



1H 2019 ČSOB Activity Report

Semi-Annual Report

Business name	Československá obchodní banka, a. s.
Registered office	Radlická 333/150, Praha 5, Postal Code 150 57, Czech Republic
Legal status	Joint-stock company
Registration	Registered in the Commercial Registry of the City Court in Prague, Section B XXXVI, Entry 46
Date of registration	21 December 1964
ID No.	00001350
Tax registr. No	CZ699000761 (for VAT) CZ00001350 (for other taxes)
Bank code	0300
SWIFT	CEKOCZPP
Telephone	+420 224 111 111
E-mail	info@csob.cz
Internet address	http://www.csob.cz
Data box	8qvdk3s2
Supervisory body	Czech National Bank (CNB), Na Příkopě 28, Praha 1, Postal Code 115 03, Czech Republic

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The 1H 2019 ČSOB Activity Report (hereinafter referred to as Semi-Annual **Report**) was published on ČSOB's Internet website www.csob.cz on **29 August 2019**. The 1H 2018 results of the ČSOB group were published on 8 August 2019 in the form of a press release and a presentation which also contains 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 2019, 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 2019, unless stated otherwise.

This report has not been audited.

1. ČSOB GROUP RESULTS IN 1H 2019¹

Measures of Sustainable Performance

ČSOB group key indicators		2016	2017	2018	1H 2018	1H 2019
Profitability	Net profit (CZK bn)	15.1	17.5	15.8	7.5	10.9
	Return on equity	17.3%	19.3%	17.5%	16.6%	23.7%
Liquidity	Loan to deposit ratio	79.4%	77.7%	76.3%	73.3%	77.3%
	Net stable funding ratio	150.9%	146.0%	161.4%	150.7%	165.3%
Capital	Tier 1 (CET1) ratio	18.2%	17.2%	18.0%	17.5%	18.7%
Impairments	Credit cost ratio	0.11%	0.02%	0.05%	-0.03%	0.02%
Cost efficiency	Cost / income ratio	46.0%	43.7%	47.9%	48.9%	43.1%

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 for 2016 has been restated retrospectively.

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

1H 2019 at a Glance

Excellent loan quality and solid growth in business volumes

Lower net profit mainly due to higher base in the previous year

Business indicators	The loan portfolio increased to CZK 752bn (+3% Y/Y) driven mainly by mortgages, building savings loans, SME loans and consumer finance. Group deposits decreased to CZK 978bn (-5% Y/Y) due to lower repo operations with institutional clients. Client deposits remained flat Y/Y . Total assets under management increased to CZK 228bn (+10% Y/Y). The number of active clients increased +52ths Y/Y .
Operating income	Operating income reached CZK 21.9bn in 1H 2019 (+22% Y/Y). The Y/Y growth was driven by increasing net interest income (+26% Y/Y), one-off gains from revaluation of 55% share in ČMSS, sale of ČSOB Asset Management and historical legal case, and consolidation of ČMSS, while lower trading income had negative impact.
Operating expenses	Operating expenses increased to CZK 9.4bn in 1H 2019 (+8% Y/Y) due to higher banking tax (+23% Y/Y), higher staff expenses (+6% Y/Y), and consolidation of ČMSS and "Ušetřeno.cz".
Impairments	Credit cost ratio for 1H 2019 stood at 2 bps (Ytd. annualized, +5bps Y/Y) thanks to the ongoing excellent loan quality. In 1H 2019, loan loss provisions were created in the amount of CZK 60m driven mainly by higher creation in SME segment (methodological change). Other impairments decreased Y/Y to CZK 64m (net creation) due to lower creation in ČSOB Leasing.
Net profit	As a result of the above mentioned factors, ČSOB's net profit came in at CZK 10.9bn (+45% Y/Y) in 1H 2019.
Liquidity & Capital	Loan to deposit ratio decreased Y/Y to 77.3% . Tier 1 ratio stood at 18.7% and net stable funding ratio (NSFR) reached 165.3% .
Achievements	On 31 May 2019, ČSOB acquired 45% stake in the building savings bank ČMSS from Bausparkasse Schwäbisch Hall and thus assumed 100% ownership control of ČMSS. ČSOB set up MallPay joint venture with Mall Group which will improve financial services for clients in online shopping. The magazine Euromoney awarded ČSOB as the Best Bank in the Czech Republic for 2019. ČSOB received this award for the 10th time.

¹ All numbers in this part of the 1H 2019 ČSOB Activity Report are consolidated, unaudited, according to EU IFRS.

Ratios and Other Indicators

Ratio / Indicator	31.12.2016	31.12.2017	31.12.2018	30.6.2018	30.6.2019
Net interest margin (Ytd., annualized, %) ¹	3.00 (2.93)	2.90 (2.98)	3.07 n/a	2.98 n/a	3.13 n/a
Cost / income ratio (%)	46.0	43.7	47.9	48.9	43.1
RoE (Ytd., %)	17.3	19.3	17.5	16.6	23.7
RoA (Ytd., %)	1.42	1.26	1.07	1.06	1.42
RoAC, BU Czech Republic (Ytd., %) ²	37.0	43.0	39.1	34.0	51.0
Credit cost ratio (Ytd., annualized, %) ³	n/a (0.11)	n/a (0.02)	0.05 (0.03)	-0.03 (-0.03)	0.02 n/a
NPL ratio (%) ³	n/a (2.99)	n/a (2.33)	2.73 (2.43)	2.55 (2.16)	2.48 n/a
NPL coverage ratio (%) ³	n/a (54.4)	n/a (58.5)	45.7 (46.9)	48.8 (53.4)	47.5 n/a
(Common Equity) Tier 1 ratio (%)	18.2	17.2	18.0	17.5	18.7
Total capital ratio (%)	18.5	17.2	18.0	17.5	18.7
Leverage ratio (Basel III, %)	5.18	4.48	4.26	4.14	3.88
Net stable funding ratio ⁴ (Basel III, %)	150.9	146.0	161.4	150.7	165.3
Liquidity coverage ratio (Basel III, %)	155.7	146.4	136.5	134.9	127.4
Loan to deposit ratio (%)	79.4	77.7	76.3	73.3	77.3

¹ As of 1Q 2018, calculation of Net interest margin has been changed. Years 2016 and 2017 have been restated. Previous values are in brackets.

² Fully-loaded

³ The loan quality ratios have been restated to reflect retrospective inclusion of 100% of ČMSS loans in Credit risk: loan portfolio. The originally reported ratios are in brackets.

⁴ As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

Consolidated Unaudited Financial Statements as at 30 June 2019

Consolidated Profit and Loss Statement

(CZK m)	2Q 2018	1Q 2019	2Q 2019	Y/Y	Q/Q	1H 2018	1H 2019	Y/Y
Net interest income	6,021	7,576	7,718	+28%	+2%	12,126	15,294	+26%
Interest income	7,509	10,498	11,296	+50%	+8%	14,930	21,794	+46%
Interest expense	-1,488	-2,922	-3,578	>+100%	+22%	-2,804	-6,500	>+100%
Net fee and commission income	2,009	1,970	2,189	+9%	+11%	4,027	4,159	+3%
Net gains from financial instruments at FVPL ¹	210	-89	-882	>+100%	>+100%	1,222	-971	>+100%
Other operating income ²	282	1,069	2,385	>+100%	>+100%	559	3,454	>+100%
Operating income	8,522	10,526	11,410	+34%	+8%	17,934	21,936	+22%
Staff expenses	-2,097	-2,158	-2,261	+8%	+5%	-4,151	-4,419	+6%
General administrative expenses	-1,752	-2,371	-1,641	-6%	-31%	-3,919	-4,012	+2%
General administrative expenses (excl. banking taxes)	-1,728	-1,470	-1,612	-7%	+10%	-3,162	-3,082	-3%
Banking taxes	-24	-901	-29	+21%	-97%	-757	-930	+23%
Depreciation and amortisation	-353	-490	-523	+48%	+7%	-699	-1,013	+45%
Operating expenses	-4,202	-5,019	-4,425	+5%	-+12%	-8,769	-9,444	+8%
Impairment losses	-237	31	-155	-35%	>+100%	-405	-124	-69%
Impairment on financial assets at amortised cost	95	42	-102	>+100%	>+100%	82	-60	>+100%
Impairment on financial assets at fair value through OCI	1	0	0	-100%	n/a	1	0	-100%
Impairment on other assets	-333	-11	-53	-84%	>+100%	-488	-64	-87%
Share of profit of associates	180	107	113	-37%	+6%	352	220	-38%
Profit before tax	4,263	5,645	6,943	+63%	+23%	9,112	12,588	+38%
Income tax expense	-763	-812	-844	+11%	+4%	-1,592	-1,656	+4%
Profit for the period	3,500	4,833	6,099	+74%	+26%	7,520	10,932	+45%
Attributable to:								
Owners of the parent	3,500	4,833	6,099	+74%	+26%	7,520	10,932	+45%
Non-controlling interests	0	0	0	n/a	n/a	0	0	n/a

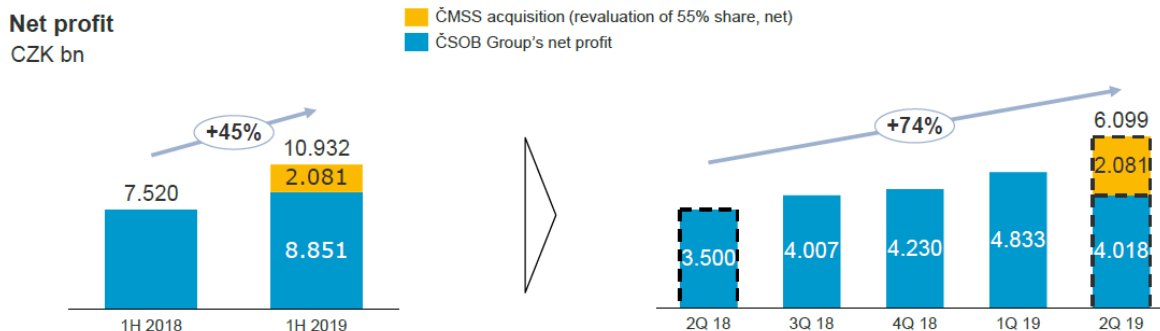
¹ FVPL = fair value through profit and loss.

² Other operating income = Net realised gains from financial instruments at fair value through other comprehensive income (OCI), dividend income, income and expense from operating lease, other net income.

Consolidated Profit and Loss Statement Review

Net profit for 1H 2019 reached **CZK 10.9bn** (+45% Y/Y). The results reflect higher net interest income, one-off gains from revaluation of 55% share in ČMSS, sale of ČSOB Asset Management and historical legal case, and impact of ČMSS consolidation (100%), while lower trading income and higher staff expenses had negative impact.

Adjusted for the impact of ČMSS one-off the 1H net profit would increase by 18% Y/Y.



Notes (gross impact):

4Q 2018 one-off item: gain from historical legal case (CZK +0.2bn)

1Q 2019 one-off items: gain from historical legal case (CZK +0.2bn), sale of ČSOB AM (CZK +0.6bn)

2Q 2019 one-off item: gain from revaluation of ČSOB's 55% share in ČMSS triggered by acquisition of remaining 45% share, in conformity with IFRS 3 (CZK +2.1bn)

Operating income reached **CZK 21.9bn** (+22% Y/Y).

Net interest income increased by **26% Y/Y** as a result of positive impact from NII from deposits, from other NII and consolidation of ČMSS while NII from loans had a negative impact. Adjusted for the impact of ČMSS consolidation, NII would increase +23% Y/Y in 1H. The increase of NII was partially influenced by short-term operations at financial markets, which had negative effect in trading income. 1H 2019 **net interest margin** reached **3.13%** (+0.16pp Y/Y) thanks to higher reinvestment yields and active management of funding costs, partly offset by ongoing pressure on lending margins.

Net fee and commission income increased by **3% Y/Y**. The increase was positively influenced mainly by consolidation of ČMSS and Ušetřeno.cz and also by higher account and loan fees (extraordinary repayments in corporate segment) and lower distribution fee. On the other hand, NFCl was negatively influenced by lower fees on payments and payment cards. Adjusted for the impact of ČMSS consolidation, NFCl would increase +1% Y/Y in 1H.

The **+39% Y/Y** increase of item "Other*" was driven mainly by one-off gains from revaluation of 55% share in ČMSS, sale of ČSOB Asset Management and historical legal case, while the short-term operations at financial markets, which had positive effect on NII, and valuation adjustments had a negative impact.

* Other = Net gains from financial instruments at fair value through profit and loss + net realized gains from financial instruments at fair value through other comprehensive income (OCI) + dividend income + income and expense from operating lease + other net income

Operating expenses increased to **CZK 9.4bn** in 1H 2019 (+8% Y/Y) due to higher banking tax (+23% Y/Y), higher staff expenses (+6% Y/Y), and consolidation of ČMSS and "Ušetřeno.cz".

Staff expenses increased +6% Y/Y in 1H 2019 due to wage adjustments, lower capitalization and consolidation of ČMSS while the lower average number of FTE (-4% Y/Y) had a positive impact. Adjusted for the impact of ČMSS consolidation, staff expenses would increase +5% Y/Y.

General administrative expenses increased +2% Y/Y in 1H 2019 driven by higher banking tax. The decrease of GAE excl. banking tax is driven by methodological shift due to implementation of IFRS 16. Adjusted for the impact of ČMSS consolidation, GAE (incl. banking taxes) would increase +2% Y/Y in 1H.

As a result, the **Cost/income ratio** decreased to **43.1%** (-5.8pp Y/Y).

