

ČSOB approach to Inducements when providing investment services provision and distributing pension products

1. Introduction

This document serves as a general information on payments and other benefits received and provided in relation to the provision of investment services (hereinafter “inducements”) by Československá obchodní banka, a. s. (hereinafter “ČSOB”). ČSOB provides clients who intend to invest in units of collective investment funds and other investment instruments with investment advisory and mediation of other investment services. ČSOB does not charge the client for the costs of providing the investment advisory, but instead receives one-time or regular inducements from third parties. In order to ensure the distribution of investment instruments by third parties, ČSOB provides inducements to its distributors. ČSOB ensures that these inducements, received and provided, increase the quality of the relevant investment services and that this has no impact on its obligation to act in the best interests of its clients. This is achieved primarily through measures for ensuring adherence to the regulations for conduct of business towards clients, setting the internal control system in ČSOB and separating certain activities used to provide investment services to the clients. The exact amount of the inducements related to the provision of investment services will be conveyed to the client based on a request made to a ČSOB employee providing service.

2. Inducements in general

ČSOB accepts inducements in the form of provisions and other financial benefits from management companies managing collective investment funds, securities traders, investment services providers managing a customer’s assets, issuers of bonds and other third parties. ČSOB also provides inducements to third parties who ensure the distribution of investment instruments. Inducements can be one-off within the context of a purchase of investment instruments or can be on a regular basis.

Operational fees necessary for the provision of investment services, such as fees to the operator of a regulated market or a settlement services provider, fees for external audits, accounting or legal services and consultation, subscription fees, fees for depository services or fees for the use of paid information services are not considered as inducements received or provided from third parties.

Expenses incurred for the promotion of products within the context of a specific campaign can be paid for by another company from the ČSOB/KBC Group up to the amount of the pre-approved campaign budget.

3. Collective investment funds

ČSOB intermediates the issue and redemption of units in collective investment funds (and shares in funds). For these activities it receives a share of the charged “management fee” (a fixed administrative fee that the collective investment fund pays to the management company that manages the fund; the exact amount of the management fee is set in the fund’s prospectus) from the management company. The amount of this inducement is within 35% to 60% of the management fee, and is set individually for each specific fund.

ČSOB also makes use of third parties for the further distribution of shares in collective investment funds.

For distribution via ČMSS, a. s. ČSOB provides an incentive of 35% to 60% of the management fee. In the case of distribution via Česká pošta, s. p. it provides a fixed amount (adjusted each year) for the concluded commission agreement regardless of the amount invested.

4. Mediation of contracts with securities traders

In relation to mediation of brokerage agreement for the procurement of a purchase or sale of securities with another investment firm, ČSOB receives an inducement from that investment firm in the amount of 30% of the fees that the client pays to the investment firm over the period of one year from concluding of the brokerage agreement, after subtraction of the costs that directly relate to the performance of the investment firm's securities liabilities towards the client.

5. Mediation of contracts for the management of client assets

In relation to mediation of the contract for the provision of this investment service ČSOB regularly receives a sum from the service provider corresponding to the share of the remuneration for the management of the individual portfolios (a "management fee") with this share being established on the basis of a part of the managed property of the customer – natural entities who have demonstrably concluded a contract for such management via ČSOB. This incentive amounts to 60% of the management fee received from the provider of the investment services.

6. Additional investment instruments

On third-party bonds, those issued before December 31, 2011, ČSOB receives regular inducements of up to 1.00% p.a. off the nominal volume. Where bonds issued after January 1, 2012, are concerned, ČSOB does not receive any regular inducements, but can receive and provide one-time inducements up to the amount of 2.00% of the nominal value.

7. Pension products

For the mediation of pension or supplementary retirement savings and related activities, ČSOB receives from ČSOB penzijní společnosti, a.s., an inducement in the amount of 3.5 % of the average wage in the national economy reported by the Ministry of Labour and Social Affairs for the first to the third quarter of the preceding calendar year.