



# 1H 2017 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

## TABLE OF CONTENTS

1.	ČSOB GROUP RESULTS IN 1H 2017 .....	3
2.	INTERIM CONSOLIDATED FINANCIAL STATEMENTS .....	10
3.	COMPANY PROFILE .....	11
4.	MANAGING AND SUPERVISORY BODIES .....	14
5.	INFORMATION ABOUT ČSOB SECURITIES.....	15
6.	ADDITIONAL INFORMATION .....	17
7.	ANNEXES.....	19
8.	SWORN STATEMENT .....	20

The 1H 2017 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 2017**. The 1H 2017 results of the ČSOB group were published on 10 August 2017 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 2017, 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 2017, unless stated otherwise.

This report has not been audited.

# 1. ČSOB GROUP RESULTS IN 1H 2017<sup>1</sup>

## Measures of Sustainable Performance

ČSOB group key indicators		2014	2015	2016	1H 2016	1H 2017
Profitability	Net profit (CZK bn)	13.6	14.0	15.1	8.3	9.4
	Return on equity	16.4%	16.4%	17.3%	18.9%	21.1%
Liquidity	Loan to deposit ratio	76.3%	79.3%	79.4%	79.1%	76.7%
	Net stable funding ratio	135.9%	134.9%	151.9%	145.9%	145.9%
Capital	Tier 1 ratio	17.2%	19.1%	18.2%	16.9%	16.8%
Impairments	Credit cost ratio	0.18%	0.18%	0.11%	0.09%	0.06%
Cost efficiency	Cost / income ratio	47.6%	48.2%	46.0%	44.7%	42.0%

### Note:

As of 1Q 2017, the calculation of Loan to deposit ratio has been changed. In order to provide fully comparable figures, Loan to deposit ratio has been restated retrospectively.

New definition of Loan to deposit ratio: Loans and receivables to other than credit institutions (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions.

## 1H 2017 at a Glance

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

<b>Business volumes</b>	The <b>loan portfolio</b> (incl. ČMSS) increased to <b>CZK 653bn</b> (+7% Y/Y) thanks to all businesses except for building savings loans. <b>Group deposits</b> (incl. ČMSS) grew to <b>CZK 849bn</b> (+14% Y/Y). Total <b>assets under management</b> increased to <b>CZK 196bn</b> (+7% Y/Y).
<b>Operating income</b>	<b>Operating income</b> reached <b>CZK 19.2bn</b> (+7% Y/Y) driven by the strong performance of financial markets, higher ALM income, one-off gain from historical legal case and higher fees.
<b>Operating expenses</b>	<b>Operating expenses</b> increased to <b>CZK 8.1bn</b> (+1% Y/Y), influenced by higher staff expenses and depreciation & amortisation.
<b>Impairments</b>	<b>Credit cost ratio</b> for 1H 2017 stood at <b>6 bps</b> (Ytd. annualized, -3bps Y/Y) thanks to excellent loan quality.
<b>Net profit</b>	As a result of above mentioned factors, the ČSOB <b>net profit</b> came in at <b>CZK 9.4bn</b> (+12% Y/Y).
<b>Liquidity &amp; Capital</b>	<b>Loan to deposit ratio</b> decreased Y/Y to <b>76.7%</b> . <b>Tier 1 ratio</b> stood at <b>16.8%</b> . <b>Net stable funding ratio</b> (NSFR) remained Y/Y stable at <b>145.9%</b> .
<b>Awards &amp; Innovations</b>	<p>ČSOB and Česká pošta (Czech Post) agreed on the prolongation and intensification of their mutual cooperation with the signature of a new 10-year partnership agreement. ČSOB <b>will become Česká pošta's sole partner in providing banking and insurance services</b> as of 1 January 2018.</p> <p>ČSOB was voted <b>the best by the public in the Good Company category of Via Bona award</b> for philanthropic activities over last 20 years.</p> <p>ČSOB NaNákupy app brings <b>extra new features</b> (e.g. transaction history, MasterPass internet payments and management of loyalty cards), while SmartBanking and ČSOB Smart Key newly support finger print sign-in.</p>

<sup>1</sup> All numbers in this part of the 1H 2017 ČSOB Activity Report are consolidated, unaudited, according to EU IFRS.

## Ratios and Other Indicators

Ratio / Indicator	31.12.2014	31.12.2015	31.12.2016	30.6.2016	30.6.2017
Net interest margin (Ytd., annualized, %)	3.17	3.01	2.93	2.94	3.02
Cost / income ratio (%)	47.6	48.2	46.0	44.7	42.0
RoE (Ytd., %)	16.4	16.4	17.3	18.9	21.1
RoA (Ytd., %)	1.40	1.49	1.42	1.65	1.45
RoAC, BU Czech Republic (Ytd., %) <sup>1</sup>	40.0	34.9	37.0	40.7	46.7
Credit cost ratio (Ytd., annualized, %)	0.18	0.18	0.11	0.09	0.06
NPL ratio (%)	4.07	3.64	2.99	3.02	2.58
NPL coverage ratio (%)	53.4	53.2	54.4	55.2	55.6
(Core) Tier 1 ratio (%)	17.2	19.1	18.2	16.9	16.8
Total capital ratio (%)	17.5	19.4	18.5	17.1	16.8
Solvency ratio – ČSOB Pojišťovna (%)	214	197	n/a	191	n/a
Leverage ratio (Basel III, %)	5.15	5.25	5.18	4.89	3.39
Net stable funding ratio (Basel III, %)	135.9	134.9	151.9	145.9	145.9
Liquidity coverage ratio (Basel III, %)	348.4	163.4	153.0	156.2	142.2
Loan to deposit ratio (%)	76.3	79.3	79.4	79.1	76.7

<sup>1</sup> Fully-loaded

## Consolidated Unaudited Financial Statements as at 30 June 2017

### Consolidated Profit and Loss Statement

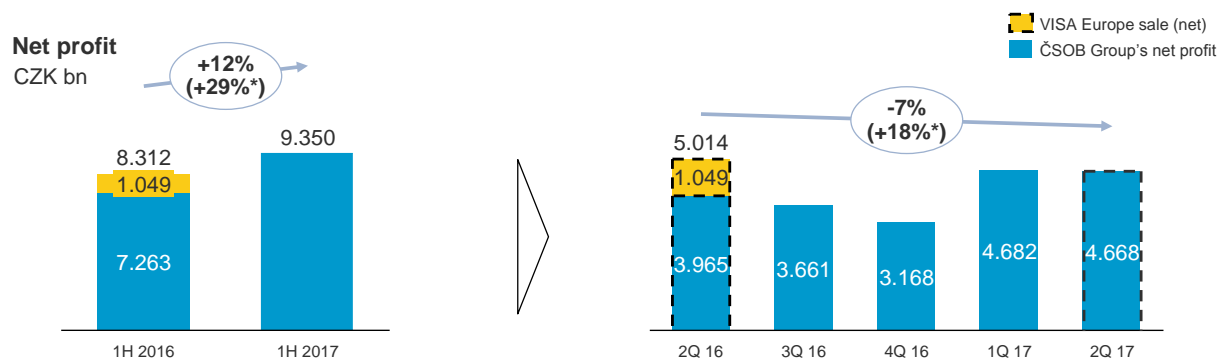
(CZK m)	2Q 2016	1Q 2017	2Q 2017	Y/Y	Q/Q	1H 2016	1H 2017	Y/Y
Net interest income	5,509	5,662	5,690	+3%	0%	11,036	11,352	+3%
Interest income	6,188	6,313	6,420	+4%	+2%	12,374	12,733	+3%
Interest expense	-679	-657	-730	+8%	+12%	-1,338	-1,381	+3%
Net fee and commission income	1,604	1,568	1,606	0%	+2%	3,103	3,174	+2%
Net gains from financial instruments at FVPL <sup>1</sup>	1,117	1,341	1,740	+56%	+30%	1,968	3,081	+57%
Other operating income <sup>2</sup>	1,562	1,138	462	-70%	-59%	1,808	1,600	-12%
<b>Operating income</b>	<b>9,792</b>	<b>9,709</b>	<b>9,498</b>	<b>-3%</b>	<b>-2%</b>	<b>17,915</b>	<b>19,207</b>	<b>+7%</b>
Staff expenses	-1,877	-1,927	-1,942	+3%	+1%	-3,782	-3,869	+2%
General administrative expenses	-1,461	-1,995	-1,553	+6%	-22%	-3,605	-3,548	-2%
General administrative expenses (excl. banking taxes)	-1,479	-1,294	-1,542	+4%	+19%	-2,854	-2,836	-1%
Banking taxes	18	-701	-11	>-100%	-98%	-751	-712	-5%
Depreciation and amortisation	-311	-327	-332	+7%	+2%	-623	-659	+6%
<b>Operating expenses</b>	<b>-3,649</b>	<b>-4,249</b>	<b>-3,827</b>	<b>+5%</b>	<b>-10%</b>	<b>-8,010</b>	<b>-8,076</b>	<b>+1%</b>
Impairment losses	-255	28	-266	+4%	>-100%	-277	-238	-14%
Impairment on loans and receivables	-238	25	-198	-17%	>-100%	-259	-173	-33%
Impairment on available-for-sale securities	0	0	-1	n/a	n/a	0	-1	n/a
Impairment on other assets	-17	3	-67	>+100%	>-100%	-18	-64	>+100%
Share of profit of associates	165	135	175	+6%	+30%	345	310	-10%
<b>Profit before tax</b>	<b>6,053</b>	<b>5,623</b>	<b>5,580</b>	<b>-8%</b>	<b>-1%</b>	<b>9,973</b>	<b>11,203</b>	<b>+12%</b>
Income tax expense	-1,039	-941	-913	-12%	-3%	-1,662	-1,854	+12%
<b>Profit for the period</b>	<b>5,014</b>	<b>4,682</b>	<b>4,667</b>	<b>-7%</b>	<b>0%</b>	<b>8,311</b>	<b>9,349</b>	<b>+12%</b>
Attributable to:								
<b>Owners of the parent</b>	<b>5,014</b>	<b>4,682</b>	<b>4,668</b>	<b>-7%</b>	<b>0%</b>	<b>8,312</b>	<b>9,350</b>	<b>+12%</b>
Non-controlling interests	0	0	-1	n/a	n/a	-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 Profit and Loss Statement Review

**Net profit** for 1H 2017 increased to **CZK 9.4bn** (+12% Y/Y) driven by the strong performance of financial markets, higher ALM income, one-off gain from historical legal case in 1Q 2017 and higher fees from asset management, loans and foreign payments. Net profit was also supported by the strong growth in business volumes and lower cost of risk reflecting excellent loan quality.



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

### Notes (gross impact):

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

4Q 2016 one-off item: income tax provision (CZK -0.2bn)

1Q 2017 one-off item: gain from historical legal case (CZK +0.4bn)

**Operating income** reached **CZK 19.2bn** (+7% Y/Y).

**Net interest income** increased by **3% Y/Y** as a result of positive impact from other NII (thanks to ALM income) and of negative impact from NII from loans (driven by mortgages) and from NII from deposits (mainly in retail). 1H 2017 **net interest margin** reached **3.02%** (+0.08pp Y/Y) thanks to ALM contribution and active management of funding costs, while lower reinvestment yields and pressure on lending margins continued.