In 1H 2019, **loan loss provisions** increased to **CZK 60m (net creation)** driven mainly by higher creation in SME segment (methodological change). **Other impairments** decreased Y/Y to **CZK 64m**, due to the effect of revaluation of leased cars (operating leasing) in 2018.

Credit cost ratio for 1H 2019 reached 2 bps (Ytd., annualized; +5bps Y/Y).

The return on equity (ROE) reached **23.7%** in 1H 2018, up from 16.6% and driven by higher net profit.

Consolidated Balance Sheet – Assets

(CZK m)	31/12 2018	31/12 2018*	30/6 2019	Ytd.
Cash and balances with central banks and other demand deposits	38,610	33,953	47,310	+39%
Financial assets held for trading	19,869	19,458	45,549	>+100%
Financial assets held for trading pledged as collateral	1,676	1,676	52	-97%
Financial assets designated at fair value through P/L	0	0	0	n/a
Non-trading financial assets mandatorily at fair value through profit or loss	643	643	666	+4%
Financial assets at fair value through other comprehensive income (OCI)	15,367	18,019	13,456	-25%
Financial assets at fair value through OCI pledged as collateral	3,286	3,286	3,256	-1%
Financial assets at amortised cost - net	1,223,433	1,360,939	1,496,859	+10%
<i>Financial assets at amortised cost to credit institutions - gross</i>	532,831	551,754	683,119	+24%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	700,025	821,151	825,532	+1%
<i>Financial assets at amortised cost - provisions</i>	-9,423	-11,966	-11,792	-1%
Financial assets at amortised cost pledged as collateral	45,281	45,281	39,242	-13%
Fair value adjustments of the hedged items in portfolio hedge	-3,905	-3,564	-1,251	-65%
Derivatives used for hedging	9,376	9,304	9,126	-2%
Current tax assets	149	149	251	+68%
Deferred tax assets	365	498	361	-28%
Investments in associates and joint ventures	4,482	300	11	-96%
Property and equipment	10,355	10,713	13,766	+28%
Goodwill and other intangible assets	6,350	11,622	11,389	-2%
Non-current assets held-for-sale	85	85	26	-69%
Other assets	2,616	2,691	2,578	-4%
Total assets	1,378,038	1,515,053	1,682,647	+11%

Consolidated Balance Sheet – Liabilities and Equity

(CZK m)	31/12 2018	31/12 2018*	30/6 2019	Ytd.
Financial liabilities held for trading	33,177	33,177	52,209	+57%
Financial liabilities at fair value through P/L	26,065	26,065	35,408	+36%
Financial liabilities at amortised cost	1,212,589	1,346,407	1,488,020	+11%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	54,653	50,610	94,267	+86%
<i>of which Deposits received from other than credit institut.</i>	792,625	930,486	978,413	+5%
<i>of which Debt securities in issue</i>	365,311	365,311	415,340	+14%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	-3,062	-3,062	-1,068	-65%
Derivatives used for hedging	10,125	10,109	10,512	+4%
Current tax liabilities	818	1,034	119	-88%
Deferred tax liabilities	984	984	1,009	+3%
Provisions	657	692	624	-10%
Other liabilities	4,669	5,550	5,713	+3%
Total liabilities	1,286,022	1,420,956	1,592,546	+12%
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	46,136	48,217	44,111	-9%
Financial assets at fair value through OCI - revaluation reserve	384	384	499	+30%
Cash flow hedge reserve	25	25	20	-20%
Parent shareholders' equity	92,016	94,097	90,101	-4%
Minority interest	0	0	0	n/a
Total equity	92,016	94,097	90,101	-4%
Total liabilities and equity	1,378,038	1,515,053	1,682,647	+11%

* Restated balance sheet as of 31 December 2018

Capital

Solid capital position

Consolidated, CZK m	30.6.2018	31.12.2018	30.6.2019
Total regulatory capital	69,461	69,148	71,105
- (Common Equity) Tier 1 Capital	69,461	69,148	71,105
- Tier 2 Capital	0	0	0
Total RWA	397,527	383,254	379,230
- Credit risk	312,078	312,054	312,378
- Market risk	24,869	10,620	3,636
- Operational risk	60,580	60,580	63,216
(Common Equity) Tier 1 ratio	17.5%	18.0%	18.7%
Total capital ratio	17.5%	18.0%	18.7%

The Y/Y increase of **(Common Equity) Tier 1 capital** due to interim profit retention which was partly compensated by the increase in deductible items (goodwill and intangible assets) due to full ČMSS acquisition.

Total RWA decreased Y/Y due to optimization of market risk position within KBC which was partly compensated by increase in operational risk RWAs related to commercial banking and trading and sales.

Total RWA (risk weighted assets) = credit risk RWA + market risk RWA + operational risk RWA

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

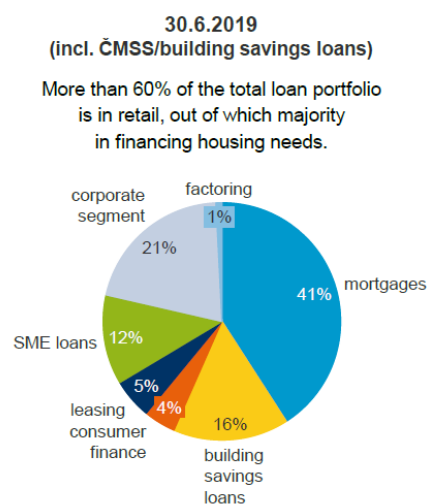
Total regulatory capital = (Common Equity) Tier 1 + Tier 2

Business Results

Loan portfolio

The Y/Y growth driven by mortgages, building savings loans, SME loans and consumer finance

Gross outstanding volumes, CZK bn	30.6.2018	30.6.2019	Y/Y
Loan portfolio (incl. ČMSS/building savings loans)	730.9	751.8	+3%
Retail Segment			
Mortgages ¹	290.6	307.4	+6%
Consumer finance	30.3	32.7	+8%
Building savings loans ²	115.0	118.1	+3%
SME/Corporate Segment			
Corporate loans ³	159.4	154.9	-3%
SME loans	88.6	91.5	+3%
Leasing ³	40.7	41.2	+1%
Factoring	6.2	6.0	-3%
Other ⁴	41.0	42.3	+3%
Credit risk: loan portfolio (incl. ČMSS/building savings loans)	771.9	794.0	+3%



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

² The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company.

Volumes are reported in 100% and beginning 2Q 2019 included in the ČSOB's consolidated balance sheet.

³ Including credit-replacing bonds.

⁴ Including off-balance sheet items and ALM/financial markets exposures.

The **outstanding volume of mortgages** increased **+6% Y/Y**. The demand was influenced by rising interest rates and real estate prices and by CNB measures on loan-to-value, debt-to-income and debt service-to-income ratios. In 1H 2019, ČSOB provided almost **9 thousand new mortgages** (-28% Y/Y) in the total amount of CZK 20.4bn (-21% Y/Y). The market decreased -24% Y/Y in the number and -20% Y/Y in the total amount of new mortgages.

Consumer finance grew **+8% Y/Y** driven by cash loans (+10% Y/Y) thanks to continued attractiveness of ČSOB's product offer for both existing and new clients.

The outstanding **building savings loan** portfolio increased **+3% Y/Y**, while the market increased +7% Y/Y. In 1H 2019, **new sales** decreased **-11% Y/Y**. The decrease was influenced mainly by the continuing impact of ČNB regulations and the overall decline in the demand for housing loans. In addition, the sales in the reference quarter were above average.

Outstanding volumes of **corporate loans** decreased **-3% Y/Y** due to extraordinary repayments in sectors of **real estate and food & beverages**.

SME loans increased +3% Y/Y driven by expansion in core SME lending (micro, small and mid-sized companies, +7% Y/Y). The loan volume provided to housing cooperatives decreased Y/Y, however ČSOB remains market leader in housing cooperatives segment.

Outstanding volumes in **ČSOB Leasing** increased **+1% Y/Y** thanks to machinery & equipment and heavy transportation, partially offset by weaker car financing.

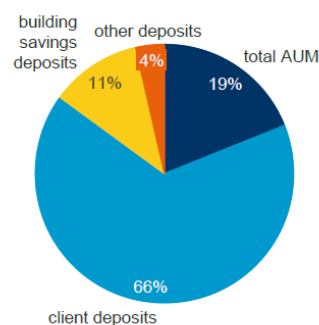
Factoring outstanding volumes decreased **-3% Y/Y** due to stagnating client base and lower need for external financing.

Group Deposits and Total Assets under Management

Strong growth of assets under management

Outstanding volumes, CZK bn	30.6.2018	30.6.2019	Y/Y
Group deposits (incl. ČMSS/building savings deposits)	1,030.6	978.4	-5%
Client deposits	796.2	797.8	0%
<i>Current accounts</i>	539.9	556.2	+3%
<i>Savings deposits</i>	215.6	201.5	-7%
<i>Term deposits</i>	40.7	40.1	-1%
Other deposits	97.5	43.4	-56%
Building savings deposits ¹	136.9	137.2	0%
Total AUM	207.3	228.2	+10%
Pension funds ²	51.5	56.2	+9%
Mutual funds and other AM ³	155.8	172.1	+10%

30.6.2019
(incl. ČMSS/building savings deposits)
The other deposits predominantly consist of repo operations with institutional clients which show -56% Y/Y decline.



¹ ČSOB group building savings deposits are included in the ČSOB's consolidated balance sheet in 100% since 30.6.2019. Figures for 30.6.2018 were restated retrospectively.

² Liabilities to pension fund policy holders.

³ 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 local funds managed in Czech Republic.

Client deposits remained **flat Y/Y** when the growth of **current accounts** (+3% Y/Y) was offset by decrease in **savings and term deposits** (-7% Y/Y and -1% Y/Y respectively).

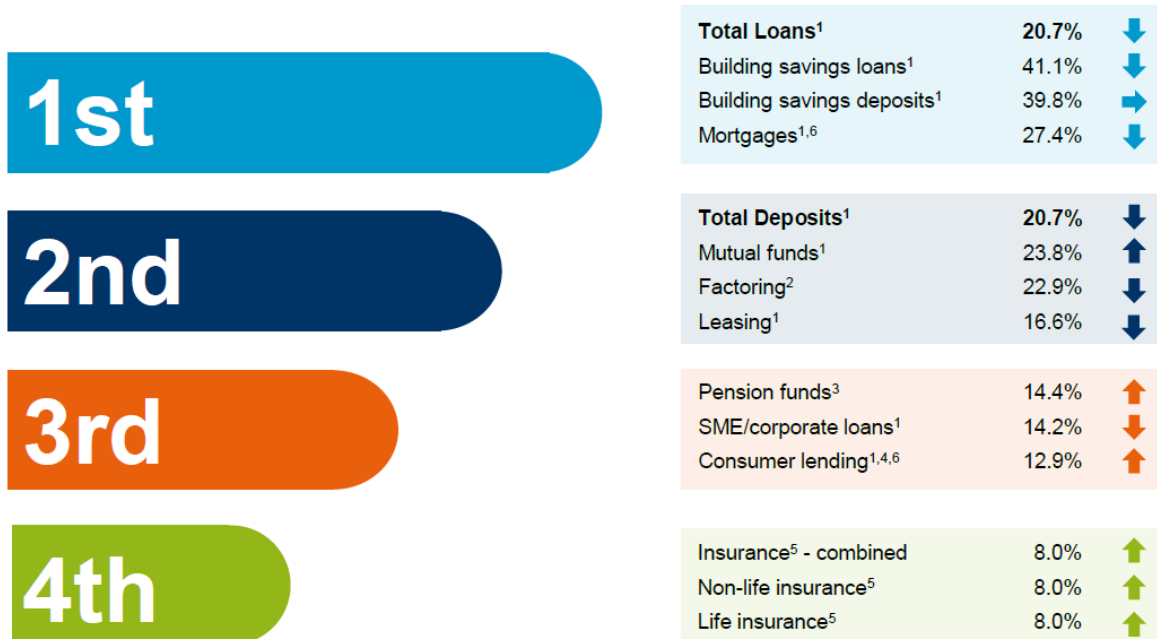
The **building savings deposits** remained flat Y/Y.

The volume of savings in **pension funds** increased **+9% Y/Y** driven mainly by higher average pension savings per client.

Mutual funds and other AM increased **+10% Y/Y** to **CZK 172.1bn** due to increase in both the mutual funds and other AM driven mainly by the higher new sales supported by the positive performance effect.

Selected ČSOB Group's Market Shares in the Czech Republic

Gaining market share in consumer lending, insurance and mutual funds



Arrows show Y/Y change. Market shares as of 30 June 2019, except for mutual funds, pension funds, leasing and factoring which are as of 31 March 2019. The ranking is ČSOB's estimate. Market position in the insurance reflects combined position of the insurers belonging to the same business group.

¹ Outstanding at the given date (including ČMSS);

² New business in the year to the given date;

³ Number of total clients at the given date;

⁴ Retail loans excluding mortgages and building savings loans.

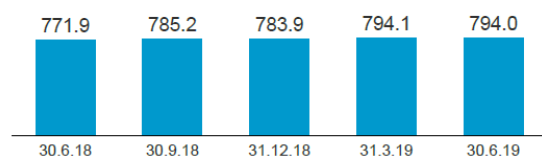
⁵ New business in the year according to gross written premium.

⁶ Since 1Q 2019, market shares in mortgages and consumer lending are influenced by methodological change in CNB reporting.

