



# 1H 2016 ČSOB Activity Report

*Semi-Annual Report*

<b>Business name</b>	<b>Československá obchodní banka, a. s.</b>
<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)
<b>Bank code</b>	0300
<b>SWIFT</b>	CEKOCZPP
<b>Telephone</b>	+420 224 111 111
<b>E-mail</b>	info@csob.cz
<b>Internet address</b>	<a href="http://www.csob.cz">http://www.csob.cz</a>
<b>Data box</b>	8qvdk3s2
<b>Supervisory body</b>	Czech National Bank (CNB), Na Příkopě 28, Praha 1, Postal Code 115 03, Czech Republic

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The 1H 2016 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 29 August 2016**. The 1H 2016 results of the ČSOB group were published on 11 August 2016 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 2016, the company profile, current information on ČSOB's managing and supervisory bodies, ČSOB's securities and other information.

All data and information contained in the Semi-Annual Report are as at 30 June 2016, unless stated otherwise.

This report has not been audited.

# 1. ČSOB GROUP RESULTS IN 1H 2016<sup>1</sup>

## Measures of Sustainable Performance

ČSOB group key indicators		2013	2014	2015	1H 2015	1H 2016
Profitability	Net profit (CZK bn)	13.7	13.6	14.0	7.1	8.3
	Return on equity	18.2%	16.4%	16.4%	16.9%	18.9%
Liquidity	Loan / deposit ratio	75.9%	76.4%	79.9%	77.3%	77.5%
	Net stable funding ratio	135.7%	135.9%	134.9%	134.0%	145.9%
Capital	Tier 1 ratio	15.6% <sup>1</sup>	17.2% <sup>2</sup>	19.1% <sup>2</sup>	17.9% <sup>2</sup>	16.9% <sup>2</sup>
Impairments	Credit cost ratio	0.25%	0.18%	0.18%	0.18%	0.09%
Cost efficiency	Cost / income ratio	47.5%	47.6%	48.2%	48.8%	44.7%

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

## 1H 2016 at a Glance

### Strong growth in business volumes and excellent loan quality

<b>Business volumes</b>	The <b>loan portfolio</b> (incl. ČMSS) increased to <b>CZK 608bn</b> (+8% Y/Y), mainly thanks to mortgages, corporate loans and leasing. <b>Group deposits</b> (incl. ČMSS) grew to <b>CZK 745bn</b> (+8% Y/Y). Total <b>assets under management</b> increased to <b>CZK 184bn</b> (+1% Y/Y).
<b>Operating income</b>	<b>Operating income</b> increased to <b>CZK 17.9bn</b> in 1H 2016 (+9% Y/Y) thanks to one-off gain from VISA Europe sale, strong growth in business volumes, performance of financial markets and positive value adjustments.
<b>Operating expenses</b>	<b>Operating expenses</b> reached <b>CZK 8.0bn</b> in 1H 2016 (flat Y/Y). Adjusted for ICT insourcing and banking taxes, 1H 2016 operating expenses would increase by 1% Y/Y due to higher marketing and ICT investments linked to digital services, partly offset by lower staff expenses.
<b>Impairments</b>	<b>Credit cost ratio</b> decreased to <b>9 bps</b> (Ytd. annualized, -9bpsY/Y) thanks to excellent loan quality and despite one-off IBNR parameter changes.
<b>Net profit</b>	As a result of above mentioned factors, the ČSOB <b>net profit</b> came in at <b>CZK 8.3bn</b> in 1H 2016 (+18% Y/Y).
<b>Liquidity &amp; Capital</b>	<b>Loan / deposit ratio</b> increased to <b>77.5%</b> . <b>Tier 1 ratio</b> (Basel III) decreased to <b>16.9%</b> . <b>Net stable funding ratio</b> (NSFR) increased Y/Y to <b>145.9%</b> due to parameter changes related to implemented European legislation.
<b>Awards &amp; Innovations</b>	The US-based magazine <b>Global Finance</b> awarded ČSOB as <b>the Best Bank of 2016 in the Czech Republic</b> . ČSOB launched <b>ČSOB Premium</b> offering individual care and advantageous products and services to affluent clients and new mobile application <b>ČSOB NaNákupy</b> (Mobile Wallet) allowing payments by mobile phone supporting both VISA and MasterCard.

<sup>1</sup> All numbers in this part of the 1H 2016 ČSOB Activity Report are consolidated, unaudited, according to EU IFRS.

## Ratios and Other Indicators

Ratio / Indicator	31.12.2013	31.12.2014	31.12.2015	30.6.2015	30.6.2016
Net interest margin (Ytd., annualized, %)	3.20 (3.00)	3.17	3.01	3.06	2.94
Cost / income ratio (%)	47.5 (47.1)	47.6	48.2	48.8	44.7
RoE (Ytd., %)	18.2	16.4	16.4	16.9	18.9
RoA (Ytd., %)	1.53	1.40	1.49	1.55	1.65
RoAC, BU Czech Republic (Ytd., %)	40.0 (35.2)	36.7	36.8	37.4	54.0
Credit cost ratio (Ytd., annualized, %)	0.25	0.18	0.18	0.18	0.09
NPL ratio (%)	4.65 (4.39)	4.07	3.64	3.84	3.02
NPL coverage ratio (%)	50.4 (49.7)	53.4	53.2	52.9	55.2
(Core) Tier 1 ratio (%)	15.6 <sup>1</sup>	17.2 <sup>2</sup>	19.1 <sup>2</sup>	17.9 <sup>2</sup>	16.9 <sup>2</sup>
Total capital ratio (%)	15.6 <sup>1</sup>	17.5 <sup>2</sup>	19.4 <sup>2</sup>	18.2 <sup>2</sup>	17.1 <sup>2</sup>
Solvency – ČSOB Pojišťovna (Solvency I, %)	217	214	197	199	191
Leverage ratio (Basel III, %)	5.46	5.15	5.25	5.02	4.89
Net stable funding ratio (Basel III, %)	135.7	135.9	134.9	134.0	145.9
Liquidity coverage ratio (Basel III, %)	225.6	348.4	163.4	219.7	156.2
Loan to deposit ratio (%)	75.9 (77.0)	76.4	79.9	77.3	77.5

2013 has been restated for methodological changes (ČMSS&NIM calculation), NPL coverage ratio has been restated to reflect change in classification of NPL. Figures in brackets are before restatement.

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

## Consolidated Unaudited Financial Statements as at 30 June 2016

### Consolidated P&L

(CZK m)	2Q 2015	1Q 2016	2Q 2016	Y/Y	Q/Q	1H 2015	1H 2016	Y/Y
Interest income	6,568	6,186	6,188	-6%	0%	13,077	12,374	-5%
Interest expense	-1,068	-659	-679	-36%	+3%	-1,921	-1,338	-30%
Net interest income	5,500	5,527	5,509	0%	0%	11,156	11,036	-1%
Net fee and commission income	1,600	1,499	1,604	0%	+7%	3,184	3,103	-3%
Net gains from financial instruments at FVPL <sup>1</sup>	560	851	1,117	+99%	+31%	1,264	1,968	+56%
Other operating income <sup>2</sup>	257	246	1,562	>+100%	>+100%	761	1,808	>+100%
<b>Operating income</b>	<b>7,917</b>	<b>8,123</b>	<b>9,792</b>	<b>+24%</b>	<b>+21%</b>	<b>16,365</b>	<b>17,915</b>	<b>+9%</b>
Staff expenses	-1,755	-1,905	-1,877	+7%	-1%	-3,539	-3,782	+7%
General administrative expenses	-1,918	-2,144	-1,461	-24%	-32%	-4,134	-3,605	-13%
Depreciation and amortisation	-154	-312	-311	>+100%	0%	-306	-623	>+100%
<b>Operating expenses</b>	<b>-3,827</b>	<b>-4,361</b>	<b>-3,649</b>	<b>-5%</b>	<b>-16%</b>	<b>-7,979</b>	<b>-8,010</b>	<b>0%</b>
Impairment losses	-427	-22	-255	-40%	>+100%	-480	-277	-42%
Impairment on loans and receivables	-428	-21	-238	-44%	>+100%	-483	-259	-46%
Impairment on available-for-sale securities	0	0	0	n/a	n/a	0	0	n/a
Impairment on other assets	1	-1	-17	>-100%	>+100%	3	-18	>-100%
Share of profit of associates	210	180	165	-21%	-8%	397	345	-13%
<b>Profit before tax</b>	<b>3,872</b>	<b>3,920</b>	<b>6,053</b>	<b>+56%</b>	<b>+54%</b>	<b>8,303</b>	<b>9,973</b>	<b>+20%</b>
Income tax expense	-584	-623	-1,039	+78%	+67%	-1,237	-1,662	+34%
<b>Profit for the period</b>	<b>3,288</b>	<b>3,297</b>	<b>5,014</b>	<b>+52%</b>	<b>+52%</b>	<b>7,066</b>	<b>8,311</b>	<b>+18%</b>
Attributable to:								
<b>Owners of the parent</b>	<b>3,290</b>	<b>3,298</b>	<b>5,014</b>	<b>+52%</b>	<b>+52%</b>	<b>7,067</b>	<b>8,312</b>	<b>+18%</b>
Non-controlling interests	-2	-1	0	-100%	-100%	-1	-1	0%

<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.

## Consolidated P&L

(on comparable basis – adjusted for ICT insourcing and banking taxes)

(CZK m)	2Q 2015	1Q 2016	2Q 2016	Y/Y	Q/Q	1H 2015	1H 2016	Y/Y
Interest income	6,568	6,186	6,188	-6%	0%	13,077	12,374	-5%
Interest expense	-1,068	-659	-679	-36%	+3%	-1,921	-1,338	-30%
Net interest income	5,500	5,527	5,509	0%	0%	11,156	11,036	-1%
Net fee and commission income	1,600	1,499	1,604	0%	+7%	3,184	3,103	-3%
Net gains from financial instruments at FVPL <sup>1</sup>	560	851	1,117	+99%	+31%	1,264	1,968	+56%
Other operating income <sup>2</sup>	380	246	1,562	>+100%	>+100%	1,021	1,808	+77%
<b>Operating income</b>	<b>8,039</b>	<b>8,123</b>	<b>9,792</b>	<b>+22%</b>	<b>+21%</b>	<b>16,624</b>	<b>17,915</b>	<b>+8%</b>
Staff expenses	-1,938	-1,905	-1,877	-3%	-1%	-3,908	-3,782	-3%
General administrative expenses	-1,335	-1,376	-1,479	+11%	+7%	-2,673	-2,855	+7%
Depreciation and amortisation	-321	-312	-311	-3%	0%	-639	-623	-3%
<b>Operating expenses</b>	<b>-3,594</b>	<b>-3,593</b>	<b>-3,667</b>	<b>+2%</b>	<b>+2%</b>	<b>-7,220</b>	<b>-7,260</b>	<b>+1%</b>
Impairment losses	-427	-22	-255	-40%	>+100%	-480	-277	-42%
Impairment on loans and receivables	-428	-21	-238	-44%	>+100%	-483	-259	-46%
Impairment on available-for-sale securities	0	0	0	n/a	n/a	0	0	n/a
Impairment on other assets	1	-1	-17	>-100%	>+100%	3	-18	>-100%
Share of profit of associates	210	180	165	-21%	-8%	397	345	-13%
<b>Profit before tax</b>	<b>4,228</b>	<b>4,688</b>	<b>6,035</b>	<b>+43%</b>	<b>+29%</b>	<b>9,322</b>	<b>10,723</b>	<b>+15%</b>
Income tax expense	-652	-769	-1,036	+59%	+35%	-1,431	-1,805	+26%
<b>Profit for the period</b>	<b>3,575</b>	<b>3,919</b>	<b>4,999</b>	<b>+40%</b>	<b>+28%</b>	<b>7,891</b>	<b>8,919</b>	<b>+13%</b>
Attributable to:								
<b>Owners of the parent</b>	<b>3,577</b>	<b>3,920</b>	<b>4,999</b>	<b>+40%</b>	<b>+28%</b>	<b>7,892</b>	<b>8,920</b>	<b>+13%</b>
Non-controlling interests	-2	-1	0	-100%	-100%	-1	-1	0%

<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.