**Net fee and commission income** increased by **2% Y/Y**, mainly driven by higher asset management, loans and foreign payments fees, while account fees and fees from domestic payments decreased Y/Y.

The **24% Y/Y** increase of item "**Other\***" was influenced by the following drivers: strong performance of financial markets, one-off gain from historical legal case and positive valuation adjustments, partly offset by one-off gain from VISA Europe sale in 2Q 2016 (CZK 1,295m gross).

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

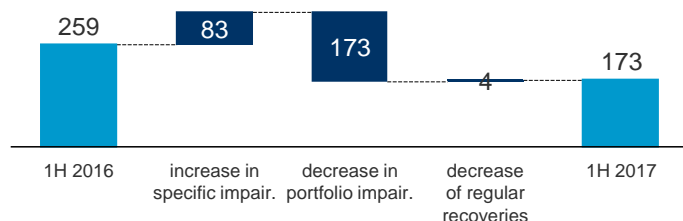
**Operating expenses** increased to **CZK 8.1bn** (+1% Y/Y), influenced by higher staff expenses and depreciation & amortisation.

**Staff expenses** increased by **2% Y/Y** and were fully driven by upward wage adjustments, higher average number of FTEs (+38 Y/Y) influenced by the strengthening of the distribution, and helped by a lower base in 1H 2016 (higher share of IT projects with capitalized staff expenses).

**General administrative expenses** decreased by **2% Y/Y** as higher ICT expenses were more than fully offset by lower facilities and marketing expenses.

As a result, the **Cost/income ratio** decreased to **42.0%** (-2.7pp Y/Y).

### Impairments on loans and receivables



**Impairments on loans and receivables** in 1H 2017 decreased Y/Y to **CZK 173m** implying a **credit cost ratio** of **6 bps** (Ytd., annualized, -3 bps Y/Y) as a result of improvement or stable development in all segments.

**The return on equity (ROE)** reached **21.1%** in 1H 2017, up from 18.9% and fully driven by higher net profit.

## Consolidated Balance Sheet – Assets

(CZK m)	30/6 2016	31/12 2016	30/6 2017	Ytd.	
Cash and balances with central banks	23,332	61,075	130,291	>+100%	Increase due to overnight loan with ČNB.
Financial assets held for trading	58,477	20,008	36,704	+83%	
Financial assets designated at fair value through P/L	0	0	0	n/a	Increase due to reverse repo operations with banks and sovereign bonds.
Available-for-sale financial assets	57,395	56,938	49,847	-12%	
Loans and receivables - net	754,307	779,222	1,020,397	+31%	
<i>Loans and receivables to credit institutions - gross</i>	231,326	242,210	447,511	+85%	
<i>Loans and receivables to other than credit institutions - gross</i>	533,101	547,078	582,313	+6%	
<i>Allowance for impairment losses</i>	-10,120	-10,066	-9,427	-6%	Increase due to reverse repo operations with ČNB.
Held-to-maturity investments	136,067	132,679	116,716	-12%	
Fair value adjustments of the hedged items in portfolio hedge	1,662	852	-1,425	>-100%	
Derivatives used for hedging	15,273	11,656	9,186	-21%	
Current tax assets	78	25	88	>+100%	
Deferred tax assets	168	179	157	-12%	
Investments in associate and joint ventures	4,609	4,957	4,518	-9%	
Investment property	0	0	0	n/a	
Property and equipment	8,514	10,009	9,890	-1%	
Goodwill and other intangible assets	5,387	5,634	5,748	+2%	
Non-current assets held-for-sale	367	52	31	-40%	
Other assets	2,548	2,241	2,647	+18%	
<b>Total assets</b>	<b>1,068,184</b>	<b>1,085,527</b>	<b>1,384,795</b>	<b>+28%</b>	

### Note:

As of 1Q 2017, ČSOB has implemented new rules of the Unified Framework of the Consolidated Financial Reporting (FINREP) issued by Committee of European Banking Supervision. This resulted in reclassification between two balance sheet lines, namely: "Cash and balances with central banks" (+) and "Loan and receivables to credit institutions - gross" (-). In order to provide fully comparable figures, year 2016 has been restated.

## Consolidated Balance Sheet – Liabilities and Equity

(CZK m)	30/6 2016	31/12 2016	30/6 2017	Ytd.	
Financial liabilities held for trading	43,119	40,044	43,397	+8%	
Financial liabilities at fair value through P/L	0	1,620	4,870	>+100%	
Financial liabilities at amortised cost	914,826	931,757	1,232,862	+32%	
<i>of which Deposits received from central banks</i>	0	0	0	n/a	
<i>of which Deposits received from credit institutions</i>	65,073	32,598	164,562	>+100%	
<i>of which Deposits received from other than credit institut.</i>	668,510	676,161	772,019	+14%	
<i>of which Debt securities in issue</i>	181,243	222,998	296,281	+33%	
<i>of which Subordinated liabilities</i>	0	0	0	n/a	
Fair value adjustments of the hedged items in portfolio hedge	7,977	4,796	1,131	-76%	
Derivatives used for hedging	12,688	10,532	8,662	-18%	
Current tax liabilities	496	849	597	-30%	
Deferred tax liabilities	1,712	1,576	1,601	+2%	
Provisions	485	673	925	+37%	
Other liabilities	4,890	4,945	3,872	-22%	
<b>Total liabilities</b>	<b>986,193</b>	<b>996,792</b>	<b>1,297,917</b>	<b>+30%</b>	
Share capital	5,855	5,855	5,855	0%	
Share premium	20,929	20,929	20,929	0%	
Statutory reserve	18,687	18,687	18,687	0%	
Retained earnings	32,048	38,877	38,079	-2%	
Available-for-sale reserve	1,992	2,228	1,764	-21%	
Cash flow hedge reserve	2,303	1,973	1,379	-30%	
<b>Parent shareholders' equity</b>	<b>81,814</b>	<b>88,549</b>	<b>86,693</b>	<b>-2%</b>	
Minority interest	177	186	185	-1%	
<b>Total equity</b>	<b>81,991</b>	<b>88,735</b>	<b>86,878</b>	<b>-2%</b>	
<b>Total liabilities and equity</b>	<b>1,068,184</b>	<b>1,085,527</b>	<b>1,384,795</b>	<b>+28%</b>	

## Capital

### Solid capital position

Consolidated, CZK m	30.6.2016	31.12.2016	30.6.2017
<b>Total regulatory capital</b>	<b>64,981</b>	<b>70,292</b>	<b>69,559</b>
- CET 1 capital before regulatory adjustments	73,505	78,404	78,550
- Regulatory adjustments of CET1 capital	-9,352	-9,423	-8,991
- (Core) Tier 1 Capital	64,153	68,981	69,559
- Tier 2 Capital	828	1,311	0
<b>Total capital requirement</b>	<b>30,349</b>	<b>30,318</b>	<b>33,050</b>
- Credit risk	24,374	24,699	25,925
- Market risk	1,483	1,126	2,575
- Operational risk	4,492	4,492	4,550
<b>Total RWA</b>	<b>379,366</b>	<b>378,970</b>	<b>413,122</b>
<b>(Core) Tier 1 ratio</b>	<b>16.9%</b>	<b>18.2%</b>	<b>16.8%</b>
<b>Total capital ratio</b>	<b>17.1%</b>	<b>18.5%</b>	<b>16.8%</b>

Tier 1 capital increased Y/Y as a result of:  
(+) increase of retained earnings  
(-) decrease in AFS reserve

Tier 2 capital decreased to zero as a result of methodology change in calculation in line with CRR.

Total RWA increased Y/Y mainly as a result:  
(+) credit risk requirements driven by loan volumes (mainly mortgages)  
(+) market risk requirements driven mainly by interest rate volatility

*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 = (Core) Tier 1 + Tier 2*

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

## Business Results

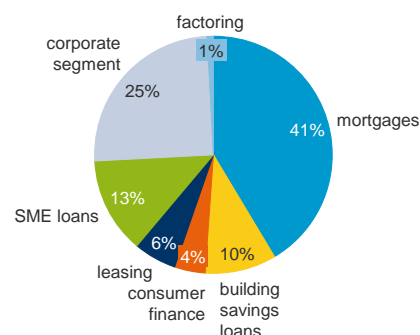
### Loan portfolio

#### Strong growth driven by all areas except for building savings loans

Gross outstanding volumes, CZK bn	30.6.2016	30.6.2017	Y/Y
<b>Loan portfolio (incl. ČMSS/building savings loans)</b>	<b>607.7</b>	<b>652.8</b>	<b>+7%</b>
<b>Retail Segment</b>			
Mortgages <sup>1</sup>	243.4	270.2	+11%
Consumer finance	22.3	26.1	+17%
Building savings loans <sup>2</sup>	64.7	64.3	-1%
<b>SME/Corporate Segment</b>			
Corporate loans <sup>3</sup>	154.8	162.3	+5%
SME loans	82.5	85.7	+4%
Leasing	35.3	38.7	+10%
Factoring	4.7	5.6	+18%
<b>Loan portfolio (excl. ČMSS/building savings loans)</b>	<b>543.0</b>	<b>588.6</b>	<b>+8%</b>

**30.6.2017**  
(incl. ČMSS/building savings loans)

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



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

<sup>2</sup> The ČSOB group building savings loans are 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 2017, **outstanding mortgages volumes** increased by **11% Y/Y** as a result of strong demand related to ČNB's recommendations regarding LTV (loan-to-value), together with expected growth of interest rates and real estate prices. During this period, ČSOB provided more than **16 thousand new mortgages** (+7% Y/Y) in the total amount of **CZK 35bn** (+15% Y/Y) boosted by record high new sales in 2Q 2017. In contrast, total market increased by 4% Y/Y in number of new mortgages and increased by 11% Y/Y in the total amount.

**Consumer finance** continued with double-digit growth of **17% Y/Y** driven by cash loans (+22% Y/Y) thanks to the improved attractiveness of ČSOB's product offer (pricing, conditions, processing) for both existing and new clients.

Outstanding **building savings loan portfolio** declined by **1% Y/Y**, while market increased by 1% Y/Y. In 1H 2017, **new sales** increased by **21% Y/Y**. The most demanded were small loans for renovations and modernization. The demand was supported by favorable interest rates and an improved product offer.

**Corporate loans** increased by **5% Y/Y** driven by plain vanilla financing (+6%) and specialized finance (+4%). The majority of Y/Y loan growth was recorded in the sectors: finance & insurance, media and real estate.

**SME loans** increased by **4% Y/Y** driven by higher loans granted to core SME (micro, small and mid-sized companies, +10% Y/Y) which was partially offset by a decline in other (-7% Y/Y). The loan volume to housing cooperatives decreased Y/Y, however ČSOB maintains the leading market position in this segment.