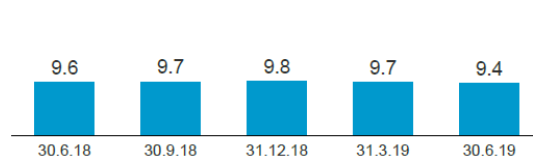
Credit Risk under Control

Low NPL ratio of 2.5% reflecting excellent loan quality

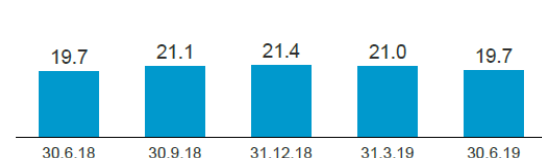
Credit risk: loan portfolio (incl. ČMSS) (CZK bn)



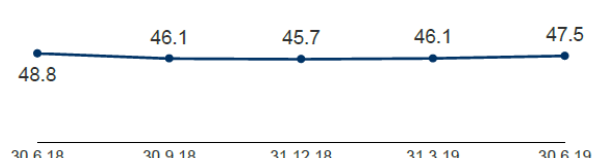
Allowances for loans and leases ¹ (CZK bn)



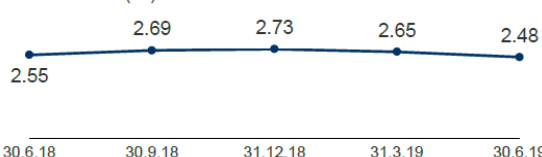
Non-performing loans (CZK bn)



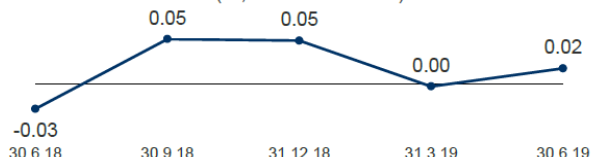
NPL coverage ratio (%)



NPL ratio (%)



Credit cost ratio (%; Ytd. annualized)



¹ Stage 3 only.

ČSOB's Credit Rating (as at 29 August 2019)

Rating agency	Moody's	Standard & Poor's
Long-term rating	A1	A+
Outlook	Stable	Stable
Short-term rating	P-1	A-1
Long-term rating valid since	21 November 2018	30 July 2018
Last confirmation	25 June 2019	21 December 2018

Selected Awards for the ČSOB Group Announced in 2018

Euromoney: the Best Bank	The magazine Euromoney awarded ČSOB as the Best Bank in Czech Republic for 2019. ČSOB received this award for the 10th time.
Global Finance: Best Trade Finance Provider Award 2019	The US-based magazine Global Finance awarded ČSOB as the Best Trade Finance Provider of 2019 in the Czech Republic.
Internet Effectiveness Awards 2019	ČSOB was named the second most efficient company of the year in the Czech Republic in the Internet Effectiveness Awards 2019 .
Zlatá koruna award	In the 17th Zlatá koruna award, ČSOB Leasing ranked first in the Leasing for entrepreneurs category with the product Autopůjčka , Hypoteční banka second in the Mortgages category with the product Zelená hypotéka , Patria Finance second in the Trading securities category with the product Webtrader , and ČSOB third in the Payment cards category with the product Premium karta and in the CSR category with the project Financial Literacy .
European Structured Products & Derivatives Awards	ČSOB Asset Management won the European competition Structured Products & Derivatives Awards 2019 in the category of Best Distributor and Best Performance in the Czech Republic.

Note:

Full list of received awards is available on ČSOB's website: www.csob.cz/en

2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Financial Statements of ČSOB as at 30 June 2018 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

1964	ČSOB established by the state as a bank to provide foreign trade financing and convertible currency operations in the then Czechoslovak market.
1993	Continuation of ČSOB's activities in both the Czech and Slovak market after the split of Czechoslovakia.
1999	ČSOB privatized – Belgium-based KBC Bank becoming the majority shareholder of ČSOB.
2000	Acquisition of Investiční a Poštovní banka (IPB).
2007	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).
2008	As at 1 January, ČSOB's Slovak branch separated into a separate entity, fully controlled by KBC Bank via 100% of voting rights.
2009	In December, ČSOB sold its remaining interest in the Slovak activities to KBC Bank.
2013	The establishment of the separate Business Unit Czech Republic within the KBC Group
2017	New 10-year (for period 2018-2027) exclusivity partnership agreement for both banking and insurance services signed with Česká pošta (Czech Post).
2019	ČSOB reached an agreement to become the sole shareholder of Českomoravská stavební spořitelna (ČMSS) by acquiring 45% stake previously owned by Bausparkasse Schwäbisch Hall. ČSOB thus consolidated its position as the largest provider of financial solutions for housing purposes.

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) 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, Patria, and Ušetřeno.cz.

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. 2018	30. 6. 2019
Clients of ČSOB group (in millions) ¹	4.267	4.250
Clients of Ušetřeno.cz and Top-Pojištění.cz (ths)	192	97
ČSOB branches (bank only)	235	227
ČSOB retail / SME branches (incl. dual branded ČSOB + PSB)	213	205
ČSOB Private Banking branches	11	11
ČSOB corporate branches	11	11
ČSOB Pojišťovna branches	98	97
Hypoteční banka centers	30	30
ČMSS advisory centers	297	290
Leasing branches	7	7
PSB outlets of the Czech Post network	ca. 2,600	ca. 2,600
- of which specialized banking counters	195	213
Czech post franchise outlets	ca. 600	ca. 600
ATMs (the Bank) ²	1,063	1,067
- of which contactless	405	454

¹ Following the acquisition of remaining 45% share in ČMSS, all clients of ČMSS are included. Figure for 31.12.2018 were restated retrospectively.

² Including ATMs of cooperating banks.

Employees (FTEs)	31. 12. 2018	30. 6. 2019
Employees of the ČSOB group (FTEs)¹	8,318	8,562
of which the Bank	7,091	6,993

¹ Figure for 30.6.2019 newly includes 497 FTEs of ČMSS.

Annual reports and other information about ČSOB and the ČSOB group are available at www.csob.cz.

KBC Group Profile

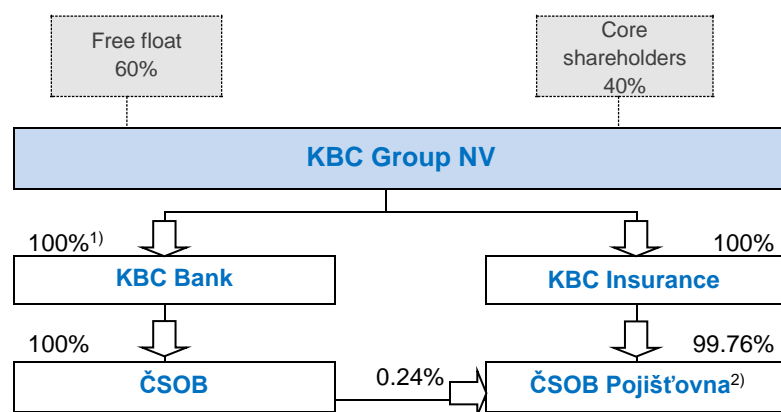
ČSOB is a wholly-owned subsidiary of KBC Bank NV, whose shares are held (directly or indirectly) by KBC Group NV. KBC Bank and KBC Group are both based in Brussels, Belgium.

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 the end of 2018, the KBC Group served approximately 11 million clients in its home markets, and employed approximately 42 000 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 2019)



Percentages in the chart denote the ownership interest.

¹⁾ One share is held by KBC Insurance.

²⁾ 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 (section About us – Our structure).

KBC Group in Figures		31. 12. 2018	30. 6. 2019
Total assets	EURbn	283.8	289.5
Loans and advances to customers (excl. rev. repos)	EURbn	147.1	154.2
Deposits from customers and debt securities (excl. repos)	EURbn	194.3	199.1
Net profit, group share	EURm	2 570 (12 months)	1 175 (6 months)
Common equity ratio, group level (Basel III, fully loaded)	%	16.0	15.6
Cost / income ratio, banking	%	57.5	62.6

Long-term rating (as at 8 August 2019)	Fitch	Moody's	S & P
KBC Bank	A+	A1	A+
KBC Insurance	-	-	A
KBC Group	A	Baa1	A-

Annual reports and other information about KBC are available at KBC's corporate website 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 2019.

ČSOB is also a **controlling entity**. For information on companies controlled by ČSOB as at 30 June 2019 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 ¹	ČSOB's Top Management ⁴ Position and Area of Responsibility
John Arthur Hollows	Chairman ²	1. 5. 2014	2. 5. 2018 ³	Chief Executive Officer
Petr Knapp	Member	20. 5. 1996	22. 5. 2018 ³	Senior Executive Officer, Relationship Services
Petr Hutla	Member	27. 2. 2008	1. 3. 2017 ³	Senior Executive Officer, Credits Management
Jiří Vévoda	Member	8. 12. 2010	9. 12. 2015 ³	Senior Executive Officer, Finance Management
Marcela Suchánková	Member	1. 3. 2017	1. 3. 2017	Senior Executive Officer, IT and Operations
Jan Sadil	Member	1. 3. 2017	1. 3. 2017	Senior Executive Officer, Retail
Heléne Goessaert	Member	1. 3. 2018	1. 3. 2018	Senior Executive Officer, Group Risk Management

¹ The term in office of the members lasts four years.

² Chairman since 2 May 2014.

³ Elected to a new term in office.

⁴ In the first half of 2019, members of ČSOB's Top Management were identical with the members of the Board of Directors of ČSOB.

For a description of areas of responsibility managed by ČSOB's Board of Directors (Top Management) as at 30 June 2019 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 ¹	Termination of Membership
Pavel Kavánek	Chairman ²	1. 5. 2014	2. 5. 2018 ³	–
Franky Depickere	Member	1. 6. 2014	1. 6. 2014	–
Christine Van Rijsseghem	Member	1. 6. 2014	2. 6. 2018 ³	–
Willy Kiekens	Member	1. 9. 2018	1. 9. 2018	–
Ladislava Spielbergerová	Member	1. 1. 2019	1. 1. 2019	–
Štěpán Stránský	Member	1. 1. 2019	1. 1. 2019	–

¹ The term in office of the members lasts four years.

² Chairman since 30 June 2014.

³ Elected to a new term in office.

The Audit Committee

First Name and Surname	Position	Membership since	Termination of Membership
Petr Šobotník	Chairman ¹ ; Independent member	1. 2. 2011	–
Ladislav Mejzlík	Independent member	27. 1. 2016	–
Willem Hueting²	Member	1. 7. 2016	23. 6. 2019
Christine Van Rijsseghem	Member	24. 6. 2019	–

¹ Chairman since 7 April 2016.

² Acting as the Senior General Manager, Group 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 2019

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

On 30 May 2019

- Willem Hueting was removed from ČSOB's Audit Committee with effect from 23 June 2018
- Christine Van Rijnseghem was elected a member of ČSOB's Audit Committee with effect from 24 June 2018.

For a description of **introducing new members of Managing and Supervisory Bodies** please refer to ČSOB's Annual Report 2018 available at www.csob.cz, page 51.

5. INFORMATION ABOUT ČSOB SECURITIES

ČSOB's Shares

ISIN	CZ0008000288
Class	Ordinary shares
Type	Bearer shares
Edition	Book-entered
Number of shares	292,750,002
Nominal value	CZK 20
Total issue volume	CZK 5,855,000,040
Amount of share capital	CZK 5,855,000,040
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 2018, 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.

ČSOB is issuing bonds under bond issuance program (program is lasting for 30 years) with a maximum amount of CZK 100 bn of outstanding bonds and 15-year tenor.

By 30 June 2019, ČSOB recorded the following **bond issues** in the Czech Republic:

Issue Name	ISIN	Issue Date	Volume of Bonds Issued (Nominal Value)	
Dluhopisy ČSOB likvidní var 2023 12M	CZ0003704645	7. 6. 2018	CZKm	3 000.00
Dluhopisy ČSOB likvidní var 2023 6M	CZ0003704652	8. 6. 2018	CZKm	3 000.00
Dluhopisy ČSOB likvidní var 2022 6M	CZ0003704660	31. 7. 2018	CZKm	999.00
Dluhopisy ČSOB likvidní var 2024 6M	CZ0003704678	3. 10. 2018	CZKm	876.40
Dluhopisy ČSOB var 2021 3M	CZ0003704702	12. 12. 2018	CZKm	7 000.00
Dluhopisy ČSOB var 6M PRIBOR 2022	CZ0003704710	5. 3. 2019	CZKm	129.00
Dluhopisy ČSOB FL 6M 2024	CZ0003704728	13. 2. 2019	CZKm	2 000.00
Dluhopisy ČSOB LIKVIDNÍ DLUHOPIS 04/2022	CZ0003704736	25. 4. 2019	CZKm	502.00
Dluhopisy ČSOB LIKVIDNÍ DLUHOPIS 6M 2023	CZ0003704744	21. 3. 2019	CZKm	1 000.00
Dluhopisy ČSOB LIKVIDNÍ DLUHOPIS 6M 2025	CZ0003704751	10. 4. 2019	CZKm	2 000.00

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.

By 30 June 2019, ČSOB recorded the following investment certificate issues in the Czech Republic:

Issue Name	ISIN	Issue Date	Objem vydaných dluhopisů (jmenovitá hodnota)	
ČSOB Investiční certifikát XXIX. (Eurostoxx50)	CZ0000300587	15. 4. 2015	USDm	5.89
ČSOB Investiční certifikát XXIX. (Eurostoxx50)	CZ0000300587	15. 4. 2015	CZKm	5.89
ČSOB Investiční certifikát XXX. (Utility)	CZ0000300579	15. 4. 2015	CZKm	169.35
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 Unit link V.	CZ0000300769	10. 11. 2015	CZKm	493.00
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 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
ČSOB Investiční certifikát Unit link XII.	CZ0000301064	24. 10. 2016	CZKm	324.95
Solactive Participation 2021	CZ0000301072	3. 11. 2016	CZKm	220.34
ČSOB Investiční certifikát Unit link XIV.	CZ0000301148	12. 12. 2016	CZKm	502.41
ČSOB Investiční certifikát Unit link XIII.	CZ0000301130	29. 12. 2016	CZKm	582.26
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
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
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
ČSOB Investiční certifikát Unit link XX.	CZ0000301361	14. 6. 2017	CZKm	124.03
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
Europe Dividend basket 7 2022	CZ0000301437	6. 9. 2017	CZKm	405.00

Defensive iStoxx Transatlantic 100 EWD 4 2024	CZ0000301486	1. 11. 2017	CZK	200.00
ČSOB Investiční certifikát Unit link XXIII.	CZ0000301429	14. 8. 2017	CZK	86.57
ČSOB Investiční certifikát Unit link XXIV.	CZ0000301445	14. 9. 2017	CZK	193.20
ČSOB Investiční certifikát Unit link XXV.	CZ0000301460	23. 10. 2017	CZK	16.74
ČSOB Investiční certifikát Unit link XXVI.	CZ0000301478	11. 10. 2017	CZK	233.94
ČSOB Investiční certifikát Unit link XXVII.	CZ0000301536	22. 12. 2017	CZK	550.92
ČSOB Investiční certifikát Unit link XXVIII.	CZ0000301494	10. 11. 2017	CZK	41.83
NXS Momentum Fund Stars ER Participation 2022 II.	CZ0000301502	22. 11. 2017	CZK	170.00
ČSOB Investiční certifikát Unit link XXIX.	CZ0000301510	14. 11. 2017	CZK	184.63
Defensive Eurostoxx 4,6 2024	CZ0000301551	28. 12. 2017	CZK	438.74
Europe 5 2024	CZ0000301544	27. 12. 2017	CZK	342.71
ČSOB Investiční certifikát Unit link XXX.	CZ0000301528	29. 12. 2017	CZK	226.57
ČSOB Investiční certifikát Unit link XXXI.	CZ0000301577	12. 2. 2018	CZK	103.76
Best of Participation 2023	CZ0000301627	7. 3. 2018	CZK	141.60
ČSOB Investiční certifikát Unit link XXXII.	CZ0000301635	12. 3. 2018	CZK	96.70
Banky 5 2023	CZ0000301643	21. 3. 2018	CZK	416.92
Defensive SX5E USD 5,4 2025	CZ0000301650	7. 3. 2018	USD	3.11
Autocall SX5E EUR 4,6 2023	CZ0000301668	7. 3. 2018	EUR	2.01
Global Multi Asset Strategy 2023	CZ0000301676	4. 5. 2018	CZK	336.00
Autocall Euronext France Germany Leaders 5,4 2025	CZ0000301684	10. 5. 2018	CZK	373.00
Autocall Defensive SX5E 4,6 2025	CZ0000301692	2. 5. 2018	CZK	181.00
Autocall Klasik iSTOXX 70 EWD5 6,2 2023	CZ0000301700	16. 5. 2018	CZK	327.00
Evropský výběr 1	CZ0000301718	23. 4. 2018	CZK	201.90
Top 50 Evropských společností 1	CZ0000301726	4. 7. 2018	CZK	167.50
BNP Multi-Asset Diversified	CZ0000301759	1. 8. 2018	CZK	200.00
Defensive SX5E 3 rok 4,6 2025	CZ0000301783	3. 8. 2018	CZK	103.70
Ropné společnosti 2023	CZ0000301791	24. 10. 2018	CZK	127.00
Evropské banky 2023	CZ0000301809	18. 9. 2018	CZK	75.00
Defensive Eurostoxx 4,6 10/2025	CZ0000301825	19. 9. 2018	CZK	209.00
Autocall iSTOXX Transatlantic 100 EWD 6,3 2023	CZ0000301817	19. 9. 2018	CZK	340.00
ČSOB Investiční certifikát Unit link XXXIII.	CZ0000301841	24. 10. 2018	CZK	397.70
Capped PRIBOR Floater 05/2022	CZ0000301858	7. 11. 2018	CZK	865.00
Defensive EURO 50 ESG EWD 50 2026	CZ0000301866	28. 11. 2018	CZK	103.83
ČSOB Investiční certifikát Unit link XXXIV.	CZ0000301874	27. 12. 2018	CZK	149.43
ČSOB Investiční certifikát Unit link XXXV.	CZ0000301882	20. 12. 2018	CZK	351.86
Capped Pribor Floater 2022 2	CZ0000301890	27. 12. 2018	CZK	1650.00
Capped PRIBOR Floater 09/2022	CZ0000301924	6. 3. 2019	CZK	782.00
100 % Sustainable Development Goals World 2024	CZ0000301940	7. 3. 2019	CZK	52.37
ČSOB Investiční certifikát Unit link XXXVI.	CZ0000301932	12. 3. 2019	CZK	233.64
100% European Value Jump 30 % 2024	CZ0000301981	3. 4. 2019	CZK	127.51
ČSOB Investiční certifikát Unit link XXXVII.	CZ0000301973	12. 4. 2019	CZK	187.50
Technologie budoucnosti	CZ0000301999	26. 4. 2019	CZK	168.00
Capped PRIBOR Floater 10/2022	CZ0000302005	26. 4. 2019	CZK	430.00
Evropský výběr 6,3% 2026	CZ0000302013	26. 4. 2019	CZK	223.60

ČSOB Investiční certifikát Unit link XXXIX.	CZ0000302021	10. 5. 2019	CZKm	184.90
ČSOB Investiční certifikát Unit link XXXVIII.	CZ0000302054	10. 6. 2019	CZKm	119.50

In July and August 2019, 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 XL.	CZ0000302096	10. 7. 2019	CZKm	28.20
Síla české koruny	CZ0000302112	5. 8. 2019	CZKm	327.00
100 % Global Diversity Jump 25 % 2024	CZ0000302138	24. 7. 2019	CZKm	205.00
Capped PRIBOR Floater 01/2023	CZ0000302120	24. 7. 2019	CZKm	515.00

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.

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.

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 30 April 2019, KBC Bank NV as ČSOB's sole shareholder:

Approved Separate Financial Statements of ČSOB as at 31 December 2018 and Consolidated Financial Statements of ČSOB and its subsidiaries as at 31 December 2018 prepared in accordance EU IFRS.

Approved distribution of the non-consolidated net profit for the year 2018 in the total amount of CZK 17,319,218,635.39 as follows:

- A part of ČSOB's non-consolidated net profit for the year 2018 in the amount of CZK 12,956,490,000 was distributed to the shareholders and 4,362,728,635.39 was allocated to an account retained profits from the previous years.
- The dividends were paid within three months since the day of the decision.

Information on Court Disputes

The most significant ČSOB's court disputes as at 30 June 2018 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 23,648 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 2019

Further roll-out of CSR activities continues

CSOB pillars of responsible business

After a successful pilot wave, in March, we selected 6 projects in the **Start it @ ČSOB** acceleration program to help ČSOB start the business. In June, ČSOB became a member of the prestigious GAN Accelerator Network. As a result, start-ups can gain new investors and clarify the viability of their business models with the help of bank and market experts.

As part of the **ČSOB Financial education for schools** project, 350 ambassadors from ČSOB employees visited 221 schools and trained 21,500 students (from 2016 to 30 June 2019).

After consultations with blind clients, ATMs were designed to make the use of ATMs significantly easier for these clients.

The **new ČSOB building** was the first in the Czech Republic to be built using 3D Building Modeling (BIM), which resulted in nearly 30% savings in construction costs. At the same time, the building has the largest system of heat pumps in the Czech Republic - 177 ground boreholes with a depth of 150 meters will allow heating and cooling - in the summer, heat will be stored in boreholes and vice versa. Thanks to this, it aspires to the strictest LEED Platinum certification.

Philanthropy

In **digiGrant @ ČSOB**, we focus on online safety. For the fifth time, we will provide grants of up to 200,000 crowns for projects that can interact in an interactive way with children and young people aged 6-25, or warn seniors of the online world and teach them how to move safely on the Internet. In **digiGrant @ ČSOB**, we will distribute up to CZK 1 million.

ČSOB in cooperation with P3 - People, Planet, Profit, o.p.s. opened its seventh year of the **ČSOB Start It Social** grant procedure to support social entrepreneurship in the Czech Republic. We will distribute CZK 1,000,000 to the winning social enterprises. In addition to direct financial support, each business will also receive expert advice tailored to their needs.

In cooperation with the Good Will Committee - Olga Havel Foundation, ČSOB has been providing scholarships for students with social and health disadvantages for 24 years. A total of 90 young people receive support from the **Education Fund** this year. We again contributed CZK 1.5 million to the Fund in 2019.

At the beginning of July, the spring round of the grant program **ČSOB helps regions**. Regional projects aimed at improving community life or protecting natural sites and cultural monuments received a total of CZK 4,235,111, of which CZK 2,070,111 was contributed by the public and the bank added CZK 2,165,000.

Employee engagement in CSR

During the spring part of the **ČSOB Na Zdraví** sports tour, ČSOB employees trained over 67,000 crowns for the Světluška Foundation. This amount is used by blind Nikol to pay for swimming training. Nikol is already a great swimmer and would like to represent the Czech Republic in swimming. During the program, the public also got to know the project **Thanks Trainer!** This year, ČSOB has become a partner of this project.

Bank employees warmly welcome the opportunity to draw a volunteer day. In **ČSOB Together we help** volunteer program the Bank provides one day of paid time off during which volunteers help either by manual work or by expert advice in a non-profit organization upon their choice. In the first half of 2019, we registered 1,156 volunteers and worked 9,248 hours.

365 ČSOB employees in 93 teams took part in this year's Cycling Work Campaign **On your Bike to Work**, and together they drove, ran, or left 62,935 km. ČSOB appreciated these kilometers and donated 2 crowns to the Rozum Endowment Fund and Citizen for the acquisition of bicycles for children from foster families. The total financial support is CZK 125,870.

Events after 30 June 2018

Chapter	Part
Information about ČSOB Securities	Investment certificates issues

Expected Economic and Financial Situation of the ČSOB Group in 2H 2018

In line with the expectations, the growth of the Czech economy slowed down in 1H 2019 as a result of full production capacities and increasing lack of employees leading to further acceleration of the wage growth. Weakening foreign demand begins to manifest in the last months, leading to reduction of new orders in some sectors. On the demand side, household consumption is the main driving force stimulated by the increase of real wages and of employment and by relatively high consumer confidence. Despite tightening of the credit standards, increase in mortgage

volumes remains relatively strong and continues contributing to the pressure on increases of residential property prices on the market. Tension on the labor market together with higher inflation allowed the central bank to increase its main policy rate to current value of 2% this year. Further increases of interest rates are improbable in view of the continuing foreign risks and uncertainties.

The macroeconomic outlook of the ČSOB Group expects the growth of the Czech economy to reach approximately 2.4% in 2019.

The net profit of ČSOB Group in 1H 2019 increased year-on-year due to higher net interest income, a one-off revaluation gain of CZK 2.1 billion on the already owned 55%-participation in ČMSS following the acquisition of the remaining 45%-stake, a one-off gain due to the divestiture of ČSOB Asset Management, the settlement of a legacy legal dispute and the impact of ČMSS consolidation (100%). These factors outweighed the impact of the decline in net gains from financial instruments at fair value and the increase in personnel expenses. Growth of mortgages, building savings loans, SME loans and consumer finance were the main drivers of the loan portfolio increase. The low non-performing loans ratio reflects the consistently excellent quality of the loan portfolio. The volume of deposits decreased year-on-year due to lower repo operations with institutional clients. Total assets under management increased thanks to mutual and pension funds.

The ČSOB group aims to become the reference in banking and insurance through putting client in the centre and achieving sustainable growth. ČSOB is investing in digital solutions that make financial services available to all its clients and that enable clients to interact with the bank through seamlessly integrated omnichannel. ČSOB wants to be available online as well as at branches and Czech Post Offices. At the same time, ČSOB aims for clients of ČSOB Group to have the opportunity to use the comprehensive services offer, regardless whether they are the clients of ČSOB – the bank or another member of the group. To achieve this, ČSOB will continue working in the background on more effective and simple operations and manage costs carefully. The ČSOB group has the ambition to deliver strong and sustainable performance.

7. ANNEXES

- No. 1 Interim Consolidated Financial Statements of ČSOB as at 30 June 2018
- No. 2 Companies of the ČSOB Group
- No. 3 ČSOB's Organisation Chart

8. SWORN STATEMENT

Persons Responsible for the 1H 2019 ČSOB Activity Report

hereby declare that, to their best knowledge, the **1H 2019 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 2018 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 2019

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 2019 ČSOB Activity Report

Interim Consolidated Financial Statements of ČSOB as at 30 June 2019

Československá obchodní banka, a. s.

Interim Consolidated Financial Statements

Half-year ended 30 June 2019

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 2019

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

(CZKm)	Note	1H 2019	1H 2018
Interest income calculated using the effective interest rate method	5	21,230	14,658
Other similar income	5	564	272
Interest expense calculated using the effective interest rate method	6	(5,586)	(2,342)
Other similar expense	6	(914)	(462)
Net interest income		15,294	12,126
Fee and commission income		5,855	5,523
Fee and commission expense		(1,696)	(1,496)
Net fee and commission income	7	4,159	4,027
Dividend income		9	6
Net gains from financial instruments at fair value through profit or loss and foreign exchange	8	(971)	1,222
Net realised gains on financial instruments at fair value through other comprehensive income		-	-
Income from operating lease	9	1,309	1,154
Expense from operating lease	9	(1,228)	(1,094)
Other net income	10	3,364	493
Operating income		21,936	17,934
Staff expenses	11	(4,419)	(4,151)
General administrative expenses	12	(4,012)	(3,919)
Depreciation and amortisation	22, 23	(1,013)	(699)
Operating expenses		(9,444)	(8,769)
Impairment losses	13	(124)	(405)
on financial assets at amortised cost and at fair value through other comprehensive income (OCI)		(60)	83
on other financial and non-financial assets		(64)	(488)
Share of profit of associates and joint ventures	20	220	352
Profit before tax		12,588	9,112
Income tax expense	14	(1,656)	(1,592)
Profit for the period		10,932	7,520
Attributable to:			
Owners of the parent		10,932	7,520
Non-controlling interests		-	-

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED 30 JUNE 2019

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

(CZKm)	Note	1H 2019	1H 2018
Profit for the period		10,932	7,520
<i>Other comprehensive income – to be reclassified to the statement of income</i>			
Net loss on cash flow hedges		(6)	(576)
Net loss on financial debt instruments at fair value through other comprehensive income		49	(415)
Income tax benefit relating to components of other comprehensive income		(10)	185
Other comprehensive income for the period, net of tax, to be reclassified to statement of income in subsequent periods	31	33	(806)
<i>Other comprehensive income – not to be reclassified to the statement of income</i>			
Net gain on financial equity instruments at fair value through other comprehensive income		95	85
Income tax expense relating to components of other comprehensive income		(18)	(16)
Other comprehensive income for the period, net of tax, not to be reclassified to statement of income in subsequent periods	31	77	69
Total comprehensive income for the period, net of tax		11,042	6,783
Attributable to:			
Owners of the parent		11,042	6,783
Non-controlling interests		-	-

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

(CZKm)	Note	30-06-2019	31-12-2018
ASSETS			
Cash, balances with central banks and other demand deposits	16	47,310	38,610
Financial assets held for trading	17	45,549	19,869
Financial assets held for trading pledged as collateral	17	52	1,676
Non-trading financial assets mandatorily at fair value through profit or loss	18	666	643
Financial assets at fair value through other comprehensive income	18	13,456	15,367
Financial assets at fair value through other comprehensive income pledged as collateral	18	3,256	3,286
Financial assets at amortised cost	19	1,496,859	1,223,433
Financial assets at amortised cost pledged as collateral	19	39,242	45,281
Fair value adjustments of the hedged items in portfolio hedge		(1,251)	(3,905)
Derivatives used for hedging	21	9,126	9,376
Current tax assets		251	149
Deferred tax assets	14	361	365
Investment in associates and joint ventures	20	11	4,482
Property and equipment	22	13,766	10,355
Goodwill and other intangible assets	23	11,389	6,350
Non-current assets held-for-sale	24	26	85
Other assets	25	2,578	2,616
Total assets		1,682,647	1,378,038
LIABILITIES AND EQUITY			
Financial liabilities held for trading	26	52,209	33,177
Financial liabilities designated at fair value through profit or loss	26	35,408	26,065
Financial liabilities at amortised cost	27	1,488,020	1,212,589
Fair value adjustments of the hedged items in portfolio hedge		(1,068)	(3,062)
Derivatives used for hedging	21	10,512	10,125
Current tax liabilities		119	818
Deferred tax liabilities	14	1,009	984
Other liabilities	28	5,713	4,669
Provisions	29	624	657
Total liabilities		1,592,546	1,286,022
Share capital	30	5,855	5,855
Share premium		20,929	20,929
Statutory reserve		18,687	18,687
Retained earnings		44,111	46,136
Revaluation reserve from financial assets at fair value through other comprehensive income	30	499	384
Cash flow hedge reserve	30	20	25
Shareholders' equity		90,101	92,016
Non-controlling interests, presented within equity		-	-
Total equity		90,101	92,016
Total liabilities and equity		1,682,647	1,378,038

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 2019

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 ¹⁾	Retained earnings	Other reserves (Note: 30)		
At 1 January 2018	5,855	20,929	18,687	45,792	1,193	-	92,456
Profit for the period	-	-	-	7,520	-	-	7,520
Other comprehensive income for the period	-	-	-	-	(737)	-	(737)
Total comprehensive income for the period	-	-	-	7,520	(737)	-	6,783
Dividends paid (Note: 15)	-	-	-	(15,356)	-	-	(15,356)
At 30 June 2018	5,855	20,929	18,687	37,956	456	-	83,883
At 1 January 2019	5,855	20,929	18,687	46,136	409	-	92,016
Profit for the period	-	-	-	10,932	-	-	10,932
Other comprehensive income for the period	-	-	-	(1)	110	-	109
Total comprehensive income for the period	-	-	-	10,931	110	-	11,041
Dividends paid (Note: 15)	-	-	-	(12,956)	-	-	(12,956)
At 30 June 2019	5,855	20,929	18,687	44,111	519	-	90,101

⁽¹⁾ 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 2019 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 2019

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

(CZKm)	Note	1H 2019	1H 2018
OPERATING ACTIVITIES			
Profit before tax		12,588	9,113
Adjustments for:			
Interest income	5	(21,794)	(14,930)
Interest expense	6	6,500	2,804
Dividend income (other than from associates and joint ventures)		(9)	(6)
Non-cash items included in profit before tax		827	151
Net gains from investing activities		(2,712)	(6)
Cash flow used in operations before changes in operating assets, liabilities, income tax paid, interest paid and received and dividend received		(4,600)	(2,874)
Change in operating assets		6,780	(43,475)
Change in operating liabilities		48,790	96,384
Income tax paid		(2,316)	(1,991)
Interest paid		(6,512)	(2,926)
Interest received		22,140	15,445
Dividend received (other than from associates and joint ventures)		9	6
Net cash flows from operating activities		64,291	60,569
INVESTING ACTIVITIES			
Net cash flows used in investing activities		(9,685)	(1,540)
FINANCING ACTIVITIES			
Net cash flows used in financing activities		(13,097)	(17,107)
Net increase in cash and cash equivalents		41,509	41,922
Cash and cash equivalents at the beginning of the year		202,228	185,482
Net increase in cash and cash equivalents		41,509	41,922
Cash and cash equivalents at the end of the period	33	243,737	227,404

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 2019

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 2018.

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 2018, except for the adoption of new standards and interpretations for the year 2019 (Note: 2.3).

2.1 Basis of preparation

The interim consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, 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 (CZKm), 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 other 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 (Note: 32)

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 (Note: 40.2)

Calculating expected credit losses (ECL) requires significant judgments on different aspects for example, but not limited to, the borrowers' financial position and repayment capabilities, the value and recoverability of collaterals, forward looking and macroeconomic information. The Group applies neutral and free from bias approach when dealing with uncertainties and making decisions based on significant judgments. The expected credit losses are calculated in a way that reflects:

- an unbiased, probability weighted amount;
- the time value of money; and
- an information about the past events, current conditions and forecast economic conditions.

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

Business model assessment

Classification of financial assets is driven by the business model. Management applies judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Assessment whether cash flows are solely payments of principal and interest (“SPPI”)

Judgement is required to determine whether a financial asset’s cash flows are solely payments of principal and interest as only features representing basic lending agreement are in line with the SPPI test. Judgement is required to assess whether risks and volatility of contractual cash flows are related to basic lending agreement. Among the features that require judgements were, for example, modification of time value of money, change of timing or amount, such as early settlement or prepayment.

Impairment of assets under operating leases (Note: 13)

The Group assesses internal and external impairment indicators and if any indications exist that the carrying amount of assets is higher than their recoverable amount, impairment loss is recognised. Recoverable amount approximates the assets’ fair value less costs to sell. Residual maturity of operating leases is short and changes of selling price have the most significant impact on impairment losses. The Group uses judgement in using valuation techniques to arrive at the assets’ fair value. The judgements include use of various coefficients specific to each asset class.

Goodwill impairment (Note: 23)

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 2019

The accounting policies adopted in the preparation of the interim consolidated financial statements of the Group are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of the following standards, amendments and interpretations. The adoption of the standards did not have any significant effect, unless otherwise described below.

Prepayment Features with Negative Compensation (Amendments to IFRS 9) is effective for periods beginning on or after 1 January 2019 and endorsed by the EU. The amendment clarifies that financial assets with contractual cash flows that are solely payments of principal and interest and prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortised cost or at fair value through other comprehensive income.

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 and 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 have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) is effective for periods on or after 1 January 2019 and endorsed by the EU. The amendment clarifies that any long-term interests in an associate or joint venture that, in substance, form a part of the entity's net investment are in scope of IFRS 9.

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19) is effective for periods on or after 1 January 2019 and endorsed by the EU. The amendment requires that updated assumptions to determine current service cost and net interest after a plan amendment, curtailment or settlement are used.

IFRIC 23 Uncertainty over Income Tax Treatments is effective for periods on or after 1 January 2019 and endorsed by the EU. 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 (2015 - 2017 Cycle), issued in December 2017 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard, all of which are applicable on or after 1 January 2019 and have not yet been endorsed by the EU.

Effective after 1 January 2019

The following standards, amendments and interpretations have been issued and are effective after 1 January 2019. 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 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.

Definition of a Business (Amendment to IFRS 3) is effective for periods on or after 1 January 2020 and has not yet been endorsed by the EU. The amendment offers guidance how to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. Business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

Definition of Material (Amendments to IAS 1 and IAS 8) is effective for periods on or after 1 January 2020 and has not yet been endorsed by the EU. The amendment defines that information is material if omitting, misstating or obscuring it could influence decisions that the users of financial statements make on the basis of financial statements. Materiality depends on the nature or magnitude of information, or both.

Amendments to References to the Conceptual Framework in IFRS Standards are effective for periods on or after 1 January 2020 and has not yet been endorsed by the EU.

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 2019, no changes in content were made in the accounting policies that had a material impact on the result, except for the accounting policy for leasing following the implementation of new accounting standard IFRS 16.

(10) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The lessee has the right to control the use of the asset and to obtain substantial economic benefits from its use.

The Group has used exceptions from the scope of the standard to:

- Short-term leases - for lease contracts shorter than one year
- Low-value leases of assets - for individual assets of less than EUR 5000
- Intangible asset leases - when the Group acts as a lessee.

(i) *The Group company as a lessee*

The lessee accounts for the right to use the asset and the lease liability at the commencement of the lease.

The lease liability is initially measured at the present value of future lease payments and is subsequently increased by the interest calculated on the basis of the implicit interest rate or the incremental borrowing rate and reduced by lease payments. Interest is recognized as Interest expense in the income statement.

The right to use the asset is initially recognized at cost. The right to use the asset is measured using the cost method and is recognized in Property, plant and equipment. The depreciation period corresponds to the asset useful life or the useful life of the right of use. The residual value of the right of use is tested for impairment.

Indefinite term leases are limited to the earliest date on which the contract can be terminated by the lessee or the lessor, or is limited to a maximum of 10 years. For fixed-term contracts the useful life of right of use corresponds to the contract length. If a fixed-term contract includes options, the useful life with options included is limited to 10 years.

Total payments made for operating leases with the application of exceptions (short-term rental, low-value lease of assets and rental of intangible assets) are charged to the income statement using the straight-line method over the lease term.

(ii) *Group company as a lessor*

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are reflected as finance lease receivables in the statement of financial position in Loans and receivables. A receivable is recognised over the leasing period at an amount equalling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in Interest income in the statement of income.

Leases, in which the Group does not transfer substantially, all the risks and benefits of ownership of the asset, are classified as operating leases. The Group leases out certain of its properties under operating leases, thus generating rental income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Rental income, as well as depreciation and other expenses relating to operating lease assets are reported separately in the consolidated statement of income under Income or Expense from operating lease.

Implementation of IFRS 16 significantly impacted the consolidated financial statements of the Group. The financial impact of the new standard on the consolidated statement of financial position and on the consolidated statement of income for the period ended 30 June 2019 is described in the table below:

<u>(CZKm)</u>	<u>30-06-2019</u>
Property and equipment – Right of use assets	2,601
Financial liabilities at amortised cost	2,592
Interest expense	(27)
Depreciation and amortisation	(181)

2.5 Comparative balances

Presentation of interest income and interest expense in Consolidated statement of income was changed as a result of IFRS 9 adoption.

3. SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

The scope of the consolidation includes 26 companies. Ownership of the Group (%) in significant companies was as follows:

Name	Abbreviation	Country of incorporation	%	
			30-06 2019	31-12 2018
Subsidiaries				
Bankovní informační technologie, s.r.o.	BANIT	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 Pojišťovací makléř, s.r.o.	ČSOB 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
Hypoteční banka, a.s.	Hypoteční banka	Czech Republic	100.00	100.00
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
Radlice Rozvojová, a.s.	Radlice Rozvojová	Czech Republic	100.00	100.00
Ušetřeno.cz, s.r.o.	Ušetřeno	Czech Republic	100.00	100.00
Ušetřeno.cz finanční služby, a.s.	Ušetřeno finanční služby	Czech Republic	100.00	100.00
Českomoravská stavební spořitelna, a.s.	ČMSS	Czech Republic	100.00	-
Joint venture				
Českomoravská stavební spořitelna, a.s.	ČMSS	Czech Republic	-	55.00
Associates				
ČSOB Asset Management, a.s., investment company	ČSOB AM	Czech Republic	-	40.08
ČSOB Pojišťovna, a.s., a member of the ČSOB holding	ČSOB Pojišťovna	Czech Republic	0.24	0.24

Sale of ČSOB Asset Management

Until February 2019, the Bank was exercising a significant influence in ČSOB AM having an ownership amounted to 40.08%. Given that fact, ČSOB AM was assessed as an associated company being included into the consolidated financial statements using equity method. In February 2019, the Bank sold the share in ČSOB AM to KBC Asset Management. Cash consideration received by the Bank amounted to CZK 910 m. As a result, the Group ceased its significant influence and excluded the company from the consolidated financial statements in 2019. The Group recognised a gain on the sale in Other net income of the consolidated statement of income in 2019 in the amount of CZK 621 m.

Acquisition of Českomoravská stavební spořitelna

On 15 April 2019, ČSOB and Bausparkasse Schwäbisch Hall (BSH) reached an agreement for ČSOB to acquire BSH's 45% stake in the building savings bank Českomoravská stavební spořitelna, a.s. (ČMSS) and thus assume 100% ownership control over ČMSS, for a total consideration of CZK 6,196 m. In May, the agreement was approved by antitrust authority. Transaction has a strong financial and strategic rationale and ČSOB consolidates its position as the largest provider of financial solutions for housing purposes in the Czech Republic.

Before the acquisition, ČSOB's ownership interest in ČMSS was 55%. Based on the company statutes, the Group controlled ČMSS jointly with the owner of the remaining 45% share. Therefore, ČMSS was classified as a joint venture in accordance with the accounting standard IFRS 11 Joint Arrangements and was included into the consolidated financial statements of the Group using equity method of consolidation. By acquiring the remaining 45% share, ČSOB gained control over ČMSS, which subsequently has become a 100% owned subsidiary.

According to the accounting rules, ČSOB re-measured previously held equity investment at fair value as of 31 May 2019, as an acquisition date, and recognized resulting gain of CZK 2,081m in Other net income of the consolidated statement of income. The one-off gain realised by the Group resulted from the comparison of net carrying amount of the 55% share in ČMSS, as reported in the consolidated statement of the financial position of the Group before the acquisition, and its fair value.

Income and expenses realised by ČMSS in June are included into the consolidated statement of income of the Group using full method line-by-line. Whereas, net profit of ČMSS for the period ended

31 May 2019 is included to the consolidated statement of income using equity method, as a one line entry on Share of profit of associates and joint ventures.

In the consolidated statement of financial position of the Group as at 30 June 2019, ČMSS is consolidated using full method of consolidation. All existing assets and liabilities, as well as new identifiable assets and liabilities of ČMSS, are included at their fair value into the statement of financial position line-by-line. The excess of the consideration transferred over the net identifiable assets acquired and the liabilities assumed at the date of acquisition represents goodwill. Acquisition goodwill will be tested for impairment on annual basis.

Set out below is an analysis of the financial effect of the business combination on the consolidated financial statements of the Group as at 31 May 2019:

Assets acquired and liabilities assumed

(CZKm)	31 May 2019
ASSETS	
Cash, balances with central banks & other demand deposits	18,826
Financial assets at fair value through OCI	2,668
Financial assets at amortised cost	125,338
Derivatives used for hedging	9
FV adjustments of the hedged items in portfolio hedge	380
Tax assets	95
Property and equipment	526
Intangible assets	1,074
Other assets	182
Total assets	149,098
LIABILITIES	
Financial liabilities at amortised cost	138,432
Derivatives used for hedging	557
Tax Liabilities	250
Other liabilities	853
Provisions	33
Total liabilities	140,126
Total identifiable net assets acquired	8,972
Investment in associates and joint ventures (equity value of ČMSS before acquisition)	4,860
Fair value remeasurement (one-off gain from the acquisition)	2,081
Total net assets dismissed in acquisition	(6,941)
Goodwill	4,165
Acquisition value	6,196

Based on the transaction, the Group acquired financial assets measured at amortised cost as described in the table below:

(CZKm)	31 May 2019			
	Stage 1	Stage 2	Stage 3	Total
Debt securities				
General government	4,115	-	-	4,115
Loans and advances				
Central banks	1,300	-	-	1,300
General government	8	-	-	8
Credit institutions	4,058	-	-	4,058
Other legal entities	520	2	17	539
Private individuals	107,569	5,358	4,917	117,844
Loans and advances – gross carrying amount	113,455	5,360	4,934	123,749
Allowance for impairment losses	(97)	(260)	(2,169)	(2,526)
	113,358	5,100	2,765	121,223
Total financial assets at amortised cost	117,473	5,100	2,765	125,338

More information regarding the scope of consolidation is available in the 2018 annual report.

4. SEGMENT INFORMATION

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

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

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

Definitions of customer operating segments:

Retail: Private individuals and entrepreneurs, except of private banking customers that are reported as a part of Relationship services. This segment contains customers' deposits, consumer loans, overdrafts, payment solutions including payment cards and other transactions and balances with retail customers. Margin income from operations with retail clients on the financial market is also allocated to this segment (i.e. a margin from spot operations, hedging of foreign currency transactions and trading with bonds). Net fee and commission income of this segment contains payment services, administration of credits, network income, distribution and other fees.

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). Net fee and commission income of this segment contains payment services, administration of credits, network income, securities, custody, retail service fees, distribution and other fees.

Financial markets: This segment contains investment products and services to institutional investors and intermediaries and fund management activities and trading included in dealing services (incl. distributed profit from trading activities on behalf of KBC Bank), mutual funds and asset management. Net fee and commission income of this segment contains securities and custody fees and asset management income fees and commissions to agents.

Specialised banking: This segment contains mortgages, pension funds, building savings and building savings loans. Net fee and commission income of this segment contains administration of credits, collective investment and distribution fees.

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. Net fee and commission income of this segment contains payment services and other fees.

Segment reporting information by customer segments for 2019

(CZKm)	Retail	Relationship services	Financial markets	Specialised banking	Group Centre	Total
Statement of income for the 1H 2019						
Net interest income	4,486	5,036	2,471	2,045	1,256	15,294
Net fee and commission income	1,379	1,736	231	412	401	4,159
Dividend income	-	-	-	-	9	9
Net gains from financial instruments at fair value through profit or loss	27	705	(1,241)	(9)	(453)	(971)
Net realised gains on financial instruments at fair value through OCI	-	-	-	-	-	-
Income from operating lease	-	1,309	-	-	-	1,309
Expense from operating lease	-	(1,228)	-	-	-	(1,228)
Other net income	15	44	3	21	3,281	3,364
Operating income	5,907	7,602	1,464	2,469	4,494	21,936
<i>of which:</i>						
<i>External operating income</i>	2,353	6,067	1,464	4,109	7,943	21,936
<i>Intersegment operating income</i>	3,554	1,535	-	(1,640)	(3,449)	-
Depreciation and amortisation	(11)	(31)	(14)	(99)	(858)	(1,013)
Other operating expenses	(3,331)	(2,312)	(235)	(667)	(1,886)	(8,431)
Operating expenses	(3,342)	(2,343)	(249)	(766)	(2,744)	(9,444)
Impairment losses	35	(348)	-	21	168	(124)
Share of profit of associates and joint ventures	-	-	-	220	-	220
Profit before tax	2,600	4,911	1,215	1,944	1,918	12,588
Income tax expense	(510)	(941)	(232)	(330)	357	(1,656)
Segment profit	2,090	3,970	983	1,614	2,275	10,932
Attributable to:						
Owners of the parent	2,090	3,970	983	1,614	2,275	10,932
Non-controlling interest	-	-	-	-	-	-

Segment reporting information by customer segments for 2018

(CZKm)	Retail	Relationship services	Financial markets	Specialised banking	Group Centre	Total
Statement of income for the 1H 2018						
Net interest income	3,803	4,636	661	2,016	1,010	12,126
Net fee and commission income	1,453	1,708	206	409	251	4,027
Dividend income	-	-	-	-	6	6
Net gains from financial instruments at fair value through profit or loss	34	785	772	4	(373)	1,222
Net realised gains on financial instruments at fair value through OCI	-	-	-	-	-	-
Income from operating lease	-	1,154	-	-	-	1,154
Expense from operating lease	-	(1,094)	-	-	-	(1,094)
Other net income	32	44	5	14	398	493
Operating income	5,322	7,233	1,644	2,443	1,292	17,934
<i>of which:</i>						
<i>External operating income</i>	2,554	6,000	1,644	3,563	4,173	17,934
<i>Intersegment operating income</i>	2,768	1,233	-	(1,120)	(2,881)	-
Depreciation and amortisation	(11)	(30)	(10)	(45)	(603)	(699)
Other operating expenses	(3,321)	(2,216)	(219)	(604)	(1,710)	(8,070)
Operating expenses	(3,332)	(2,246)	(229)	(649)	(2,313)	(8,769)
Impairment losses	37	(579)	-	58	79	(405)
Share of profit of associates and joint ventures	-	-	44	308	-	352
Profit before tax	2,027	4,408	1,459	2,160	(942)	9,112
Income tax expense	(415)	(853)	(270)	(354)	300	(1,592)
Segment profit	1,612	3,555	1,189	1,806	(642)	7,520
Attributable to:						
Owners of the parent	1,612	3,555	1,189	1,806	(642)	7,520
Non-controlling interest	-	-	-	-	-	-

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 2019	1H 2018
Interest income on financial instruments calculated using effective interest rate method		
Cash, balances with central banks and other demand deposits	158	55
Financial assets at amortised cost, incl. assets pledged as collateral		
Credit institutions	8,079	3,234
Other than credit institutions	10,640	9,770
Financial assets at fair value through other comprehensive income, incl. assets pledged as collateral	210	261
Derivatives used for hedging (Note: 8)	1,666	856
Negative interest from financial liabilities measured at amortised cost	477	482
	21,230	14,658
Interest income on other financial instruments		
Financial assets held for trading, incl. assets pledged as collateral (Note: 8)	215	157
Derivatives used as economic hedges (Note: 8)	339	114
Negative interest from financial liabilities measured at fair value (Note: 8)	10	1
	564	272
Interest income	21,794	14,930

6. INTEREST EXPENSE

(CZKm)	1H 2019	1H 2018
Interest expense on financial instruments calculated using effective interest rate method		
Financial liabilities at amortised cost		
Central banks	10	-
Credit institutions	844	583
Other than credit institutions	2,739	1,249
Debt instruments in issue	1,446	344
Discount amortisation on other provisions (Note: 29)	35	6
Derivatives used for hedging (Note: 8)	512	160
	5,586	2,342
Interest expense on other financial instruments		
Financial liabilities held for trading (Note: 8)	208	238
Financial liabilities designated at fair value through profit or loss (Note: 8)	164	46
Derivatives used as economic hedges (Note: 8)	542	178
Negative interest from financial assets measured at fair value (Note: 8)	-	-
	914	462
Interest expense	6,500	2,804

7. NET FEE AND COMMISSION INCOME

(CZK _m)	1H 2019	1H 2018
Fee and commission income		
Payment services	2,788	2,692
Administration of credits	761	754
Network income	493	466
Collective investments	462	443
Distribution	456	401
Securities	138	135
Custody	106	98
Asset management	7	17
Other	644	517
	5,855	5,523
Fee and commission expense		
Payment services	1,185	1,013
Retail service fees	182	167
Commissions to agents	85	57
Distribution	16	11
Other	228	248
	1,696	1,496
Net fee and commission income	4,159	4,027

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:

(CZK _m)	1H 2019	1H 2018
Net gains from financial instruments at fair value through profit or loss and foreign exchange - as reported	(971)	1,222
Net interest income (Notes: 5, 6)	804	507
	(167)	1,729
Financial instruments held for trading and derivatives used for hedging		
Interest rate contracts	516	772
Foreign exchange	(492)	(1,371)
Equity contracts	824	(161)
Commodity contracts	5	5
	853	(755)
Non-trading financial instruments mandatorily at fair value through profit or loss		
Non-trading financial assets mandatorily at fair value through profit or loss	674	-
	674	-
Financial instruments designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	(792)	272
	(792)	272
Exchange differences revaluations	(902)	2,212
Financial instruments at fair value through profit or loss and foreign exchange	(167)	1,729

As from October 2018, KBC Bank started centralising ČSOB's trading activities to the Central European Financial Markets in order to align regulatory scope, risks arising from trading and streamline the trading activities. KBC Bank has outsourced the related trading activities back to ČSOB. The contracts are concluded through the Financial Markets trades specified products on behalf of KBC Bank. Related risk raised from the transactions is then transferred via a back-to-back transaction to KBC Bank with positive impact on risk weighted assets (RWA) of the Bank. Net residual profit based on trading results is distributed by KBC Bank to ČSOB; KBC Bank bears any potential loss. The profit is booked into Net gains from non-trading financial assets mandatorily at fair value through profit or loss.

9. NET RESULT FROM OPERATING LEASE

(CZKm)	1H 2019	1H 2018
Income from operating lease		
Revenues from operating leases	292	320
Revenues from disposal of assets under operating leases	782	574
Revenues from other services relating to operating leases	235	260
	1,309	1,154
Expense from operating lease		
Depreciation of assets under operating leases	(233)	(255)
Expenses from disposal of assets under operating leases	(767)	(597)
Other services relating to operating leases	(228)	(242)
	(1,228)	(1,094)

10. OTHER NET INCOME

(CZKm)	1H 2019	1H 2018
Net gain on acquisition of CMSS (Note: 3)	2,081	-
Net gain on disposal of CSOB AM (Note: 3)	621	-
Services provided to the parent and to entities under common control		
ICT services	291	302
Other services (excluding ICT)	96	76
Net gain on disposal of investments measured at amortised cost	24	19
Other services provided by ČSOB Leasing	7	9
Other	244	87
	3,364	493

11. STAFF EXPENSES

(CZKm)	1H 2019	1H 2018
Wages and salaries	3,137	2,950
Salaries and other short-term benefits of senior management	45	46
Social security charges	1,063	982
<i>of which pension security charges (obligatory)</i>	615	622
Pension (voluntary) and similar expenses	88	84
Other	86	89
	4,419	4,151

More information is available in the 2018 annual report.

12. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	1H 2019	1H 2018
Information technologies	1,307	1,210
Contribution to the Single Resolution Mechanism	720	568
Marketing	348	281
Retail service fees	269	255
Deposit Insurance Premium and contribution to the Securities Traders Guarantee fund	256	189
Other building expenses	255	234
Professional fees	214	231
Communication	179	201
Administration	96	81
Travel and transportation	82	84
Payment cards and electronic banking	65	61
Rental expenses on land and buildings - minimum lease payments	53	271
Training	33	41
Insurance	26	23
Car expenses	13	14
Other	96	175
	4,012	3,919

13. IMPAIRMENT LOSSES

(CZKm)	1H 2019	1H 2018
Impairment of financial assets at amortised cost - loans and advances	(37)	47
Impairment of financial assets at amortised cost - debt securities	-	18
Provisions for loan commitments and guarantees	(24)	17
Impairment of financial assets at fair value through OCI	-	1
Impairment of property, plant and equipment	1	(293)
Impairment of intangible assets	(60)	-
Impairment of other assets	(4)	(195)
	(124)	(405)

In 1H2018, impairment losses increased mainly due to the revaluation of tangible fixed assets (mainly cars) leased to customers under operating leases.

14. INCOME TAX

The components of income tax expense for the periods ended 30 June 2019 and 2018 are as follows:

(CZKm)	1H 2019	1H 2018
Current tax expense	1,578	1,453
Previous year over accrual	(63)	(7)
Net provisions for tax disputes	6	(42)
Deferred tax expense relating to the origination and reversal of temporary differences	135	188
	1,656	1,592

More information is available in the 2018 annual report.

15. 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 30 April 2019, a dividend of CZK 44.26 per share was paid for 2018, representing a total dividend of CZK 12,956 m.

Based on a sole shareholder decision from 25 April 2018, a dividend of CZK 52.46 per share was paid for 2017, representing a total dividend of CZK 15,356 m.

16. CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS

(CZKm)	30-06-2019	31-12-2018
Cash (Note: 33)	8,270	8,838
Mandatory minimum reserves (Notes: 33, 34, 40)	14,377	7,366
Other balances with central banks (Notes: 33, 34, 40)	22,151	20,817
Other demand deposits in credit institutions (Notes: 33, 34, 40)	2,512	1,589
	47,310	38,610

The Czech National Bank (CNB) pays interest on the mandatory minimum reserve balances based on the official CNB two-week repo rate. The Group is obliged to keep the balance of mandatory minimum reserve, however it is allowed to use the reserve for a liquidity management purposes during the month. Given that fact, mandatory minimum reserve is assessed to be a cash equivalent by the Group.

Other balances with central banks contain overnight loans provided to central bank in the amount of CZK Nil at 30 June 2019 (31 December 2018: CZK 15,000 m).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(CZKm)	30-06-2019	31-12-2018
Financial assets held for trading		
Loans and advances		
Reverse repo transactions (Note: 36)	11,146	9
Money market placements	-	1
Debt instruments		
General government	-	3,225
Credit institutions	-	1,151
Corporate	-	122
Equity securities		
Credit institutions	1	-
Corporate	5	3
Derivative contracts (Note: 21)		
Trading derivatives	34,206	15,171
Derivatives used as economic hedges	191	187
	45,549	19,869
Financial assets held for trading pledged as collateral		
Debt instruments		
General government	52	1,676
	52	1,676
Non-trading financial assets mandatorily at fair value through profit or loss		
Loans and advances		
Credit institutions	666	643
	666	643
Financial assets at fair value through profit or loss	46,266	22,188

Included within Financial assets at fair value through profit or loss are debt securities pledged as collateral in repo transactions or securities lending. Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(CZKm)	30-06-2019	31-12-2018
Financial assets at fair value through other comprehensive income		
Debt securities classified as stage 1		
General government	10,643	12,738
Credit institutions	1,959	1,912
Corporate	186	184
Equity securities		
Corporate	669	534
Gross carrying amount	13,457	15,368
Allowance for impairment losses	(1)	(1)
	13,456	15,367
Financial assets at fair value through other comprehensive income pledged as collateral		
Debt securities classified as stage 1		
General government	3,256	3,286
	3,256	3,286

Debt securities classified in Stage 1 are assessed as low credit risk financial instruments.

Included within Financial assets at fair value through other comprehensive income pledged as collateral in repo transactions in the amount of CZK 3,256 m (31 December 2018: CZK 3,286 m). Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

More information is available in the 2018 annual report.

19. FINANCIAL ASSETS AT AMORTISED COST

(CZKm)	30-06-2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Debt securities					
General government	76,649	-	-	-	76,649
Credit institutions	3,910	-	-	-	3,910
Other legal entities	2,631	327	-	-	2,958
Debt securities – gross carrying amount	83,190	327	-	-	83,517
Allowance for impairment losses	(3)	-	-	-	(3)
	83,187	327	-	-	83,514
Loans and advances					
Central banks	670,357	-	-	-	670,357
General government	7,223	249	3	-	7,475
Credit institutions	7,977	876	-	-	8,853
Other legal entities	211,496	22,924	8,791	130	243,341
Private individuals	464,953	20,260	9,831	63	495,107
Loans and advances – gross carrying amount	1,362,006	44,309	18,625	193	1,425,133
Allowance for impairment losses	(846)	(1,700)	(9,184)	(58)	(11,788)
	1,361,160	42,609	9,441	135	1,413,345
Total financial assets at amortised cost	1,444,347	42,936	9,441	135	1,496,859
Financial assets at amortised cost pledged as collateral					
Debt securities					
General government	37,305	-	-	-	37,305
Credit institutions	1,937	-	-	-	1,937
Debt securities – gross carrying amount	39,242	-	-	-	39,242
Allowance for impairment losses	-	-	-	-	-
Total financial assets at amortised cost pledged as collateral	39,242	-	-	-	39,242

31-12-2018

(CZKm)	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Debt securities					
General government	80,893	-	-	-	80,893
Credit institutions	4,171	-	-	-	4,171
Other legal entities	5,119	331	-	-	5,450
Debt securities – gross carrying amount	90,183	331	-	-	90,514
Allowance for impairment losses	(3)	(1)	-	-	(4)
	90,180	330	-	-	90,510
Loans and advances					
Central banks	521,042	-	-	-	521,042
General government	6,661	216	5	-	6,882
Credit institutions	7,485	134	-	-	7,619
Other legal entities	205,213	22,794	9,196	170	237,373
Private individuals	351,327	12,414	5,622	63	369,426
Loans and advances – gross carrying amount	1,091,728	35,558	14,823	233	1,142,342
Allowance for impairment losses	(675)	(1,277)	(7,396)	(71)	(9,419)
	1,091,053	34,281	7,427	162	1,132,923
Total financial assets at amortised cost	1,181,233	34,611	7,427	162	1,223,433
Financial assets at amortised cost pledged as collateral					
Debt securities					
General government	43,315	-	-	-	43,315
Credit institutions	1,966	-	-	-	1,966
Debt securities – gross carrying amount	45,281	-	-	-	45,281
Allowance for impairment losses	-	-	-	-	-
Total financial assets at amortised cost pledged as collateral	45,281	-	-	-	45,281

Debt securities classified in Stage 1 are assessed as low credit risk financial instruments.

Balances with central banks contain reverse repo transactions provided to central bank in the amount of CZK 670,357 m at 30 June 2019 (31 December 2018: CZK 521,042 m).

Included within Financial assets at amortised cost pledged as collateral are debt securities pledged as collateral in repo transactions in the amount of CZK 34,077 m (31 December 2018: CZK 26,166 m) or securities lending in the amount of CZK 5,164 m (31 December 2018: CZK 19,115 m).

Under the terms and conditions of the pledge in repo transactions or securities lending, the transferee has a right to sell or repledge the collateral.

Financial assets at amortised cost contain debt securities of CZK 12,725 m (31 December 2018: CZK 17,035 m) pledged as collateral of term deposits and financial guarantees.

As at 30 June 2019, the Group possessed assets (mainly cars related to leased assets) with an estimated value of CZK 26 m (31 December 2018: CZK 47 m), which the Group is in the process of selling.

20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

In February 2019, the Group sold its share in ČSOB AM and in May 2019, ČSOB acquired 45% stake in ČMSS and thus assumed 100% ownership control over ČMSS (Note: 3).

Following these two transactions, both entities lost the status of associated company and joint venture. As at 30 June 2019, balance of investment in associates and joint ventures represents the carrying amount of ČSOB Pojišťovna only.

More information is available in the 2018 annual report.

21.DERIVATIVE FINANCIAL INSTRUMENTS

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)	30-06-2019	31-12-2018
Financial liabilities held for trading		
Short positions	-	11,916
Derivative contracts (Note: 21)		
Trading derivatives	35,970	15,424
Derivatives used as economic hedges	119	24
Term deposits	3,114	1,272
Repo transactions	8,346	1
Bonds and investment certificates issued	4,660	4,540
	52,209	33,177
Financial liabilities designated at fair value through profit or loss		
Investment certificates	6,963	14,077
Bonds issued	28,445	11,988
	35,408	26,065
Financial liabilities at fair value through profit or loss	87,617	59,242

27. FINANCIAL LIABILITIES AT AMORTISED COST

(CZKm)	30-06-2019	31-12-2018
Deposits received from credit institutions		
Current accounts and overnight deposits	30,046	10,210
Term deposits	22,628	14,641
Repo transactions	41,593	29,802
	94,267	54,653
Deposits received from other than credit institutions		
Current accounts and overnight deposits	556,191	541,318
Term deposits	40,111	28,603
Savings deposits	338,727	212,311
Pension funds clients deposits	30	30
Repo transactions	28,750	316
Other deposits	14,604	10,047
	978,413	792,625
Debt securities in issue		
Bonds issued	10,577	10,714
Promissory notes	404,763	354,597
	415,340	365,311
Financial liabilities at amortised cost	1,488,020	1,212,589

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 2019, the total authorised share capital was CZK 5,855 m (31 December 2018: CZK 5,855 m) and comprised of 292,750,002 ordinary shares with a nominal value of CZK 20 each (31 December 2018: 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 2019 and 31 December 2018.

On 30 June 2019, the Bank was directly controlled by KBC Bank whose ownership interest in ČSOB was 100 % (31 December 2018: 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 2019 and 2018 are as follows:

(CZKm)	Revaluation reserve from financial assets at fair value through OCI	Cash flow hedge reserve	Total
At 1 January 2018	697	496	1,193
Other comprehensive income (Note: 31)	(270)	(467)	(737)
At 30 June 2018	427	29	456
At 1 January 2019	384	25	409
Other comprehensive income (Note: 31)	115	(5)	110
At 30 June 2019	499	20	519

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 2019 and 31 December 2018:

(CZKm)	30 June 2019			Total
	Level 1	Level 2	Level 3	
Financial assets recorded at fair value				
Financial assets held for trading				
Loans and advances	-	11,146	-	11,146
Debt instruments	-	-	-	-
Equity securities	6	-	-	6
Derivative contracts	-	33,831	566	34,397
Financial assets held for trading pledged as collateral				
Debt instruments	52	-	-	52
Non-trading financial assets mandatorily at fair value through profit or loss				
Loans and advances	-	666	-	666
Financial assets FVOCI				
Debt securities	10,719	-	2,068	12,787
Equity securities	-	-	669	669
Financial assets FVOCI pledged as collateral				
Debt securities	2,483	-	773	3,256
Fair value adjustments of the hedged items in portfolio hedge	-	(1,251)	-	(1,251)
Derivatives used for hedging	-	9,126	-	9,126
Financial liabilities recorded at fair value				
Financial liabilities held for trading				
Short positions	-	-	-	-
Derivative contracts	-	35,784	305	36,089
Term deposits	-	3,114	-	3,114
Repo transactions	-	8,346	-	8,346
Bonds and investment certificates issued	-	-	4,660	4,660
Financial liabilities designated at fair value through profit or loss				
Bonds and investment certificates issued	-	-	35,408	35,408
Fair value adjustments of the hedged items in portfolio hedge	-	(1,068)	-	(1,068)
Derivatives used for hedging	-	10,512	-	10,512

31 December 2018

(CZKm)	Level 1	Level 2	Level 3	Total
Financial assets recorded at fair value				
Financial assets held for trading				
Loans and advances	-	10	-	10
Debt instruments	2,437	198	1,863	4,498
Equity securities	3	-	-	3
Derivative contracts	-	15,107	252	15,358
Financial assets held for trading pledged as collateral				
Debt instruments	1,676	-	-	1,676
Non-trading financial assets mandatorily at fair value through profit or loss				
Loans and advances	-	643	-	643
Financial assets FVOCI				
Debt securities	12,830	-	2,004	14,833
Equity securities	-	-	534	534
Financial assets FVOCI pledged as collateral				
Debt securities	2,505	-	781	3,286
Fair value adjustments of the hedged items in portfolio hedge				
	-	(3,905)	-	(3,905)
Derivatives used for hedging	-	9,376	-	9,376
Financial liabilities recorded at fair value				
Financial liabilities held for trading				
Short positions	11,916	-	-	11,916
Derivative contracts	-	14,624	824	15,448
Term deposits	-	1,272	-	1,272
Repo transactions	-	1	-	1
Bonds and investment certificates issued	-	-	4,540	4,540
Financial liabilities designated at fair value through profit or loss				
Bonds and investment certificates issued	-	-	26,065	26,065
Fair value adjustments of the hedged items in portfolio hedge				
	-	(3,062)	-	(3,062)
Derivatives used for hedging	-	10,125	-	10,125

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 at fair value through OCI (incl. assets pledged as collateral)		Total
	Debt securities	Financial derivatives	Debt securities	Equity securities	
At 1 January 2018	3,289	200	2,007	460	5,956
Total gains (losses) recorded in profit or loss	34	37	16	-	87
Total gains recorded in other comprehensive income	-	-	(148)	77	(71)
Transfers into level 3	-	343	-	-	343
Purchases	47	-	168	1	216
Sales	(438)	-	-	-	(438)
Settlements	-	(72)	-	-	(72)
At 30 June 2018	2,932	508	2,043	538	6,021
Total gains or (losses) recorded in profit or loss related to assets held at the end of the reporting period	36	37	16	-	89
At 1 January 2019	1,863	252	2,785	534	5,434
Total gains (losses) recorded in profit or loss	20	374	(19)	-	375
Total gains recorded in other comprehensive income	-	-	56	132	188
Transfers into level 3	-	-	-	-	-
Purchases	7	-	19	3	29
Sales	(1,885)	-	-	-	(1,885)
Settlements	(5)	(60)	-	-	(65)
At 30 June 2019	-	566	2,841	669	4,076
Total gains or (losses) recorded in profit or loss related to assets held at the end of the reporting period	-	374	(19)	-	355

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:

(CZK m)	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss	Total
	Financial derivatives	Bonds issued	Investment certificates	
At 1 January 2018	80	-	6,953	7,033
Total losses recorded in profit or loss	133	-	(163)	(30)
Transfers into level 3	179	4,744	2,592	7,515
Purchases	-	-	4,542	4,542
Settlements	(54)	-	(1,278)	(1,332)
At 30 June 2018	338	4,744	12,646	17,728
Total losses recorded in profit or loss related to liabilities held at the end of the reporting period	133	(176)	(244)	(287)
At 1 January 2019	824	4,540	26,065	31,429
Total losses recorded in profit or loss	(415)	205	701	491
Transfers into level 3	-	-	-	-
Purchases	-	-	8,642	8,642
Settlements	(104)	(85)	-	(189)
At 30 June 2019	305	4,660	35,408	40,373
Total losses recorded in profit or loss related to liabilities held at the end of the reporting period	(415)	207	637	429

Management considers the value of the credit spread included in the discount factor applied on estimated future cash flows from the mortgage bonds 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 2019, 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 32 m and CZK 16 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.

Investment certificate is a financial liability composed of term deposit and index linked option / swap. The Group values the certificates using valuation of the underlying option / swap component in combination with the calculation of the deposit component value. Issued bonds are hybrid financial liabilities composed of the floating coupon rate bond and callable / puttable option. Valuation of the embedded derivative is based on model using both, market observable and unobservable inputs. In 2018, unobservable inputs represented a significant portion of the valuation, and as a consequence, the investment certificates and bonds issued were transferred to Level 3 financial instruments.

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 2019 and 1H 2018.

More information is available in the 2018 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)	30-06-2019	31-12-2018
Cash, balances with central banks and other demand deposits (Note: 16)	47,310	38,610
Loans and advances to credit institutions and central banks	670,376	521,278
Financial liabilities at amortised cost to credit institutions and central banks	(49,442)	(10,446)
Financial liabilities at amortised cost - repo transactions with general government bodies	(23,676)	-
Financial liabilities at amortised cost - promissory notes issued to credit institutions	(400,831)	(347,214)
Cash and cash equivalents	243,737	202,228

More information is available in the 2018 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 2019 and 31 December 2018 are as follows:

(CZKm)	30-06-2019	31-12-2018
Loan commitments – irrevocable	129,481	127,061
Loan commitments – revocable	50,768	54,754
Financial guarantees	37,018	38,260
Other commitments	2,854	3,358
	220,121	223,433
Provisions for loan commitments and guarantees (Note: 29)	333	292

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)	30-06-2019	31-12-2018
Financial assets		
Financial assets held for trading	11,146	9
Financial assets at amortised cost	673,503	524,247
	684,649	524,256

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 2019 was CZK 694,805 m, of which CZK 46,775 m has been either sold or repledged (31 December 2018: CZK 550,604 m and CZK 29,791 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)	30-06-2019	31-12-2018
Financial liabilities		
Financial liabilities held for trading	8,346	1
Financial liabilities at amortised cost	70,344	30,119
	78,690	30,120

The Group contracts repo operations under the standard conditions currently applied on the market. 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: 17), and Financial assets at fair value through other comprehensive income (Note: 18) and Financial assets at amortised cost (Note: 19).

37. OFFSET FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Note available in the annual report only.

38. RELATED PARTY DISCLOSURES

In 1H 2019, volume of transaction with related parties significantly increased compared to 2018. The outstanding balances of assets and liabilities with counterparty KBC Bank are as follows: reverse repo transactions CZK 6,980 m (31 December 2018: CZK Nil), repo transactions CZK 45,632 m (31 December 2018: CZK 29,804 m) and promissory notes issued CZK 398,272 m (31 December 2018: CZK 337,946 m).

More information on related party transaction is available in the 2018 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

For the purposes of the capital management in 2019 and 2018, the Bank was granted the ČNB permission to include a part of the interim profit of the Group to the Common Equity Tier 1 before taking a formal decision confirming the final net profit of the Group for the year.

In order to compensate for capital impacts of ČMSS acquisition and maintain healthy level of capital and capital adequacy ratios, the Group retained part of 2018 annual profit and part of interim profit as at 30 June 2019.

The following table shows the capital, capital requirements and CAD ratio calculated under Basel III on 30 June 2019 and 31 December 2018 for the Group.

(CZKm)	30-06-2019	31-12-2018
Tier 1 capital	71,105	69,148
Tier 2 capital	-	-
Total capital	71,105	69,148
Regulatory capital requirements	30,338	30,660
Risk weighted assets	379,230	383,254
Capital adequacy ratio	18.75%	18.04%

More information is available in the 2018 annual report.

Annex No. 2 to 1H 2019 ČSOB Activity Report
Companies of the ČSOB group (as at 30 June 2019)

Legal Entity				Share of ČSOB in:				Indirect Share of ČSOB via	Cons. EU IFRS Y/N
ID No.	Business Name of Legal Entity	Registered Office	Registered Capital	Registered Capital			Voting Rights		
	Business Activities			Total	Direct	Indirect			
			CZK	%	%	%	%		
Controlled Companies									
63987686	Bankovní informační technologie, s.r.o. 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
27081907	ČSOB Advisory, a.s. 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	ČSOB Factoring, a.s. Factoring and related services	Praha 10, Benešovská 2538/40	70,800,000	100.00	100.00	none	100.00	none	Y
63998980	ČSOB Leasing, a.s. Leasing	Praha 4, Na Pankráci 310/60	3,050,000,000	100.00	100.00	none	100.00	none	Y
27151221	ČSOB Pojišťovací makléř, s.r.o. Insurance broker	Praha 4, Na Pankráci 60/310	2,000,000	100.00	none	100.00	100.00	ČSOB Leasing	Y
61859265	ČSOB Penzijní společnost, a. s., a member of the ČSOB group Pension insurance	Praha 5, Radlická 333/150	300,000,000	100.00	100.00	none	100.00	none	Y
61251950	Eurincasso, s.r.o. 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	Hypoteční banka, a.s. Mortgage banking	Praha 5, Radlická 333/150	5,076,336,000	100.00	100.00	none	100.00	none	Y
00000949	MOTOKOV a.s. in liquidation 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
26455064	Patria Finance, a.s. Securities trader	Praha 1, Jungmannova 745/24	150,000,000	100.00	100.00	none	100.00	none	Y
25671413	Patria Corporate Finance, a.s. Brokerage activities in financial consulting	Praha 1, Jungmannova 745/24	1,000,000	100.00	100.00	none	100.00	none	Y
05154197	Patria investiční společnost, a.s. Management of investment funds	Praha 1, Jungmannova 745/24	10,000,000	100.00	100.00	none	100.00	none	Y
00604054	Burza cenných papírov v Bratislave, a.s. Stock exchange activity	SR, Bratislava, Vysoká 17	293,391,755	11.77	11.77	none	11.77	none	Y
02451221	Radlice Rozvojová, a.s. 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	Top-Pojištění.cz s.r.o. Arranging insurance	Praha 4, Lomnického 1705/9	200,000	100.00	100.00	none	100.00	none	Y
24684295	Ušetřeno.cz, s.r.o. Arranging loans, real estate activity	Praha 4, Lomnického 1742/2a	1,000,000	100.00	100.00	none	100.00	none	Y
28188667	Ušetřeno.cz Finanční služby, a.s. Arranging loans	Praha 4, Lomnického 1742/2a	2,000,000	100.00	none	100.00	100.00	Ušetřeno.cz	Y
01-09-338123	K&H Payment Services Kft Acquiring of payment transactions	HU, Budapest, Lechner Odon Faszor 9	1,000,000	100.00	100.00	není	100.00	není	Y
49241397	Českomoravská stavební spořitelna, a.s. Building savings bank	Praha 10, Vinohradská 3218/169	1,500,000,000	100.00	100.00	none	100.00	none	Y

Others									
26199696	CBCB – Czech Banking Credit Bureau, a.s. Software development, IT advisory, data processing, network administration databank services	Praha 4, Štětkova 1638/18	1,200,000	20.00	20.00	none	20.00	none	Y
28985362	ENGIE REN s.r.o. Production and sale of electricity from the solar irradiation	Praha 4, Lhotecká 793/3	186,834,000	42.82	42.82	none	42.82	none	Y
45534306	ČSOB Pojišťovna, a. s., a member of the ČSOB holding¹⁾ Insurance company	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	2,796,248,000	0.24	0.24	none	40.00	none	Y
27479714	ČSOB Pojišťovací servis, s.r.o., a member of the ČSOB holding Insurance brokerage	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	400,000	0.24	none	0.24	0.00	ČSOB Pojišťovna	Y
05815614	Pardubická Rozvojová, a.s. Rent of flats and non-residential spaces	Pardubice, Zelené předměstí, Masarykovo náměstí 1458	2,000,000	0.24	none	0.24	0.00	ČSOB Pojišťovna	Y
26439395	První certifikační autorita, a.s. 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.)

¹⁾ Shares in registered capital: ČSOB 0.24%, KBC Insurance 99.76%;
shares in voting rights: ČSOB 40%, KBC Insurance 60%.

Changes as at 30.6.2019

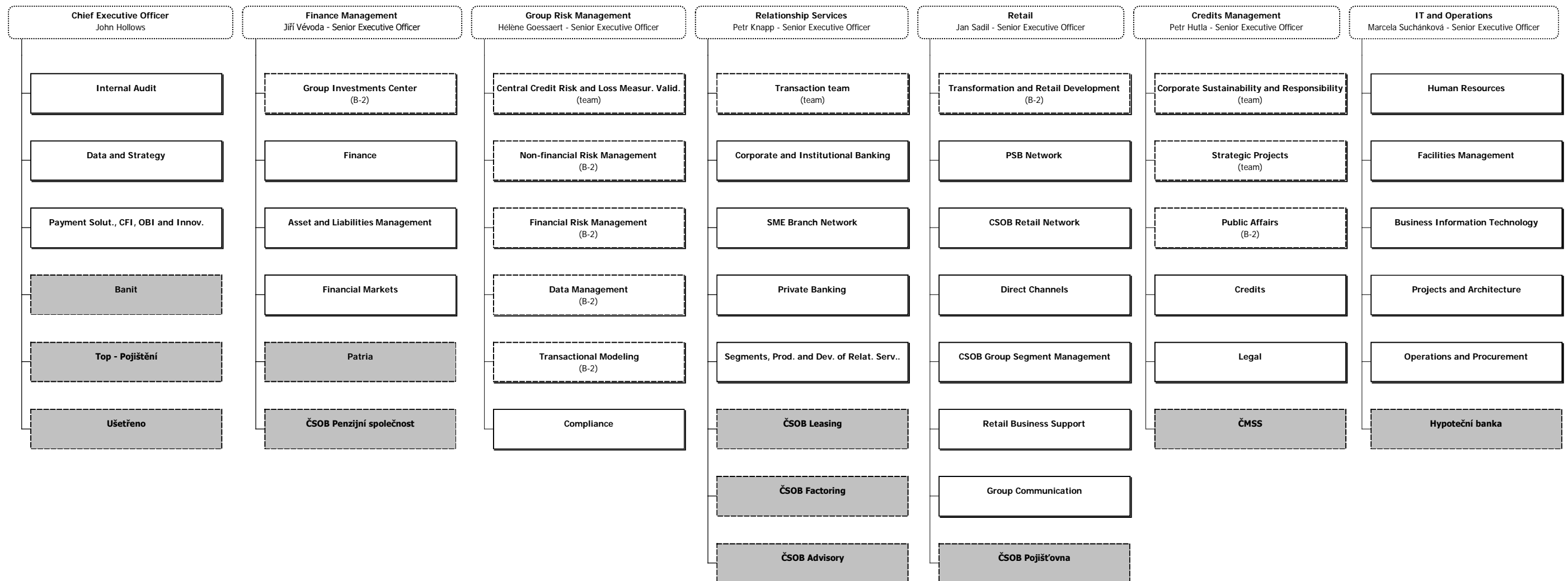
Premiéra TV, a.s. - dissolution of the company and deletion from Commercial Register

ČMSS, a.s. - acquisition of share (45%) in the company as of 31.5.2019

K&H Payment Services Kft - establishment of the company as of 1.3.2019

ČSOB Asset Management, a.s., investiční společnost - sale of company as of 13.2.2019

Annex No. 3 to 1H 2019 ČSOB Activity Report
ČSOB Organisation Chart (as at 30 June 2019)



Legend:

