	
	Type	Bearer shares	
	Edition	Book-entered	
	Number of shares	292,750,001	
	Nominal value	CZK 20	
	Total issue volume	CZK 5,855,000,020	
	<b>Amount of share capital</b>	<b>CZK 5,855,000,020</b>	
	Paid up	100%	

ČSOB shares are not publicly tradable on any official regulated market in either an EU member state, or an EEC member state. ČSOB has not issued any convertible bonds or priority bonds as defined by Section 286 of the Act No. 90/2012 Coll., the Corporations act.

In 1H 2015, ČSOB neither held any own shares, nor issued stock certificates.

### **Bonds and Investment Certificates** (outstanding)

In the Czech Republic, ČSOB is an issuer of bonds and mortgage bonds issued under the ČSOB's bond issuance program. The program was approved by the Securities Commission in November 2003 (including joint issue terms for a previously non-determined number of bond issues) with a maximum amount of CZK 30bn of outstanding bonds and 10-year tenure.

**By 30 June 2015**, ČSOB recorded the following **bond issues** under the bond issuance program in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Bonds Issued (Nominal Value)	
			CZK	Value
Mortgage bond ČSOB 4,60%/2015	CZ0002000706	15. 11. 2005	CZK	1,300
Bond ČSOB VAR/2018	CZ0003701799	22. 12. 2008	CZK	10
Bond ČSOB koš akcií/2015	CZ0003702441	27. 10. 2010	CZK	121.7
Bond ČSOB 3M PRIBOR/2016	CZ0003702540	2. 3. 2011	CZK	149
Bond ČSOB Inlace II/2016 (2 Tranches)	CZ0003702789	17. 3. 2011	CZK	630
Bond ČSOB Měny II/2016	CZ0003702821	5. 5. 2011	CZK	280
Bond ČSOB koš akcií II/2016	CZ0003702839	9. 6. 2011	CZK	111.3
Bond ČSOB likvidní IV/2017 (3 Tranches)	CZ0003703050	2. 2. 2012	CZK	2,360.16
Bond ČSOB 3M PRIBOR II/2017	CZ0003703183	29. 3. 2012	CZK	210
Bond ČSOB likvidní VI/2017 (3 Tranches)	CZ0003703472	6. 8. 2012	CZK	4,000

The bond issuance program was closed. Any issue of bonds or any bond programme are not currently prepared.



By 30 June 2015, ČSOB recorded the following **investment certificate issues** under the certificate issuance program (public or non public) in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
			EURm	CZKm
ČSOB Investment certificate VI.	CZ0000300264	30. 10. 2013	EURm	4.121
ČSOB Investment certificate IX.	CZ0000300306	19. 2. 2014	CZKm	135.61
ČSOB Investment certificate XVI.	CZ0000300371	25. 6. 2014	CZKm	107.55
ČSOB Investment certificate XVII.	CZ0000300389	25. 6. 2014	CZKm	93.05
ČSOB Investment certificate XVIII.	CZ0000300397	20. 8. 2014	CZKm	129.34
ČSOB Investment certificate XIX.	CZ0000300405	20. 8. 2014	CZKm	131.80
ČSOB Investment certificate XX.	CZ0000300413	24. 9. 2014	CZKm	160.62
ČSOB Investment certificate XXI.	CZ0000300439	15. 10. 2014	CZKm	199.67
ČSOB Investment certificate XXII.	CZ0000300462	26. 11. 2014	CZKm	138.4
ČSOB Investment certificate XXIII.	CZ0000300488	20. 11. 2014	USDm	2.822
ČSOB Investment certificate XXIV.	CZ0000300504	17. 12. 2014	CZKm	156.79
ČSOB Investment certificate XXV.	CZ0000300512	17. 12. 2014	CZKm	114.27
ČSOB Investment certificate XXVI.	CZ0000300520	17. 12. 2014	CZKm	166.68
ČSOB Investment certificate XXVII.	CZ0000300538	17. 12. 2014	CZKm	159.47
ČSOB Investment certificate XXVIII.	CZ0000300561	25. 2. 2015	CZKm	154.25
ČSOB Investment certificate XXIX.	CZ0000300587	15. 4. 2015	USD	5.894
ČSOB Investment certificate XXX.	CZ0000300579	15. 4. 2015	CZKm	169.35
ČSOB Investment certificate XXXI.	CZ0000300595	22. 4. 2015	CZKm	40.23
ČSOB Investment certificate XXXII. (2 Tranches)	CZ0000300603	22. 4. 2015	CZKm	68.77
ČSOB Investment certificate XXXIII.	CZ0000300629	6. 5. 2015	CZKm	62.63
ČSOB Investment certificate XXXIV.	CZ0000300611	6. 5. 2015	CZKm	208.92
ČSOB Investment certificate XXXV.	CZ0000300645	20. 5. 2015	CZKm	90.05
ČSOB Investment certificate XXXVI.	CZ0000300660	3. 6. 2015	CZKm	136.37
ČSOB Investment certificate UL I.	CZ0000300652	12. 6. 2015	CZKm	157
ČSOB Investment certificate XXXVII.	CZ0000300678	17. 6. 2015	CZKm	142.75

In July and August 2015, ČSOB issued the following **investment certificates issues** under the certificate issuance program (non public) in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
			CZKm	417
ČSOB Investment certificate UL II.	CZ0000300686	10. 7. 2015	CZKm	417
ČSOB Investment certificate XXXVIII.	CZ0000300694	15. 7. 2015	CZKm	134.12
ČSOB Investment certificate XXXIX.	CZ0000300702	22. 7. 2015	CZKm	142.41
ČSOB Investment certificate UL III.	CZ0000300710	10. 8. 2015	CZKm	230.82

**The Bond ČSOB VAR/2018** bond is listed at the **Regulated Market** of the Prague Stock Exchange; trading started on 22 December 2008. The remaining bonds, mortgage bonds and investment certificates are unlisted.

The bond issuance program's prospectus, amendments thereto and pricing supplements as well as the prospectus of the Bond ČSOB VAR/2018 are available at ČSOB's website [www.csob.cz](http://www.csob.cz).

The purpose of the issuance of bonds and of investment certificates by ČSOB is mainly to enlarge the offer of investment products for the Bank's clients.

## 6. ADDITIONAL INFORMATION

### *Decision of Sole Shareholder in Exercising the Powers of the General Meeting*

in accordance with Section 12 of the Act No. 90/2012 Coll., the Corporations act

#### **On 9 April 2015, KBC Bank NV as ČSOB's sole shareholder:**

Approved Separate Financial Statements of ČSOB as at 31 December 2014 and Consolidated Financial Statements of ČSOB and its subsidiaries as at 31 December 2014 prepared in accordance EU IFRS.

Approved distribution of the non-consolidated net profit for the year 2014 in the total amount of CZK 13,207,803 ths as follows:

- ČSOB's non-consolidated net profit for the year 2014 was distributed to the shareholders.
- The dividend per share was CZK 45.12. Dividends were paid in May 2015.

### *Information on Court Disputes*

The most significant ČSOB's court dispute as at 30 June 2015, is shown in the following table including the dispute amount (without accessories).

Counterparty of the Dispute		Liability (CZKm)
1	ICEC-HOLDING, a.s.	11,893

According to ČSOB, this legal dispute does not constitute any risk, given its absolute unreasonableness. In addition, legal dispute has the risk of any potential defeat covered by the CNB's indemnity issued in connection with the sale of the company IPB according to the Bank.

### *Corporate Social Responsibility Related Events in 1H 2015*

ČSOB continues to invest into society and its community.

#### **Responsible Business**

The **contactless debit Good Will Card** has already been used actively by 553 private clients. The card is unique in donating 0.6% of each transaction to charitable initiatives. Hereby, our clients have helped people in difficult life situations or supported urgent NGO projects. Over 1H 2015, the card has gathered CZK 0.85m.

#### **Education**

In the 6th year of the **Education Programme**, we supported a variety of projects focused on financial literacy. Overall, they received CZK 1 million. The second round of the programme will concentrate on online safety initiatives.

In March, the advisory board of the **Education Fund**, a joint initiative of the Committee of Good Will – Olga Havel Foundation and ČSOB, decided upon granting regular stipends to 10 students – young people with social or health handicap. Three other students received a one-off grant. In 2015, the Education Fund has been helping to 77 students. Two of the newly supported students also met John Hollows.

#### **Diversity**

In May, a **special tram of "Safety Line"** operated in the city of Liberec. Its aim was to present a non-profit organisation helping kids in difficult life situations. It showed some of the topics, children turn to its consultants with, and underlined that it needs to be financially supported by the public. The campaign was run jointly by Era and the Liberec Transport Company. Era has been the Safety Line's general partner since 2010.

#### **Regions**

224 employees in 64 cycling teams took part in this year's campaign supporting **alternative transport to work**. Together, they made almost 50 thousand kilometres. ČSOB donated 2 crowns per each kilometre to the Committee of Good Will – Olga Havel Foundation. In addition, ČSOB won **3rd place in the competition Cyclo-Employer of the year – Prague region**.

This year's first grantees who succeeded within the **Poštovní spořitelna Regional Development Fund** were announced. Grants totalling almost CZK 1.4m will help improve neighbourhood relations and support community development.

## Events after 30 June 2015

### Intention to insource IT from KBC Group Czech Branch to ČSOB (announced on 15 July 2015)

ČSOB's Board of Directors and representatives of the Executive Committee of KBC Group approved intention to insource IT from KBC Group Czech Branch to ČSOB. There is no change in scope of IT services provided to ČSOB group. IT insourcing assumes mainly lower administrative burden and higher flexibility in solving requests of internal clients. Currently expected date of IT insourcing is 31 December 2015.

### Other events

Chapter	Part
Interim Consolidated Financial Statements	Annex No. 1 Note 39
Managing and Supervisory Bodies	Annex No. 3 ČSOB's Organisation chart
Information about ČSOB Securities	Investment certificates issues

### ČSOB's new website

At the end of July 2015, ČSOB launched a new website; annual reports and other obligatory information are available in the section **Povinně uveřejňované informace:** <https://www.csob.cz/portal/o-csob/povinne-uverejnovane-informace>.