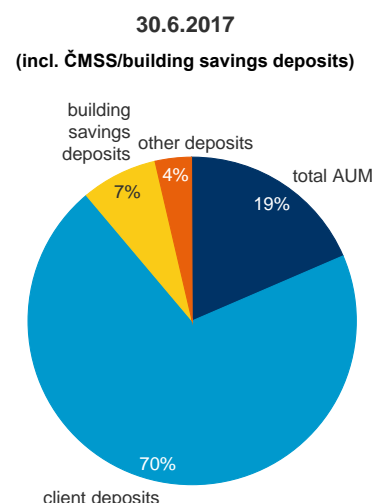
**ČSOB Leasing** strengthened its market leading position. **Outstanding volumes** increased by **10% Y/Y** driven by machinery & equipment financing mainly in the corporate and SME segments.

**Factoring outstanding volumes** increased by **18% Y/Y** thanks to a gradually growing client base.

## Group Deposits and Total Assets under Management

### Strong growth of both group deposits and total AUM

Outstanding volumes, CZK bn	30.6.2016	30.6.2017	Y/Y
<b>Group deposits</b> (incl. ČMSS/building savings deposits)	<b>745.1</b>	<b>849.2</b>	<b>+14%</b>
Client deposits	643.6	733.7	+14%
<i>Current accounts</i>	418.1	503.0	+20%
<i>Savings deposits</i>	213.8	216.8	+1%
<i>Term deposits</i>	11.7	13.9	+19%
Other deposits	24.8	38.3	+54%
Building savings deposits <sup>1</sup>	76.6	77.2	+1%
<b>Total AUM</b>	<b>183.5</b>	<b>196.0</b>	<b>+7%</b>
Pension funds <sup>2</sup>	43.4	47.5	+9%
Mutual funds and other AM <sup>3</sup>	140.1	148.5	+6%



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

The **14% Y/Y** growth of **client deposits** was largely driven by **current accounts** (+20% Y/Y). **Saving deposits** increased by 1% Y/Y.

The **building savings deposits** increased by **1% Y/Y** partly affected by pricing adjustment in the previous year.

The volume of **pension funds** increased by **9% Y/Y** driven mainly by increase of new sales and improving retention.

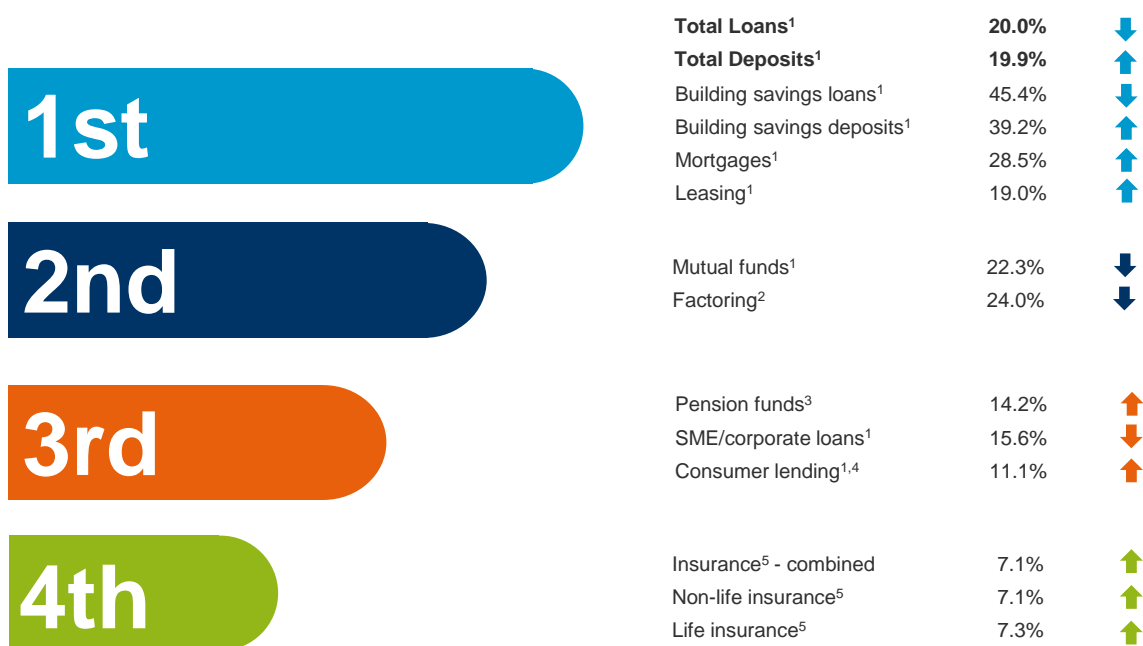
**Mutual funds and other AM** increased by **6% Y/Y** to **CZK 148.5bn** thanks to growth in all categories. The 6% Y/Y growth of AUM in mutual funds was driven by both higher net sales as well as positive performance effect.

**2Q 2017 new sales of mutual funds** were **up 65% Y/Y** driven by mixed funds (especially Profile funds and Premium profile funds).



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

Gaining market share in mortgages, consumer lending, leasing and insurance



Arrows show Y/Y change. Market shares as of 30 June 2017. 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;

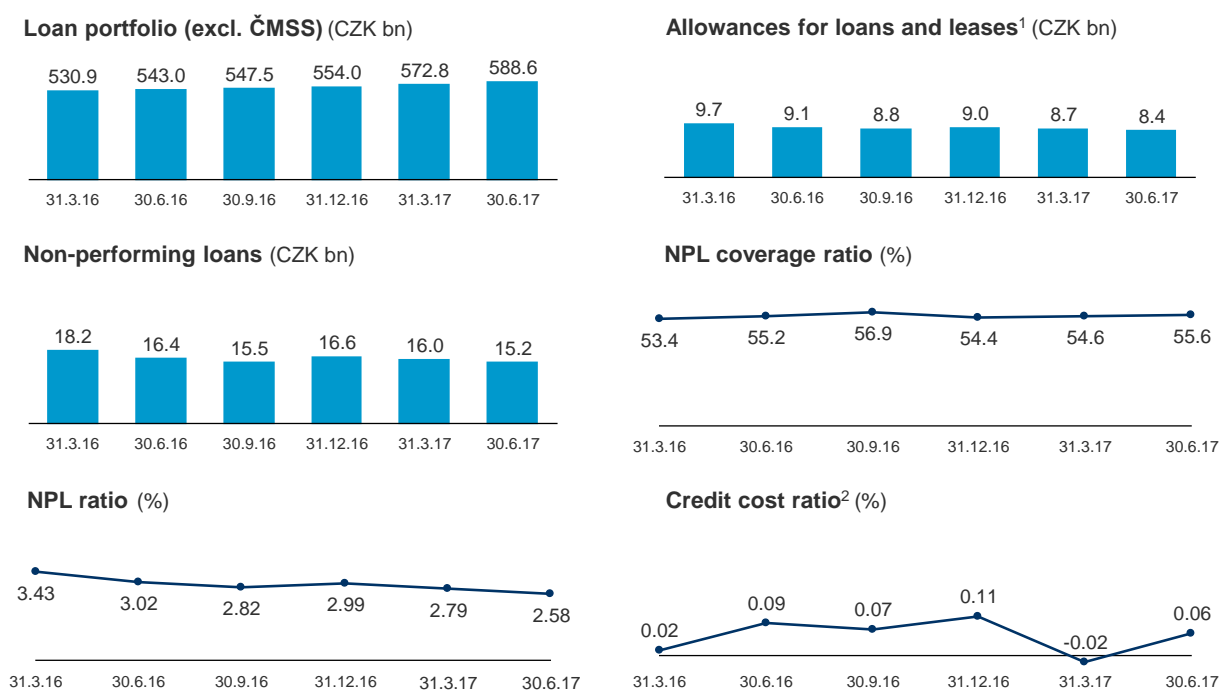
<sup>3</sup> Number of total clients at the given date;

<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

The already low NPL ratio drops even further reflecting excellent loan quality



<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 2017)

Rating agency	Moody's	Standard & Poor's
Long-term rating	A2	A
Outlook	stable	stable
Short-term rating	P-1	A-1
Long-term rating valid since	20 June 2012	1 October 2014
Last confirmation	17 March 2015	17 March 2017

## Selected Awards for the ČSOB Group Announced in 2017

<b>Euromoney: Private Banking Survey</b>	ČSOB Private Banking awarded by the magazine <b>Euromoney</b> as the <b>Best Private Bank 2017</b> in the Czech Republic.
<b>Global Finance: Best FX Provider Award 2017</b>	ČSOB was recognized as the <b>Best FX Provider</b> in the Czech Republic for 2017.
<b>Via Foundation: Via Bona Award</b>	ČSOB was voted <b>the best by the public in the Good Company category</b> for philanthropic activities over last 20 years.
<b>Global Finance: Trade Finance Provider Award 2017</b>	The Global Finance magazine selected ČSOB as the <b>Best Trade Finance Provider 2017</b> in the Czech Republic.
<b>European Structured Products &amp; Derivatives Awards 2017</b>	<b>ČSOB Asset Management</b> won the European competition Structured Products & Derivatives Awards 2017 in the category of <b>Best Distributor</b> in the Czech Republic.
<b>Sodexo: Employer of the Year 2017</b>	ČSOB was selected <b>the third best employer above 5,000 employees</b> in the Czech Republic (overall ranking regardless of industry) by Sodexo.
<b>Zlatá koruna award</b>	In the 15th <b>Zlatá koruna award</b> , ČSOB Leasing ranked first in <b>the Leasing for entrepreneurs category</b> with the product <b>Autopilot ČSOB Leasing</b> and Hypoteční banka second in <b>the Mortgages category</b> with the product <b>Secure financing</b> .

Note:

Full list of received awards is available on ČSOB's website: [www.csob.cz/en](http://www.csob.cz/en)

## 2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**Interim Consolidated Financial Statements of ČSOB as at 30 June 2017** 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. 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. 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, ČMSS, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Asset Management, ČSOB Factoring 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.

Distribution Platform of the ČSOB group	31. 12. 2016	30. 6. 2017
<b>Retail / SME branches and advisory centers</b>	<b>694</b>	<b>681</b>
ČSOB retail / SME branches (incl. dual branded ČSOB + PSB/Era)	216	216
PSB / Era Financial centers	49	38
ČMSS advisory centers	308	302
Hypoteční banka centers	29	30
ČSOB Pojišťovna branches	92	95
<b>ČSOB Private Banking branches</b>	<b>11</b>	<b>11</b>
<b>Leasing branches</b>	<b>10</b>	<b>9</b>
<b>ČSOB corporate branches</b>	<b>11</b>	<b>11</b>
<b>PSB outlets of the Czech Post network</b>	<b>ca. 3,000</b>	<b>ca. 2,900</b>
<b>ATMs (the Bank) <sup>1)</sup></b>	<b>1,066</b>	<b>1,067</b>
<b>Clients (the Bank only; in millions)</b>	<b>2.766</b>	<b>2.766</b>
<b>Internet banking – users (in millions)</b>	<b>1.566</b>	<b>1.584</b>
– transactions (in millions)	<b>51.694</b>	<b>27.229</b>

<sup>1)</sup> Including ATMs of cooperating banks.

Employees (FTEs)	31. 12. 2016	30. 6. 2017
<b>Employees of the ČSOB group (FTEs)</b>	<b>8,232</b>	<b>8,204</b>
of which the Bank	7,071	7,061

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

## KBC Group Profile

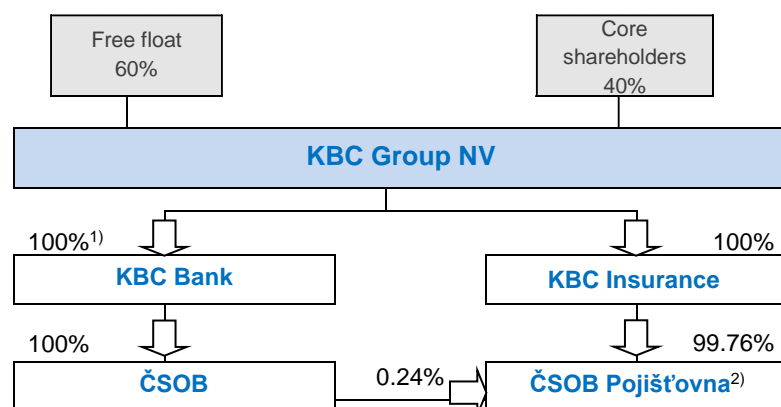
ČSOB is a wholly-owned subsidiary of KBC Bank NV, whose shares are held (directly or indirectly) by KBC Group NV. KBC Bank and KBC Group are both based in Brussels, Belgium.

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, Bulgaria and Ireland. Elsewhere in the world, KBC is present in several other countries to support corporate clients from its core markets. As of mid 2017, the KBC Group served approximately 11 million clients in its home markets, and employed approximately 41 000 employees, over 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 by KBC Group's core shareholders (KBC Ancora, Cera, MRBB and the Other core shareholders).

## The Simplified Scheme of the KBC Group

(as at 30 June 2017)



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. 2016	30. 6. 2017
Total assets	EURbn	275.2	296.5
Loans and advances to customers	EURbn	133.2	139.4
Deposits from customers and debt securities	EURbn	177.5	189.9
Net profit, group share	EURm	2,427	1,485
Common equity ratio, group level (Basel III, fully loaded)	%	15.8	15.7
Cost / income ratio, banking	%	55	56

Long-term rating (as at 10 August 2017)	Fitch	Moody's	S & P
KBC Bank	A	A1	A
KBC Insurance	-	-	A-
KBC Group	A	Baa1	BBB+

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 2017.

ČSOB is also a **controlling entity**. For information on companies controlled by ČSOB as at 30 June 2017 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	2. 1. 2017 <sup>3</sup>	Senior Executive Officer, Transformation <sup>5</sup>
<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	1. 3. 2017 <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
<b>Marcela Suchánková</b>	Member	1. 3. 2017	1. 3. 2017	Senior Executive Officer, People and Communication
<b>Jan Sadil</b>	Member	1. 3. 2017	1. 3. 2017	Senior Executive Officer, Specialised Banking and Insurance

<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 the first half of 2017, members of ČSOB's Top Management were identical with the members of the Board of Directors of ČSOB.

<sup>5</sup> Senior Executive Officer of Specialized Banking and Insurance till 1 March 2017.

For a description of areas of responsibility managed by ČSOB's Board of Directors (Top Management) as at 30 June 2017 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>Franky Depickere</b>	Member	1. 6. 2014	1. 6. 2014	–
<b>Christine Van Rijsseghem</b>	Member	1. 6. 2014	1. 6. 2014	–
<b>Willem Hueting</b>	Member	1. 7. 2016	1. 7. 2016	–
<b>Marc Wittemans</b>	Member	1. 10. 2016	1. 10. 2016	–
<b>Petr Šobotník</b>	Member	1. 2. 2017	1. 2. 2017	–

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

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

### 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>Willem Hueting<sup>2</sup></b>	Member	1. 7. 2016	–

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

<sup>2</sup> Acting as the Senior General Manager, Core Communities Banking (Business Unit International Markets) & Consumer Finance in the KBC Group.

## Changes in ČSOB's Managing and Supervisory Bodies in the first half of 2017

**KBC Bank as the sole shareholder of ČSOB in exercising the powers of the General Meeting decided as follows:**

On 18 January 2017

- Petr Šobotník was elected a member of ČSOB's Supervisory Board with effect from 1 February 2017.

On 27 February 2017

- Marcela Suchánková was elected a member of ČSOB's Board of Directors with effect from 1 March 2017 (Area of responsibility People and Communication).
- Jan Sadil was elected a member of ČSOB's Board of Directors with effect from 1 March 2017 (Area of responsibility Specialised Banking and Insurance).

For a description of **introducing new members of Managing and Supervisory Bodies** please refer to ČSOB's Annual Report 2016 available at [www.csob.cz](http://www.csob.cz), page 52.

## 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 2017, 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 2017, 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 VI/2017</b>	CZ0003703472	6. 8. 2012	CZKm 4,000

None of CSOB bonds is listed (publicly tradable on any official regulated market in either an EU member state, or an EEC member state).

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

By 30 June 2017, ČSOB recorded the following investment certificate issues in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
ČSOB Investiční certifikát XX. (Deluxe II)	CZ0000300413	24. 9. 2014	CZKm	160.62
ČSOB Investiční certifikát XXIX. (Eurostoxx50)	CZ0000300587	15. 4. 2015	USDm	5.89
ČSOB Investiční certifikát XXX. (Utility)	CZ0000300579	15. 4. 2015	CZKm	169.35
ČSOB Investiční certifikát XXXI. (Diskont SX5E)	CZ0000300595	22. 4. 2015	CZKm	40.23
ČSOB Investiční certifikát XXXV. (2nd worst - Index)	CZ0000300645	20. 5. 2015	CZKm	90.05
ČSOB Investiční certifikát Unit link I.	CZ0000300652	12. 6. 2015	CZKm	157.00
ČSOB Investiční certifikát Unit link II.	CZ0000300686	10. 7. 2015	CZKm	417.00
ČSOB IC XXXVIII. (4th worst - Healthcare)	CZ0000300694	15. 7. 2015	CZKm	134.12
ČSOB IC XXXIX. (Defensive SX5E)	CZ0000300702	22. 7. 2015	CZKm	142.41
ČSOB Investiční certifikát Unit link III.	CZ0000300710	10. 8. 2015	CZKm	230.82
ČSOB Investiční certifikát Unit link IV.	CZ0000300728	10. 9. 2015	CZKm	261.82
ČSOB Investiční certifikát XL. (Eurostoxx50)	CZ0000300736	14. 10. 2015	CZKm	181.56
ČSOB Investiční certifikát XLI. (German leaders)	CZ0000300751	21. 10. 2015	CZKm	152.26
ČSOB Investiční certifikát Unit link V.	CZ0000300769	10. 11. 2015	CZKm	493.00
CSOB IC INDEXOVÝ I.	CZ0000300777	19. 11. 2015	CZKm	391.75
ČSOB Investiční certifikát XLII. (Banks Defensive)	CZ0000300785	2. 12. 2015	CZKm	176.24
ČSOB Investiční certifikát XLIII. (Eurostoxx50)	CZ0000300819	9. 12. 2015	EURm	3.59
ČSOB Investiční certifikát XLIV. (Eurostoxx50)	CZ0000300827	16. 12. 2015	USDm	3.06
ČSOB Investiční certifikát Unit link VI.	CZ0000300793	21. 12. 2015	CZKm	572.70
Participation SX5E 2021	CZ0000300843	9. 2. 2016	CZKm	62.60
ČSOB Investiční certifikát Unit link VII.	CZ0000300884	22. 2. 2016	CZKm	763.20
Participation SX7P 2021	CZ0000300892	16. 3. 2016	CZKm	39.89
ČSOB Investiční certifikát Unit link VIII.	CZ0000300900	11. 4. 2016	CZKm	194.83
ČSOB Investiční certifikát CLN 2020	CZ0000300967	11. 4. 2016	CZKm	500.00
ČSOB Investiční certifikát Unit link IX.	CZ0000300959	24. 5. 2016	CZKm	191.50
ČSOB Investiční certifikát Unit link X.	CZ0000300983	15. 7. 2016	CZKm	124.30
ČSOB Investiční certifikát Unit link XI.	CZ0000301031	12. 9. 2016	CZKm	116.25
Evropská inflace a Euro Stoxx 50 2021	CZ0000301049	21. 9. 2016	CZKm	82.15
2nd Worst of IT Basket 6,5 2021	CZ0000301056	21. 9. 2016	CZKm	115.45
ČSOB Investiční certifikát Unit link XII.	CZ0000301064	24. 10. 2016	CZKm	324.95
Solactive Participation 2021	CZ0000301072	3. 11. 2016	CZKm	220.34
Defensive SX5E 4,6 2024	CZ0000301122	30. 11. 2016	CZKm	179.70
ČSOB Investiční certifikát Unit link XIV.	CZ0000301148	12. 12. 2016	CZKm	502.41
Gold Miners	CZ0000301163	21. 12. 2016	CZKm	194.70
ČSOB Investiční certifikát Unit link XIII.	CZ0000301130	29. 12. 2016	CZKm	582.26
Healthcare Allergan	CZ0000301155	29. 12. 2016	CZKm	18.50
Defensive SX5E 4,6 2024 II.	CZ0000301171	29. 12. 2016	CZKm	118.09
ČSOB Investiční certifikát Unit link XV.	CZ0000301189	30. 12. 2016	CZKm	129.80
ČSOB Investiční certifikát Unit link XVI.	CZ0000301197	10. 2. 2017	CZKm	191.23



Autocall Euro iSTOXX 70 EWD5 6,8 2022	CZ0000301213	8. 3. 2017	CZKm	430.36
Defensive Euro iSTOXX 70 EWD5 4 2024	CZ0000301205	8. 3. 2017	CZKm	248.60
ČSOB Investiční certifikát Unit link XVII.	CZ0000301239	10. 3. 2017	CZKm	125.18
Defensive Eurostoxx 4,6 2024 III.	CZ0000301254	15. 3. 2017	CZKm	308.85
NYSE Arca Gold BUGS 5,1 2022	CZ0000301288	15. 3. 2017	CZKm	173.55
ČSOB TOP 70 EVROPSKÝCH SPOLEČNOSTÍ 1	CZ0000301247	5. 4. 2017	CZKm	316.61
ČSOB Investiční certifikát Unit link XVIII.	CZ0000301304	12. 4. 2017	CZKm	103.47
NXS Momentum Fund Stars ER Participation 2022	CZ0000301296	19. 4. 2017	CZKm	917.64
ČSOB Investiční certifikát Unit link XIX.	CZ0000301338	10. 5. 2017	CZKm	137.20
Worst of IT 6 2022	CZ0000301346	11. 5. 2017	CZKm	177.61
ČSOB Investiční certifikát Unit link XX.	CZ0000301361	14. 6. 2017	CZKm	124.03

In July and August 2017\*, ČSOB issued the following **investment certificates issue** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Investment Certificates Issued (Nominal Value)	
ČSOB Investiční certifikát Unit link XXII.	CZ0000301387	13. 7. 2017	CZKm	249.80
ČSOB Investiční certifikát Unit link XXI.	CZ0000301379	14. 7. 2017	CZKm	97.00
BNP Income Fund Stars ER 2022	CZ0000301395	19. 7. 2017	CZKm	695.00
Autocall iStoxx Transatlantic 100 EWD 6,1 2022	CZ0000301411	21. 7. 2017	CZKm	327.00
Defensive Eurostoxx 4,3 2024	CZ0000301403	26. 7. 2017	CZKm	241.00
ČSOB Investiční certifikát Unit link XXIII.	CZ0000301429	14. 8. 2017	CZKm	86.57

\* Issued until 14 August 2017.

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 27 April 2017, KBC Bank NV as ČSOB's sole shareholder:

**Approved** Separate Financial Statements of ČSOB as at 31 December 2016 and Consolidated Financial Statements of ČSOB and its subsidiaries as at 31 December 2016 prepared in accordance EU IFRS.

**Approved** distribution of the non-consolidated net profit for the year 2016 in the total amount of CZK 15,544,142 ths as follows:

- A part of ČSOB's non-consolidated net profit for the year 2016 in the amount of CZK 10,146,715 ths was distributed to the shareholders.
- The dividend per share was CZK 34.66. The dividends were paid within three months since the day of the decision.
- A part of ČSOB's non-consolidated net profit for the year 2016 in the amount of CZK 5,397,427 ths was allocated to the retained earnings account.

### Information on Court Disputes

The most significant ČSOB's court disputes as at 30 June 2017 including the dispute amount (with accessories):

#### Litigation against ČSOB (the Defendant)

Counterparty of the Dispute: **ICEC-HOLDING, a.s.**, Boleslavova 710/19, Ostrava

Liability: CZK 21,891 m

According to ČSOB, this legal dispute does not constitute any risk, given its absolute unreasonableness. If, however it is improbable situation, CSOB would be obliged to provide any payment on the basis of the legally binding decision in this dispute, CSOB would consider to claim the reimbursement of such payment from CNB, under the Agreement and Indemnity concluded in connection with the sell of the IPB Enterprise.

## Corporate Social Responsibility Related Events in 1H 2017

### ČSOB is socially responsible and aims for sustainability

#### Four pillars of responsible business

Within the **Environmental Responsibility** pillar, ČSOB successfully concluded certification ISO 14001 'Environmental Management System' and has concentrated on deploying a variety of modern technologies and increasing employee awareness on responsible behaviour towards environment.

Within the **Financial Literacy** pillar, ČSOB realized **158 workshops and sessions at schools** and trained **58 ambassadors** from amongst employees. Our internal financial literacy campaign received 2<sup>nd</sup> place within the Czech PR Award given by Czech Association of Public Relations Agencies (APRA).

#### Philanthropy

In March 2017, ČSOB launched a new **Good Will Card grant programme** based on further developing our relationship with clients in respect to philanthropy. The programme focuses on support to concrete people in difficult health or social situation and on support to systematic changes leading to improvement of a specific social phenomenon. In the spring round of the programme, 12 initiatives received financing.

On the occasion of 20<sup>th</sup> anniversary of the **Via Bona award**, which has been given to individual or company philanthropists by the Via Foundation for 20 years already, a special event was held to remind of the twenty strongest stories of Czech philanthropy. ČSOB was selected as one of the 5 corporate finalists and is honoured to have been voted the best by the public in the **Good Company category**.

#### Employee engagement in CSR

Since 2017, which is the 10<sup>th</sup> anniversary of **ČSOB volunteering programme**, this initiative has been open to all employees of ČSOB Group.

The same approach – inviting all employees of ČSOB Group – applies to the **Help Fund**, a programme intended for family and friends of our employees who find themselves in difficult life situation. Since 2011, ČSOB already helped to 313 people with overall CZK 5.5 m. Our help covers compensation aids for physiotherapy, neuro-therapy, personal assistance to people with disability and other similar types of support.

## Events after 30 June 2017

Chapter	Part
Information about ČSOB Securities	Investment certificates issues

## Expected Economic and Financial Situation of the ČSOB Group in 2H 2017

At the beginning of the year, Czech economic growth accelerated significantly up to 3%, particularly thanks to a strong exports and household consumption boosted by record-breaking employment rate and real wage growth. The positive economic development then contributed to a further drop in unemployment rates while the supply of vacancies increased even further. The improved living standard of the population did not only result in increased consumption; it also prompted further investments in housing which were subsequently reflected in the continuing real estate boom. However, under the circumstances, insufficient supply of new apartments led to further acceleration in real estate price growth in the country. Higher inflation enabled the central bank to release CZK from the rate intervention mode after more than three years; subsequently, the Czech currency started strengthening without posing any risk for the CNB inflation target. This created conditions for the central bank to increase its main interest rate in August, for the first time in more than nine years.

The ČSOB Group macroeconomic outlook envisages an economic growth of 2.8% for the Czech Republic in 2017.

The ČSOB Group's net profit in the first half of 2017 increased by 12% Y/Y to CZK 9.4 billion. The net profit growth was driven by the strong performance of financial markets, one-off gains on a historical legal case, an improved fee income generation and a lower cost of risk. This result was also supported by the robust growth in business volumes thanks to growth of mortgages, business loans and consumer finance. At the same time, the credit quality of the loan portfolio continued to improve, with the non-performing loans ratio recording yet a new all-time low of 2.58%.

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 2017. In addition, the ČSOB group will aim to continue accommodating the needs of its corporate clients. The ČSOB group will further endeavour to maintain solid profitability via business volumes growth and efficient cost control while sticking to its focus on asset quality.

In the second half of 2017, ČSOB will be focused primarily on servicing clients via more proactive offering of complete and relevant solutions to their life situations. ČSOB will continue to provide face-to-face services to clients who require it. ČSOB will continue to bring new products into the digital sphere. 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, 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 2017
- No. 2 Companies of the ČSOB Group
- No. 3 ČSOB's Organisation Chart

## 8. SWORN STATEMENT

### Persons Responsible for the 1H 2017 ČSOB Activity Report

hereby declare that, to their best knowledge, the **1H 2017 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 2017 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, 23 August 2017

**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 2017 ČSOB Activity Report

Interim Consolidated Financial Statements of ČSOB as at 30 June 2017

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

## **Interim Consolidated Financial Statements**

### **Half-year ended 30 June 2017**

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 2017**

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

(CZKm)	Note	1H 2017	1H 2016
Interest income	5	12,733	12,374
Interest expense	6	<u>(1,381)</u>	<u>(1,338)</u>
<b>Net interest income</b>		<b>11,352</b>	<b>11,036</b>
Fee and commission income		4,950	4,684
Fee and commission expense		<u>(1,776)</u>	<u>(1,581)</u>
<b>Net fee and commission income</b>	7	<b>3,174</b>	<b>3,103</b>
Dividend income		8	6
Net gains from financial instruments at fair value through profit or loss and foreign exchange	8	3,081	1,968
Net realised gains on available-for-sale financial assets		455	1,294
Other net income	9	<u>1,137</u>	<u>508</u>
<b>Operating income</b>		<b>19,207</b>	<b>17,915</b>
Staff expenses	10	(3,869)	(3,782)
General administrative expenses	11	(3,548)	(3,605)
Depreciation and amortisation	22, 23	<u>(659)</u>	<u>(623)</u>
<b>Operating expenses</b>		<b>(8,076)</b>	<b>(8,010)</b>
Impairment losses	12	(238)	(277)
Share of profit of associates and joint ventures	19	<u>310</u>	<u>345</u>
<b>Profit before tax</b>		<b>11,203</b>	<b>9,973</b>
Income tax expense	13	<u>(1,854)</u>	<u>(1,662)</u>
<b>Profit for the period</b>		<b>9,349</b>	<b>8,311</b>
<b>Attributable to:</b>			
Owners of the parent		9,350	8,312
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 2017**

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

(CZKm)	Note	1H 2017	1H 2016
<b>Profit for the period</b>		<b>9,349</b>	<b>8,311</b>
Net loss on cash flow hedges		(733)	(378)
Net loss on available-for-sale financial assets		(549)	(2,403)
Income tax benefit relating to components of other comprehensive income		224	523
<b>Other comprehensive income for the period, net of tax, to be reclassified to statement of income in subsequent periods</b>	31	<b>(1,058)</b>	<b>(2,258)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>8,291</b>	<b>6,053</b>
<b>Attributable to:</b>			
Owners of the parent		8,292	6,054
Non-controlling interests		(1)	(1)

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



## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

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

(CZKm)	Note	30-06-2017	31-12-2016
<b>ASSETS</b>			
Cash and balances with central banks	15	130,291	61,075
Financial assets held for trading	16	36,704	20,008
Available-for-sale financial assets	17	49,847	56,938
Held-to-maturity investments	17	116,716	132,679
Loans and receivables	18	1,020,397	779,222
Fair value adjustments of the hedged items in portfolio hedge		(1,425)	852
Derivatives used for hedging	20	9,186	11,656
Current tax assets		88	25
Deferred tax assets	13	157	179
Investment in associate and joint ventures	19	4,518	4,957
Property and equipment	22	9,890	10,009
Goodwill and other intangible assets	23	5,748	5,634
Non-current assets held-for-sale	24	31	52
Other assets	25	2,647	2,241
<b>Total assets</b>		<b>1,384,795</b>	<b>1,085,527</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities held for trading	26	43,397	40,044
Financial liabilities designated at fair value through profit or loss	26	4,870	1,620
Financial liabilities at amortised cost	27	1,232,862	931,757
Fair value adjustments of the hedged items in portfolio hedge		1,131	4,796
Derivatives used for hedging	20	8,662	10,532
Current tax liabilities		597	849
Deferred tax liabilities	0	1,601	1,576
Other liabilities	28	3,872	4,945
Provisions	29	925	673
<b>Total liabilities</b>		<b>1,297,917</b>	<b>996,792</b>
Share capital	30	5,855	5,855
Share premium		20,929	20,929
Statutory reserve		18,687	18,687
Retained earnings		38,079	38,877
Available-for-sale reserve	30	1,764	2,228
Cash flow hedge reserve	30	1,379	1,973
Shareholders' equity		86,693	88,549
Non-controlling interests, presented within equity		185	186
<b>Total equity</b>		<b>86,878</b>	<b>88,735</b>
<b>Total liabilities and equity</b>		<b>1,384,795</b>	<b>1,085,527</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 2017

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 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>
<b>At 1 January 2017</b>	<b>5,855</b>	<b>20,929</b>	<b>18,687</b>	<b>38,877</b>	<b>4,201</b>	<b>186</b>	<b>88,735</b>
Profit for the period	-	-	-	9,350	-	(1)	9,349
Other comprehensive income for the period	-	-	-	-	(1,058)	-	(1,058)
Total comprehensive income for the period	-	-	-	9,350	(1,058)	(1)	8,291
Dividends paid (Note: 14)	-	-	-	(10,148)	-	-	(10,148)
<b>At 30 June 2017</b>	<b>5,855</b>	<b>20,929</b>	<b>18,687</b>	<b>38,079</b>	<b>3,143</b>	<b>185</b>	<b>86,878</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 23 August 2017 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 2017**

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

(CZKm)	Note	1H 2017	1H 2016
<b>OPERATING ACTIVITIES</b>			
Profit before tax		11,203	9,973
Adjustments for:		167,995	(29,123)
<b>Net cash flows used in operating activities</b>		<b>179,198</b>	<b>(19,150)</b>
<b>INVESTING ACTIVITIES</b>			
Settlement of acquisition of ICT function		-	(955)
Other investing activities		15,492	(1,745)
<b>Net cash flows (used in) / from investing activities</b>		<b>15,492</b>	<b>(2,700)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net cash flows used in financing activities</b>		<b>(11,773)</b>	<b>(13,343)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>182,917</b>	<b>(35,193)</b>
Cash and cash equivalents at the beginning of the year		90,313	44,370
Net (decrease) in cash and cash equivalents		182,917	(35,193)
<b>Cash and cash equivalents at the end of the period</b>	33	<b>273,230</b>	<b>9,177</b>
<b>Additional information</b>			
Interest paid		(1,609)	(1,617)
Interest received		13,313	13,165
Dividends received (other than from associates and joint ventures)		8	8

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 2017**

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 2016.

