

ČSOB'S APPROACH TO INCENTIVES IN THE PROVISION OF INVESTMENT SERVICES AND PENSION PRODUCT DISTRIBUTION

1. Introduction

The purpose of this document is to provide general information about payments and other performances received and provided in the course of the provision of investment services (hereinafter referred to as “incentives”) by Československá obchodní banka, a. s. (hereinafter referred to as “ČSOB”). ČSOB provides investment advice and the brokerage of other investment services to its clients who are planning to invest into collective investment fund unit certificates and into other investment instruments. ČSOB does not bill its clients for the costs of the provision of investment advice; instead, it receives one-off or regular incentives from third parties. To ensure the distribution of investment instruments by third parties, ČSOB provides incentives to its distributors. ČSOB ensures that these incentives received and paid by it increase the quality of the investment service concerned and that this does not in any way concern its obligation to act with a professional care in the best interest of its clients. This is achieved, above all, through measures aimed at ensuring adherence to rules governing client treatment, by the setup of ČSOB's internal control system and by the separation of certain activities aimed at the provision of investment services to clients. The client will be informed about the specific amount of incentives in the provision of an investment service, based on regularly informing the client of the product.

2. General information about inducements

ČSOB receives incentives in the form of commissions and other financial performance from investment companies managing collective investment funds, from securities traders, providers of client asset management investment services, from bond issuers, and other third parties. ČSOB also provides incentives to third persons distributing investment instruments. Incentives may be one-off, connected to the purchase of a particular investment instruments, or can be regular. ČSOB also accepts and provides to third parties non-monetary inducements, in particular, in the form of organising and participating in conferences, marketing materials, and other activities consisting in informing the sales network about products and promoting cooperation. ČSOB also receives and provides operational inducement, i.e. inducements received from, or provided by, third parties, which enable the provision of the investment services or are necessary for that purpose and their nature is not in contradiction with the obligation to act with professional care. Such inducements include, for example, payments to the organiser of a regulated market or settlement system for the provision of its services, fees for external audit, accounting and legal services and advice, subscription fees, fees for the services of a depository, and fees for the use of paid information services. In connection with a specific campaign, the costs actually expended on product promotion may be paid by another company from the ČSOB/KBC Group, up to the amount of the campaign budget set in advance.

3. Collective Investment Funds

ČSOB intermediates the issue and redemption of shares in investment funds (units and shares in funds). For this activity, it retains the entry charge paid by the investor and it also receives from the investment undertaking, or from other distributors of such investment undertakings if it acts as a subdistributor, a share from the collected management fee (a fixed management fee paid by a collective investment undertaking to the investment firm managing it; the specific

amount of the fee is specified in the statutes of the relevant collective investment undertaking). The amount of this inducement is between 35% and 60% of the management fee, depending on the extent of the ancillary services provided in connection with the distribution of the units/shares in the investment funds; the amount is determined for each fund individually. ČSOB also third parties for the further distribution of the investment funds. In case of distribution via Česká pošta, s. p., Česká pošta receives 80% of the entry charge and an amount corresponding to 50- 70% of the continuous charges. In case of distribution via Patria Finance, a.s., Patria Finance retains 100% of the entry charge and, in addition, is provided by ČSOB an inducement of 40 -55% of the management fee; the amount is determined for each fund individually.

4. Brokerage of the Conclusion of an Agreement with a Securities Trader

If a client (customer) enters into an agreement commissioning the purchase or sale of a security from/to another securities trader through ČSOB, ČSOB receives an incentive from the trader amounting to 30% of the fees paid to the securities trader by the client for one year after the conclusion of the commissioning agreement, minus any costs immediately related to the performance of the securities trader's obligations to the client.

5. Brokerage of the Conclusion of an Agreement on the Management of a Client's Assets

In connection with the brokerage of the conclusion of an agreement on the provision of this investment service, ČSOB regularly receives from the provider of the service an amount corresponding to a share in the remuneration for the management of individual portfolios (so-called management fee), which share is determined from that part of the assets under management that were invested by clients – individuals who demonstrably entered into a management agreement through ČSOB. The remuneration amounts to 60% of the management fee received by the investment service provider.

6. Other Investment Instruments

With respect to certain existing third-party bond issues issued before or on 31 December 2011, ČSOB receives regular incentives of up to 1.00% p.a. of their nominal volume. With respect to bond issues issued from 1 January 2012 on, ČSOB does not receive any regular incentives, but may receive and provide one-off incentives of up to 2.00% of the nominal value.

ČSOB receives 2 types of inducements when distributing bonds Republika (State saving bonds). ČSOB receives one-time inducement of 500,- CZK for the application for electronic access for administration of Property account and also receives regular inducement of 0,35% during the first year and 0,15% during next years from amount that was issued by applications for issuance.

7. Pension Products

ČSOB receives an incentive amounting to 3.5% of the average salary in the national economy, as announced by the Ministry of Labour and Social Affairs with respect to the first to third quarters of the previous calendar year, from ČSOB penzijní společnost, a.s., for the brokerage of pension or supplementary pension savings and related activities.