## 7. EXPECTED DEVELOPMENT

### Expected Economic and Financial Situation of the ČSOB Group in 2H 2015

During the first six months of the year, the **Czech economy** saw recovery as the 1Q 2015 the gross domestic product (GDP) increased by 4.0% Y/Y and 2Q 2015 GDP increased by 4.4% Y/Y, according to the preliminary estimate of the Czech Statistical Office. Acceleration of the Czech economy was driven mainly by domestic and to a lesser extent also foreign demand. According to the ČSOB group's macroeconomic outlook, the GDP for the entire year of 2015 is expected to grow by 4.0% Y/Y.

ČSOB group reported slightly lower profit year-on-year during the first half of 2015. Strong business performance, partially mitigated by creating accruals for contribution to the Resolution Fund, is a result of strong loan and deposit growth, sale of asset management products combined with the continuously good loan quality. **For the second half of 2015**, the ČSOB group will continue to focus on providing high quality financial services to its clients and better serve their needs, inter alia by continuous work on attractive value proposition. This should help, inter alia to capture the right market share in selected parts of the market.

ČSOB group wants to be a reference in the banking and insurance by bringing the client into the center of its businesses and achieving sustainable growth.

Servicing the retail and SME segments continues to be core to the business of the ČSOB group also in the second half of 2015. In addition, the ČSOB group will aim to continue accommodating the needs of its corporate clients in accelerating economy environment. The ČSOB group will further endeavor to maintain solid profitability via business volumes growth and efficient cost control while sticking to its focus on asset quality. Further improved already strong capital and liquidity positions of the ČSOB group allow growing the credit portfolio faster than its group deposits. The Board of Directors expects that, in the low interest rate environment, net interest margin (NIM) will continue to be in the downward trajectory in 2H 2015 and mitigate effect of the strong business volume growth in 2H 2015.

## 8. SWORN STATEMENT

### Persons Responsible for the 1H 2015 ČSOB Activity Report

hereby declare that, to their best knowledge, the **1H 2015 ČSOB Activity Report** gives a true and fair account of ČSOB and its consolidation unit's financial situation, business activities and business results achieved in the first half of 2015 as well as ČSOB and its consolidation unit's outlook for the future trends in the financial situation, business activities and business results.

In Prague, 26 August 2015

**Československá obchodní banka, a. s.**



**John Arthur Hollows**  
Chairman of the Board of Directors



**Jiří Vévoda**  
Member of the Board of Directors

## 9. ANNEXES

**No. 1 Interim Consolidated Financial Statements of ČSOB as at 30 June 2015**

**No. 2 Companies of the ČSOB Group**

**No. 3 ČSOB's Organisation Chart**

**Contact:**

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**Annex No. 1** to 1H 2015 ČSOB Activity Report

Interim Consolidated Financial Statements of ČSOB as at 30 June 2015



# **Interim Consolidated Financial Statements**

## **Half-year ended 30 June 2015**

Prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (Unaudited)

## **CONSOLIDATED STATEMENT OF INCOME FOR THE 6 MONTHS ENDED 30 JUNE 2015**

Prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

(CZKm)	Note	1H 2015	1H 2014
Interest income	5	13,077	13,701
Interest expense	6	<u>(1,921)</u>	<u>(2,076)</u>
<b>Net interest income</b>		<b>11,156</b>	<b>11,625</b>
Fee and commission income		4,896	4,398
Fee and commission expense		<u>(1,712)</u>	<u>(1,509)</u>
<b>Net fee and commission income</b>	7	<b>3,184</b>	<b>2,889</b>
Dividend income		6	7
Net gains from financial instruments at fair value through profit or loss and foreign exchange	8	1,264	623
Net realised gains on available-for-sale financial assets		322	213
Other net income	9	<u>433</u>	<u>357</u>
<b>Operating income</b>		<b>16,365</b>	<b>15,714</b>
Staff expenses	10	(3,539)	(3,412)
General administrative expenses	11	(4,134)	(3,649)
Depreciation and amortisation	22, 23	<u>(306)</u>	<u>(345)</u>
<b>Operating expenses</b>		<b>(7,979)</b>	<b>(7,406)</b>
Impairment losses	12	(480)	(85)
Share of profit of associates	19	<u>397</u>	<u>374</u>
<b>Profit before tax</b>		<b>8,303</b>	<b>8,597</b>
Income tax expense	13	<u>(1,237)</u>	<u>(1,355)</u>
<b>Profit for the period</b>		<b>7,066</b>	<b>7,242</b>
<b>Attributable to:</b>			
Owners of the parent		7,067	7,236
Non-controlling interests		(1)	6

The accompanying notes are an integral part of these interim consolidated financial statements.

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED 30 JUNE 2015**

Prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

(CZKm)	Note	1H 2015	1H 2014
<b>Profit for the period</b>		<b>7,066</b>	<b>7,242</b>
Exchange differences on translating foreign operation		-	-
Net gain / (loss) on cash flow hedges		(518)	1,029
Net gain / (loss) on available-for-sale financial assets		(978)	535
Income tax (expense) / benefit relating to components of other comprehensive income		261	(165)
<b>Other comprehensive income for the period, net of tax</b>	31	<b>(1,235)</b>	<b>1,399</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>5,831</b>	<b>8,641</b>
<b>Attributable to:</b>			
Owners of the parent		5,834	8,643
Non-controlling interests		(3)	(2)

The accompanying notes are an integral part of these interim consolidated financial statements.

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

Prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

(CZKm)	Note	30-06-2015	31-12-2014
<b>ASSETS</b>			
Cash and balances with central banks	15	52,471	72,076
Financial assets held for trading	16	56,159	50,626
Financial assets designated at fair value through profit or loss	16	3,340	3,327
Available-for-sale financial assets	17	62,160	56,121
Held-to-maturity investments	17	134,845	144,074
Loans and receivables	18	604,736	506,635
Fair value adjustments of the hedged items in portfolio hedge		1,146	1,654
Derivatives used for hedging	20	11,320	13,967
Current tax assets		124	69
Deferred tax assets	13	117	100
Investment in associate	19	4,570	4,992
Investment property	21	2	284
Property and equipment	22	6,884	6,796
Goodwill and other intangible assets	23	2,964	2,913
Non-current assets held-for-sale	24	413	515
Other assets	25	2,622	1,490
<b>Total assets</b>		<b>943,873</b>	<b>865,639</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities held for trading	26	36,773	69,624
Financial liabilities at amortised cost	27	807,198	686,136
Fair value adjustments of the hedged items in portfolio hedge		2,804	5,145
Derivatives used for hedging	20	11,019	11,987
Current tax liabilities		24	196
Deferred tax liabilities	13	2,091	2,280
Other liabilities	28	5,367	3,955
Provisions	29	465	736
<b>Total liabilities</b>		<b>865,741</b>	<b>780,059</b>
Share capital	30	5,855	5,855
Share premium		15,509	15,509
Statutory reserve		18,687	18,687
Retained earnings		32,185	38,397
Available-for-sale reserve	30	2,916	3,732
Cash flow hedge reserve	30	2,775	3,192
Foreign currency translation reserve	30	-	-
Shareholders' equity		77,927	85,372
Non-controlling interests, presented within equity		205	208
<b>Total equity</b>		<b>78,132</b>	<b>85,580</b>
<b>Total liabilities and equity</b>		<b>943,873</b>	<b>865,639</b>

The accompanying notes are an integral part of these interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2015

Prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

(CZKm)	Attributable to equity holders of the Bank					Non-controlling interest	Total Equity
	Share capital (Note: 30)	Share premium	Statutory reserve <sup>(1)</sup>	Retained earnings	Other reserves (Note: 30)		
<b>At 1 January 2014</b>	<b>5,855</b>	<b>15,509</b>	<b>18,687</b>	<b>32,949</b>	<b>7,249</b>	<b>204</b>	<b>80,453</b>
Profit for the period	-	-	-	7,236	-	6	7,242
Other comprehensive income for the period	-	-	-	-	1,407	(8)	1,399
Total comprehensive income for the period	-	-	-	7,236	1,407	(2)	8,641
Dividends paid (Note: 14)	-	-	-	(8,109)	-	-	(8,109)
<b>At 30 June 2014</b>	<b>5,855</b>	<b>15,509</b>	<b>18,687</b>	<b>32,076</b>	<b>8,656</b>	<b>202</b>	<b>80,985</b>
<b>At 1 January 2015</b>	<b>5,855</b>	<b>15,509</b>	<b>18,687</b>	<b>38,397</b>	<b>6,924</b>	<b>208</b>	<b>85,580</b>
Profit for the period	-	-	-	7,067	-	(1)	7,066
Other comprehensive income for the period	-	-	-	-	(1,233)	(2)	(1,235)
Total comprehensive income for the period	-	-	-	7,067	(1,233)	(3)	5,831
Dividends paid (Note: 14)	-	-	-	(13,208)	-	-	(13,208)
Changes in consolidation scope	-	-	-	(71)	-	-	(71)
<b>At 30 June 2015</b>	<b>5,855</b>	<b>15,509</b>	<b>18,687</b>	<b>32,185</b>	<b>5,691</b>	<b>205</b>	<b>78,132</b>

<sup>(1)</sup> The statutory reserve represents accumulated transfers from retained earnings in compliance with the Statutes of the Bank. This reserve is distributable based on the decision of the Board of Directors.

The accompanying notes are an integral part of these interim consolidated financial statements.