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 2016, except for the adoption of new standards and interpretations for the year 2017 (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 carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Assets held for sale are measured at fair value less cost to sell if this value is lower than their carrying amount (i.e. cost less accumulated depreciation and impairment losses).

The interim consolidated financial statements are presented in millions of Czech Crowns (CZK), 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.

## **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 2017**

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 2016, 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.

**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.

### **Effective after 1 January 2017**

The following standards, amendments and interpretations have been issued and are effective after 1 January 2017. 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. A project relating to IFRS 9 has been running for some time at a group and local level. In 2016, it moved from the design phase to the implementation phase, which continues in 2017. The project is structured along two pillars: namely classification & measurement and impairment, as well as a common work stream relating to the impact on reporting and disclosures.

### **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.

Classification and measurement of financial assets under IFRS 9 will depend on the specific business model in place and the assets' contractual cash flow characteristics. The project is in a stage where all business models have been identified, analysed and documented, as to a large extent have the characteristics of cash flows. Based on current market conditions, regulation, interpretation, assumptions and policies, the impact of first time application is currently expected to be limited and would be reflected primarily in a potential rebalancing of the treasury portfolio (reclassification from available-for-sale to amortized cost) and the reversal of frozen available-for-sale reserves. These frozen reserves existed under IAS 39 due to historical reclassifications out of the Available-for-sale category to the held-to-maturity or loans-and-receivables categories, but need to be reversed on transition to IFRS 9.

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.

For financial liabilities, IFRS 9 changes the presentation of gains and losses on own credit risk for financial instruments designated at fair value through profit or loss. The Group will early adopt this aspect of IFRS 9 with effect from 1 January 2017 and the gains and losses on own credit risk will then go through other comprehensive income. The impact of early adoption is expected to be minimal given the current limited effect of own credit risk.

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 Group has established policies and processes to assess whether credit risk has increased significantly at the end of each reporting period and, therefore, “staging” is required (i.e. moving from one stage to another). For the loan portfolio, a multi-tier approach has been adopted to staging, based on internal credit ratings, forbearance measures, collective assessment and days past due as a backstop. A similar multi-tier approach will be used for the investment portfolio except that the Group intends to use the low-credit-risk exemption, meaning that all bonds in scope with a PD of 1 to 3 are considered to be in Stage 1, unless any of the other triggers indicate otherwise. For Stage 1 and Stage 2 - under IAS 39 - the Group records incurred-but-not-reported (IBNR) impairment losses, which are influenced by emergence periods. Under IFRS 9, impairment of financial assets is calculated on a 12-month expected credit loss (ECL) basis for Stage 1 and on a lifetime ECL basis for Stage 2. As a consequence, impairment levels are generally expected to increase. We do not expect any major impact on Stage 3.

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

### **Hedge accounting**

The Group intends to use the option to continue with hedge accounting under IAS 39 and to await further developments at the IASB regarding macro hedging.

**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** 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.

**IFRS 17 Insurance Contracts** is effective for annual periods beginning on or after 1 January 2021 and has not yet been endorsed by the EU. The standard establishes principles for the recognition, measurement, presentation and disclosure of issued insurance and held reinsurance contracts, life and non-life. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.



**Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)** is effective for annual periods beginning on or after 1 January 2018 and has not yet been endorsed by the EU. The amendment permits insurers that meet specified criteria to apply a temporary exemption from IFRS 9. Further it permits insurers to apply the overlay approach to designated financial assets and to reclassify in specified circumstances some or all of their financial assets so that the assets are measured at fair value through profit or loss.

**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.

**Transfers of Investment Property (Amendment to IAS 40)** is effective for periods on or after 1 January 2018. The amendment clarifies the guidance on transfers to or from investment properties, in terms of the definition of changes in use.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration** is effective for periods on or after 1 January 2018. The interpretation gives a guidance on determining a date of transaction for the purpose of determining the exchange rate in transactions involving advance consideration in foreign currency.

**IFRIC 23 Uncertainty over Income Tax Treatments** is effective for periods on or after 1 January 2019. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatment.

**Annual Improvements to IFRS Standards (2014 - 2016 Cycle)**, issued in December 2016 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard, two of which are applicable on or after 1 January 2018 and one on or after 1 January 2017.

## 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 2017, no changes in content were made in the accounting policies that had a material impact on the result.

## 2.5 Comparative balances

### Reclassification

In 2017, the ČSOB group and the KBC Group have decided to change presentation of some items within the structure of the consolidated financial statements consistently with the rules of the Unified Framework of the Consolidated Financial Reporting (FINREP). As a result, demand deposits in other credit institutions measured at amortised cost have been reclassified from the Loans and receivables to the Cash and balances with central banks. Such a presentation provides more reliable and more relevant information about the nature of the assets including an increase of comparability among different reporters on the market. To conform to the change in presentation in the current year, certain items in the comparative balances have been reclassified.

A reconciliation of the selected items of the consolidated statement of financial position as at 31 December 2016 is provided below:

(CZKm)	2016 As reported	Reclassification	2016 Reclassified
<b>ASSETS</b>			
Cash and balances with central banks	57,074	4,001	61,075
Loans and receivables	783,223	(4,001)	779,222

### 3. SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

The scope of the consolidation includes 30 companies. Ownership of the Group (%) in significant companies was as follows:

Name	Abbreviation	Country of incorporation	%	
			30-06 2017	31-12 2016
<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

On 17 May 2017, the management of the Bank decided to merge the Bank with its subsidiaries Centrum Radlická and Patria Online, ČSOB being the successor company, resulting in the simplification of the consolidation scope of the Group. The merger is subject to the Czech National Bank approval and is expected to be finalised by the end of the 3<sup>rd</sup> quarter.

More information regarding the scope of consolidation is available in the 2016 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, asset management 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 and mutual funds.

**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 and items not directly attributable to other segments.

In 2016, non-manageable costs (i.e. Internal audit, Human Resources, Finance and other related Common Costs) representing a part of other operating expenses previously allocated into segments started to be reported at Group Centre. In 2017, the Group's segment reporting was modified following the change of the organisational structure of the Group. Thus, Asset Management is managed in the same way as retail clients and was moved from strategic business unit Specialised banking to Retail in 2017. Comparative balances in the Statement of income for 1H 2016 have been reclassified accordingly.

## Segment reporting information by customer segments for 2017

(CZKm)	Retail	Relationship services	Financial markets	Specialised banking	Group Centre	Total
<b>Statement of income for the 1H 2017</b>						
Net interest income	3,487	4,302	67	2,282	1,214	11,352
Net fee and commission income	1,131	1,298	287	304	154	3,174
Dividend income	-	-	-	-	8	8
Net gains / (losses) from financial instruments at fair value through profit or loss	271	955	1,664	(58)	249	3,081
Net realised gains on available-for-sale financial assets	-	-	-	-	455	455
Other net income	33	246	11	10	837	1,137
<b>Operating income</b>	<b>4,922</b>	<b>6,801</b>	<b>2,029</b>	<b>2,538</b>	<b>2,917</b>	<b>19,207</b>
<i>of which:</i>						
<i>External operating income</i>	2,385	5,758	2,029	3,365	5,670	19,207
<i>Internal operating income</i>	2,537	1,043	-	(827)	(2,753)	-
Depreciation and amortisation	(16)	(27)	(8)	(30)	(578)	(659)
Other operating expenses	(3,176)	(2,095)	(220)	(513)	(1,413)	(7,417)
<b>Operating expenses</b>	<b>(3,192)</b>	<b>(2,122)</b>	<b>(228)</b>	<b>(543)</b>	<b>(1,991)</b>	<b>(8,076)</b>
Impairment losses	94	(4)	(2)	(18)	(308)	(238)
Share of profit of associates and joint ventures	34	-	-	276	-	310
<b>Profit before tax</b>	<b>1,858</b>	<b>4,675</b>	<b>1,799</b>	<b>2,253</b>	<b>618</b>	<b>11,203</b>
Income tax (expense) / benefit	(353)	(888)	(342)	(428)	157	(1,854)
<b>Segment profit</b>	<b>1,505</b>	<b>3,787</b>	<b>1,457</b>	<b>1,825</b>	<b>775</b>	<b>9,349</b>
<b>Attributable to:</b>						
Owners of the parent	1,505	3,787	1,457	1,826	775	9,350
Non-controlling interest	-	-	-	(1)	-	(1)

## 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	3,676	4,146	13	2,436	765	<b>11,036</b>
Net fee and commission income	1,171	1,222	277	279	154	<b>3,103</b>
Dividend income	-	-	-	-	6	<b>6</b>
Net gains / (losses) from financial instruments at fair value through profit or loss	242	803	639	-	284	<b>1,968</b>
Net realised gains on available-for-sale financial assets	-	(2)	-	-	1,296	<b>1,294</b>
Other net income	8	219	4	17	260	<b>508</b>
<b>Operating income</b>	<b>5,097</b>	<b>6,388</b>	<b>933</b>	<b>2,732</b>	<b>2,765</b>	<b>17,915</b>
<i>of which:</i>						
<i>External operating income</i>	2,244	5,489	933	3,591	5,658	<b>17,915</b>
<i>Internal operating income</i>	2,853	899	-	(859)	(2,893)	-
Depreciation and amortisation	(26)	(21)	(3)	(38)	(535)	<b>(623)</b>
Other operating expenses	(3,225)	(2,134)	(239)	(573)	(1,216)	<b>(7,387)</b>
<b>Operating expenses</b>	<b>(3,251)</b>	<b>(2,155)</b>	<b>(242)</b>	<b>(611)</b>	<b>(1,751)</b>	<b>(8,010)</b>
Impairment losses	72	(245)	-	(69)	(35)	<b>(277)</b>
Share of profit of associates and joint ventures	30	-	-	315	-	<b>345</b>
<b>Profit before tax</b>	<b>1,948</b>	<b>3,988</b>	<b>691</b>	<b>2,367</b>	<b>979</b>	<b>9,973</b>
Income tax benefit / (expense)	(336)	(744)	(130)	(384)	(68)	<b>(1,662)</b>
<b>Segment profit</b>	<b>1,612</b>	<b>3,244</b>	<b>561</b>	<b>1,983</b>	<b>911</b>	<b>8,311</b>
<b>Attributable to:</b>						
Owners of the parent	1,612	3,244	561	1,984	911	<b>8,312</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 2017	1H 2016
Cash balances with central banks	47	25
Loans and receivables		
Credit institutions	241	176
Other than credit institutions	7,526	7,716
Available-for-sale financial assets	696	747
Held-to-maturity investments	2,250	2,553
Financial assets held for trading	108	68
Derivatives used as economic hedges	113	53
Derivatives used for hedging	955	895
Negative interest from financial liabilities measured at amortised cost	794	141
Negative interest from financial liabilities measured at fair value (Note: 8)	3	-
	<b>12,733</b>	<b>12,374</b>

## 6. INTEREST EXPENSE

(CZKm)	1H 2017	1H 2016
Financial liabilities at amortised cost		
Credit institutions	175	94
Other than credit institutions	271	392
Debt instruments in issue	156	178
Discount amortisation on other provisions (Note: 29)	2	2
Financial liabilities held for trading	182	89
Financial liabilities designated at fair value through profit or loss	10	-
Derivatives used as economic hedges	53	42
Derivatives used for hedging	528	541
Negative interest from financial assets measured at fair value (Note: 8)	4	-
	<b>1,381</b>	<b>1,338</b>

## 7. NET FEE AND COMMISSION INCOME

(CZKm)	1H 2017	1H 2016
<b>Fee and commission income</b>		
Payment services	2,629	2,576
Administration of credits	1,032	950
Collective investments	410	309
Securities	147	180
Custody	100	96
Asset management	38	55
Other	594	518
	<b>4,950</b>	<b>4,684</b>
<b>Fee and commission expense</b>		
Payment services	889	730
Retail service fees	504	517
Commissions to agents	54	53
Other	329	281
	<b>1,776</b>	<b>1,581</b>
<b>Net fee and commission income</b>	<b>3,174</b>	<b>3,103</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 2017	1H 2016
<b>Net gains from financial instruments at fair value through profit or loss and foreign exchange - as reported</b>	<b>3,081</b>	<b>1,968</b>
Net interest income (Notes: 5, 6)	402	344
	<b>3,483</b>	<b>2,312</b>
<b>Financial instruments held for trading</b>		
Interest rate contracts	475	1,314
Foreign exchange	6,704	514
Equity contracts	292	(304)
Commodity contracts	6	8
	<b>7,477</b>	<b>1,532</b>
<b>Financial instruments designated at fair value through profit or loss</b>		
Financial assets designated at fair value through profit or loss	(7)	5
	(7)	5
Exchange differences revaluations	(3,987)	775
<b>Financial instruments at fair value through profit or loss and foreign exchange</b>	<b>3,483</b>	<b>2,312</b>

## 9. OTHER NET INCOME

(CZKm)	1H 2017	1H 2016
Services provided to the parent and to entities under common control		
ICT services	276	221
Other services (excluding ICT)	43	38
Net operating leasing and rental income	190	159
Net gain on disposal of held-to-maturity investments	126	-
Other services provided by ČSOB Leasing	23	25
Other	479	65
	<b>1,137</b>	<b>508</b>

At 30 June 2017, a gain in the amount of CZK 372 m realized from a historical legal case is included in Other.

## 10. STAFF EXPENSES

(CZKm)	1H 2017	1H 2016
Wages and salaries	2,754	2,656
Salaries and other short-term benefits of senior management	45	46
Social security charges	936	918
Pension and similar expense	68	70
Other	66	92
	<b>3,869</b>	<b>3,782</b>

More information is available in the 2016 annual report.

## 11. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	1H 2017	1H 2016
Information technologies	1,133	1,166
Contribution to the Single Resolution Mechanism	546	603
Rental expenses on land and buildings - minimum lease payments	279	286
Marketing	271	252
Other building expenses	221	226
Professional fees	213	197
Communication	190	155
Deposit Insurance Premium and contribution to the Securities Traders Guarantee fund	169	150
Administration	111	120
Payment cards and electronic banking	111	67
Travel and transportation	81	71
Retail service fees	74	82
Training	36	36
Insurance	20	19
Car expenses	13	13
Other	80	162
	<b>3,548</b>	<b>3,605</b>

In June 2017, ČSOB and Česká Pošta (Czech Post) agreed on the prolongation and intensification of their mutual cooperation with the signature of a new 10-year partnership agreement. ČSOB will become Czech Post's sole partner in providing banking and insurance services as of 1 January 2018.

## 12. IMPAIRMENT LOSSES

(CZKm)	1H 2017	1H 2016
Impairment of loans and receivables (Note: 18)	136	(214)
Provisions for loan commitments and guarantees	(309)	(45)
Impairment of property, plant and equipment	(65)	(3)
Impairment of intangible assets	1	(14)
Impairment of other assets	(1)	(1)
	<b>(238)</b>	<b>(277)</b>

## 13. TAXATION

The components of income tax expense for the periods ended 30 June 2017 and 2016 are as follows:

(CZKm)	1H 2017	1H 2016
Current tax expense	1,616	1,628
Previous year over accrual	(23)	(14)
Net provisions for tax disputes	(20)	-
Deferred tax expense relating to the origination and reversal of temporary differences	281	48
	<b>1,854</b>	<b>1,662</b>

More information is available in the 2016 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 27 April 2017, a dividend of CZK 34.66 per share was paid for 2016, representing a total dividend of CZK 10,148 m.

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.

## 15. CASH AND BALANCES WITH CENTRAL BANKS

Note available in the annual report only.

(CZKm)	30-06-2017	31-12-2016
Cash	9,251	9,077
Mandatory minimum reserves	12,987	10,782
Other balances with central banks	104,597	37,215
Other demand deposits	3,456	4,001
	<b>130,291</b>	<b>61,075</b>

Other balances with central banks contain overnight loans provided to central bank in the amount of CZK 101,100 m at 30 June 2017 (31 December 2016: CZK 33,900 m).

## 16. FINANCIAL ASSETS HELD FOR TRADING

(CZKm)	30-06-2017	31-12-2016
Loans and advances		
Reverse repo transactions (Note: 36)	16,392	155
Money market placements	-	15
Debt instruments		
General government	5,022	4,527
Credit institutions	2,938	2,446
Corporate	301	247
Derivative contracts (Note: 20)		
Trading derivatives	11,734	12,167
Derivatives used as economic hedges	317	450
Equity securities		
Corporate	-	1
	<b>36,704</b>	<b>20,008</b>

Included within Financial assets held for trading are debt securities of CZK 2,159 m (2016: CZK 568 m) pledged as collateral in repo transactions.

## 17. FINANCIAL INVESTMENTS

(CZKm)	30-06-2017	31-12-2016
<b>Available-for-sale financial assets</b>		
Debt securities		
General government	32,554	39,585
Credit institutions	16,436	16,510
Corporate	418	427
Equity securities		
Corporate	439	416
	<b>49,847</b>	<b>56,938</b>
<b>Held-to-maturity investments</b>		
Debt securities		
General government	114,558	130,453
Credit institutions	1,323	1,393
Corporate	835	833
	<b>116,716</b>	<b>132,679</b>
<b>Financial investments</b>	<b>166,563</b>	<b>189,617</b>

Included within Financial investments are debt securities of CZK 63,013 m (2016: CZK 19,130 m) pledged as collateral in repo transactions or securities lending and debt securities of CZK 11,986 m (2016: CZK 12,601 m) pledged as collateral of term deposits and financial guarantees.

In June 2016, the takeover of Visa Europe Ltd. by Visa Inc. took place. Accordingly, the Group derecognised the original share in Visa Europe and recognised the share in Visa Inc. classified as Available-for-sale financial asset. 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 to Visa Inc. listed shares after 12 years. 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.

In 1H 2017, the Group used of an opportunity for the sale of the Czech sovereign bonds from the banking book and recognised a gain on the sale of Available-for-sale financial assets in the amount of CZK 455 m. Furthermore, the Group sold the coupon bonds close to maturity from the portfolio of Held-to-maturity financial investments and realised a gain in the amount of CZK 126 m. Further to the sale of bonds, the Group cancelled related derivatives hedging constructions and recognised loss in the amount of CZK 158 m reported as part of Net gains from financial instruments at fair value through profit or loss.

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)	2017	2016
Carrying value as at the reporting date	7,630	8,552
Fair value as at the reporting date	8,258	9,396
Net gain (before tax) that would have been recognised during 1H 2017 and 1H 2016 in the Statement of comprehensive income if the Group had not reclassified the assets	(216)	(175)
Interest income (before tax) recorded on reclassified assets in 1H 2017 and 1H 2016	132	199

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%.

There was no movement of the cumulative impairment losses on financial investments in 1H 2017 and 1H 2016.

More information is available in the 2016 annual report.

## 18. LOANS AND RECEIVABLES

(CZKm)	30-06-2017	31-12-2016
<b>Analysed by category of borrower</b>		
Central banks	440,004	235,003
General government	6,762	6,446
Credit institutions	7,506	7,208
Other legal entities	238,428	220,073
Private individuals	337,124	320,558
Gross loans	1,029,824	789,288
Allowance for impairment losses	(9,427)	(10,066)
	<b>1,020,397</b>	<b>779,222</b>

As at 30 June 2017, volume of credit exposure to central banks increased to CZK 440,004 m as a result of new transactions under reverse repurchase agreements (Note: 36).

As at 30 June 2017, the Group possessed assets (mainly cars related to leased assets) with an estimated value of CZK 24 m (2016: CZK 17 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 AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	30-06-2017	31-12-2016
<b>Financial liabilities held for trading</b>		
Short positions	14,040	13,025
Derivative contracts (Note: 20)		
Trading derivatives	14,974	12,176
Derivatives used as economic hedges	35	92
Term deposits	1,107	3,184
Repo transactions	4,862	155
Bonds and investment certificates issued	8,379	11,412
	<b>43,397</b>	<b>40,044</b>
<b>Financial liabilities designated at fair value through profit or loss</b>		
Investment certificates issued	4,870	1,620
	<b>4,870</b>	<b>1,620</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>48,267</b>	<b>41,664</b>

## 27. FINANCIAL LIABILITIES AT AMORTISED COST

(CZKm)	30-06-2017	31-12-2016
<b>Deposits received from credit institutions</b>		
Current accounts and overnight deposits	52,482	9,168
Term deposits	46,415	13,978
Repo transactions	65,665	9,452
	<b>164,562</b>	<b>32,598</b>
<b>Deposits received from other than credit institutions</b>		
Current accounts and overnight deposits	502,971	441,896
Term deposits	13,910	8,299
Savings deposits	216,786	214,689
Pension funds clients deposits	52	29
Repo transactions	25,150	-
Other deposits	13,150	11,249
	<b>772,019</b>	<b>676,162</b>
<b>Debt securities in issue</b>		
Bonds issued	19,346	20,970
Promissory notes	276,935	202,027
	<b>296,281</b>	<b>222,997</b>
<b>Financial liabilities at amortised cost</b>	<b>1,232,862</b>	<b>931,757</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 2017, the total authorised share capital was CZK 5,855 m (31 December 2016: CZK 5,855 m) and comprised of 292,750,002 ordinary shares with a nominal value of CZK 20 each (31 December 2016: 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 2017 and 31 December 2016.