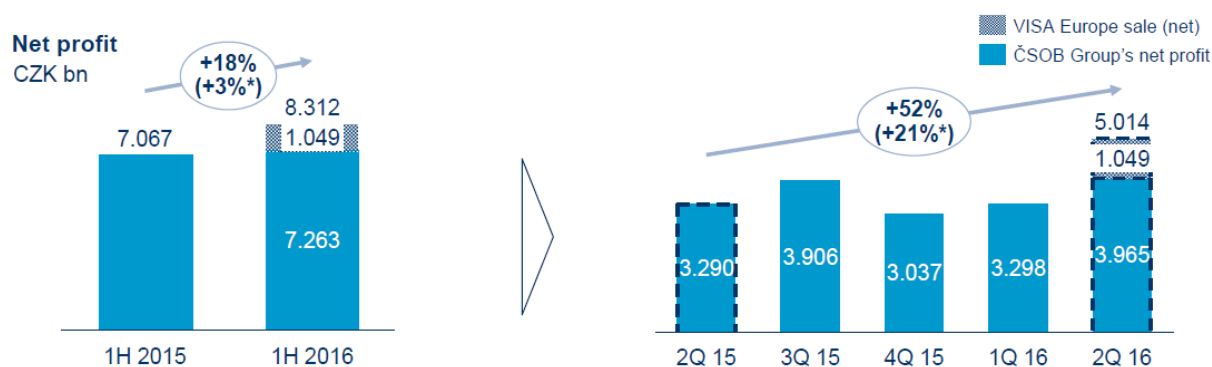
Comparable basis:

With effect from 31 December 2015, ICT related employees, assets and liabilities were integrated from KBC Group Czech Branch. This has mainly reclassification effect among different profit and loss statement lines, thus having impact both on Y/Y and Q/Q comparison. Besides, estimated impact of banking taxes (Resolution Fund and Deposit Guarantee Scheme) both in 2016 and 2015 varies.

Pro-forma / Comparable profit and loss statement (including ICT insourcing impact already in 2015 and excluding banking taxes both in 2015 and 2016) is provided for comparison purposes only.

## P&L Review

**Net profit increased to CZK 8.3bn in 1H 2016 (+18% Y/Y)** supported by one-off gain from VISA Europe sale. Adjusted for the latter 1H 2016 net profit would increase by 3% Y/Y. Strong growth in business volumes and excellent loan quality more than offset declining NIM and lower fees from asset management and domestic payments.



\* Y/Y change adjusted for VISA Europe sale (net).

2Q 2015 one-off item (total of CZK -0.3bn): IBNR parameter changes (CZK -0.3bn).

3Q 2015 one-off item (total of CZK -0.1bn): IBNR parameter changes (CZK -0.1bn).

4Q 2015 one-off items (total of CZK -0.2bn): restructuring reserve (CZK -0.1bn), IBNR parameter changes (CZK -0.1bn).

2Q 2016 one-off items (total of CZK +1.1bn): gain from VISA Europe sale (CZK +1.3bn), IBNR parameter changes (CZK -0.2bn)

**Operating income increased to CZK 17.9bn in 1H 2016 (+9% Y/Y)** thanks to one-off gain from VISA Europe sale, strong growth in business volumes, performance of financial markets and positive value adjustments.

1H 2016 **net interest income** declined by 1% Y/Y. Ongoing growth in business volumes was more than offset by declining margin. In 1H 2016, **net interest margin** reached **2.94%** (-0.12pp Y/Y).

The **net fee and commission income** declined by 3% Y/Y in 1H 2016. This decrease was fully driven by lower asset management and decline of domestic payments, which was partially mitigated by higher loan fees.

The 86% Y/Y increase of item “Other” in 1H 2016 was mainly thanks to gain from VISA Europe sale (CZK 1,295m gross) and additional revenues linked to ICT insourcing. Adjusted for these impacts, “Other” would increase by 9% Y/Y as a result of: strong performance of financial markets and positive value adjustments.

\* Other = Net gains from financial instruments at FVPL + net realized gains on available-for-sale financial assets + dividend income + other net income.

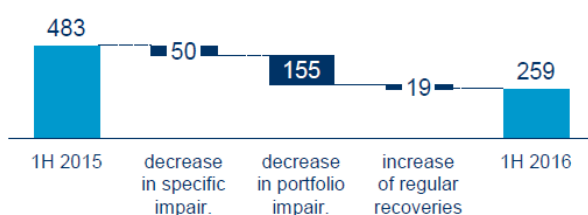
**Operating expenses reached CZK 8.0bn in 1H 2016** (flat Y/Y). Adjusted for ICT insourcing and banking taxes, 1H 2016 operating expenses would increase by 1% Y/Y due to higher marketing and ICT investments linked to digital services, partly offset by lower staff expenses.

**Staff expenses** increased by 7% Y/Y in 1H 2016. Adjusted for ICT insourcing (transfer of ca 750 FTEs), staff expenses would on comparable basis decline by 3% Y/ under review as a result of: (-) lower severance payments, (-) higher share of IT projects with capitalized staff expenses and (+) wage adjustments.

**General administrative expenses** decreased by 13% Y/Y in 1H 2016. Adjusted for ICT insourcing and banking taxes (contribution to the Resolution Fund and Deposit Guarantee Scheme), 1H 2016 GAE would **on comparable basis increase by 7% Y/Y** driven by higher marketing and ICT investments linked to digital services.

#### Impairments on loans and receivables

CZK m



The **impairments on loans and receivables** decreased Y/Y to **CZK 259m** implying **credit cost ratio of 9 bps** (Ytd., annualized, -9 bps Y/Y). Net creation in SME/corporate segment was more than offset by net releases in retail segment. The impairments increased Q/Q due to higher net creation in retail segment as well as one-off IBNR parameter changes. Adjusted for impact of one-off IBNR parameter changes, impairments would decline by 2/3 and the credit cost ratio would reach 3 bps (Ytd., annualized).

**Cost/income ratio** decreased to **44.7%** (-4.1pp Y/Y) mainly thanks to gain from VISA Europe sale in 2Q 2016, while total operating expenses remained flat Y/Y. Adjusted for VISA Europe sale cost/income ratio would reach 48.2%.

**The return on equity (ROE)** reached **18.9%** in 1H 2016, up from 16.9% (1H 2015) fully driven by higher net profit. Adjusted for VISA Europe sale ROE would reach 16.5%.

### Consolidated Balance Sheet – Assets

(CZK m)	30/6 2015	31/12 2015	30/6 2016	Ytd.	
Cash and balances with central banks	52,471	117,287	17,594	-85%	Decrease due to overnight loan with ČNB.
Financial assets held for trading	56,159	29,494	58,477	+98%	
Financial assets designated at fair value through P/L	3,340	15	0	-100%	
Available-for-sale financial assets	62,160	59,961	57,395	-4%	
Loans and receivables - net	604,736	579,448	760,045	+31%	
Loans and receivables to credit institutions - gross	127,110	86,047	237,064	>+100%	Increase thanks to sovereign bonds and reverse repo operations with banks.
Loans and receivables to other than credit institutions - gross	488,757	504,360	533,101	+6%	
Allowance for impairment losses	-11,131	-10,959	-10,120	-8%	
Held-to-maturity investments	134,845	136,433	136,067	0%	
Fair value adjustments of the hedged items in portfolio hedge	1,146	957	1,662	+74%	Increase thanks to reverse repo operations with ČNB.
Derivatives used for hedging	11,320	11,900	15,273	+28%	
Current tax assets	124	96	78	-19%	
Deferred tax assets	117	152	168	+11%	
Investments in associate	4,570	4,970	4,609	-7%	
Investment property	2	0	0	n/a	
Property and equipment	6,884	7,662	8,514	+11%	
Goodwill and other intangible assets	2,964	5,323	5,387	+1%	
Non-current assets held-for-sale	413	363	367	+1%	
Other assets	2,622	2,264	2,548	+13%	
<b>Total assets</b>	<b>943,873</b>	<b>956,325</b>	<b>1,068,184</b>	<b>+12%</b>	



## Consolidated Balance Sheet – Liabilities and Equity

(CZK m)	30/6 2015	31/12 2015	30/6 2016	Ytd.	
Financial liabilities held for trading	36,773	29,970	43,119	+44%	Increase due to reclassification of repo operation and derivatives.
Financial liabilities at amortised cost	807,198	812,205	914,826	+13%	
of which Deposits received from central banks	0	0	0	n/a	Increase due to overnight loan and repo operation.
of which Deposits received from credit institutions	128,417	23,786	65,073	>+100%	
of which Deposits received from other than credit institut.	648,682	621,927	668,510	+7%	
of which Debt securities in issue	30,099	166,492	181,243	+9%	
of which Subordinated liabilities	0	0	0	n/a	
Fair value adjustments of the hedged items in portfolio hedge	2,804	4,062	7,977	+96%	
Derivatives used for hedging	11,019	10,774	12,688	+18%	
Current tax liabilities	24	170	496	>+100%	
Deferred tax liabilities	2,091	2,162	1,712	-21%	
Provisions	465	536	485	-10%	
Other liabilities	5,367	5,727	4,890	-15%	
<b>Total liabilities</b>	<b>865,741</b>	<b>865,606</b>	<b>986,193</b>	<b>+14%</b>	
Share capital	5,855	5,855	5,855	0%	
Share premium account	15,509	20,929	20,929	0%	
Statutory reserve	18,687	18,687	18,687	0%	
Retained earnings	32,185	38,517	32,048	-17%	
Available-for-sale reserve	2,916	3,944	1,992	-49%	
Cash flow hedge reserve	2,775	2,609	2,303	-12%	
Foreign currency translation reserve	0	0	0	n/a	
<b>Parent shareholders' equity</b>	<b>77,927</b>	<b>90,541</b>	<b>81,814</b>	<b>-10%</b>	
Minority interest	205	178	177	-1%	
<b>Total equity</b>	<b>78,132</b>	<b>90,719</b>	<b>81,991</b>	<b>-10%</b>	
<b>Total liabilities and equity</b>	<b>943,873</b>	<b>956,325</b>	<b>1,068,184</b>	<b>+12%</b>	

## Capital

### Solid capital position

Consolidated, CZK m	30.6.2015	31.12.2015	30.6.2016	
<b>Total regulatory capital</b>	<b>64,497</b>	<b>68,138</b>	<b>64,981</b>	
- Tier 1 Capital	63,396	67,036	64,153	Tier 1 capital decreased Ytd. as a result of: (-) decrease of retained earnings (-) decrease in AFS reserve
- Tier 2 Capital	1,101	1,102	828	
- Regulatory adjustments of CET1 capital	-	-	-	
<b>Total capital requirement</b>	<b>28,358</b>	<b>28,137</b>	<b>30,349</b>	
- Credit risk	22,620	22,394	24,374	Total RWA increased Y/Y mainly as a result of: (+) abandoning sovereign carve-out approach, i.e. zero weight on sovereign exposure (+) higher credit risk requirements (driven by higher volumes) (+) higher market risk requirements
- Market risk	1,215	1,220	1,483	
- Operational risk	4,523	4,523	4,492	
<b>Total RWA</b>	<b>354,474</b>	<b>351,718</b>	<b>379,366</b>	
<b>(Core) Tier 1 ratio</b>	<b>17.9%</b>	<b>19.1%</b>	<b>16.9%</b>	
<b>Total capital ratio</b>	<b>18.2%</b>	<b>19.4%</b>	<b>17.1%</b>	

$RWA$  (risk weighted assets) = total capital requirement / 0.08

Tier 1 capital = share capital + share premium + legal reserve funds + retained earnings + other comprehensive income – goodwill – intangible assets

Tier 2 capital = subordinated debt weighted by regulatory coefficient + surplus in expected credit losses

Total regulatory capital = Tier 1 + Tier 2 – regulatory adjustments

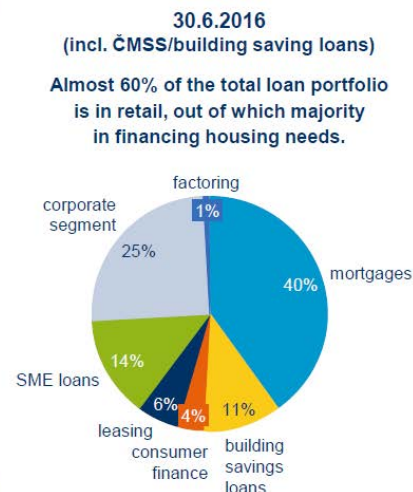
Tier 1 ratio = (Tier 1 capital – 0.5\*regulatory adjustments) / (total capital requirement / 0.08)

## Business Results

### Group Lending

The loan portfolio (incl. ČMSS) increased mainly thanks to mortgages, corporate loans and leasing.

Gross outstanding volumes, CZK bn	30.6.2015	30.6.2016	Y/Y
<b>Loan portfolio (incl. ČMSS/building saving loans)</b>	<b>564.1</b>	<b>607.7</b>	<b>8%</b>
<b>Retail Segment</b>			
Mortgages <sup>1</sup>	221.7	243.4	10%
Consumer finance	19.8	22.3	12%
Building savings loans <sup>2</sup>	66.4	64.7	-3%
<b>SME/Corporate Segment</b>			
Corporate loans <sup>3</sup>	140.2	154.8	10%
SME loans	81.0	82.5	2%
Leasing	30.5	35.3	16%
Factoring	4.4	4.7	6%
<b>Loan portfolio (excl. ČMSS/building savings loans)</b>	<b>497.7</b>	<b>543.0</b>	<b>9%</b>



<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 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> Including credit-replacing bonds.

In 1H 2016, **outstanding mortgage volumes** increased by 10% Y/Y to **CZK 243.4bn** as a result of record low interest rates and ongoing increase of real estate prices. In 1H 2016, ČSOB provided more than **15 thousand new mortgages** (+18% Y/Y) in total amount of **CZK 30bn** (+27% Y/Y), while total market increased by 7% Y/Y in number of new mortgages and increased 16% Y/Y in total amount. 2Q 2016 with CZK 17.8 bn was the record high quarter in the ČSOB history.

Outstanding **building savings loan portfolio** declined to **CZK 64.7bn** (-3% Y/Y) in 1H 2016, while market decreased 1% Y/Y (as clients continue to prefer mortgages in low interest rate environment).

In 1H 2016, **consumer finance** lending grew 12% Y/Y to **CZK 22.3bn** thanks to successful marketing campaigns targeted on loan refinancing, together with adjusted pricing, distribution focus and revived market.

**Corporate loans** increased by 10% Y/Y to **CZK 154.8bn** driven mainly by specialized finance (+40% Y/Y) with slight improvement also in plain vanilla financing. The major Y/Y loan growth was recorded in sectors: real estate, distribution & services and telecommunications.

In 1H 2016, **SME loans** increased by 2% Y/Y to **CZK 82.5bn** driven by higher investment loans granted to small and mid-sized companies. Q/Q decline of investment loans is linked to extraordinary repayments in municipal sector. The loan volume to housing cooperatives decreased slightly Y/Y, however ČSOB maintains leading market position in this segment.

**ČSOB Leasing** kept its market leading position with strong new sales. **Outstanding volumes** increased by 16% Y/Y to **CZK 35.3bn** driven by overall increase of new sales in 2Q 2016 mainly in financing of passenger cars, light commercial vehicles and buses.

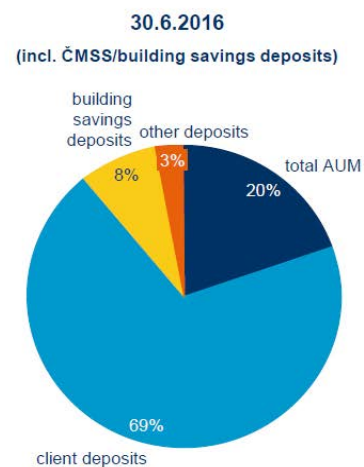
**Factoring** volumes increased by 6% Y/Y to **CZK 4.7bn** thanks to growing client base (mainly in corporate segment).



## Group Deposits and Total Assets under Management

Strong growth of deposits, while total AUM growth slowed down.

Outstanding volumes, CZK bn	30.6.2015	30.6.2016	Y/Y
<b>Group deposits</b> (incl. ČMSS/building savings deposits)	<b>689.4</b>	<b>745.1</b>	<b>8%</b>
Client deposits	585.6	643.6	10%
<i>Current accounts</i>	360.3	418.1	16%
<i>Savings deposits</i>	215.0	213.8	-1%
<i>Term deposits</i>	10.3	11.7	14%
Other deposits	22.0	24.8	13%
Building savings deposits <sup>1</sup>	81.7	76.6	-6%
<b>Total AUM</b>	<b>182.2</b>	<b>183.5</b>	<b>1%</b>
Pension funds <sup>2</sup>	39.4	43.4	10%
Mutual funds and other AM <sup>3</sup>	142.8	140.1	-2%



<sup>1</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>2</sup> Liabilities to pension fund policy holders.

<sup>3</sup> AUM includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak AM.

The 10% Y/Y growth of **client deposits** was mainly driven by **current accounts** (+16% Y/Y). **Saving deposits** decreased by 1% Y/Y, while **term deposits** increased by 14% Y/Y.

The volume of **building savings deposits** continued declining (-6% Y/Y). This was affected also by pricing adjustment.

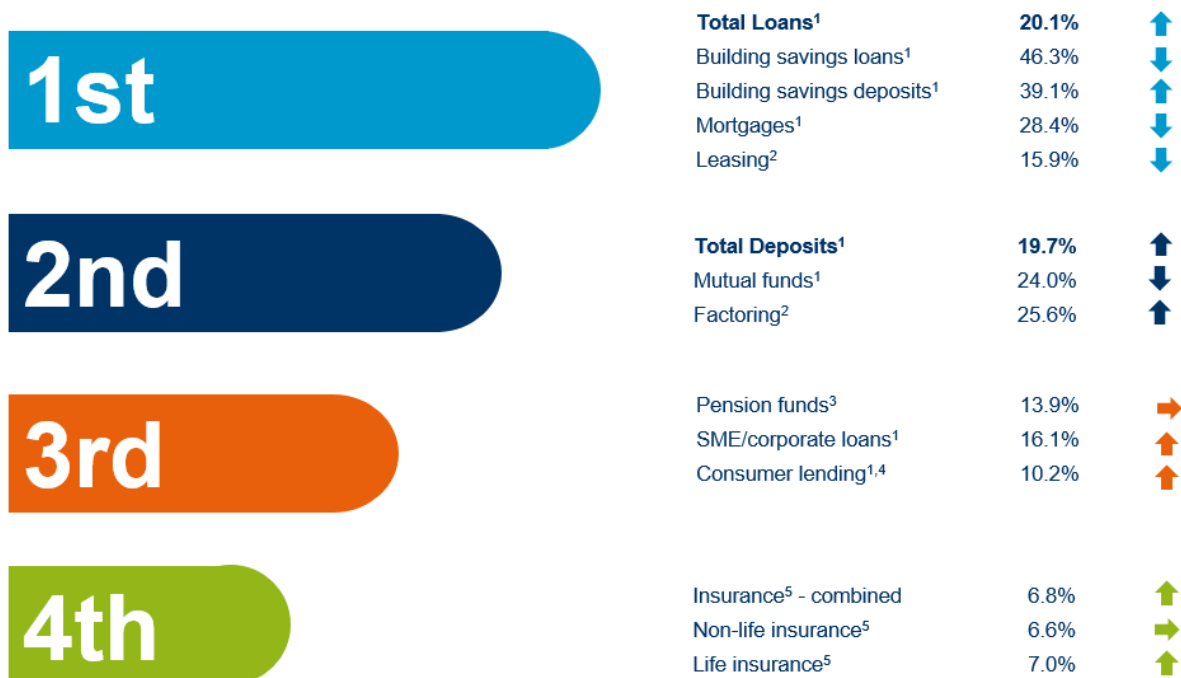
The volume of **pension funds** increased by 10% Y/Y to CZK 43.4bn driven also by improving retention.

**Mutual funds and other AM** decreased by 2% Y/Y to CZK 140.1bn driven mainly by 3% Y/Y decrease in **mutual funds** as net inflows were more than offset by negative performance effect linked to ongoing market uncertainty.

In line with the current market situation, ČSOB helped to navigate clients investments to mixed funds with active management. Besides "ČSOB Investiční rozjezd" campaign focused on first-time investors to help them better understand single and regular investment benefits.

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

Growing market share in total loans mainly thanks to SME / corporate loans  
Increasing market share in insurance driven by life



Arrows show Y/Y change. Market shares as of 30 June 2016, except for pension funds which are as of 31 March 2016. The ranking is ČSOB's estimate. Market position in the insurance reflects combined position of the insurers belonging to the same business group.

<sup>1</sup> Outstanding at the given date (including ČMSS).

<sup>2</sup> New business in the year to the given date.

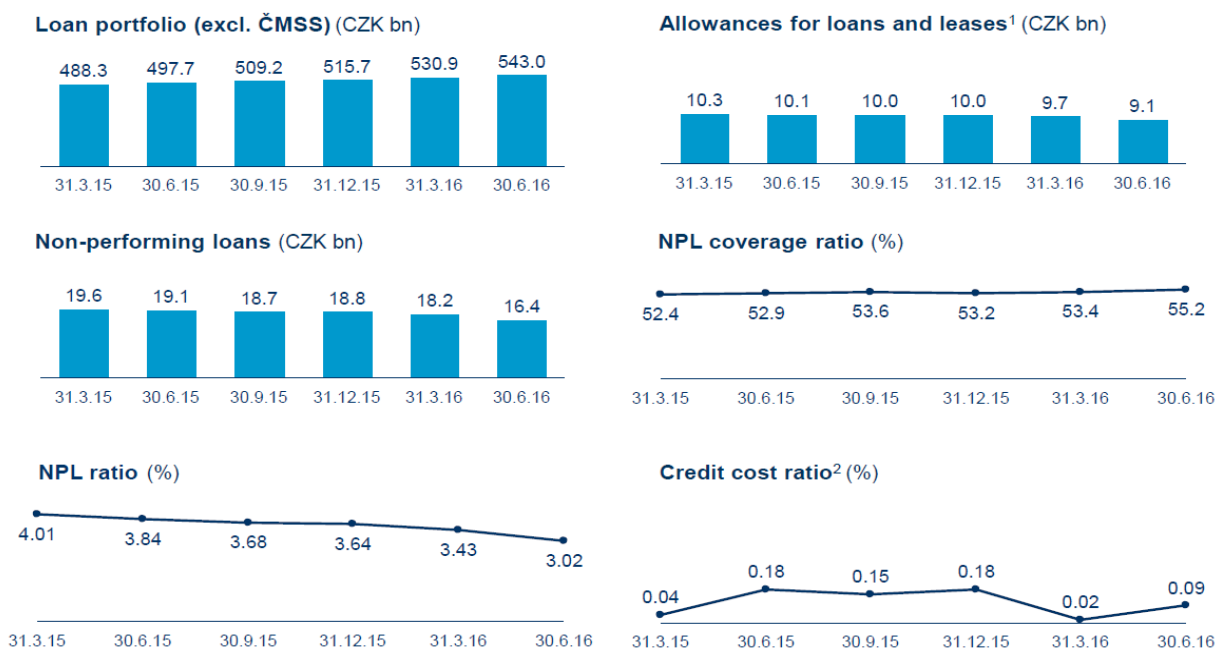
<sup>3</sup> Number of clients at the given date.

<sup>4</sup> Retail loans excluding mortgages and building savings loans.

<sup>5</sup> New business in the year according to gross written premium.

## Credit Risk under Control

NPL ratio at 3.02% thanks to excellent loan quality. Improvement reported in all segments.



<sup>1</sup> Allowances for on-balance sheet items (PD10, PD11 and PD12 only).

<sup>2</sup> Ytd. annualized, including off-balance sheet items.

## ČSOB's Credit Rating (as at 29 August 2016)

Rating agency	Moody's	Standard & Poor's
Long-term rating	A2	A
Outlook	stable	negative
Short-term rating	P-1	A-1
LT rating valid since	20 June 2012	1 October 2014
Last confirmation	17 March 2015	3 March 2016

## Selected Awards for the ČSOB Group Announced in 1H 2016

<b>Global Finance: Best Bank 2016 Czech Republic</b>	The US-based magazine Global Finance awarded ČSOB as the <b>Best Bank</b> of 2016 in the Czech Republic. ČSOB received this award for the 15th time.
<b>Euromoney: Private Banking Survey 2016</b>	<b>ČSOB Private Banking</b> awarded by the renowned magazine Euromoney as the <b>Best Private Bank</b> 2016 in the Czech Republic.
<b>European Structured Products &amp; Derivatives Awards 2016</b>	<b>ČSOB Asset Management</b> won the European competition Structured Products & Derivatives Awards 2016 in the categories of <b>Best Distributor</b> and <b>Best Performance</b> in the Czech Republic.
<b>Corporate LiveWire: Best M&amp;A Advisory Firm</b>	<b>Patria</b> was awarded by the magazine Corporate LiveWire as the <b>Best M&amp;A Advisory Firm</b> of the Year 2016 in the Czech Republic.
<b>Zlatá koruna Award</b>	In the 14th Zlatá koruna award, ranked second: <b>Hypoteční banka</b> in the <b>Mortgages category</b> with the product <b>Secure financing</b> ; <b>ČSOB Leasing</b> in the Leasing for entrepreneurs category with the product <b>Full service leasing ČSOB Leasing</b> , and <b>Patria Finance</b> in the Trading securities category – <b>Securities trader</b> .
<b>Sodexo: Employer of Year 2016</b>	ČSOB was selected the <b>best employer above 5,000 employees in Prague</b> and the <b>second best in the Czech Republic</b> (overall ranking regardless of industry) by Sodexo.

## 2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Financial Statements of ČSOB as at 30 June 2016 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

### 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 the 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 (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 its 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 the Belgian KBC Bank (since 1999, since 2007 fully). KBC Bank is a part of the integrated bank-insurance group KBC Group. 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, ČSOB Pojišťovna, Českomoravská stavební spořitelna, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Factoring ČSOB Asset Management and Patria group.

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.

<b>Distribution Platform of the ČSOB group</b>	<b>31. 12. 2015</b>	<b>30. 6. 2016</b>
<b>Retail / SME branches and advisory centers</b>	<b>756</b>	<b>726</b>
ČSOB retail / SME branches <sup>1</sup>	225	220
Era Financial centers <sup>1</sup>	73	61
ČMSS advisory centers <sup>2</sup>	338	325
Hypoteční banka centers	29	29
ČSOB Pojišťovna branches	91	91
<b>Leasing branches</b>	<b>10</b>	<b>10</b>
<b>ČSOB corporate branches</b>	<b>11</b>	<b>11</b>
<b>PSB outlets of the Czech Post network</b>	<b>ca. 3,100</b>	<b>ca. 3,000</b>
<b>ATMs (the Bank)<sup>3</sup></b>	<b>1,062</b>	<b>1,067</b>
<b>Clients (the Bank; in millions)</b>	<b>2.831</b>	<b>2.813</b>
<b>Internet banking – users (in millions)</b>	<b>1.538</b>	<b>1.551</b>
– <b>transactions (in millions)</b>	<b>49.718</b>	<b>25.876</b>

<sup>1</sup> Figures for 2015 has been restated – elimination of duplicates due to dual branded branches (ČSOB and Era).

<sup>2</sup> As of 30 June 2015, ČMSS advisory centers include also ČMSS advisory touch-points.

<sup>3</sup> Including ATMs of cooperating banks.

<b>Employees (FTEs)</b>	<b>31. 12. 2015</b>	<b>30. 6. 2016</b>
<b>Employees of the ČSOB group<sup>1, 2</sup></b>	<b>8,203</b>	<b>8,155</b>
of which the Bank <sup>2</sup>	7,099	7,003

<sup>1</sup> Excluding employees of the joint venture and associated companies.

<sup>2</sup> Including employees in Program for parents.

As of 31 December 2015, 750 employees from the KBC Group were included – insourcing of ICT.

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

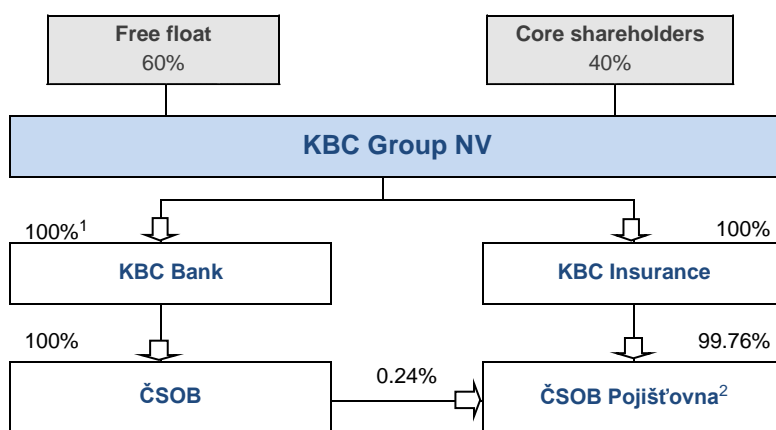
## **KBC Group Profile**

ČSOB is a wholly-owned subsidiary of KBC Bank NV, whose shares are held (directly or indirectly) 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. Elsewhere in 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 2015, the KBC Group served approximately 10 million clients in its five home markets and Ireland, and employed approximately 38,000 employees, roughly half of which in Central and Eastern Europe.

The majority of KBC Group's shares is traded publicly on the Euronext Exchange in Brussels. Around 40% of KBC Group's shares is held (inter alia) by KBC Group's core shareholders: KBC Ancora, Cera or MRBB (a farmers association) and the other core shareholders.

## The Simplified Scheme of the KBC Group as at 30 June 2016



Percentages in the chart denote the ownership interest.

<sup>1</sup> One share is held by KBC Insurance.

<sup>2</sup> Voting rights in ČSOB Pojišťovna: 40% ČSOB, 60% KBC Insurance.

For an overview of companies of the KBC group please refer to KBC's corporate website [www.kbc.com](http://www.kbc.com) (section About us – Our structure).

KBC Group in Figures		31. 12. 2015	30. 6. 2016
Total assets	EURbn	252.4	265.7
Loans and advances to customers	EURbn	128.2	131.4
Deposits from customers and debt securities	EURbn	170.1	175.9
Net profit, group share	EURm	2,639	1,113
Common equity ratio, group level (Basel III, fully loaded)	%	14.9	14.9
Cost / income ratio, banking	%	55	59

Annual reports and other information about KBC are available at 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 its shareholder KBC Group NV (ID No. 90031317). 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 the management of business.

ČSOB follows the legislation applicable on the territory of the Czech Republic which protects against abuse of position of the 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 departments 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 2016.

ČSOB is also a **controlling entity**. For information on companies controlled by ČSOB as at 30 June 2016 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

First Name and Surname	Position	Membership since	Current Term in Office since <sup>1</sup>	ČSOB's Top Management <sup>4</sup> Position and 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	9. 12. 2015 <sup>3</sup>	Senior Executive Officer, Finance Management
<b>Tomáš Kořínek</b>	Member	1. 1. 2015	1. 1. 2015	Senior Executive Officer, Group Risk Management

<sup>1</sup> The term in office of the members 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 2015, members of ČSOB's Top Management were identical with the members of the Board of Directors of ČSOB.

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

### The Supervisory Board

First Name and Surname	Position	Membership since	Current Term in Office since <sup>1</sup>	Termination of Membership
<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>	20. 6. 2016
<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	30. 6. 2016
<b>Willem Hueting</b>	Member	1. 7. 2016	1. 7. 2016	–

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

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

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

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

### The Audit Committee

First Name and Surname	Position	Membership since	Termination of Membership
<b>Petr Šobotník</b>	Chairman <sup>1</sup> ; Independent member	1. 2. 2011	–
<b>Ladislav Mejzlík</b>	Independent member	27. 1. 2016	–
<b>Martin Jarolím</b>	Member <sup>2</sup>	1. 6. 2014	30. 6. 2016
<b>Willem Hueting<sup>3</sup></b>	Member	1. 7. 2016	–
<b>Pavel Kavánek</b>	Member	1. 6. 2014	27. 1. 2016

<sup>1</sup> Chairman since 7 April 2016.

<sup>2</sup> Chairman from 9 April 2015 to 7 April 2016.

<sup>3</sup> Acting as the Senior General Manager, Core Communities Banking (Business Unit International Markets) & Consumer Finance in the KBC Group.



## 5. INFORMATION ABOUT ČSOB SECURITIES

### ČSOB's Shares

<b>ISIN</b>	<b>CZ0008000288</b>
Class	Ordinary shares
Type	Bearer shares
Edition	Book-entered
<b>Number of shares</b>	<b>292,750,002</b>
Nominal value	CZK 20
Total issue volume	CZK 5,855,000,040
<b>Amount of share capital</b>	<b>CZK 5,855,000,040</b>
Paid up in full	100%

**KBC Bank NV**, with its registered address at: Havenlaan 2, B-1080 Brussels (Sint-Jans Molenbeek), Belgium, is the sole shareholder of ČSOB.

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 on Commercial Companies and Cooperatives (No. 90/2012 Coll.). In 1H 2016, 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 issued under the ČSOB's bond issuance program.

The program was approved by the Securities Commission in November 2003 (including joint issue terms and conditions for a previously non-determined number of bond issues) with a maximum amount of CZK 30bn of outstanding bonds and 10-year tenure. This bond issuance program was closed. Any issue of bonds or any bond programme are not currently prepared.

By 30 June 2016, ČSOB recorded the following bond issues in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Bonds Issued (Nominal Value)
<b>Bond ČSOB likvidní IV/2017</b>	CZ0003703050	2. 2. 2012	CZKm 2,360.16
<b>Bond ČSOB 3M PRIBOR II/2017</b>	CZ0003703183	29. 3. 2012	CZKm 210
<b>Bond ČSOB likvidní VI/2017</b>	CZ0003703472	6. 8. 2012	CZKm 4,000

All ČSOB's bonds are unlisted (not publicly tradable on any official regulated market in either an EU member state, or an EEC member state).

Note: The Bond ČSOB VAR/2018 bond, ISIN CZ0003701799, was excluded from trading at the Regulated Market of the Prague Stock Exchange on 4 April 2016 (trading started on 22 December 2008). ČSOB bought these bonds and canceled them with effective date on 5 April 2016.

Since 2012, ČSOB is an issuer of investment certificates issued under the certificate issuance program (public or non public) in the Czech Republic. The purpose of the issuance of investment certificates is mainly to enlarge the offer of investment products for the Bank's clients.

By 30 June 2016, ČSOB recorded the following investment certificate issues in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)
<b>ČSOB Investment certificate IX.</b>	CZ0000300306	19. 2. 2014	CZKm 135.61
<b>ČSOB Investment certificate XX.</b>	CZ0000300413	24. 9. 2014	CZKm 160.62
<b>ČSOB Investment certificate XXIX.</b>	CZ0000300587	15. 4. 2015	USDm 5.89
<b>ČSOB Investment certificate XXX.</b>	CZ0000300579	15. 4. 2015	CZKm 169.35
<b>ČSOB Investment certificate XXXI.</b>	CZ0000300595	22. 4. 2015	CZKm 40.23
<b>ČSOB Investment certificate XXXII.</b>	CZ0000300603	22. 4. 2015	CZKm 68.77

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)
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 157.00
ČSOB Investment certificate UL II.	CZ0000300686	10. 7. 2015	CZKm 417.00
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
ČSOB Investment certificate Unit link IV.	CZ0000300728	10. 9. 2015	CZKm 261.82
ČSOB Investment certificate XL.	CZ0000300736	14. 10. 2015	CZKm 181.56
ČSOB Investment certificate XLI.	CZ0000300751	21. 10. 2015	CZKm 152.26
ČSOB Investment certificate Unit link V.	CZ0000300728	10. 11. 2015	CZKm 493.00
ČSOB Investment certificate XLII.	CZ0000300785	2. 12. 2015	CZKm 176.24
CSOB IC INDEXOVÝ I.	CZ0000300777	19. 11. 2015	CZKm 391.75
ČSOB Investment certificate Unit link VI.	CZ0000300793	21. 12. 2015	CZKm 572.70
ČSOB Investment certificate XLIII.	CZ0000300819	9. 12. 2015	EURm 3.59
ČSOB Investment certificate XLIV.	CZ0000300827	16. 12. 2015	USDm 3.06
Defensive SX5E 4,8 2023	CZ0000300835	30. 12. 2015	CZKm 217.77
Defensive SX5E 4,8 2023 II	CZ0000300868	3. 2. 2016	CZKm 259.82
Autocall SX5E 5,9 2021	CZ0000300850	5. 2. 2016	CZKm 399.90
Participation SX5E 2021	CZ0000300843	9. 2. 2016	CZKm 62.60
ČSOB Investment certificate Unit link VII.	CZ0000300884	22. 2. 2016	CZKm 763.20
Participation SX7P 2021	CZ0000300892	16. 3. 2016	CZKm 39.89
ČSOB Investment certificate Unit link VIII.	CZ0000300900	11. 4. 2016	CZKm 194.83
ČSOB Investment certificate CLN 2020	CZ0000300967	11. 4. 2016	CZKm 500.00
Defensive SX5E 5 2023	CZ0000300926	13. 4. 2016	CZKm 290.16
Worst of Banks 6 2021	CZ0000300934	20. 4. 2016	CZKm 112.20
ČSOB Investment certificate Unit link IX.	CZ0000300959	24. 5. 2016	CZKm 191.50
Dividend basket 7 2023	CZ0000300975	18. 5. 2016	CZKm 161.35
Worst of US Dividend Basket 8 2021	CZ0000301007	22. 6. 2016	CZKm 111.60
Defensive SX5E 5,2 2023	CZ0000301015	22. 6. 2016	CZKm 104.77

In August 2016, ČSOB issued the following **investment certificates issue** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)
ČSOB Investment certificate Unit link X.	CZ0000300983	15. 7. 2016	CZKm 124.30

All ČSOB's investment certificates are unlisted (not publicly tradable on any official regulated market in either an EU member state, or an EEC member state).

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

## 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 22 April 2016, KBC Bank NV as ČSOB's sole shareholder:

**Approved** Separate Financial Statements of ČSOB as at 31 December 2015 and Consolidated Financial Statements of ČSOB and its subsidiaries as at 31 December 2015 prepared in accordance EU IFRS.

**Approved** distribution of the non-consolidated net profit for the year 2015 in the total amount of CZK 14,780,991 ths as follows:

- ČSOB's non-consolidated net profit for the year 2015 was distributed to the shareholders.
- The dividend per share was CZK 50.49. Dividends were paid in June 2016.

**Determined** as a statutory auditor for the audit of annual accounts of ČSOB for the years 2016 – 2018 PricewaterhouseCoopers Audit, s.r.o. (ID No. 407 65 521).

### Information on Court Disputes

The most significant ČSOB's court disputes as at 30 June 2016 including the dispute amount (without accessories):

#### Litigation against ČSOB (the Defendant)

Counterparty of the Dispute: **ICEC-HOLDING, a.s.**, Boleslavova 710/19, Ostrava      Liability: CZK 11,893 m

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.

#### Litigation initiated by ČSOB (the Plaintiff)

Counterparty of the Dispute: **Czech National Bank**, Na Příkopě 28, Praha 1      Receivable: CZK 20,298 m

In August 2015, ČSOB commenced an arbitration proceedings against the CNB before ICC International Court of Arbitration, under Art. 5.5 of the Agreement and Indemnity, to enforce an advance payment in the case ICEC-HOLDING under Art. 1.9 of the Agreement (CNB refused to provide this advance payment voluntarily). In the proceedings, no decision on merits has been rendered yet.

### Corporate Social Responsibility Related Events in 1H 2016

ČSOB is responsible towards the environment where it conducts business. In line with the KBC Group strategy focusing on responsible and sustainable business, ČSOB has set up **four responsible behaviour pillars**:

- **financial literacy**,
- **entrepreneurship**,
- **environmental responsibility** and
- **longevity**, i.e. the ability to reflect life situations and phases of client experience.

**Within the Financial Literacy pillar**, cooperation with selected schools, Ministry of Education and other institutions started with positive feedback suggesting potential for the future. ČSOB succeeded in organizing pilot workshops at primary schools in Prague and Hradec Králové.

#### Philanthropy

In the 7th year of the Education Programme, number of proposals were reviewed, among which **seven initiatives** were selected with the overall budget of almost **CZK 1 million**.

They focus on increasing financial literacy of children from children's homes, teenager, the elderly, foster families, people with hearing impairment or autism, as well as of people after imprisonment.

#### Employee engagement in CSR

In May 2016, **233 ČSOB employees** gathered in **70 teams** participated in a **Biking to Work campaign**. They made 41,561 km that were 'translated' into ČSOB's donation of 2 crowns per each kilometer to the Committee of Good Will – the Olga Havel Foundation, i.e. CZK 83 thousands. This amount will help to children and adults on wheelchair or limited mobility. ČSOB has been supporting employee participation in this campaign since 2012.

## Events after 30 June 2016

Chapter	Part
<b>Managing and Supervisory Bodies</b>	Supervisory Board, Audit Committee
<b>Information about ČSOB Securities</b>	Investment certificates issues

## Expected Economic and Financial Situation of the ČSOB Group in 2H 2016

In line with expectations, the Czech economy's growth slowed in the first half of 2016 compared to the previous year. During 1H 2016, the gross domestic product (GDP) increased by 2.8% Y/Y according to the preliminary estimate of the Czech Statistical Office, favourably influenced by both domestic and foreign demand. Domestic demand is influenced by labor market strengthening and positive sentiment of households; foreign demand is affected by the economic recovery in the Eurozone (mainly in Germany), low oil prices and the weak EUR/CZK. In June 2016, the unemployment rate fell to 5.2%, the lowest level since the 2009 crisis year.

According to the ČSOB group's macroeconomic outlook, the GDP for the year 2016 is expected to grow by 2.5% Y/Y.

The ČSOB group has reached record high net profit in the first half of the year 2016. Strong growth in business volumes and excellent loan quality more than offset declining margin and lower fees from asset management and domestic payments. Supported by one-off gain from VISA Europe sale, the net profit increased by 18% year on year. Ongoing growth of mortgages, corporate loans and leasing were the main drivers of the loan portfolio increase. Despite the growth in business volumes, ČSOB further improved loan portfolio quality, reaching historical lowest non-performing loan ratio just above 3%.

The ČSOB group results are fundamentally strong thanks to its people, products, services and innovative solutions catering for clients' needs. ČSOB is the reference on the Czech market in different aspects.

Servicing retail and SME clients continues to be core to the business of the ČSOB group also in the second half of 2016. In addition, the ČSOB group will aim to continue accommodating the needs of its corporate clients. 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. Strong capital and liquidity positions of the ČSOB group allow growing the credit portfolio faster than its group deposits.

The second half of 2016 also will be focused primarily on servicing ČSOB's clients via more proactive offering of complete and relevant solutions to their life situations. ČSOB will continue working on digital services and at the same time providing face-to-face services to clients who require it. The aim of ČSOB is that clients should be able to interact with ČSOB by all possible means including branches, internet, mobile applications and telephone and all these means need to be interconnected. To achieve this, the ČSOB group will continue working in the background on more effective operations and manage costs carefully.

## 7. ANNEXES

- No. 1 Interim Consolidated Financial Statements of ČSOB as at 30 June 2016
- No. 2 Companies of the ČSOB Group
- No. 3 ČSOB's Organisation Chart

## 8. SWORN STATEMENT

### Persons Responsible for the 1H 2016 ČSOB Activity Report

hereby declare that, to their best knowledge, the **1H 2016 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, 29 August 2016

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



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



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

**Annex No. 1** to 1H 2016 ČSOB Activity Report

Interim Consolidated Financial Statements of ČSOB as at 30 June 2016



# **Interim Consolidated Financial Statements**

## **Half-year ended 30 June 2016**

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 2016**

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

(CZK <sup>m</sup> )	Note	1H 2016	1H 2015
Interest income	5	12,374	13,077
Interest expense	6	<u>(1,338)</u>	<u>(1,921)</u>
<b>Net interest income</b>		<b>11,036</b>	<b>11,156</b>
Fee and commission income		4,684	4,896
Fee and commission expense		<u>(1,581)</u>	<u>(1,712)</u>
<b>Net fee and commission income</b>	7	<b>3,103</b>	<b>3,184</b>
Dividend income		6	6
Net gains from financial instruments at fair value through profit or loss and foreign exchange	8	1,968	1,264
Net realised gains on available-for-sale financial assets		1,294	322
Other net income	9	<u>508</u>	<u>433</u>
<b>Operating income</b>		<b>17,915</b>	<b>16,365</b>
Staff expenses	10	(3,782)	(3,539)
General administrative expenses	11	(3,605)	(4,134)
Depreciation and amortisation	22, 23	<u>(623)</u>	<u>(306)</u>
<b>Operating expenses</b>		<b>(8,010)</b>	<b>(7,979)</b>
Impairment losses	12	(277)	(480)
Share of profit of associates	19	<u>345</u>	<u>397</u>
<b>Profit before tax</b>		<b>9,973</b>	<b>8,303</b>
Income tax expense	13	<u>(1,662)</u>	<u>(1,237)</u>
<b>Profit for the period</b>		<b>8,311</b>	<b>7,066</b>
<b>Attributable to:</b>			
Owners of the parent		8,312	7,067
Non-controlling interests		(1)	(1)

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

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED 30 JUNE 2016**

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

(CZKm)	Note	1H 2016	1H 2015
<b>Profit for the period</b>		<b>8,311</b>	<b>7,066</b>
Exchange differences on translating foreign operation		-	-
Net gain / (loss) on cash flow hedges		(378)	(518)
Net gain / (loss) on available-for-sale financial assets		(2,403)	(978)
Income tax (expense) / benefit relating to components of other comprehensive income		523	261
<b>Other comprehensive income for the period, net of tax</b>	31	<b>(2,258)</b>	<b>(1,235)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>6,053</b>	<b>5,831</b>
<b>Attributable to:</b>			
Owners of the parent		6,054	5,834
Non-controlling interests		(1)	(3)

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

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

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

(CZKm)	Note	30-06-2016	31-12-2015
<b>ASSETS</b>			
Cash and balances with central banks	15	17,594	117,287
Financial assets held for trading	16	58,477	29,494
Financial assets designated at fair value through profit or loss	16	-	15
Available-for-sale financial assets	17	57,395	59,961
Held-to-maturity investments	17	136,067	136,433
Loans and receivables	18	760,045	579,448
Fair value adjustments of the hedged items in portfolio hedge		1,662	957
Derivatives used for hedging	20	15,273	11,900
Current tax assets		78	96
Deferred tax assets	13	168	152
Investment in associate	19	4,609	4,970
Investment property	21	-	-
Property and equipment	22	8,514	7,662
Goodwill and other intangible assets	23	5,387	5,323
Non-current assets held-for-sale	24	367	363
Other assets	25	2,548	2,264
<b>Total assets</b>		<b>1,068,184</b>	<b>956,325</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities held for trading	26	43,119	29,970
Financial liabilities at amortised cost	27	914,826	812,205
Fair value adjustments of the hedged items in portfolio hedge		7,977	4,062
Derivatives used for hedging	20	12,688	10,774
Current tax liabilities		496	170
Deferred tax liabilities	0	1,712	2,162
Other liabilities	28	4,890	5,727
Provisions	29	485	536
<b>Total liabilities</b>		<b>986,193</b>	<b>865,606</b>
Share capital	30	5,855	5,855
Share premium		20,929	20,929
Statutory reserve		18,687	18,687
Retained earnings		32,048	38,517
Available-for-sale reserve	30	1,992	3,944
Cash flow hedge reserve	30	2,303	2,609
Foreign currency translation reserve	30	-	-
Shareholders' equity		81,814	90,541
Non-controlling interests, presented within equity		177	178
<b>Total equity</b>		<b>81,991</b>	<b>90,719</b>
<b>Total liabilities and equity</b>		<b>1,068,184</b>	<b>956,325</b>

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

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2016**

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 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>
<b>At 1 January 2016</b>	<b>5,855</b>	<b>20,929</b>	<b>18,687</b>	<b>38,517</b>	<b>6,553</b>	<b>178</b>	<b>90,719</b>
Profit for the period	-	-	-	8,312	-	(1)	8,311
Other comprehensive income for the period	-	-	-	-	(2,258)	-	(2,258)
Total comprehensive income for the period	-	-	-	8,312	(2,258)	(1)	6,053
Dividends paid (Note: 14)	-	-	-	(14,781)	-	-	(14,781)
<b>At 30 June 2016</b>	<b>5,855</b>	<b>20,929</b>	<b>18,687</b>	<b>32,048</b>	<b>4,295</b>	<b>177</b>	<b>81,991</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 condensed 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 17 August 2016 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 2016**

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

(CZKm)	Note	1H 2016	1H 2015
<b>OPERATING ACTIVITIES</b>			
Profit before tax		9,973	8,303
Adjustments for:		(29,123)	(46,292)
<b>Net cash flows used in operating activities</b>		<b>(19,150)</b>	<b>(37,989)</b>
<b>INVESTING ACTIVITIES</b>			
Settlement of acquisition of ICT function		(955)	-
Other investing activities		(1,745)	9,175
<b>Net cash flows (used in) / from investing activities</b>		<b>(2,700)</b>	<b>9,175</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash flows used in financing activities</b>		<b>(13,343)</b>	<b>(11,571)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(35,193)</b>	<b>(40,385)</b>
Cash and cash equivalents at the beginning of the year		44,370	55,922
Net (decrease) in cash and cash equivalents		(35,193)	(40,385)
<b>Cash and cash equivalents at the end of the period</b>	33	<b>9,177</b>	<b>15,537</b>
<b>Additional information</b>			
Interest paid		(1,617)	(1,921)
Interest received		13,165	13,363
Dividends received (other than from associates and joint ventures)		8	6

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



# **CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 2016**

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 2015.

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 2015, except for the adoption of new standards and interpretations for the year 2016 (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 2016**

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 2015, 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.

**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.

**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.

**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.

**Annual Improvements to IFRSs (2012 - 2014 Cycle)**, issued in 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 January 2016.

## **Effective after 1 January 2016**

The following standards, amendments and interpretations have been issued and are effective after 1 January 2016. 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, which is designated at fair value through profit or loss, caused by changes in its own credit quality are recognised in other comprehensive income, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

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 receivables, 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 trade and lease receivables and contract 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.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and 28)** does not yet have a set effective date. 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.

**IFRS 15 Revenue from Contracts with Customers** is effective for periods beginning on or after 1 January 2018. 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.

**IFRS 16 Leases** - The standard is effective for annual periods beginning on or after 1 January 2019 and has not yet been endorsed by the EU. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases in their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Group is currently assessing the impact that IFRS 16 will have on the financial statements.

**Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2)** is effective for periods on or after 1 January 2018. A number of narrow-scope amendments clarify issues in several areas: accounting for cash-settled share-based payment transactions that include a performance condition; share-based payment in which the manner of settlement is contingent on future events; share-based payments settled net of tax withholdings and modification of share-based payment transactions from cash-settled to equity-settled.

**Clarifications to IFRS 15 (Amendment to IFRS 15)** is effective for periods on or after 1 January 2018. The amendment clarifies three separate topics within the IFRS 15: how to assess control in principal versus agent considerations; when an entity's activities significantly affect intellectual property in licensing agreements and expands a definition of what "distinct goods and services" mean.

**Disclosure Initiative (Amendment to IAS 7)** is effective for periods on or after 1 January 2017. The amendment requires that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

**Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)** is effective for periods on or after 1 January 2017. The amendment addresses the question of whether an unrealised loss on a debt instrument measured at fair value gives rise to a deductible temporary difference.

## ***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 2016, no changes in content were made in the accounting policies that had a material impact on the result.

### 3. SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

The scope of the consolidation includes 29 companies. Ownership of the Group (%) in significant companies was as follows:

Name	Abbreviation	Country of incorporation	%	
			30-06 2016	31-12 2015
<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, a.s.	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	100.00
Patria Finance, a.s.	Patria Finance	Czech Republic	100.00	100.00
Patria Online, a.s.	Patria Online	Czech Republic	100.00	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

In accordance with the Group strategy, information and communication services were reintegrated from KBC Group Czech Branch back to ČSOB in 2015. An agreement to acquire a part of business was concluded between ČSOB and the KBC Group and became effective in December 2015. According to the agreement, selected activities and processes of the KBC Group Czech Branch, including a number of employees (Note: 10), assets and liabilities related to the ICT function, were acquired by the Bank on 31 December 2015. Such a transfer represents a purchase of a part of the business by the Bank. The sales price which represents net cash outflow from the Group was determined on the basis of an independent expert appraisal and amounted to CZK 955 m.

The acquisition was included into the consolidated financial statements of the Group using the pooling of interest method.

More information regarding the scope of consolidation is available in the 2015 annual report.

## 4. SEGMENT INFORMATION

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

The Group has five 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's management reviews internal management reports on a 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 a Group basis.

### Definitions of customer operating segments:

**Retail:** Private individuals and entrepreneurs, except of private banking customers that are reported as a part of Relationship services. This segment contains customers' deposits, consumer loans, overdrafts, payment solutions including payment cards and other transactions and balances with retail customers. Margin income from 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).

**Relationship services:** Corporate companies with a turnover of greater than CZK 300 m, SME companies with a turnover of less than CZK 300 m, private banking customers with financial assets above CZK 10 m, financial and public sector institutions. This segment contains customers' deposits, loans, overdrafts, payment solutions including payment cards, leasing and other transactions and balances with corporate, SME customers and private banking customers. Margin income from the operations with corporate, SME clients and private banking clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions or 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.

**Specialised banking:** This segment contains mortgages, building savings, building savings loans, pension funds, mutual funds and asset management.

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

In 2015, the Group's segment reporting was modified following the change of the organisational structure of the Group. Thus, Private banking customers are managed in the same way as SME / corporate clients and were moved from strategic business unit Retail to SME / Corporate renamed to Relationship services in 2015. The specialised banking segment started to be reported as a separate segment as from 2015. The income and expenses related to e-toll were transferred from the strategic business unit Retail to Group Centre in 2015. Comparative balances were restated accordingly.



## Segment reporting information by customer segments for 2016

(CZKm)	Retail	Relationship services	Financial markets	Specialised banking	Group Centre	Total
<b>Statement of income for the 1H 2016</b>						
Net interest income	3,677	4,147	5	2,442	765	<b>11,036</b>
Net fee and commission income	1,025	1,223	169	533	153	<b>3,103</b>
Dividend income	-	-	-	1	5	<b>6</b>
Net gains / (losses) from financial instruments at fair value through profit or loss	237	803	626	18	284	<b>1,968</b>
Net realised gains on available-for-sale financial assets	-	-	-	(1)	1,295	<b>1,294</b>
Other net income	7	209	-	33	259	<b>508</b>
<b>Operating income</b>	<b>4,946</b>	<b>6,382</b>	<b>800</b>	<b>3,026</b>	<b>2,761</b>	<b>17,915</b>
<i>of which:</i>						
<i>External operating income</i>	2,093	5,483	800	3,884	5,655	<b>17,915</b>
<i>Internal operating income</i>	2,853	899	-	(858)	(2,894)	-
Depreciation and amortisation	(18)	(21)	-	(49)	(535)	<b>(623)</b>
Other operating expenses	(3,297)	(2,197)	(120)	(780)	(993)	<b>(7,387)</b>
<b>Operating expenses</b>	<b>(3,315)</b>	<b>(2,218)</b>	<b>(120)</b>	<b>(829)</b>	<b>(1,528)</b>	<b>(8,010)</b>
Impairment losses	72	(245)	-	(69)	(35)	<b>(277)</b>
Share of profit of associates and joint ventures	-	-	-	345	-	<b>345</b>
<b>Profit before tax</b>	<b>1,703</b>	<b>3,919</b>	<b>680</b>	<b>2,473</b>	<b>1,198</b>	<b>9,973</b>
Income tax benefit / (expense)	(340)	(746)	(129)	(379)	(68)	<b>(1,662)</b>
<b>Segment profit</b>	<b>1,363</b>	<b>3,173</b>	<b>551</b>	<b>2,094</b>	<b>1,130</b>	<b>8,311</b>
<b>Attributable to:</b>						
Owners of the parent	1,363	3,173	551	2,095	1,130	<b>8,312</b>
Non-controlling interest	-	-	-	(1)	-	<b>(1)</b>

## Segment reporting information by customer segments for 2015 (restated)

(CZKm)	Retail	Relationship services	Financial markets	Specialised banking	Group Centre	Total
<b>Statement of income for the 1H 2015</b>						
Net interest income	3,710	4,013	190	2,361	882	<b>11,156</b>
Net fee and commission income	1,207	1,183	164	499	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	231	681	484	11	(143)	<b>1,264</b>
Net realised gains on available-for-sale financial assets	-	-	-	(1)	323	<b>322</b>
Other net income	12	177	-	21	223	<b>433</b>
<b>Operating income</b>	<b>5,160</b>	<b>6,054</b>	<b>838</b>	<b>2,893</b>	<b>1,420</b>	<b>16,365</b>
<i>of which:</i>						
<i>External operating income</i>	2,055	5,211	838	3,938	4,323	<b>16,365</b>
<i>Internal operating income</i>	3,105	843	-	(1,045)	(2,903)	-
Depreciation and amortisation	(18)	(29)	-	(31)	(228)	<b>(306)</b>
Other operating expenses	(3,519)	(2,320)	(210)	(620)	(1,004)	<b>(7,673)</b>
<b>Operating expenses</b>	<b>(3,537)</b>	<b>(2,349)</b>	<b>(210)</b>	<b>(651)</b>	<b>(1,232)</b>	<b>(7,979)</b>
Impairment losses	(71)	(43)	-	(415)	49	<b>(480)</b>
Share of profit of associates and joint ventures	-	-	-	397	-	<b>397</b>
<b>Profit before tax</b>	<b>1,552</b>	<b>3,662</b>	<b>628</b>	<b>2,224</b>	<b>237</b>	<b>8,303</b>
Income tax (expense) / benefit	(307)	(714)	(119)	(346)	249	<b>(1,237)</b>
<b>Segment profit</b>	<b>1,245</b>	<b>2,948</b>	<b>509</b>	<b>1,878</b>	<b>486</b>	<b>7,066</b>
<b>Attributable to:</b>						
Owners of the parent	1,245	2,948	509	1,879	486	<b>7,067</b>
Non-controlling interest	-	-	-	(1)	-	<b>(1)</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 2016	1H 2015
Cash balances with central banks	25	3
Loans and receivables		
Credit institutions	176	195
Other than credit institutions	7,716	8,005
Available-for-sale financial assets	747	838
Held-to-maturity investments	2,553	2,734
Financial assets held for trading	68	219
Financial assets designated at fair value through profit or loss	-	56
Derivatives used as economic hedges	53	69
Derivatives used for hedging	895	958
Other	141	-
	<b>12,374</b>	<b>13,077</b>

## 6. INTEREST EXPENSE

(CZKm)	1H 2016	1H 2015
Financial liabilities at amortised cost		
Credit institutions	94	110
Other than credit institutions	392	674
Debt instruments in issue	178	197
Discount amortisation on other provisions (Note: 29)	2	2
Financial liabilities held for trading	89	121
Derivatives used as economic hedges	42	115
Derivatives used for hedging	541	702
	<b>1,338</b>	<b>1,921</b>

## 7. NET FEE AND COMMISSION INCOME

(CZKm)	1H 2016	1H 2015
<b>Fee and commission income</b>		
Payment services	2,576	2,764
Administration of credits	950	932
Collective investments	309	429
Securities	180	229
Custody	96	88
Asset management	55	38
Other	518	416
	<b>4,684</b>	<b>4,896</b>
<b>Fee and commission expense</b>		
Payment services	730	882
Retail service fees	517	518
Commissions to agents	53	53
Other	281	259
	<b>1,581</b>	<b>1,712</b>
<b>Net fee and commission income</b>	<b>3,103</b>	<b>3,184</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 2016	1H 2015
<b>Net gains from financial instruments at fair value through profit or loss and foreign exchange - as reported</b>	<b>1,968</b>	<b>1,264</b>
Net interest income (Notes: 5, 6)	344	364
	<b>2,312</b>	<b>1,628</b>
<b>Financial instruments held for trading</b>		
Interest rate contracts	1,314	469
Foreign exchange	514	2,045
Equity contracts	(304)	-
Commodity contracts	8	6
	1,532	2,520
<b>Financial instruments designated at fair value through profit or loss</b>		
Financial assets designated at fair value through profit or loss	5	14
	5	14
Exchange differences revaluations	775	(906)
<b>Financial instruments at fair value through profit or loss and foreign exchange</b>	<b>2,312</b>	<b>1,628</b>

## 9. OTHER NET INCOME

(CZKm)	1H 2016	1H 2015
Services provided to the parent and to entities under common control	259	112
Net operating leasing and rental income	159	185
Other services provided by ČSOB Leasing	25	25
Net gain on disposal of held-for-sale assets	-	83
Other	65	28
	<b>508</b>	<b>433</b>

## 10. STAFF EXPENSES

(CZKm)	1H 2016	1H 2015
Wages and salaries	2,656	2,541
Salaries and other short-term benefits of senior management	46	50
Social security charges	918	807
Pension and similar expense	70	62
Other	92	79
	<b>3,782</b>	<b>3,539</b>

In 2015, information and communication services were reintegrated from KBC Group Czech Branch back to ČSOB (Note: 3). As a result, 750 employees of the KBC Group were transferred to the Bank as at 31 December 2015.

More information is available in the 2015 annual report.

## 11. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	1H 2016	1H 2015
Information technologies	1,166	1,668
Contribution to the Single Resolution Mechanism	603	315
Rental expenses on land and buildings - minimum lease payments	286	287
Marketing	252	210
Other building expenses	226	260
Professional fees	197	210
Communication	155	159
Deposit Insurance Premium and contribution to the Securities Traders Guarantee fund	150	468
Administration	120	73
Retail service fees	82	98
Travel and transportation	71	65
Payment cards and electronic banking	67	65
Training	36	32
Insurance	19	18
Car expenses	13	13
Other	162	193
	<b>3,605</b>	<b>4,134</b>

Based on the EU Directive and the related binding Delegated Act, banks in the EU are obliged to contribute to the Single Resolution Mechanism (SRM) from 2015. The rules were incorporated into the Czech law in December 2015 with the effective day 1 January 2016. The new law reflects the definition of SRM contributions and the changes in the deposit insurance premium calculation. In April 2016, the Group obtained the final calculation of the contribution to the local resolution fund from the Czech National Bank amounting to CZK 603 m. Furthermore, the Group accounted for the contribution to the Deposit Insurance Fund in the amount of CZK 139 m. Both contributions were recognized as a General administrative expense in 1H 2016 consolidated statement of income.

As a result of the reintegration of the ICT function back to CSOB Bank from 1 January 2016 (Note: 3) the structure of operating expenses has changed. Expenses related to ICT services are included under General administrative expenses fully in 1H 2015, while in 1H 2016, a portion of ICT related expenses is reported as part of Staff expenses and Depreciation and amortisation.

Information technology expenses include CZK Nil in 1H 2016 (1H 2015: CZK 981 m) representing minimum lease payments related to rental expenses of information technologies from KBC Group Czech Branch.

## 12. IMPAIRMENT LOSSES

(CZKm)	1H 2016	1H 2015
Impairment of loans and receivables (Note: 18)	(214)	(490)
Provisions for loan commitments and guarantees	(45)	7
Impairment of property, plant and equipment	(3)	-
Impairment of intangible assets	(14)	-
Impairment of other assets	(1)	3
	<b>(277)</b>	<b>(480)</b>

### 13. TAXATION

The components of income tax expense for the periods ended 30 June 2016 and 2015 are as follows:

(CZKm)	1H 2016	1H 2015
Current tax expense	1,628	1,173
Previous year over accrual	(14)	(6)
Deferred tax expense relating to the origination and reversal of temporary differences	48	70
	<u>1,662</u>	<u>1,237</u>

More information is available in the 2015 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 22 April 2016, a dividend of CZK 50.49 per share was paid for 2015, representing a total dividend of CZK 14,781 m.

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.

### 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)	30-06-2016	31-12-2015
<b>Financial assets held for trading</b>		
Loans and advances		
Reverse repo transactions (Note: 36)	13,759	-
Money market placements	490	-
Debt instruments		
General government	23,153	13,270
Credit institutions	4,776	3,616
Corporate	1,123	1,198
Derivative contracts (Note: 20)		
Trading derivatives	14,815	10,935
Derivatives used as economic hedges	361	469
Equity securities		
Corporate	-	6
	<u>58,477</u>	<u>29,494</u>
<b>Financial assets designated at fair value through profit or loss</b>		
Debt instruments		
Credit institutions	-	15
	<u>-</u>	<u>15</u>
<b>Financial assets at fair value through profit or loss</b>	<b>58,477</b>	<b>29,509</b>

Included within Financial assets at fair value through profit or loss are debt securities of CZK 4,511 m (2015: CZK Nil) 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)	30-06-2016	31-12-2015
<b>Available-for-sale financial assets</b>		
Debt securities		
General government	39,481	38,944
Credit institutions	17,299	19,453
Corporate	232	234
Equity securities		
Corporate	383	1,330
	<b>57,395</b>	<b>59,961</b>
<b>Held-to-maturity investments</b>		
Debt securities		
General government	133,361	133,705
Credit institutions	1,371	1,395
Corporate	1,335	1,333
	<b>136,067</b>	<b>136,433</b>
<b>Financial investments</b>	<b>193,462</b>	<b>196,394</b>

Included within Financial investments are debt securities of CZK 16,146 m (2015: CZK 3,489 m) pledged as collateral in repo transactions or securities lending and debt securities of CZK 11,350 m (2015: CZK 7,831 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)	2016	2015
Carrying value as at the reporting date	11,997	13,446
Fair value as at the reporting date	12,821	14,445
Net gain (before tax) that would have been recognised during 1H 2016 and 1H 2015 in the Statement of comprehensive income if the Group had not reclassified the assets	(175)	(170)
Interest income (before tax) recorded on reclassified assets in 1H 2016 and 1H 2015	199	226

As assessed at the date of reclassification, an expected undiscounted cash recoveries amounted to CZK 15,135 m and the level of anticipated average effective interest rate (EIR) over the remaining life of the assets is at 3.5%.

Until June 2016, the Group reported a share in Visa Europe in the amount of CZK 1,153 m based on the model, which reflected the expected set up of the announced merger of Visa Inc. and Visa Europe Ltd. In June 2016, the takeover of Visa Europe Ltd. by Visa Inc. took place. According to the final approved structure of the transaction, the sales price is to be settled in three tranches: cash payment, transfer of preferred shares of Visa Inc. and further cash payment in 2019.

In June 2016 the Group received a cash consideration in the amount of CZK 977 m as the first tranche.

The Group acquired series C preferred shares of Visa Inc. as the second tranche. Accordingly, the Group derecognised the original share in Visa Europe and recognised the share in Visa Inc. classified as Available-for-sale financial asset in the amount of USD 9.8 m at 30 June 2016. The preferred shares of Visa Inc. can only be sold, with certain restrictions, to other holders of Visa Inc. preferred shares and will be fully converted in Visa Inc. listed shares after 12 years.

Furthermore, the Group will receive a deferred cash payment of CZK 84 m as the third tranche, if the Group keeps holding of the shares for at least 3 years past the merger.

As a result of the transaction, the Group recognised a gain of CZK 1,295 m reported in the consolidated statement of income for 1H 2016 as a Net realised gain on available-for-sale financial assets. The deferred cash payment of CZK 76 m will be amortized over the 3 years period.

There was no movement of the cumulative impairment losses on financial investments in 1H 2016 and 1H 2015.

## 18. LOANS AND RECEIVABLES

<u>(CZKm)</u>	<u>30-06-2016</u>	<u>31-12-2015</u>
<b>Analysed by category of borrower</b>		
Central banks	220,003	70,001
General government	7,393	9,009
Credit institutions	17,061	16,046
Other legal entities	222,244	207,109
Private individuals	<u>303,463</u>	<u>288,242</u>
Gross loans	770,164	590,407
Allowance for impairment losses	<u>(10,119)</u>	<u>(10,959)</u>
	<b>760,045</b>	<b>579,448</b>

As at 30 June 2016, volume of credit exposure to central banks increased to CZK 220,003 m as a result of new transactions under reverse repurchase agreements (Note: 36).

As at 30 June 2016, the Group possessed assets (mainly cars related to leased assets) with an estimated value of CZK 22 m (2015: CZK 19 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)	30-06-2016	31-12-2015
Short positions	8,203	6,147
Derivative contracts (Note: 20)		
Trading derivatives	15,345	12,027
Derivatives used as economic hedges	95	155
Term deposits	4,562	1,580
Repo transactions	4,692	-
Promissory notes	27	-
Bonds issued	10,195	10,061
<b>Financial liabilities held for trading</b>	<b>43,119</b>	<b>29,970</b>

## 27. FINANCIAL LIABILITIES AT AMORTISED COST

(CZKm)	30-06-2016	31-12-2015
<b>Deposits received from credit institutions</b>		
Current accounts and overnight deposits	24,934	10,853
Term deposits	23,668	12,933
Repo transactions	16,471	-
	<b>65,073</b>	<b>23,786</b>
<b>Deposits received from other than credit institutions</b>		
Current accounts and overnight deposits	418,113	389,212
Term deposits	11,671	10,762
Savings deposits	213,846	213,355
Pension funds clients deposits	45	24
Repo transactions	7,700	-
Other deposits	17,136	8,574
	<b>668,511</b>	<b>621,927</b>
<b>Debt securities in issue</b>		
Bonds issued	22,071	20,632
Promissory notes	159,171	145,860
	<b>181,242</b>	<b>166,492</b>
<b>Financial liabilities at amortised cost</b>	<b>914,826</b>	<b>812,205</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 2016, the total authorised share capital was CZK 5,855 m (31 December 2015: CZK 5,855 m) and comprised of 292,750,002 ordinary shares with a nominal value of CZK 20 each (31 December 2015: 292,750,002 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 2016 and 31 December 2015.

On 30 June 2016, the Bank was directly controlled by KBC Bank whose ownership interest in ČSOB was 100 % (31 December 2015: 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 2016 and 2015 are as follows:

(CZKm)	Available- for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total
<b>At 1 January 2015</b>	<b>3,732</b>	<b>3,192</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>5,691</b>
<b>At 1 January 2016</b>	<b>3,944</b>	<b>2,609</b>	-	<b>6,553</b>
Other comprehensive income (Note: 31)	(1,952)	(306)	-	(2,258)
<b>At 30 June 2016</b>	<b>1,992</b>	<b>2,303</b>	-	<b>4,295</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 2016 and 31 December 2015:

(CZKm)	30 June 2016			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets held for trading				
Loans and advances	-	14,249	-	14,249
Debt instruments	18,021	5,473	5,558	29,052
Derivative contracts	-	15,124	52	15,176
Available-for-sale financial assets				
Debt securities	38,528	13,932	4,552	57,012
Equity securities	-	-	383	383
Fair value adjustments of the hedged items in portfolio hedge	-	1,662	-	1,662
Derivatives used for hedging	-	15,273	-	15,273
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Short positions	8,203	-	-	8,203
Derivative contracts	-	15,165	275	15,440
Term deposits	-	4,562	-	4,562
Repo transactions	-	4,692	-	4,692
Promissory notes	-	27	-	27
Bonds issued	-	10,195	-	10,195
Fair value adjustments of the hedged items in portfolio hedge	-	7,977	-	7,977
Derivatives used for hedging	-	12,688	-	12,688

31 December 2015

(CZKm)	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading				
Loans and advances	-	-	-	-
Debt instruments	6,748	5,622	5,714	18,084
Equity securities	6	-	-	6
Derivative contracts	-	11,315	89	11,404
Financial assets designated at fair value through profit or loss				
Debt instruments	-	-	15	15
Available-for-sale financial assets				
Debt securities	38,051	16,192	4,388	58,631
Equity securities	-	-	1,330	1,330
Fair value adjustments of the hedged items in portfolio hedge	-	957	-	957
Derivatives used for hedging	-	11,900	-	11,900
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Short positions	6,147	-	-	6,147
Derivative contracts	-	12,020	162	12,182
Term deposits	-	1,580	-	1,580
Bonds issued	-	10,061	-	10,061
Fair value adjustments of the hedged items in portfolio hedge	-	4,062	-	4,062
Derivatives used for hedging	-	10,774	-	10,774

### 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 through profit or loss	Available-for-sale financial assets		Total
	Debt securities	Financial derivatives	Debt securities	Debt securities	Equity securities	
<b>At 1 January 2015</b>	<b>5,151</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>3,153</b>	<b>486</b>	<b>8,886</b>
Total gains recorded in profit or loss related to assets held at the end of the reporting period	294	-	-	-	-	294
<b>At 1 January 2016</b>	<b>5,714</b>	<b>89</b>	<b>15</b>	<b>4,388</b>	<b>1,330</b>	<b>11,536</b>
Total gains (losses) recorded in profit or loss	97	(3)	5	-	-	99
Total gains recorded in other comprehensive income	-	-	-	141	8	149
Purchases	1,497	12	-	11	340	1,860
Sales	(1,264)	-	(20)	-	(1,295)	(2,579)
Settlements	(489)	(46)	-	-	-	(535)
Translation differences	3	-	-	12	-	15
<b>At 30 June 2016</b>	<b>5,558</b>	<b>52</b>	-	<b>4,552</b>	<b>383</b>	<b>10,545</b>
Total gains or (losses) recorded in profit or loss related to assets held at the end of the reporting period	94	(3)	-	-	-	91

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

(CZKm)	Financial liabilities held for trading
	Financial derivatives
<b>At 1 January 2016</b>	<b>162</b>
Total losses recorded in profit or loss	98
Purchases	44
Settlements	(29)
<b>At 30 June 2016</b>	<b>275</b>
Total losses recorded in profit or loss related to liabilities held at the end of the reporting period	98

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 2016, an increase / (decrease) of the credit spread by 50 basis points would (decrease) / increase the fair value of the mortgage bonds and bonds issued by ČEB included in level 3 by CZK 54 m and CZK 87 m, respectively. Such a change in 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 2016	1H 2015	1H 2016	1H 2015
<b>Financial assets</b>				
Financial assets held for trading				
Debt instruments	-	28	-	-

More information is available in the 2015 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 2016	1H 2015
Cash and balances with central banks	17,594	52,471
Loans and advances to credit institutions and central banks	226,035	114,136
Financial liabilities at amortised cost to credit institutions and central banks	(71,411)	(104,413)
Financial liabilities at amortised cost - repo transactions with general government bodies	(7,700)	(46,657)
Financial liabilities at amortised cost to credit institution – promissory notes	(155,341)	-
<b>Cash and cash equivalents</b>	<b>9,177</b>	<b>15,537</b>

More information is available in the 2015 annual report.

### 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 2016 and 31 December 2015 are as follows:

(CZKm)	30-06-2016	31-12-2015
Loan commitments – irrevocable	114,374	107,224
Loan commitments – revocable	43,290	41,861
Financial guarantees	28,487	28,193
Other commitments	1,377	1,381
	<b>187,528</b>	<b>178,659</b>

Provisions for loan commitments and guarantees (Note: 29) 330 286

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

The following table shows an analysis of the loans the Group has made to counterparties in reverse repurchase agreements and loans, where the Group is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, according to the lines of the statement of financial position in which they are included:

(CZKm)	30-06-2016	31-12-2015
<b>Financial assets</b>		
Financial assets held for trading	13,759	-
Loans and receivables	<u>222,777</u>	<u>72,846</u>
	<b>236,536</b>	<b>72,846</b>

Under reverse repurchase agreements, the Group obtains legal ownership of the respective collateral received and, thus, is permitted to use the collateral; however, the same collateral must be delivered back to the borrower of the funds on maturity.

Under loans, where the Group is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral (collaterals of factoring loans), the Group obtains legal ownership of the respective collateral received and, thus, is permitted to use the same collateral. The Group has no obligations to return collateral to the borrower of the funds on maturity.

The fair value of financial assets accepted as collateral as at 30 June 2016 was CZK 229,899 m, of which CZK 17,390 m has been either sold or repledged (31 December 2015: CZK 74,420 m and CZK 10,046 m, respectively).

The following table shows an analysis of the loans the Group has received from counterparties in repurchase agreements according to the lines of the statement of financial position in which they are included:

(CZKm)	30-06-2016	31-12-2015
<b>Financial liabilities</b>		
Financial liabilities held for trading	4,692	-
Financial liabilities at amortised cost	<u>24,171</u>	<u>-</u>
	<b>28,863</b>	<b>-</b>

Amounts of financial assets pledged as collateral in repo transactions and securities lending are described in Financial assets at fair value through profit or loss (Note: 16) and Financial investments (Note: 17).

## 37. OFFSET FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Note available in the annual report only.

## 38. RELATED PARTY DISCLOSURES

In 1H 2016, volume of transactions with KBC Group representing expenses for information and communication services significantly decreased as a result of ICT services reintegration back to ČSOB in 2015 (Note: 3).

There was no significant change in related parties transactions, other than ICT services, in 1H 2016 compared to 2015.

More information on related party transaction is available in the 2015 annual report.

## 39. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the end of the reporting period.

## 40. RISK MANAGEMENT

Note available in the annual report only.



## **41. CAPITAL**

Note available in the annual report only.

**Annex No. 2** to 1H 2016 ČSOB Activity Report  
**Companies of the ČSOB group** (as at 30 June 2016)

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		CZK	Total	Direct	Indirect			
				%	%	%	%	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 and related services	Praha 10, Benešovská 2538/40	70,800,000	100.00	100.00	none	100.00	none	Y
63998980	<b>ČSOB Leasing, a.s.</b> Leasing	Praha 4, Na Pankráci 310/60	3,050,000,000	100.00	100.00	none	100.00	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, a.s.<sup>2)</sup></b> Real estate services, administration and maintenance of real estate	Praha 5, Radlická 333/150, Radlice	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	5,076,336,000	100.00	100.00	none	100.00	none	Y
02623111	<b>SousedecZ s.r.o.</b> Development of housing community network	Praha 5, Radlická 333/150	10,000	100.00	none	100.00	100.00	Hypoteční banka	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
05154197	<b>Patria investiční společnost, a.s.</b> Management of investment funds	Praha 1, Jungmannova 745/24	10,000,000	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	10,020,071	100.00	100.00	none	100.00	none	Y
27388239	<b>Top-Pojištění.cz s.r.o.</b> Arranging insurance	Praha 4, Lomnického 1705/9	200,000	100.00	100.00	none	100.00	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	

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

Others									
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
28985362	<b>ENGIE 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<sup>3)</sup></b> 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<sup>4)</sup></b> 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.<sup>5)</sup> – in bankruptcy</b> 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 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>3)</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>4)</sup> Shares in registered capital: ČSOB 0.24%, KBC Insurance 99.76%;  
shares in voting rights: ČSOB 40%, KBC Insurance 60%.

<sup>5)</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 2016

ENGIE REN s.r.o.: formerly Cofely Ren, s.r.o., change of business name on 1 May 2016

Patria investiční společnost, a.s.: company established on 9 June 2016

Top-Pojištění.cz s.r.o.: acquisition of new participation as of 21 June 2016

SousedecZ s.r.o.: new participation of Hypoteční banka, a.s.

ČSOB Organisation Chart (as at 30 June 2016)