These interim consolidated financial statements were approved for issue by the Board of Directors on 27 August 2015 and signed on its behalf by:

  
John Arthur Hollows  
Chairman of the Board of Directors

  
Jiří Vévoda  
Member of the Board of Directors

## **CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 30 JUNE 2015**

Prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

(CZKm)	Note	1H 2015	Restated 1H 2014
<b>OPERATING ACTIVITIES</b>			
Profit before tax		8,303	8,596
Adjustments for:			
Change in operating assets		(25,830)	113,703
Change in operating liabilities		(19,301)	(54,177)
Non-cash items included in profit before tax		230	4,649
Net gains from investing activities		(6)	(232)
Income tax paid		(1,385)	(1,779)
<b>Net cash flows from operating activities</b>		<b>(37,989)</b>	<b>70,760</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of held-to-maturity investments		(3,945)	(5,346)
Maturity / disposal of investment securities		11,346	5,627
Net cash flow from property, equipment, intangible assets and assets held-for-sale		(171)	93
Net cash flow from investment property		1	(19)
Dividends from associates and joint ventures		690	50
Acquisition of a subsidiary, net of cash acquired		1,254	-
<b>Net cash flows from investing activities</b>		<b>9,175</b>	<b>405</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bonds		-	(309)
Issue of bonds		1,637	1,567
Dividends paid	14	(13,208)	(8,109)
<b>Net cash flows used in financing activities</b>		<b>(11,571)</b>	<b>(6,851)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(40,385)</b>	<b>64,314</b>
Cash and cash equivalents at the beginning of the year		55,922	15,434
Net increase in cash and cash equivalents		(40,385)	64,314
<b>Cash and cash equivalents at the end of the year</b>	33	<b>15,537</b>	<b>79,748</b>
<b>Additional information</b>			
Interest paid		(1,921)	(2,458)
Interest received		13,363	14,083
Dividends received (other than from associates and joint ventures)		6	7

The accompanying notes are an integral part of these interim consolidated financial statements.



# **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2015**

Prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

Provided below is a selection of notes to the accounts. The numbers and titles of the notes that only appear in the annual report, but not in the half-yearly reports, are shown below solely to ensure that there is a link with the annual report.

## **1. CORPORATE INFORMATION**

Československá obchodní banka, a. s. (the Bank or ČSOB) is a Czech joint-stock company with its registered office at Radlická 333/150, Prague 5, Czech Republic; the corporate ID is 00001350. ČSOB is a universal bank having its operations in the Czech Republic and offering its domestic and foreign customers a wide range of financial services and products in Czech Crowns and foreign currencies. The parent company of the Bank is KBC Bank NV (KBC Bank), which is controlled by the KBC Group NV (KBC Group).

The main activities of the Bank include accepting deposits from the public, providing loans, investing in securities on the Bank's own account, financial leasing, payments and clearance, the issuance and administration of payment instruments, the provision of guarantees, the issuance of letters of credit, the provision of collection services, the provision of all investment service according to a special law, the issuance of mortgage bonds, financial brokerage, the provision of depository services, exchange office services (purchase of foreign exchange), the provision of banking information, trading in foreign exchange values and gold on the Bank's own account or on a client's account, the rental of safe-deposit boxes. In addition, the Bank performs activities directly related to the activities described above and activities carried out for other parties if they relate to the running of the Bank and operation of other banks, financial institutions and enterprises providing ancillary banking services, controlled by the Bank.

Furthermore, the ČSOB group (Group) (Note: 3) provides its clients with financial services in the following areas: building savings and mortgages, asset management, collective investments, pension insurance, leasing, factoring and the distribution of life and non-life insurance products.

## **2. ACCOUNTING POLICIES**

The interim consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements as at 31 December 2014, except for the adoption of new standards and interpretations for the year 2015 (Note: 2.3).

### **2.1 Basis of preparation**

The interim consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale investments, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts that have been measured at fair value. The interim consolidated financial statements are presented in millions of Czech Crowns (CZK<sup>m</sup>), which is the presentation currency of the Group.

#### **Statement of compliance**

The Group interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU IFRS).

#### **Basis of consolidation**

The interim consolidated financial statements include the Bank, all subsidiary companies that are controlled by the Bank (subsidiaries), all companies jointly controlled by the Bank (joint ventures) and all companies over which the Bank has significant influence (associates). The accounting policies of subsidiaries and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intra-group balances, transactions, income and expenses, and gains and losses resulting from intra-group transactions are eliminated.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the parent shareholder's equity.

Joint ventures and associates included in the Group consolidation are accounted for using the equity method.

## ***2.2 Significant accounting judgements and estimates***

While applying the Group accounting policies, the management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant judgements and estimates are as follows:

### **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the application of mathematical models. If possible, the input to these models is taken from observable markets; if not, a degree of judgement is required to establish fair values. The judgements include considerations of credit, liquidity and model inputs such as correlation and volatility for longer-dated financial instruments.

### **Impairment losses on financial instruments**

The Group reviews its financial instruments at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In particular, management judgement is required to estimate the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances, the Group also makes a collective impairment allowance against exposures which, although not individually identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Management judgement is required to assess the fair value of collateral, which has a significant effect on the impairment allowance.

### **Goodwill impairment**

Goodwill is tested annually for impairment. For this purpose, goodwill acquired in a business combination is allocated to the cash-generating unit which is expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Identifying a cash-generating unit as well as determining its recoverable amount requires judgement.

## **Classification of leases**

Classification of leases into either finance leases or operating leases is based on the extent to which the risks and rewards from the asset ownership have been transferred from a lessor to a lessee. If a substantial number of all the risks and rewards incidental to ownership have been transferred to the lessee the lease is classified as a finance lease. Management judgement is needed to assess the extent to which the risks and rewards have been transferred.

## **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## **Provisions**

Provisions are recognised when a current obligation exists as a result of past events. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount will be made. Judgements are applied to evaluate whether the current obligation exists taking into account all available evidence and whether the event is more likely to occur than not. Estimates of the amount of the obligation also require management judgement.

## **Assessment of the nature of interest in Group entities**

The Group considers all relevant facts and circumstances in assessing whether it has a control, joint control (and its type) or significant influence over an investee. The assessment is based on the conclusions made by taking into account the contractual arrangements with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

## **2.3 Changes in accounting policies**

### **Effective from 1 January 2015**

The accounting policies adopted in the preparation of the Group interim consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the following standards, amendments and interpretations. The adoption of them did not have any effect on the financial performance or position of the Group, unless otherwise described below.

**Defined Benefit Plans: Employees Contributions (Amendments to IAS 19)** is effective for periods beginning on or after 1 July 2014. The amendment brings clarification of the accounting requirements for contributions from employees or third parties to a defined benefit plan. It specifies conditions under which the contributions can be accounted for as a reduction of service costs.

**Annual Improvements to IFRSs (2009 - 2011 Cycle)**, issued in May 2012 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard. None of these have a significant impact on the accounting policies, financial position or performance of the Group.

### **Effective after 1 January 2015**

The following standards, amendments and interpretations have been issued and are effective after 1 January 2015. The Group has decided not to early adopt them. Unless otherwise described below, the new standards, amendments and interpretations are not expected to significantly affect the Group financial statements.

**IFRS 9 Financial Instruments (2014)** is effective for periods beginning on or after 1 January 2018. The standard has not been endorsed by the European Commission to date.

## **Classification and measurement of financial instruments**

Financial assets are measured at amortised cost if both conditions are fulfilled:

- The financial asset is held within the business model whose objective is to hold the assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets are measured at fair value through other comprehensive income if both conditions are fulfilled:

- The financial asset is held within the business model whose objective is to hold the assets to collect the contractual cash flows and to sell; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Other financial assets are measured at fair value through profit or loss. IFRS 9 retains a fair value option. Reclassifications between the three asset categories are required when the entity changes its business model.

All equity instruments are measured at fair value either through other comprehensive income or profit or loss.

IFRS 9 removes the separation of embedded derivatives requirements for financial assets and the instrument is assessed in its entirety as to whether it fulfils the above two conditions.

Financial liabilities are classified and measured either at amortised cost or at fair value through profit or loss. A financial liability can be designated as measured at fair value through profit or loss if doing so results in more relevant information, because either:

- It eliminates or reduces a measurement or recognition inconsistency;
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis.

IFRS 9 requires that changes in the fair value of an entity's own debt caused by changes in its own credit quality are recognised in other comprehensive income. The original requirements related to the derecognition of financial assets and financial liabilities are carried forward unchanged from IAS 39 to IFRS 9.

### **Impairment of financial assets**

IFRS 9 introduces a three-stage model based on changes in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition, or have low credit risk at the reporting date. 12-month expected credit losses are recognised for these assets. Interest income is based on the gross carrying amount of the assets.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, but that do not have objective evidence of impairment. Lifetime expected credit losses are recognised for these assets. Interest income is still calculated on the gross carrying amount of the assets.

Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. Lifetime expected credit losses are recognised for these assets. Interest income is calculated on the net carrying amount of the assets.

The new model is applied to debt instruments measured at amortised cost or fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss and lease/trade receivables. There are simplifications available for trade, lease receivables and contract assets that do not contain a significant financing component. The 12-month expected credit losses do not have to be calculated and lifetime expected credit losses are used instead. For the assets with a significant financing component there is a policy choice to apply either the simplified or general model.

The accounting for impairment of financial assets will have a significant impact on the Group. The assessment is in progress.

## Hedge accounting

The third phase, general hedge accounting, aligns more closely the hedge accounting and risk management. In practice, more hedging strategies used for risk management will qualify for hedge accounting. The three types of hedge accounting (cash flow, fair value and net investment hedges) have been carried forward from IAS 39. The hedging relationship has to be effective at inception and on an ongoing basis and will be subject to a qualitative or quantitative forward-looking effectiveness assessment. The hedge effectiveness range of 80-125% is replaced by an objective-based test. If the hedging relationship meets risk management objectives it cannot be voluntarily terminated, rather, the quantities of a hedged item or a hedging instrument have to be adjusted and the hedged ratio rebalanced to comply with the hedge effectiveness requirement.

Non-derivative financial assets and liabilities with fair value through profit or loss can be designated as hedging instruments in hedging relationships of any risk, not just foreign currency risk. They have to be designated in their entirety or as a proportion of their nominal amount.

The hedge accounting model extends the eligibility of risk components to include non-financial items, provided the component is separately identifiable and can be reliably measured.

The new general hedge accounting will have only marginal, if any, effect on the existing hedging constructions.

The new standard will have a significant impact on the financial statements of the Group. The assessment of the impact is in progress.

**Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)** is effective for periods beginning on or after 1 January 2016. The amendment requires an acquirer of an interest in a joint operation to apply all of the principles on business combinations (IFRS 3) except for those that conflict with the guidance in this amendment.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and 28)** is effective for periods beginning on or after 1 January 2016. The amendments clarify the accounting for transactions where a parent loses control of a subsidiary that does not constitute a business as defined in IFRS 3. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets is recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in the associate or joint venture.

**Equity Method in Separate Financial Statements (Amendments to IAS 27)** is effective for periods beginning on or after 1 January 2016. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

**Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, 12 and IAS 28)** is effective for periods beginning on or after 1 January 2016. The amendments further clarify the exception in consolidating investment entities.

**IFRS 14 Regulatory Deferral Accounts** is effective for periods beginning on or after 1 January 2016. The standard is limited to first-time adopters that recognise regulatory deferral account balances in accordance with their previous GAAP.

**IFRS 15 Revenue from Contracts with Customers** is effective for periods beginning on or after 1 January 2017. The key concept of the new standard is identifying separate Performance Obligations. Entities will follow a five-step model for revenue recognition:

1. Identify the contract with the customer (a contract exists only when it is 'probable' that the entity will collect the consideration)
2. Identify separate Performance Obligations in the contract (a promise to transfer good or service)
3. Determine the transaction price (only an amount not subject to subsequent future reversals)
4. Allocate the transaction price to each Performance Obligation
5. Recognise revenue when or as each Performance Obligation is satisfied

As the standard is not applicable to insurance contracts, financial instruments or lease contracts, the impact on the Group will be limited. The assessment of the impact is in progress.

**Disclosure Initiative (Amendments to IAS 1)** is effective for periods beginning on or after 1 January 2016. The amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendments state that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)** is effective for periods beginning on or after 1 January 2016. The amendment clarifies the use of a revenue-based method for depreciating an asset. **Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)** is effective for periods beginning on or after 1 January 2016. The amendments define a bearer plant and include bearer plants within the scope of IAS 16.

**Annual Improvements to IFRSs (2010 - 2012 Cycle, 2011 - 2013 Cycle, 2012 - 2014 Cycle)**, issued in December 2013 and September 2014 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard, all of which are applicable on or after 1 July 2014 or on or after 1 January 2016.

## ***2.4 Summary of significant accounting policies***

The principal accounting policies applied in the preparation of these interim consolidated financial statements are provided in the annual report. In 1H 2015, no changes in content were made in the accounting policies that had a material impact on the result.

## ***2.5 Comparative balances***

### **Reclassifications**

In September 2014, new rules of the Unified Framework of the Consolidated Financial Reporting (FINREP) issued by the Committee of European Banking Supervision became effective. The ČSOB group and the KBC Group have decided to use the same presentation of some items within the structure of the consolidated financial statements to be consistent with the requirements of FINREP, since such a presentation provides more reliable and more relevant information about the nature of the assets and liabilities including an increase of comparability among different reporters on the market. Therefore certain items are presented differently in the statement of cash flows as at 30 June 2015 from the presentation applied in the financial statements as at 30 June 2014. To conform to the changes in presentation in the current year, certain items in the comparative balances have been reclassified.

A reconciliation of the condensed consolidated statement of cash flows for the period ended 30 June 2014 is as follows:

(CZKm)	1H 2014 as reported	Adjustments					1H 2014 Restated
		A	B	C	D	E	
<b>OPERATING ACTIVITIES</b>							
Profit before tax	8,596	-	-	-	-	-	8,596
Adjustments for:							
Change in operating assets	106,607	1,809	1,208	-	4,272	(193)	113,703
Change in operating liabilities	(66,194)	-	-	10,533	1,484	-	(54,177)
Non-cash items included in profit before tax	4,456	-	-	-	-	193	4,649
Net gains from investing activities	(232)	-	-	-	-	-	(232)
Income tax paid	(1,779)	-	-	-	-	-	(1,779)
<b>Net cash flows from operating activities</b>	<b>51,454</b>	<b>1,809</b>	<b>1,208</b>	<b>10,533</b>	<b>5,756</b>	<b>-</b>	<b>70,760</b>
<b>INVESTING ACTIVITIES</b>							
Purchase of held-to-maturity investments	(5,346)	-	-	-	-	-	(5,346)
Maturity / disposal of investment securities	5,627	-	-	-	-	-	5,627
Net cash flow from property, equipment, intangible assets and assets held-for-sale	93	-	-	-	-	-	93
Net cash flow from investment property	(19)	-	-	-	-	-	(19)
Dividends from associates and joint ventures	50	-	-	-	-	-	50
<b>Net cash flows from investing activities</b>	<b>405</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>405</b>
<b>FINANCING ACTIVITIES</b>							
Repayment of bonds	(309)	-	-	-	-	-	(309)
Issue of bonds	1,567	-	-	-	-	-	1,567
Dividends paid	(8,109)	-	-	-	-	-	(8,109)
<b>Net cash flows used in financing activities</b>	<b>(6,851)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,851)</b>
<b>Net increase in cash and cash equivalents</b>	<b>45,008</b>	<b>1,809</b>	<b>1,208</b>	<b>10,533</b>	<b>5,756</b>	<b>-</b>	<b>64,314</b>
Cash and cash equivalents at the beginning of the year	19,633	8,464	(9,033)	(10,533)	6,903	-	15,434
Net increase in cash and cash equivalents	45,008	1,809	1,208	10,533	5,756	-	64,314
<b>Cash and cash equivalents at the end of the year</b>	<b>64,641</b>	<b>10,273</b>	<b>(7,825)</b>	<b>-</b>	<b>12,659</b>	<b>-</b>	<b>79,748</b>

The explanation for the restating adjustments is as follows:

- A/ Inclusion of Mandatory minimum reserves
- B/ Exclusion of trading assets and trading liabilities
- C/ Inclusion of repo transactions with the Czech Ministry of Finance
- D/ Exclusion of net balance of advances to / deposits from counterparties not meeting the new definition of credit institutions of FINREP principles
- E/ Amortisation of discounts and premiums of investment securities.

### 3. SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

The scope of the consolidation includes 24 companies. Ownership of the Group (%) in significant companies was as follows:

Name	Abbreviation	Country of incorporation	%	
			30-06-2015	31-12-2014
<b>Subsidiaries</b>				
Bankovní informační technologie, s.r.o.	BANIT	Czech Republic	100.00	100.00
Centrum Radlická, a.s.	Centrum Radlická	Czech Republic	100.00	100.00
ČSOB Advisory, a.s.	ČSOB Advisory	Czech Republic	100.00	100.00
ČSOB Factoring, a.s.	ČSOB Factoring	Czech Republic	100.00	100.00
ČSOB Leasing, a.s.	ČSOB Leasing	Czech Republic	100.00	100.00
ČSOB Leasing pojišťovací makléř, s.r.o.	ČSOB Leasing pojišťovací makléř	Czech Republic	100.00	100.00
ČSOB Penzijní společnost, a. s., a member of the ČSOB group	ČSOB PS	Czech Republic	100.00	100.00
ČSOB Property fund, closed-ended investment fund, a.s., a member of the ČSOB group	ČSOB Property fund	Czech Republic	61.61	61.61
Hypoteční banka, a.s.	Hypoteční banka	Czech Republic	100.00	100.00
Merrion properties, s.r.o.	Merrion properties	Czech Republic	61.61	61.61
Patria Corporate Finance, a.s.	Patria CF	Czech Republic	100.00	-
Patria Finance, a.s.	Patria Finance	Czech Republic	100.00	-
Patria Online, a.s.	Patria Online	Czech Republic	100.00	-
Radlice Rozvojová, a.s.	Radlice Rozvojová	Czech Republic	100.00	100.00
<b>Joint venture</b>				
Českomoravská stavební spořitelna, a.s.	ČMSS	Czech Republic	55.00	55.00
<b>Associates</b>				
ČSOB Asset Management, a.s., investment company	ČSOB AM	Czech Republic	40.08	40.08
ČSOB Pojišťovna, a.s., a member of the ČSOB holding	ČSOB Pojišťovna	Czech Republic	0.24	0.24

On 19 December 2014, a share purchase agreement was concluded between ČSOB and KBC Securities NV on the purchase of 100% shares and 100% voting rights of Patria Online, a.s. (member of KBC Group). The acquisition of Patria Online, a.s., which has a full control over Patria Finance, a.s. and Patria Corporate Finance, a.s., enables the Group to offer private investment services and services of mergers and acquisitions advisory to the clients of the Group. The acquisition cost was CZK 1,180 m and was based on an independent expert appraisal. Control over Patria Online, a.s. was transferred to the Bank on 1 January 2015. Accordingly, the company started to be consolidated using the full method of consolidation from 1 January 2015.

Patria Subgroup was included into the consolidated financial statements of the Group using a pooling of interest method. According to that method, which is allowed to be used for the business combinations of entities under common control, the acquired assets and liabilities are included into the consolidated statement of financial position at their carrying amount. Any excess of the amount of acquisition cost over the net amount of acquired assets and liabilities do not constitute goodwill but has been included in retained earnings of the consolidated equity.

More information regarding the scope of consolidation is available in the 2014 annual report.



## 4. SEGMENT INFORMATION

The Group's primary segment reporting is by customer segment.

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting (controlling) structure. For each of the strategic business units, the Group management reviews internal management reports on quarterly/monthly basis.

Management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the separate financial statements. Income tax is allocated to operating segments, but is managed on the Group basis.

### Definitions of customer operating segments:

**Retail:** Private individuals and entrepreneurs. This segment contains customers' deposits, consumer loans, building savings, pension funds, overdrafts, credit cards facilities, mortgages, building savings loans, leasing, funds transfer facilities and other transactions and balances with retail customers, mutual funds, asset management. Margin income from the operations with retail clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions and trading with bonds).

**SME / Corporate:** Corporate companies with a turnover greater than CZK 300 m, SME companies with a turnover of less than CZK 300 m and financial institutions. This segment contains customers' deposits, loans, overdrafts, credit cards facilities, funds transfer facilities and other transactions and balances with corporate and SME customers. Margin income from the operations with corporate and SME clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions and trading with bonds).

**Financial markets:** This segment contains investment products and services to institutional investors and intermediaries and fund management activities and trading included in dealing services.

**Group Centre:** The Group Centre segment consists of the Group's yield on real equity consisting of an interest charge on capital provided to subsidiaries which are a part of the Corporate, Retail and SME segments, the results of the reinvestment of free equity of ČSOB, Asset Liability Management (ALM), income and expenses not directly attributable to other segments and eliminations.

In 2014, the Group's segment reporting was modified following the change of the organisational structure of the Group. Thus, SME customers are managed in the same way as corporate clients. As a result, companies with a turnover of less than CZK 300 m were included into a strategic business unit SME / Corporate in 2014. Comparative balances were restated accordingly.

## Segment reporting information by customer segments for 2015

(CZKm)	Retail	SME / Corporate	Financial markets	Group Centre	Total
<b>Statement of income for the 1H 2015</b>					
Net interest income	6,680	3,406	190	880	<b>11,156</b>
Net fee and commission income	1,877	1,012	164	131	<b>3,184</b>
Dividend income	2	-	-	4	<b>6</b>
Net gains / (losses) from financial instruments at fair value through profit or loss	300	623	484	(143)	<b>1,264</b>
Net realised gains on available-for-sale financial assets	-	-	-	322	<b>322</b>
Other net income	203	4	-	226	<b>433</b>
<b>Operating income</b>	<b>9,062</b>	<b>5,045</b>	<b>838</b>	<b>1,420</b>	<b>16,365</b>
<i>of which:</i>					
<i>External operating income</i>	6,894	4,310	838	4,323	16,365
<i>Internal operating income</i>	2,168	735	-	(2,903)	-
Depreciation and amortisation	(76)	(2)	-	(228)	<b>(306)</b>
Other operating expenses	(4,840)	(2,137)	(248)	(448)	<b>(7,673)</b>
<b>Operating expenses</b>	<b>(4,916)</b>	<b>(2,139)</b>	<b>(248)</b>	<b>(676)</b>	<b>(7,979)</b>
Impairment losses	(445)	(84)	-	49	<b>(480)</b>
Share of profit of associates and joint ventures	-	-	-	397	<b>397</b>
<b>Profit before tax</b>	<b>3,701</b>	<b>2,822</b>	<b>590</b>	<b>1,190</b>	<b>8,303</b>
Income tax benefit / (expense)	(728)	(541)	(112)	144	<b>(1,237)</b>
<b>Segment profit</b>	<b>2,973</b>	<b>2,281</b>	<b>478</b>	<b>1,334</b>	<b>7,066</b>
<b>Attributable to:</b>					
Owners of the parent	2,973	2,281	478	1,335	<b>7,067</b>
Non-controlling interest	-	-	-	(1)	<b>(1)</b>

## Segment reporting information by customer segments for 2014 (restated)

(CZKm)	Retail	SME / Corporate	Financial markets	Group Centre	Total
<b>Statement of income for the 1H 2014</b>					
Net interest income	6,993	3,327	242	1,063	<b>11,625</b>
Net fee and commission income	1,669	1,005	151	64	<b>2,889</b>
Dividend income	2	-	-	5	<b>7</b>
Net gains / (losses) from financial instruments at fair value through profit or loss	212	648	102	(339)	<b>623</b>
Net realised gains on available-for-sale financial assets	-	-	-	213	<b>213</b>
Other net income	(28)	(4)	-	389	<b>357</b>
<b>Operating income</b>	<b>8,848</b>	<b>4,976</b>	<b>495</b>	<b>1,395</b>	<b>15,714</b>
<i>of which:</i>					
<i>External operating income</i>	<i>6,817</i>	<i>4,275</i>	<i>495</i>	<i>4,127</i>	<i>15,714</i>
<i>Internal operating income</i>	<i>2,031</i>	<i>701</i>	<i>-</i>	<i>(2,732)</i>	<i>-</i>
Depreciation and amortisation	(100)	(2)	-	(243)	<b>(345)</b>
Other operating expenses	(4,599)	(1,918)	(179)	(365)	<b>(7,061)</b>
<b>Operating expenses</b>	<b>(4,699)</b>	<b>(1,920)</b>	<b>(179)</b>	<b>(608)</b>	<b>(7,406)</b>
Impairment losses	(138)	(31)	-	84	<b>(85)</b>
Share of profit of associates and joint ventures	-	-	-	374	<b>374</b>
<b>Profit before tax</b>	<b>4,011</b>	<b>3,025</b>	<b>316</b>	<b>1,245</b>	<b>8,597</b>
Income tax benefit / (expense)	(769)	(576)	(60)	50	<b>(1,355)</b>
<b>Segment profit</b>	<b>3,242</b>	<b>2,449</b>	<b>256</b>	<b>1,295</b>	<b>7,242</b>
<b>Attributable to:</b>					
Owners of the parent	3,242	2,449	256	1,289	<b>7,236</b>
Non-controlling interest	-	-	-	6	<b>6</b>

Interest income and interest expense are not presented separately since the Group assesses the performance of the segments primarily on the basis of the net interest income.

Intersegment transactions are transactions conducted between the different primary segments on an arm's length basis.

The Group operates predominantly in the Czech Republic.

## 5. INTEREST INCOME

(CZKm)	1H 2015	1H 2014
Cash balances with central banks	3	3
Loans and receivables		
Credit institutions	195	227
Other than credit institutions	8,005	8,362
Available-for-sale financial assets	838	1,138
Held-to-maturity investments	2,734	3,041
Financial assets held for trading	219	361
Financial assets designated at fair value through profit or loss	56	115
Derivatives used as economic hedges	69	23
Derivatives used for hedging	958	431
	<b>13,077</b>	<b>13,701</b>

## 6. INTEREST EXPENSE

(CZKm)	1H 2015	1H 2014
Financial liabilities at amortised cost		
Credit institutions	110	172
Other than credit institutions	674	1,057
Debt instruments in issue	197	180
Discount amortisation on other provisions (Note: 29)	2	2
Financial liabilities held for trading	121	140
Derivatives used as economic hedges	115	114
Derivatives used for hedging	702	411
	<b>1,921</b>	<b>2,076</b>

## 7. NET FEE AND COMMISSION INCOME

(CZKm)	1H 2015	1H 2014
<b>Fee and commission income</b>		
Payment services	2,764	2,620
Administration of credits	932	920
Collective investments	429	341
Securities	229	111
Custody	88	77
Asset management	38	32
Other	416	297
	<b>4,896</b>	<b>4,398</b>
<b>Fee and commission expense</b>		
Payment services	882	673
Retail service fees	518	520
Commissions to agents	53	62
Other	259	254
	<b>1,712</b>	<b>1,509</b>
<b>Net fee and commission income</b>	<b>3,184</b>	<b>2,889</b>

## 8. NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FOREIGN EXCHANGE

Net gains from financial instruments at fair value through profit or loss and foreign exchange, as reported in the statement of income, do not include net interest income recognised on financial assets and financial liabilities at fair value through profit or loss. Net gains from financial instruments at fair value through profit or loss and foreign exchange and the related net interest income are set out in the table below to provide a fuller presentation of the net result from financial instruments at fair value through profit or loss of the Group:

(CZKm)	1H 2015	1H 2014
<b>Net gains from financial instruments at fair value through profit or loss and foreign exchange - as reported</b>	<b>1,264</b>	<b>623</b>
Net interest income (Notes: 5, 6)	364	265
	<b>1,628</b>	<b>888</b>
<b>Financial instruments held for trading</b>		
Interest rate contracts	469	(47)
Foreign exchange	2,045	367
Commodity contracts	6	10
	2,520	330
<b>Financial instruments designated at fair value through profit or loss</b>		
Financial assets designated at fair value through profit or loss	14	31
	14	31
Exchange differences revaluations	(906)	527
<b>Financial instruments at fair value through profit or loss and foreign exchange</b>	<b>1,628</b>	<b>888</b>

## 9. OTHER NET INCOME

(CZKm)	1H 2015	1H 2014
Net operating leasing and rental income	185	187
Services provided to the parent and to entities under common control	112	68
Net gain on disposal of held-for-sale assets	83	-
Other services provided by ČSOB Leasing	25	21
Net increase in provisions for legal issues	8	28
Net gain on disposal of property and equipment	5	13
Net gain on disposal of intangible assets	-	231
Contributions to pension fund clients	-	(234)
Other	15	43
	<b>433</b>	<b>357</b>

## 10. STAFF EXPENSES

(CZKm)	1H 2015	1H 2014
Wages and salaries	2,541	2,405
Salaries and other short-term benefits of senior management	50	62
Social security charges	807	794
Pension and similar expense	62	88
Other	79	63
	<b>3,539</b>	<b>3,412</b>

More information is available in the 2014 annual report.

## 11. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	1H 2015	1H 2014
Rental expenses on information technologies - minimum lease	981	868
Information technologies	687	755
Deposit Insurance Premium and contribution to the Securities Traders Guarantee fund	468	434
Contribution to the Crisis Resolution Fund	315	-
Rental expenses on land and buildings - minimum lease payments	287	263
Other building expenses	260	248
Marketing	210	211
Professional fees	210	180
Communication	159	144
Retail service fees	98	72
Administration	73	65
Travel and transportation	65	66
Payment cards and electronic banking	65	61
Training	32	40
Insurance	18	20
Car expenses	13	18
Other	193	204
	<b>4,134</b>	<b>3,649</b>

Based on the EU Directive and related binding Delegated Act, banks in the EU are obliged to contribute to the European Single Resolution Fund (ESRF) or to a local fund included in the Single Resolution Mechanism from 2015. To reflect these requirements the Group recognised accrual of CZK 315 m representing 70 % of the expected annual contribution to the Crisis Resolution Fund, whereas the remaining 30 % is considered as a contingent liability of the Group.

## 12. IMPAIRMENT LOSSES

(CZKm)	1H 2015	1H 2014
Impairment of loans and receivables (Note: 18)	(490)	(165)
Provisions for loan commitments and guarantees	7	71
Impairment of property, plant and equipment	-	6
Impairment of other assets	3	3
	<b>(480)</b>	<b>(85)</b>

## 13. TAXATION

The components of income tax expense for the periods ended 30 June 2015 and 2014 are as follows:

(CZKm)	1H 2015	1H 2014
Current tax expense	1,173	1,205
Previous year (over) / under accrual	(6)	39
Deferred tax expense relating to the origination and reversal of temporary differences	70	111
	<b>1,237</b>	<b>1,355</b>

More information is available in the 2014 annual report.

## 14. DIVIDENDS PAID

Dividends are not accounted for until they have been ratified by a Resolution of the sole shareholder on a profit distribution.

Based on a sole shareholder decision from 9 April 2015, a dividend of CZK 45.12 per share was paid for 2014, representing a total dividend of CZK 13,208 m.

Based on a sole shareholder decision from 14 April 2014, a dividend of CZK 27.70 per share was paid for 2013, representing a total dividend of CZK 8,109 m.

## 15. CASH AND BALANCES WITH CENTRAL BANKS

Note available in the annual report only.

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	30-06-2015	31-12-2014
<b>Financial assets held for trading</b>		
Loans and advances		
Reverse repo transactions (Note: 36)	10,875	3,194
Money market placements	2	168
Debt instruments		
General government	27,678	24,894
Credit institutions	5,109	6,186
Corporate	1,036	957
Derivative contracts (Note: 20)		
Trading derivatives	11,015	14,935
Derivatives used as economic hedges	412	292
Equity securities		
Corporate	32	-
	<b>56,159</b>	<b>50,626</b>
<b>Financial assets designated at fair value through profit or loss</b>		
Debt instruments		
Credit institutions	3,340	3,327
	<b>3,340</b>	<b>3,327</b>
<b>Financial assets at fair value through profit or loss</b>	<b>59,499</b>	<b>53,953</b>

Included within Financial assets at fair value through profit or loss are debt securities of CZK 5,326 m (2014: CZK 1,121 m) pledged as collateral in repo transactions.

Included in Financial assets designated at fair value through profit or loss are debt securities recorded at fair value to reduce the accounting mismatch that would otherwise arise from measuring these assets or recognising the gains and losses from them on a different bases.

## 17. FINANCIAL INVESTMENTS

(CZKm)	30-06-2015	31-12-2014
<b>Available-for-sale financial assets</b>		
Debt securities		
General government	38,554	35,002
Credit institutions	22,879	20,433
Corporate	241	242
Equity securities		
Corporate	486	444
	<b>62,160</b>	<b>56,121</b>
<b>Held-to-maturity investments</b>		
Debt securities		
General government	132,444	142,441
Credit institutions	1,377	1,437
Corporate	1,024	196
	<b>134,845</b>	<b>144,074</b>
<b>Financial investments</b>	<b>197,005</b>	<b>200,195</b>

Included within Financial investments are debt securities of CZK 20,744 m (2014: CZK 17,491 m) pledged as collateral in repo transactions and debt securities of CZK 7,665 m (2014: CZK 8,483 m) pledged as collateral of term deposits and financial guarantees.

In June 2013, a part of the portfolio of debt sovereign bonds was transferred from the Available-for-sale financial assets to the portfolio of Held-to-maturity investments in the fair value of CZK 14,513 m. Unrealised gains from the bonds in the amount of CZK 1,224 m at the date of the transfer remained a part of the Available-for-sale reserve and will be amortised to the interest income over the remaining maturity of the bonds.

Set out below is a set of information relating to the Group's financial instruments reclassified from the Available-for-sale financial assets to the Held-to-maturity investments:

(CZKm)	2015	2014
Carrying value as at the reporting date	13,328	13,718
Fair value as at the reporting date	14,211	14,640
Net gain (before tax) that would have been recognised during 1H 2015 and 1H 2014 in the Statement of comprehensive income if the Group had not reclassified the assets	(170)	249
Interest income (before tax) recorded on reclassified assets in 1H 2015 and 1H 2014	226	240
Expected undiscounted cash recoveries, as assessed at the date of reclassification	15,135	15,135
Anticipated average EIR over the remaining life of the assets	3.5%	3.5%

More information is available in the 2014 annual report.



The following table shows a reconciliation of the cumulative impairment losses on financial investments for 2015 and 2014:

(CZKm)	Available-for-sale financial assets		Held-to maturity investments	Total
	Debt securities	Equity securities	Debt securities	
<b>At 1 January 2014</b>	-	<b>141</b>	-	<b>141</b>
Net increase (Note: 12)	-	-	-	-
<b>At 30 June 2014</b>	-	<b>141</b>	-	<b>141</b>
<b>At 1 January 2015</b>	-	<b>79</b>	-	<b>79</b>
Net increase (Note: 12)	-	-	-	-
<b>At 30 June 2015</b>	-	<b>79</b>	-	<b>79</b>

## 18. LOANS AND RECEIVABLES

(CZKm)	30-06-2015	31-12-2014
<b>Analysed by category of borrower</b>		
Central banks	105,001	27,000
General government	8,233	8,018
Credit institutions	22,109	22,778
Other legal entities	203,748	192,815
Private individuals	<u>276,776</u>	<u>267,222</u>
Gross loans	615,867	517,833
Allowance for impairment losses	<u>(11,131)</u>	<u>(11,198)</u>
	<b>604,736</b>	<b>506,635</b>

As at 30 June 2015, the Group possessed assets (mainly cars related to leased assets) with an estimated value of CZK 23 m (2014: CZK 25 m), which the Group is in the process of selling.

## 19. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Note available in the annual report only.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

Note available in the annual report only.

## 21. INVESTMENT PROPERTY

Note available in the annual report only.

## 22. PROPERTY AND EQUIPMENT

Note available in the annual report only.

## 23. GOODWILL AND OTHER INTANGIBLE ASSETS

Note available in the annual report only.

## 24. NON-CURRENT ASSETS HELD-FOR-SALE

Note available in the annual report only.

## 25. OTHER ASSETS

Note available in the annual report only.

## 26. FINANCIAL LIABILITIES HELD FOR TRADING

(CZKm)	30-06-2015	31-12-2014
Short positions	5,235	4,358
Derivative contracts (Note: 20)		
Trading derivatives	12,528	15,272
Derivatives used as economic hedges	292	374
Overnight deposits	-	22,590
Term deposits	2,857	18,955
Repo transactions	8,243	1,018
Promissory notes	22	257
Bonds issued	7,596	6,800
<b>Financial liabilities held for trading</b>	<b>36,773</b>	<b>69,624</b>

## 27. FINANCIAL LIABILITIES AT AMORTISED COST

(CZKm)	30-06-2015	31-12-2014
<b>Deposits received from credit institutions</b>		
Current accounts and overnight deposits	74,994	19,543
Term deposits	32,451	23,349
Repo transactions	20,972	16,173
	<b>128,417</b>	<b>59,065</b>
<b>Deposits received from other than credit institutions</b>		
Current accounts and overnight deposits	360,329	342,397
Term deposits	10,262	10,970
Savings deposits	215,032	222,484
Pension funds clients deposits	26	17
Repo transactions	46,657	14,141
Other deposits	16,376	9,134
	<b>648,682</b>	<b>599,143</b>
<b>Debt securities in issue</b>		
Bonds issued	24,647	23,010
Promissory notes	5,452	4,918
	<b>30,099</b>	<b>27,928</b>
<b>Financial liabilities at amortised cost</b>	<b>807,198</b>	<b>686,136</b>

## 28. OTHER LIABILITIES

Note available in the annual report only.

## 29. PROVISIONS

Note available in the annual report only.

### 30. SHARE CAPITAL AND OTHER RESERVES

As at 30 June 2015, the total authorised share capital was CZK 5,855 m (31 December 2014: CZK 5,855 m) and comprised of 292,750,001 ordinary shares with a nominal value of CZK 20 each (31 December 2014: 292,750,001 ordinary shares with a nominal value of CZK 20 each) and is fully paid up.

No Treasury shares were held by the Group at 30 June 2015 and 31 December 2014.

On 30 June 2015, the Bank was directly controlled by KBC Bank whose ownership interest in ČSOB was 100 % (31 December 2014: 100%). On the same date, KBC Bank was controlled by the KBC Group and therefore KBC Group was the company indirectly exercising ultimate control over the Bank.

#### Other reserves

The movement of Other reserves in 2015 and 2014 are as follows:

(CZKm)	Available- for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total
<b>At 1 January 2014</b>	<b>4,699</b>	<b>2,548</b>	<b>2</b>	<b>7,249</b>
Other comprehensive income (Note: 31)	566	841	-	1,407
<b>At 30 June 2014</b>	<b>5,265</b>	<b>3,389</b>	<b>2</b>	<b>8,656</b>
<b>At 1 January 2015</b>	<b>3,732</b>	<b>3,192</b>	<b>-</b>	<b>6,924</b>
Other comprehensive income (Note: 31)	(816)	(417)	-	(1,233)
<b>At 30 June 2015</b>	<b>2,916</b>	<b>2,775</b>	<b>-</b>	<b>5,691</b>

### 31. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Note available in the annual report only.

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows an analysis of financial instruments recorded at fair value, between those for which the fair value is based on quoted market prices and those for which the fair value is based on valuation techniques as at 30 June 2015 and 31 December 2014:

(CZKm)	30 June 2015			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets held for trading				
Loans and advances	-	10,877	-	10,877
Debt instruments	17,933	10,643	5,247	33,823
Equity securities	32	-	-	32
Derivative contracts	-	11,427	-	11,427
Financial assets designated at fair value through profit or loss				
Debt instruments	-	3,340	-	3,340
Available-for-sale financial assets				
Debt securities	36,884	21,637	3,153	61,674
Equity securities	-	-	486	486
Fair value adjustments of the hedged items in portfolio hedge	-	1,146	-	1,146
Derivatives used for hedging	-	11,320	-	11,320
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Short positions	5,235	-	-	5,235
Derivative contracts	-	12,820	-	12,820
Term deposits	-	2,857	-	2,857
Repo transactions	-	8,243	-	8,243
Promissory notes	-	22	-	22
Bonds issued	-	7,596	-	7,596
Fair value adjustments of the hedged items in portfolio hedge	-	2,804	-	2,804
Derivatives used for hedging	-	11,019	-	11,019

31 December 2014

(CZKm)	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading				
Loans and advances	-	3,362	-	3,362
Debt instruments	11,102	15,784	5,151	32,037
Derivative contracts	-	15,227	-	15,227
Financial assets designated at fair value through profit or loss				
Debt instruments	-	3,327	-	3,327
Available-for-sale financial assets				
Debt securities	31,847	20,673	3,158	55,677
Equity securities	-	-	444	444
Fair value adjustments of the hedged items in portfolio hedge	-	1,654	-	1,654
Derivatives used for hedging	-	13,967	-	13,967
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Short positions	4,358	-	-	4,358
Derivative contracts	-	15,646	-	15,646
Overnight deposits	-	22,590	-	22,590
Term deposits	-	18,955	-	18,955
Repo transactions	-	1,018	-	1,018
Promissory notes	-	257	-	257
Bonds issued	-	6,800	-	6,800
Fair value adjustments of the hedged items in portfolio hedge	-	5,145	-	5,145
Derivatives used for hedging	-	11,987	-	11,987

### Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of financial assets which are recorded at fair value using valuation techniques based on non-market observable inputs:

(CZKm)	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets		Total
	Debt securities	Debt securities	Debt securities	Equity securities	
<b>At 1 January 2014</b>	<b>6,306</b>	<b>1,583</b>	<b>7,663</b>	<b>709</b>	<b>16,261</b>
Total gains / (losses) recorded in profit or loss	206	(7)	9	-	208
Total gains / (losses) recorded in other comprehensive income	-	-	28	-	28
Purchases	37	14	28	-	79
Settlement	(448)	-	-	-	(448)
Sales	(243)	-	(1,372)	-	(1,615)
Transfers out of level 3	(851)	(545)	(4,009)	-	(5,405)
<b>At 30 June 2014</b>	<b>5,007</b>	<b>1,045</b>	<b>2,347</b>	<b>709</b>	<b>9,108</b>
Total gains or (losses) recorded in profit or loss related to assets held at the end of the reporting period	205	(4)	-	-	201
<b>At 1 January 2015</b>	<b>5,151</b>	<b>-</b>	<b>3,158</b>	<b>444</b>	<b>8,753</b>
Total gains recorded in profit or loss	279	-	-	-	279
Total gains / (losses) recorded in other comprehensive income	-	-	44	(8)	36
Purchases	348	-	5	-	353
Sales	(712)	-	-	-	(712)
Transfers into level 3	155	-	-	-	155
Changes in consolidation scope	-	-	-	50	50
Translation differences	26	-	(54)	-	(28)
<b>At 30 June 2015</b>	<b>5,247</b>	<b>-</b>	<b>3,153</b>	<b>486</b>	<b>8,886</b>
Total gains or (losses) recorded in profit or loss related to assets held at the end of the reporting period	294	-	-	-	294

Management considers as key assumption not derived from market observable inputs and influencing Level 3 financial instruments fair value the value of credit spread included in the discount factor applied on bonds estimated future cash flows in periods after fifth year.

As at 30 June 2015, the increase / (decrease) of a credit spread by 50 basis points would (decrease) / increase the fair value of the bonds included in level 3 by CZK 102 m. Such a change of the credit spread is based on the variability of bond quotes that were observed by the management on the market.

Management believes that reasonably possible changes in other market non-observable inputs in the valuation models used would not have a material impact on the estimated fair values.

### Transfers between Level 1 and 2 of the fair value hierarchy for financial instruments

The following table shows transfers between a group of financial instruments with a market quoted price and those for which the fair value is calculated using valuation techniques based on market observable inputs:

(CZKm)	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
	1H 2015	1H 2014	1H 2015	1H 2014
<b>Financial assets</b>				
Financial assets held for trading				
Debt instruments	28	-	-	-

More information is available in the 2014 annual report.

## 33. ADDITIONAL CASH FLOW INFORMATION

### Analysis of the balances of cash and cash equivalents as shown in the statement of financial position

(CZKm)	1H 2015	Restated 1H 2014
Cash and balances with central banks	52,471	19,033
Loans and advances to credit institutions and central banks	114,136	264,963
Financial liabilities at amortised cost to credit institutions and central banks	(104,413)	(38,072)
Financial liabilities at amortised cost - repo transactions with general government bodies	(46,657)	(166,176)
<b>Cash and cash equivalents</b>	<b>15,537</b>	<b>79,748</b>

Additional information available in the annual report only.

## 34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Note available in the annual report only.

## 35. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

### Contingent assets

Information available in the annual report only.

### Contingent liabilities and commitments

The contingent liabilities and commitments at 30 June 2015 and 31 December 2014 are as follows:

(CZKm)	30-06-2015	31-12-2014
Loan commitments – irrevocable	98,985	90,500
Loan commitments – revocable	42,364	36,276
Financial guarantees	27,872	27,165
Other commitments	2,529	2,022
	<b>171,750</b>	<b>155,963</b>
Provisions for loan commitments and guarantees (Note: 29)	263	273

The contractual amounts described above represent the maximum credit risk that would arise if the contracts were fully drawn, the customers defaulted and the value of any existing collateral became worthless. Many of the commitments are collateralised and most are expected to expire without being drawn upon; therefore, the total commitment contractual amounts do not necessarily represent the risk of loss or future cash requirements.

#### **Litigation**

Information available in the annual report only.

#### **Taxation**

Information available in the annual report only.

#### **Operating lease commitments (Group is the lessee)**

Information available in the annual report only.

#### **Operating lease receivables (Group is the lessor)**

Information available in the annual report only.

### **36. REPURCHASE AGREEMENTS AND COLLATERAL**

Note available in the annual report only.

### **37. OFFSET FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Note available in the annual report only.

### **38. RELATED PARTY DISCLOSURES**

There was no significant change in related parties transactions in 1H 2015 compared to 2014.

More information on related party transaction is available in the 2014 annual report.

### **39. EVENTS AFTER THE REPORTING PERIOD**

Since June 2009, following to the sale of the IT related operations and net assets to KBC Group NV Czech Branch ("KBC ICT branch"), the IT related services have been outsourced by the Bank to KBC ICT branch. However in July 2015 the Bank Board of Directors and KBC Group Executive Committee approved the plan to sell the IT related operations and net assets from KBC ICT branch back to the Bank by the end of 2015. The Bank plans to account for the acquired assets and liabilities using the pooling of interest method, where the corresponding assets and liabilities will be acquired at their carrying amounts with no impact on profit of the current year. Under the pooling of interest method no adjustments will be made to reflect fair values, or recognise any new assets or liabilities, at the date of the sale that would otherwise be done under the acquisition method. The only adjustments that will be made are to align accounting policies of the KBC ICT branch records with the Group policies.

### **40. RISK MANAGEMENT**

Note available in the annual report only.

### **41. CAPITAL**

Note available in the annual report only.



**Annex No. 2** to 1H 2015 ČSOB Activity Report  
**Companies of the ČSOB group** (as at 30 June 2015)

Legal Entity				Share of ČSOB in:				Indirect Share of ČSOB via	Cons. EU IFRS
ID No.	Business Name of Legal Entity	Registered Office	Registered Capital	Registered Capital			Voting Rights		
	Business Activities			Total	Direct	Indirect			
			CZK	%	%	%	%	Y/N	

Controlled Companies									
63987686	<b>Bankovní informační technologie, s.r.o.</b> Automated data processing and software development; creation of a network of payment card reading terminals	Praha 5, Radlická 333/150	20,000,000	100.00	100.00	none	100.00	none	Y
26760401	<b>Centrum Radlická a.s.</b> Real estate activity; rent of flats and non-residential spaces	Praha 5, Radlická 333/150	500,000,000	100.00	100.00	none	100.00	none	Y
27081907	<b>ČSOB Advisory, a.s.</b> Activity of entrepreneurial, financial, economic and organisation advisors	Praha 5, Radlická 333/150	2,000,000,000	100.00	100.00	none	100.00	none	Y
45794278	<b>ČSOB Factoring, a.s.</b> Factoring	Praha 10, Benešovská 2538/40	70,800,000	100.00	100.00	none	100.00	none	Y
63998980	<b>ČSOB Leasing, a.s.</b> <sup>2)</sup> Leasing	Praha 4, Na Pankráci 310/60	3,050,000,000	100.00	100.00	none	50.82	none	Y
27151221	<b>ČSOB Leasing pojišťovací makléř, s.r.o.</b> Insurance broker	Praha 4, Na Pankráci 60/310	2,000,000	100.00	none	100.00	100.00	ČSOB Leasing	Y
61859265	<b>ČSOB Penzijní společnost, a. s., a member of the ČSOB group</b> Pension insurance	Praha 5, Radlická 333/150	300,000,000	100.00	100.00	none	100.00	none	Y
27924068	<b>ČSOB Property fund, closed-ended investment fund, a.s., a member of the ČSOB group</b> <sup>3)</sup> Collective investment	Praha 5, Radlická 333/150	878,000,000	61.61	59.79	1.82	95.67	ČSOB Asset Management, ČSOB Pojišťovna	Y
61251950	<b>Eurincasso, s.r.o.</b> Activity of economic and organisation advisors; recovery of receivables	Praha 10, Benešovská 2538/40	1,000,000	100.00	none	100.00	100.00	ČSOB Factoring	Y
13584324	<b>Hypoteční banka, a.s.</b> Mortgage banking	Praha 5, Radlická 333/150	5,076,335,000	100.00	100.00	none	100.00	none	Y
25617184	<b>Merrion Properties s.r.o.</b> Real estate activity; rent of flats and non-residential spaces	Praha 5, Radlická 333/150	6,570,000	61.61	none	61.61	100.00	ČSOB Property fund	Y
00000949	<b>MOTOKOV a.s. in liquidation</b> Wholesale of machines and technical equipment	Praha 8, Thámová 181/20	62,000,000	70.09	0.50	69.59	70.09	ČSOB Advisory	Y
61859273	<b>Patria Online, a.s.</b> Creation of web pages in electronic form, automated data processing, conversion of media into electronic form and their further distribution	Praha 1, Jungmannova 745/24	101,000,000	100.00	100.00	none	100.00	none	Y
26455064	<b>Patria Finance, a.s.</b> Securities trader	Praha 1, Jungmannova 745/24	150,000,000	100.00	none	100.00	100.00	Patria Online	Y
25671413	<b>Patria Corporate Finance, a.s.</b> Brokerage activities in financial consulting	Praha 1, Jungmannova 745/24	1,000,000	100.00	none	100.00	100.00	Patria Online	Y
02451221	<b>Radlice Rozvojová, a.s.</b> Real estate activity; rent of flats and non-residential spaces	Praha 5, Radlická 333/150	186,000,000	100.00	100.00	none	100.00	none	Y
99999999 <sup>1)</sup>	<b>TEE SQUARE LIMITED, Ltd.</b> Advisory services for investment funds in the Caribbean area	British Virgin Islands, Tortola, Road Town, Third Floor, The Geneva Place, P.O.Box 986	9,984,802	100.00	100.00	none	100.00	none	Y

Joint Venture									
49241397	<b>Českomoravská stavební spořitelna, a.s.</b> Building savings bank	Praha 10, Vinohradská 3218/169	1,500,000,000	55.00	55.00	none	55.00	none	Y

Legal Entity				Share of ČSOB in:				Indirect Share of ČSOB via	Cons. EU IFRS
ID No.	Business Name of Legal Entity	Registered Office	Registered Capital	Registered Capital			Voting Rights		
	Business Activities			Total	Direct	Indirect			
			CZK	%	%	%	%	Y/N	
<b>Others</b>									
26199696	<b>CBCB - Czech Banking Credit Bureau, a.s.</b> Software development, IT advisory, data processing, network administration databank services	Praha 4, Na Vítězné pláni 1719/4	1,200,000	20.00	20.00	none	20.00	none	Y
26760401	<b>COFELY REN s.r.o.</b> Production and sale of electricity from the solar irradiation	Praha 4, Lhotická 793/3	186,834,000	42.82	42.82	none	42.82	none	Y
25677888	<b>ČSOB Asset Management, a.s., investment company</b> <sup>4)</sup> Collective investment and asset management	Praha 5, Radlická 333/150	499,000,000	40.08	40.08	none	40.08	none	Y
45534306	<b>ČSOB Pojišťovna, a. s., a member of the ČSOB holding</b> <sup>5)</sup> Insurance company	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	2,796,248,000	0.24	0.24	none	40.00	none	Y
27479714	<b>ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding</b> Insurance brokerage	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	400,000	0.24	none	0.24	0.00	ČSOB Pojišťovna	Y
45316619	<b>IP Exit, a.s.</b> <sup>6)</sup> – in bankruptcy No activity	Praha 1, Senovážné náměstí 32	13,382,866,400	85.63	71.29	14.34	85.63	ČSOB Advisory, ČSOB Pojišťovna	Y
63078104	<b>Premiéra TV, a.s.</b> No activity	Praha 8, Pod Hájkem 1	29,000,000	29.00	29.00	none	29.00	none	Y
26439395	<b>První certifikační autorita, a.s.</b> Certification services and administration	Praha 9-Libeň, Podvinný mlýn 2178/6	20,000,000	23.25	23.25	none	23.25	none	Y
Other companies where ČSOB has a share in registered capital / voting rights under 10%.									N

Prudential consolidation (Decree No. 163/2014 Coll.)

<sup>1)</sup> ID No. 99999999 – a foreign entity.

<sup>2)</sup> Shares in voting rights: ČSOB 50.82%, KBC Lease Holding 49.18%.

<sup>3)</sup> Shares in registered capital: ČSOB 59.79%, ČSOB Asset Management 4.33%, ČSOB Pojišťovna 35.88%;  
shares in voting rights: ČSOB 95.67%, ČSOB Asset Management 4.33%.

<sup>4)</sup> Shares in registered capital: ČSOB 40.08%, KBC Participations Renta C 59.92%;  
shares in voting rights: ČSOB 40.08%, KBC Participations Renta C 59.92%.

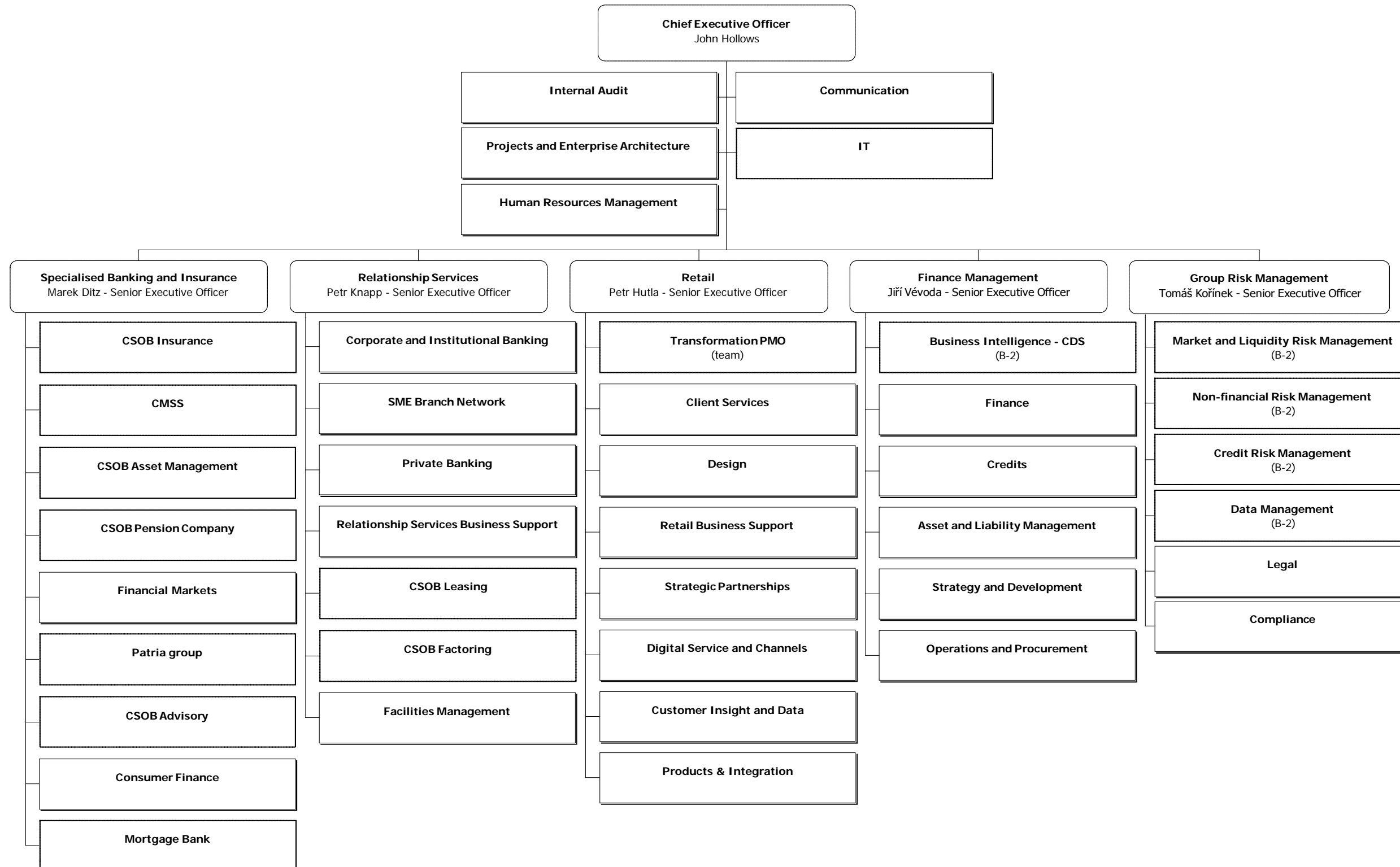
<sup>5)</sup> Shares in registered capital: ČSOB 0.24%, KBC Insurance 99.76%;  
shares in voting rights: ČSOB 40%, KBC Insurance 60%.

<sup>6)</sup> Shares in registered capital: ČSOB 71.29%, ČSOB Advisory 14.34%, ČSOB Pojišťovna 0.11%;  
shares in voting rights: ČSOB 71.29%, ČSOB Advisory 14.34%.

#### Changes in 1H 2015

Patria Online, a.s. (CZ; ID No.: 61859273) – purchase of equity investments on 1 January 2015. Shares in registered capital and shares in voting rights: ČSOB 100%.

ČSOB Organisation Chart as at 30 June 2015



Note: Since 1 August 2015, Business Intelligence – CDS department was transferred to Data, Operations and Procurement department (until 31 June 2015 under name Operations and Procurement).