On 30 June 2017, the Bank was directly controlled by KBC Bank whose ownership interest in ČSOB was 100 % (31 December 2016: 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 2017 and 2016 are as follows:

	Available- for-sale reserve	Cash flow hedge reserve	Total
<u>(CZKm)</u>			
<b>At 1 January 2016</b>	<b>3,944</b>	<b>2,609</b>	<b>6,553</b>
Other comprehensive income (Note: 31)	<u>(1,952)</u>	<u>(306)</u>	<u>(2,258)</u>
<b>At 30 June 2016</b>	<b>1,992</b>	<b>2,303</b>	<b>4,295</b>
<b>At 1 January 2017</b>	<b>2,228</b>	<b>1,973</b>	<b>4,201</b>
Other comprehensive income (Note: 31)	<u>(464)</u>	<u>(594)</u>	<u>(1,058)</u>
<b>At 30 June 2017</b>	<b>1,764</b>	<b>1,379</b>	<b>3,143</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 2017 and 31 December 2016:

(CZKm)	30 June 2017			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets held for trading				
Loans and advances	-	16,392	-	16,392
Debt instruments	3,726	658	3,877	8,261
Derivative contracts	-	11,877	174	12,051
Available-for-sale financial assets				
Debt securities	31,827	13,293	4,288	49,408
Equity securities	-	-	439	439
Fair value adjustments of the hedged items in portfolio hedge	-	(1,425)	-	(1,425)
Derivatives used for hedging	-	9,186	-	9,186
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Short positions	14,040	-	-	14,040
Derivative contracts	-	14,913	96	15,009
Term deposits	-	1,107	-	1,107
Repo transactions	-	4,862	-	4,862
Bonds issued	-	8,379	-	8,379
Financial liabilities designated at fair value through profit or loss				
Debt instruments	-	4,870	-	4,870
Fair value adjustments of the hedged items in portfolio hedge	-	1,131	-	1,131
Derivatives used for hedging	-	8,662	-	8,662

31 December 2016

(CZKm)	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets held for trading				
Loans and advances	-	170	-	170
Debt instruments	3,075	762	3,382	7,220
Equity securities	1	-	-	1
Derivative contracts	-	12,517	100	12,617
Available-for-sale financial assets				
Debt securities	38,835	13,261	4,427	56,522
Equity securities	-	-	416	416
Fair value adjustments of the hedged items in portfolio hedge	-	852	-	852
Derivatives used for hedging	-	11,656	-	11,656
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Short positions	13,025	-	-	13,025
Derivative contracts	-	12,126	142	12,268
Term deposits	-	3,184	-	3,184
Repo transaction	-	155	-	155
Bonds issued	-	11,412	-	11,412
Financial liabilities designated at fair value through profit or loss				
Debt instruments	-	1,620	-	1,620
Fair value adjustments of the hedged items in portfolio hedge	-	4,796	-	4,796
Derivatives used for hedging	-	10,532	-	10,532

### 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 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>-</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
<b>At 1 January 2017</b>	<b>3,382</b>	<b>100</b>	<b>-</b>	<b>4,427</b>	<b>416</b>	<b>8,325</b>
Total gains (losses) recorded in profit or loss	(76)	59	-	-	-	(17)
Total gains recorded in other comprehensive income	-	-	-	(99)	67	(32)
Purchases	724	77	-	55	-	856
Sales	(78)	-	-	-	-	(78)
Settlements	-	(62)	-	-	-	(62)
Translation differences	(75)	-	-	(95)	(44)	(214)
<b>At 30 June 2017</b>	<b>3,877</b>	<b>174</b>	<b>-</b>	<b>4,288</b>	<b>439</b>	<b>8,778</b>
Total gains or (losses) recorded in profit or loss related to assets held at the end of the reporting period	(175)	(3)	-	-	-	(178)



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
<b>At 1 January 2017</b>	<b>142</b>
Total losses recorded in profit or loss	(27)
Purchases	42
Settlements	(61)
<b>At 30 June 2017</b>	<b>96</b>
Total losses recorded in profit or loss related to liabilities held at the end of the reporting period	(88)

Management considers the value of the credit spread included in the discount factor applied on estimated future cash flows from the mortgage bonds in periods after the first year from the balance sheet date as a key assumption not derived from observable market inputs which is influencing the fair value of Level 3 financial instruments.

As at 30 June 2017, 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 53 m and CZK 67 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**

There were no transfers between a group of financial instruments with a market quoted price (level 1) and those for which the fair value is calculated using valuation techniques based on market observable inputs (level 2) in 1H 2017 and 1H 2016.

More information is available in the 2016 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 2017	1H 2016
Cash and balances with central banks	130,291	17,594
Loans and advances to credit institutions and central banks	440,068	226,035
Financial liabilities at amortised cost to credit institutions and central banks	(119,721)	(71,411)
Financial liabilities at amortised cost - repo transactions with general government bodies	(20,050)	(7,700)
Financial liabilities at amortised cost to credit institution – promissory notes	(157,358)	(155,341)
<b>Cash and cash equivalents</b>	<b>273,230</b>	<b>9,177</b>

More information is available in the 2016 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 2017 and 31 December 2016 are as follows:

(CZKm)	30-06-2017	31-12-2016
Loan commitments – irrevocable	123,317	118,292
Loan commitments – revocable	50,642	44,732
Financial guarantees	29,585	30,243
Other commitments	1,534	1,324
	<b>205,078</b>	<b>194,591</b>
Provisions for loan commitments and guarantees (Note: 29)	540	232

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)	30-06-2017	31-12-2016
<b>Financial assets</b>		
Financial assets held for trading	16,392	155
Loans and receivables	442,994	237,993
	<b>459,386</b>	<b>238,148</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 2017 was CZK 460,574 m, of which CZK 43,448 m has been either sold or repledged (31 December 2016: CZK 239,292 m and CZK 16,596 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)	30-06-2017	31-12-2016
<b>Financial liabilities</b>		
Financial liabilities held for trading	4,862	155
Financial liabilities at amortised cost	65,665	9,452
	<b>70,527</b>	<b>9,607</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 2017, volume of transaction with related parties significantly increased compared to 2016. The outstanding balances of assets and liabilities with counterparty KBC Bank are as follows: reverse repo transactions CZK 3,902 m (31 December 2016: CZK Nil), repo transactions CZK 39,620 m (31 December 2016: CZK 9,452 m) and promissory notes issued CZK 273,916 m (31 December 2016: CZK 190,400 m).

More information on related party transaction is available in the 2016 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 2017 ČSOB Activity Report  
**Companies of the ČSOB group** (as at 30 June 2017)

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

Controlled Companies									
63987686	<b>Bankovní informační technologie, s.r.o.</b> Automated data processing and software development; creation of a network of payment card reading terminals	Praha 5, Radlická 333/150	20,000,000	100.00	100.00	none	100.00	none	Y
26760401	<b>Centrum Radlická, a.s.</b> Real estate activity; rent of flats and non-residential spaces	Praha 5, Radlická 333/150	500,000,000	100.00	100.00	none	100.00	none	Y
27081907	<b>ČSOB Advisory, a.s.</b> Activity of entrepreneurial, financial, economic and organisation advisors	Praha 5, Radlická 333/150	2,000,000,000	100.00	100.00	none	100.00	none	Y
45794278	<b>ČSOB Factoring, a.s.</b> Factoring 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., in liquidation<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., in liquidation</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 5, Radlická 333/150	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
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
05815614	<b>Pardubická Rozvojová, a.s.</b> Rent of flats and non-residential spaces	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	400,000	0.24	none	0.24	0.00	ČSOB Pojišťovna	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></b> – in bankruptcy No activity	Praha 1, Senovážné náměstí 32	13,382,866,400	85.63	71.29	14.34	85.63	ČSOB Advisory, ČSOB Pojišťovna	Y
63078104	<b>Premiéra TV, a.s.</b> No activity	Praha 8, Pod Hájkem 1	29,000,000	29.00	29.00	none	29.00	none	Y
26439395	<b>První certifikační autorita, a.s.</b> Certification services and administration	Praha 9-Libeň, Podvinný mlýn 2178/6	20,000,000	23.25	23.25	none	23.25	none	Y
Other companies where ČSOB has a share in registered capital / voting rights under 10%.									N

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

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

<sup>2)</sup> Shares in 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 2017

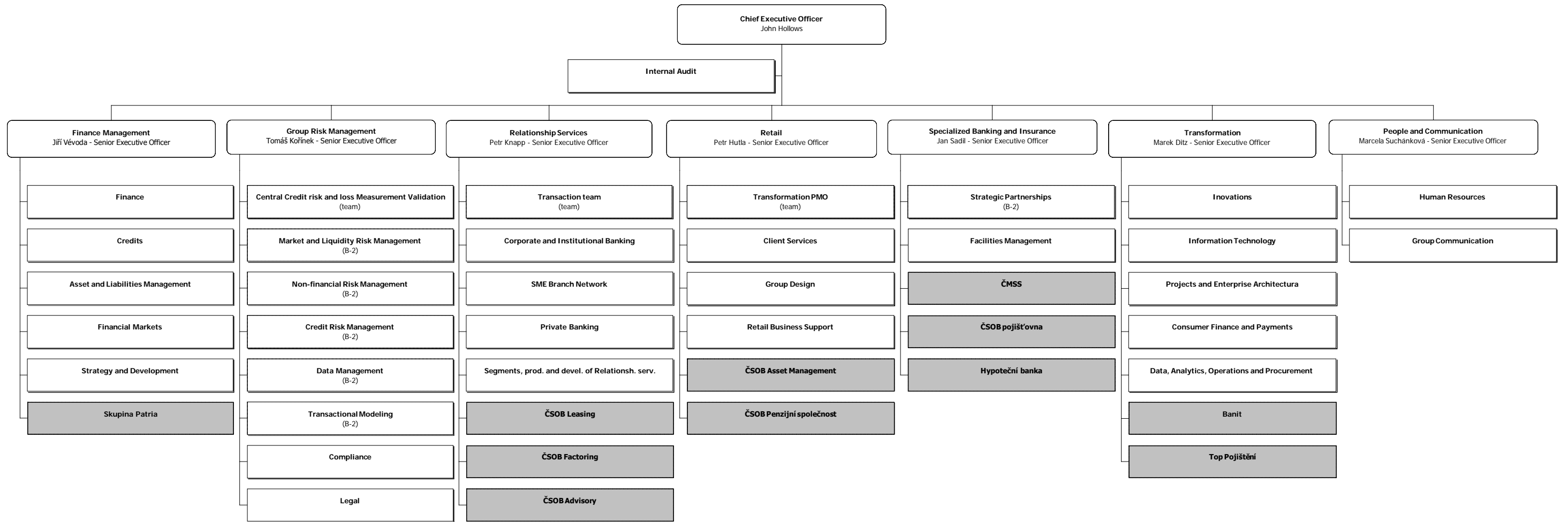
ČSOB Property fund, a.s. (CZ; ID No.: 27924068): "in liquidation" - entry to liquidation on 1 January 2017.

Merrion Properties s.r.o. (CZ; ID No.: 25617184): "in liquidation" - entry to liquidation on 1 January 2017.

TEE SQUARE LIMITED, Ltd. - dissolution of the company on 5 April 2017.

Pardubická Rozvojová, a.s. - company established on 16 February 2017.

**Annex No. 3** to 1H 2017 ČSOB Activity Report  
**ČSOB Organisation Chart** (as at 30 June 2017)



Legend:

