

ANNUAL REPORT

2017 ČSOB Leasing



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01

ABOUT THE COMPANY



01

ABOUT THE COMPANY

TRADING COMPANY	ČSOB Leasing, a. s.
SEAT	Na Pankráci 310/60, 140 00 Prague 4, Czech Republic
CORPORATE FORM	joint-stock company
REGISTRATION	registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3491
DATE OF REGISTRATION	31 October 1995
IDENTIFICATION NUMBER	63998980
SHAREHOLDER	Československá obchodní banka, a. s., ID number: 000 01 350 Radlická 333/150, 15057 Prague 5
URL	www.csobleasing.cz

01

ČSOB LEASING, YOUR CREDIBLE FUTURE

Through asset (cars and trucks, machinery and equipment) financing, **ČSOB Leasing** helps its clients make their conceptions come true by cutting the time of arrival of their dream future! With ČSOB Leasing, clients can start using the asset or equipment financed immediately and pay for it later. No more years of saving money and waiting for the implementation of their plans, may that be their business or personal plans.

01

THE MANAGEMENT OF ČSOB LEASING, A. S.

BOARD OF DIRECTORS AS OF 31 DECEMBER 2017



Ing. Libor BOSÁK
chairman of the board of directors



Ing. Josef ROSENKRANZ
vice-chairman of the board of directors

SUPERVISORY BOARD AS OF 31 DECEMBER 2017

Ing. Petr KNAPP
chairman of the supervisory board

Ing. Jiří VÉVODA
member of the supervisory board

JUDr. Ing. Ján LUČAN, Ph.D.
member of the supervisory board

Ing. Petr MANDA
member of the supervisory board

Ing. Vladimír BEZDĚK, M.A.
member of the supervisory board

Ing. Luděk OREL
member of the supervisory board

01

INTRODUCTION OF ČSOB LEASING

- ČSOB Leasing is one of the leading leasing institutions in the Czech Republic and a market leader in the competitive environment.
- ČSOB Leasing has the strongest capital base among the leasing companies in the Czech market. Československá obchodní banka, a. s. is the Company's 100% shareholder. ČSOB Leasing is **a member of ČSOB Group** and part of the important international **KBC Group**.
- ČSOB Leasing is a **universal leasing organization** providing a broad range of services to its clients: finance leases, leaseback, releasing, customer loan, full-service leases, operating leases, fleet management for financing the acquisition or use of light and heavy transport equipment, machinery, devices, IT equipment, technologies and technological units, **including financing of high-cost items** (railway carriages, airplanes, etc.) including syndicated financing. It supports financing of inventory stock of its partners, suppliers of the subjects of financing.
- The Company offers services to clients, entrepreneurs and natural persons, not only through its own branch network (allowing the development of a personal relationship with each client in any region of the Czech Republic) but also through the extensive branch network of ČSOB as well as directly in the offices of cooperating suppliers.
- **ČSOB Leasing pojišťovací makléř**, s.r.o. is a subsidiary of ČSOB Leasing. ČSOB Leasing share is 100%. In close cooperation with its subsidiary, ČSOB Leasing provides a broad range of insurance products from leading insurance companies in the market in the Czech Republic.
- ČSOB Leasing is a holder of the **ISO 9001:2008** quality certificate (including Full Service Leasing products). The Company keeps on implementing activities aimed at increasing the productivity and efficiency, standardization and optimization of business processes and increasing the value of products and services for the clients.
- ČSOB Leasing is a company that understands the needs of the environment. It brings such solutions that support future development and progressive changes in the area of transport mobility and at the same time society-wide efforts to protect and care for nature. Social responsibility is a genetic part of the Company's philosophy.
- ČSOB Leasing won awards in several contests for best financial products or companies: Zlatá koruna, Zlatý měsíc, Fleet Award, CZECH TOP 100 or Flotila.



02

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES



02

CLIENT/PARTNER ACTIVITIES, PRODUCT AND PROJECT DEVELOPMENT



CLIENT/PARTNER ACTIVITIES, PRODUCT AND PROJECT DEVELOPMENT

In January and February, **branches Pardubice and Hradec Králové, part of the SME branch network, were merged, creating the region of “East Bohemia”**. Also, sales points **Jihlava were merged with České Budějovice branch**. **The objective of both changes was to improve the communication in ČSOB Group and increase our ability of serving the regions.**

In 2017, a new project team named **Vize 2020** was established to promote technological and business development of client services.

Also in 2017, ČSOB Leasing kept on providing a unique service or rather a product, **ČSOB Leasing AUTOPILOT assistance**, launched in fall 2016, providing road assistance to ČSOB Leasing clients. This ČSOB Leasing service was newly extended by the support through **AUTOPILOT assistance mobile application**. The objective of this service is to **increase the customers' comfort**, providing for all of their needs on the road. Autopilot assistance service is a social-responsibility-based product, through which ČSOB Leasing attempts not only to facilitate and increase the customers' mobility but also to provide for their safety.

A cooperation agreement has been signed between **ČSOB Leasing and ČMZRB** (Českomoravská záruční a rozvojová banka, a.s.). On 1 June 2017, a new **product/combination of classic financing with a loan from ČMZRB with public aid under the Operational Program Enterprise and Innovation** (OPEI portal) was launched. This product is designated for companies conducting business mainly in the manufacturing and building industries who intend primarily to invest into new

technologies/machinery, where the total value of their investment exceeds CZK 4.5 million including VAT. SMEs may apply for interest-free loans and financial contributions for interest payments. This ČMZRB product benefiting from the aid (**EXPANSION program**) can be used for financing new machines and equipment, reconstruction and acquisition of buildings or building plots, including VAT. The objective of the Expansion is to facilitate SMEs' access to bank loans for the implementation of their business projects for starting up and developing their businesses and for increasing their business activities. A new challenge of the OPEI program is the focus on automation in connection with the Industry 4.0 trend. The aid can be granted for acquisition of new machines, technological equipment and facilities compliant with the Industry 4.0 idea – digitization, automation, robotization and individualization of customer solutions.

02

CLIENT/PARTNER ACTIVITIES, PRODUCT AND PROJECT DEVELOPMENT

On 8 June 2017, ČSOB Leasing's product Autopilot placed first and its Full Service Leasing product placed third in the 15th edition of **Zlatá koruna** awards. This event is open to all financial companies with firmly set rules and their products are evaluated by independent experts and public. The awards are a proof of the financial product's quality as well as satisfaction of the product users.



ČSOB Leasing keeps on improving its electronic information customer portal **eLeasing** through which it offers to its customers an opportunity to monitor online the process of their own loan or leasing agreements and to communicate with ČSOB Leasing. Last year, the portal was upgraded with a new modern design and with several new functionalities.



Since 1 June 2017, the offer of services provided to ČSOB Leasing clients has been extended by long- and short-term car rents from ČSOB Leasing's own fleet. Autopůjčovna ČSOB Leasing car rental is designed

primarily for ČSOB Leasing clients currently in need of a solution for their short- or long-term mobility. The offer is currently designed namely as an **additional service for ČSOB Leasing** clients to their already active agreements. **Autopůjčovna offers luxury cars** with enhanced equipment for company managers as well as medium- or lower-class demonstration cars of favorite brands for rent. The service has a marketing name of **"FleetShare"**.



"AUTOPŮJČKA" CAR LOAN AS PART OF ČSOB GROUP CLIENT OFFER

On 1 August, the first ATL group marketing and sales campaign for financing cars under Autopůjčka brand was launched. The campaign objective was to increase the volume of financing and highlight the ČSOB Group as a partner for very favorable financing of new and used cars. In a single package, ČSOB Leasing offers "Autopůjčka" car loan, insurance from ČSOB Pojišťovna and ČSOB's "Půjčka na cokoliv" (loan for anything you may wish). The campaign refers to a favorable interest rate, using a slogan: "Interests won't get out of control with us" or "Give a nod to ..." and a package of full

insurance and other services. It mainly refers to the KOMPLEX insurance package, unique service of FLEXI installment and AUTOPILOT assistance service. In the rating of the prestigious Marketing & Media magazine, ČSOB placed second, with its doggy campaign. Experts appreciated the campaign's creative design.



02

CLIENT/PARTNER ACTIVITIES, PRODUCT AND PROJECT DEVELOPMENT

In October 2017, **ČSOB Leasing assumed ČSOB fleet management, through the Full Service Lease product.** The Full Service Lease Product made it possible for ČSOB to operate corporate passenger and utility cars with added advantages and comfort, plan investments uniformly, time-manage investments and use various services at a monthly fee. This newly established program introduced one difference – cars will no longer be owned by ČSOB bank but by ČSOBL. **As the owner and provider of services, ČSOB optimizes external cost, which in turn will lead to cost savings.** FSL will also provide for regular replacements of ČSOB employees' cars. Standardized processes in FSL teams will be replaced by the current special double processes applied only to the bank fleet.



In 2017, ČSOB Leasing concentrated on reinforcing relations and communication with customers during contractual relations. As part of this program, since October 2017, ČSOB Leasing has been offering **ComeBack loan** to its clients. It is a special loan product including insurance and services designated to ČSOB

Leasing's selected customers as a benefit upon termination of financial agreement.



The **"ELEKTRO kredit"** product designated for financing of electric cars of all brands and models was extended by new product variants, such alternate drive for used electric cars, in 2017. Thanks to the cooperation within ČSOB Group, including the cooperation with ČSOB Leasing pojišťovací makléř, s.r.o., it is possible to obtain motor third party liability insurance from **ČSOB Pojišťovna** for free during the term of financing, subject to satisfaction of certain conditions.

Attractive parameters of this product are a contribution of ČSOB Leasing to "Čistá mobilita" (Pure Mobility) activity, through which it profiles itself as a partner for financing of electric cars in the Czech Republic.

For the second time, ČSOB Leasing participated in the New Energies Rallye in Český Krumlov. Even this year, the leasing company was able to peek into the

rallye world, as part of the international FIA Electric and New Energy Championship. Electric cars of various brands, including the brand new Tesla X and **ČSOB Leasing's eGolf**, were at the start.



New Energies Rallye

In October 2017, ČSOB Leasing has successfully completed the first phase of the Software Product Innovation Project operational leasing and completed the Document Project management system (DMS), electronic system for saving and managing documents.

02

ČSOB LEASING FIGURES IN 2017

ČSOB Leasing's business strategy has been and still is based on sales support and provision of high-quality financial services, while at the same time maintaining the quality of credit risk and operation cost management.

ČSOB Leasing has all valid business concessions and licenses required to conduct its business.

ČSOB Leasing risk policy is very conservative, the company strategy does not allow for opening speculative interest or currency positions to reach profit.

Interest and foreign currency position is concluded within limits approved by ČSOB. With the objective of eliminating interest risk, fixed-interest-bearing assets are secured by interest swaps, changing 3M floating rate of underlying credits to a fixed rate, unless such assets are already financed by fixed-interest-rate credits of corresponding maturity. To eliminate currency risk, ČSOB Leasing keeps the rule that customer products provided in foreign currency are refinanced by sources in the same currency. To adjust foreign currency position, spot or forward currency purchases or sales are used. Market position and business results are based on a successful business strategy, effective distribution and business models, operation in own stable business network, company goodwill, cooperation with the daughter company ČSOB Leasing pojišťovací makléř and elaborate product and structure orientation.

The company management worked primarily on the assurance and support of the company's permanent

development, with the emphasis on increasing the quality of the client relations and on business activities expansion.

ČSOB Leasing is attentive to the environmental consequences of its business (such as the Program ČSOB Leasing Čistá Mobilita or Paperless Access Program); ČSOB Leasing reflects this thinking in its processes, client products and partnerships.

ČSOB Leasing inspires its employees to a more respectful and healthy lifestyle through internal communication.

ČSOB Leasing prevents corrupt practices and conflicts of interest through adopted measures and policies such as: Code of Conduct, KBC Group Policy for Corruption and Bribery, ČSOB Policy – Reporting of Incorrect Negotiations and Others.

ČSOB Leasing does not deal with countries that violate human rights.

ČSOB Leasing does not finance commercial transactions with arms.

In 2017, ČSOB Leasing reached the first position in the overall Czech leasing market (=relevant and comparable market including loans), both in terms of portfolio volume (18.5% market share) and in terms of new trades (15.8% market share). In 2017, total relevant market reached the volume of new trades of CZK 125 billion (+7.19% year-to-year).

As at 31 December 2017, ČSOB Leasing had total 91 814 active agreements in its portfolio. In 2017, it concluded 21 568 new customer agreements.

Company assets amounted to CZK 46.2 billion at the balance sheet date.*

In the financing structure as of 31 December 2017 the promissory notes amounted to CZK 11.7 billion. The total sum of loans accepted was CZK 22.7 billion at the end of 2017 (and 93% of that sum was provided by the ČSOB bank).*

ČSOB Leasing complied with the requirements of the tax recognition of costs of financing inside the group in 2017 (low capitalization).

Equity as at 31 December 2017 amounted to CZK 8.9 billion.*

In June 2017, ČSOB Leasing paid a dividend to the ČSOB bank in the amount of CZK 421 million. The dividend payment has not endangered its compliance with the requirements of low capitalization in 2017.*

ČSOB Leasing profit before tax amounted to CZK 523 million and profit after tax amounted to CZK 468 million.*

In the end of 2017, ČSOB Leasing Group had total 400 employees (FTE; 32 of them were employees of ČSOB Leasing pojišťovací makléř).

* Based on Czech Accounting Standards.

02

PLANS 2018

For the next year of 2018, ČSOB Leasing plans continuous development of client mobility- and operability-related services and it will focus more on the retention of its existing clients, in the form of special financial products designated exclusively for this segment. For entrepreneurs, it will continue improving the provided services related to branch financing, intermediation of subsidy entitlements (including consultancy) and financing from subsidy programs EIB and ČMZRB. In the area of the Full Service Operative Leasing, ČSOB Leasing will focus on improving the quality of the product portfolio in synergy with the implementation of the new system solution and further improvement of the processes related to customer agreement service.

TRUCK LOAN “TRUCK PŮJČKA” INCLUDING FULL INSURANCE AND SERVICES

The unique truck loan “**Truck Půjčka**” from ČSOB Leasing including full insurance and services is the **best available solution for the acquisition of heavy transport technology** in 2018.

The Truck loan provides financing for light and heavy transport technology, machinery, equipment, information technology, technologies and technological units, including

the financing of high-acquisition-value objects such as rail cars, airplanes etc., including syndicated financing. Truck loan with full insurance and services is a suitable solution for any Czech truckers considering the acquisition of a new truck or trailer. By an expedient combination of financing, insurance and related services, an innovative program was born, designated for Czech small and medium-sized truckers and shippers.

The product which makes up an attractive and high-quality offer was created by innovating the parameters of ČSOB Leasing financial products for the financing of heavy transport technology, adding new services and appropriately combining the ČSOB Leasing and daughter company's know how in the area of insurance, which has led to creation of a new solution in the form of the Truck loan. This segment made ČSOB Leasing number one in the market.

Truckers or shippers can always choose from several alternatives of the Truck loan, based on their preferences, e.g. whether they emphasize good-quality complex insurance and services related to the operation of vehicles, or whether they look for a perfect cost-efficient financial solution or a fitting combination. An inherent quality of the new Truck loan is the **customer's freedom of choice**.

An integrated part of the Truck loan is the **KOMPLEX insurance** from ČSOB Pojišťovna, a program prepared by experts of ČSOB Leasing pojišťovací makléř, which includes, among other things, an attractive motor liability insurance with high limits, full all risk accident insurance and an extra service, e.g. assistance service, included in the price which can take care of all acts related to a traffic accident for the driver (rescue, towing, cargo reloading, crew accommodation and transport services, window glass insurance). It also includes a unique GAP insurance covering any gaps between the insurance benefits from accident insurance and acquisition price of a new vehicle, including deductible.



02

PLANS 2018

PREMIUM EDITION

In the very beginning of 2018, ČSOB Leasing is planning a premium edition for each calendar quarter. It is a **country-wide sales concept** which provides a system solution of redistribution of vehicles which were returned to ČSOB Leasing from short-term operative leases. The basic sales offer is sale for **cash, special loan product PREMIUM loan and PREMIUM operative leasing**. A part of the PREMIUM EDITION concept is a detailed Car Catalog presenting particular EDIC cars. ČSOB Leasing offers premium cars which are available IMMEDIATELY, with the guarantee of origin and quality – ČSOB Leasing is always the first owner, car acquisition is perfect, based on the customer's wishes, financing and insurance terms are ideal, with the Premium Mobility Paket including benefits and services related to acquisition and use of the care. Cars are available are ready for the customers in **Autocentrum Čakovice**.

In ČSOB Leasing, product development will be directed to modern, innovative trends with respect to changes in legislative conditions.

The project development of ČSOB Leasing in 2018 is aimed at completing the SW solution for the operational leasing product, will work on the e-Commerce project (transactions made using the Internet and other electronic tools) and support solution for ČSOB Leasing Car Rental for better customer service.

↓ IHNEDE K ODBĚRU ↓

↓ PREMIUM Edice ↓

↓ ČSOB Leasing ↓

ČSOB Leasing

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03

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES



03

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Since 2013, the employees of ČSOB Leasing have been able to devote **one day of the year** to voluntary activities in support of a non-profit organization of their choice. Each year, **vast majority of employees participate** in the **“Helping Together”** program. In 2017, 164 employees participated, supporting 17 non-profit organizations with their activities.



Helping Together

In 2017, ČSOB Leasing **organized two charity bake-offs** under the motto **“If you don’t bake with us, you bake against us”** in order to raise funds for non-profit organizations. The total amount of money raised was CZK 21,333. The proceeds from the baked goods were given to the “Farní charita Starý Knín – dílna Rukama nohama” and “Pomocné tlapky”.

Sale of items was organized together with the charity bake-offs and we received through it CZK 14,380.00 for **Farní charita Starý Knín – dílna Rukama nohama**,

CZK 6,120.00 for **Srdcerváči** and CZK 4,080.00 for **CZEPA Hvězdny bazar**.

ČSOB Leasing has been working with the non-profit sector for several years where our support is meaningful and useful. We try to support these organizations in their specific needs through **gifts of money and in kind** (for example, we give away discarded IT equipment, office furniture and raise funds). In 2017, we again organized two **item collections in support of the Czech Paraplegics Association (“Hvězdny bazar”)**. Since 2013, we have been **partners of the Association for Integration through Sports**. In 2017, the Company contributed to the Association a donation in the amount of CZK 100,000.00 for the organization of IKuželník events.

ČSOB Leasing has been supporting non-profit organizations by donating used notebooks for a long time already. In 2017, it supported Mamma Help with



Activities of the Integrated Sports Association.

8 notebooks, the Integrated Sports Association with 5 notebooks, Farní charita Starý Knín – dílna Rukama nohama with 4 notebooks and the Democratic Learning Center with 2 notebooks.

ČSOB Leasing individually supports non-profit organizations by purchasing cars. In 2017, it supported



Car Delivery



Světluška POTMĚ

03

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Hospice Home Jordan by purchasing Škoda Octavia III station wagon in the value of CZK 311,500.00. Also, through long-term leasing of a car in the value of about CZK 120,000.00, it supported the endowment fund **Světluška POTMĚ**, which contributed also to a smooth operation of the café **Kavárna POTMĚ**.

Since 2015, the Company has striven, by organizing the **“Give blood, give health!”** campaign, to support regular blood, blood component and bone marrow donors among its employees and to inspire others to donate. In 2017, 28 employees donated blood and blood derivatives.

In 2017, ČSOB Leasing supported organizations employing handicapped people by purchasing products and services in the total amount of CZK 2.283.618,5.

In ČSOB Leasing, we care for our handicapped colleagues doing great jobs in spite of their health conditions. For our handicapped colleagues (those with hearing disorders, asthma, epilepsy or people in wheelchairs and others), the benefit program **“Vital”** offering more comfortable working conditions has been prepared.

Also in 2017, we supported several non-profit organizations during sports events. In the Night Run for Světluška, 48 employees participated who ran in aggregate 120 km. 22 employees took part in the Teribear Moves Prague, who ran in aggregate 1 010 km, supporting handicapped children this way with the amount of CZK 50,520.00.

THROUGH ITS ACTIVITIES, ČSOB LEASING SUPPORTED A TOTAL OF 17 ORGANIZATIONS.

Among those were:

- Creative Workshop – Dílny tvořivosti, o.p.s.
- Infant Care Center – Baby Center in the FTN Hospital
- Maternity, Family a Community Center – Mateřské, rodinné a komunitní centrum Balónek, z.s.
- The Sisters of Mercy Hospital of St. Charles Borromeo in Prague
- Regional Charity Břeclav
- PALATA – Home for Visually Impaired
- Bohnice Psychiatric Hospital
- Association for Helping Handicapped Children – KC Motýlek
- Tachov Ornithology Association – Bird Rescue Station
- Toulcův dvůr – Botič o.p.s.
- Toulcův dvůr – SRAZ Association
- Zoological Garden – ZOO Dvůr Králové, a.s.
- Zoological Garden of the Capital City of Prague

We support equal employment opportunities and we develop employees' talents. We are interested in the employees' health and well being, we offer possibilities of working from home, if the character of work allows, as well as also various forms of part-time employment. Standardly, we provide to our employees training in the area of work-life balance and we help them prevent psychosomatic diseases and negative impacts of stress, at a preventive level.

04

FINANCIAL STATEMENTS AND RESULTS



04

UNCONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

BALANCE SHEET (IN MILLION CZECH CROWNS)						
Ref.	ASSETS	Row			31. 12. 2017	31. 12. 2016
			Gross	Provision	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS	001	60 098	(13 947)	46 151	41 066
B.	Fixed assets	003	35 057	(12 987)	22 070	19 694
B. I.	Intangible fixed assets	004	524	(322)	202	191
B. I. 2.	Royalties	006	455	(322)	133	141
B. I. 2. 1.	Software	007	455	(322)	133	141
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	69	-	69	50
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	69	-	69	50
B. II.	Tangible fixed assets	014	34 531	(12 665)	21 866	19 501
B. II. 1.	Land and constructions	015	24	(5)	19	19
B. II. 1. 1.	Land	016	12	-	12	12
B. II. 1. 2.	Constructions	017	12	(5)	7	7
B. II. 2.	Equipment	018	34 072	(12 655)	21 417	19 259
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	435	(5)	430	223
B. II. 5. 1.	Advances paid for tangible fixed assets	025	409	(5)	404	188
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	26	-	26	35
B. III.	Long-term investments	027	2	-	2	2
B. III. 1.	Investments - subsidiaries and controlling party	028	2	-	2	2
C.	Current assets	037	24 849	(960)	23 889	21 204
C. I.	Inventories	038	27	-	27	4

04

UNCONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS – CONTINUATION

BALANCE SHEET (IN MILLION CZECH CROWNS)						
Ref.	ASSETS	Row			31. 12. 2017	31. 12. 2016
			Gross	Provision	Net	Net
a	b	c	1	2	3	4
C. I. 3.	Finished goods and goods for resale	041	27	-	27	4
C. I. 3. 2.	Goods for resale	043	27	-	27	4
C. II.	Receivables	046	24 815	(960)	23 855	21 190
C. II. 1.	Long-term receivables	047	13 285	-	13 285	11 840
C. II. 1. 1.	Trade receivables	048	13 104	-	13 104	11 837
C. II. 1. 5.	Receivables - other	052	181	-	181	3
C. II. 1. 5. 4.	Other receivables	056	181	-	181	3
C. II. 2.	Short-term receivables	057	11 530	(960)	10 570	9 350
C. II. 2. 1.	Trade receivables	058	11 301	(960)	10 341	9 170
C. II. 2. 4.	Receivables - other	061	229	-	229	180
C. II. 2. 4. 3.	Taxes - receivables from the state	064	161	-	161	122
C. II. 2. 4. 4.	Short-term advances paid	065	4	-	4	1
C. II. 2. 4. 5.	Estimated receivables	066	63	-	63	54
C. II. 2. 4. 6.	Other receivables	067	1	-	1	3
C. IV.	Cash	071	7	-	7	10
C. IV. 1.	Cash in hand	072	2	-	2	2
C. IV. 2.	Cash at bank	073	5	-	5	8
D.	Prepayments and accrued income	074	192	-	192	168
D. 1.	Prepaid expenses	075	64	-	64	43
D. 3.	Accrued income	077	128	-	128	125

04

UNCONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET – LIABILITIES AND EQUITY

BALANCE SHEET (THOUSANDS OF CZK)									
Ref.				LIABILITIES AND EQUITY		Row	31. 12. 2017	31. 12. 2016	
a				b		c	5	6	
				TOTAL LIABILITIES AND EQUITY		078	46 151	41 066	
A.				Equity		079	8 882	7 623	
A. I.				Share capital		080	3 050	3 050	
A.	I.	1.		Share capital		081	3 050	3 050	
A. II.				Share premium and capital contributions		084	4 754	3 542	
A.	II.	1.		Share premium		085	572	572	
A.	II.	2.		Capital contributions		086	4 182	2 970	
A.	II.	2.	1.	Other capital contributions		087	3 901	3 001	
A.	II.	2.	2.	Assets and liabilities revaluation		088	281	(31)	
A. III.				Other reserves		092	610	610	
A.	III.	1.		Other reserve funds		093	610	610	
A. V.				Profit / (loss) for the current period		099	468	421	
B. +C.				Liabilities		101	36 217	32 364	
B.				Provisions		102	145	122	
B.	2.			Income tax provision		104	119	115	
B.	4.			Other provisions		106	26	7	
C.				Liabilities		107	36 072	32 242	
C. I.				Long-term liabilities		108	15 422	13 285	

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UNCONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET – LIABILITIES AND EQUITY – CONTINUATION

BALANCE SHEET (THOUSANDS OF CZK)										
Ref.			LIABILITIES AND EQUITY				Row	31. 12. 2017	31. 12. 2016	
a			b				c	5	6	
C.	I.	2.	Liabilities due to financial institutions				112	14 668	12 418	
C.	I.	3.	Long-term advances received				113	18	12	
C.	I.	8.	Deferred tax liability				118	721	789	
C.	I.	9.	Liabilities - other				119	15	66	
C.	I.	9.	3.	Other liabilities				122	15	66
C.		II.		Short-term liabilities				123	20 650	18 957
C.	II.	2.	Liabilities due to financial institutions				127	7 994	10 525	
C.	II.	3.	Short-term advances received				128	11	20	
C.	II.	4.	Trade payables				129	408	389	
C.	II.	5.	Short-term bills of exchange payable				130	11 691	7 646	
C.	II.	6.	Liabilities - subsidiaries and controlling party				131	40	60	
C.	II.	8.	Liabilities - other				133	506	317	
C.	II.	8.	3.	Liabilities to employees				136	18	18
C.	II.	8.	4.	Liabilities for social security and health insurance				137	9	8
C.	II.	8.	5.	Taxes and state subsidies payable				138	4	4
C.	II.	8.	6.	Estimated payables				139	473	285
C.	II.	8.	7.	Other liabilities				140	2	2
D.		Accruals and deferred income				141	1 052	1 079		
D.	1.	Accrued expenses				142	7	6		
D.	2.	Deferred income				143	1 045	1 073		

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UNCONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

INCOME STATEMENT (IN MILLION CZECH CROWNS)			2017	2016
Ref.	TEXT	Row	Accounting period	
a	b	c	1	2
I.	Sales of products and services	01	6 132	5 720
II.	Sales of goods	02	18	23
A.	Cost of sales	03	680	705
A. 1.	Cost of goods sold	04	18	24
A. 2.	Raw materials and consumables used	05	76	72
A. 3.	Services	06	586	609
D.	Staff costs	09	411	407
D. 1.	Wages and salaries	10	300	300
D. 2.	Social security, health insurance and other social costs	11	111	107
D. 2. 1.	Social security and health insurance costs	12	98	96
D. 2. 2.	Other social costs	13	13	11
E.	Value adjustments in operating activities	14	5 149	4 302
E. 1.	Value adjustments of fixed assets	15	5 407	4 659
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	4 973	4 595
E. 1. 2.	Provision for impairment of fixed assets	17	434	64
E. 3.	Provision for impairment of receivables	19	(258)	(357)
III.	Operating income - other	20	1 987	1 831
III. 1.	Sales of fixed assets	21	938	899
III. 3.	Other operating income	23	1 049	932

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UNCONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT – CONTINUATION

INCOME STATEMENT (IN MILLION CZECH CROWNS)			2017	2016
Ref.	TEXT	Row	Accounting period	
a	b	c	1	2
F.	Operating expenses - other	24	2 336	2 273
F. 1.	Net book value of fixed assets sold	25	952	835
F. 3.	Taxes and charges from operating activities	27	32	30
F. 4.	Operating provisions and complex prepaid expenses	28	19	(2)
F. 5.	Other operating expenses	29	1 333	1 410
*	Operating result	30	(439)	(113)
IV.	Income from sales of long-term investments - shares	31	181	149
IV. 1.	Income from sales of investments - subsidiaries or controlling party	32	181	149
VI.	Interest and similar income	39	748	772
VI. 2.	Other interest and similar income	41	748	772
J.	Interest and similar expenses	43	224	247
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	224	247
VII.	Other financial income	46	310	2
K.	Other financial expenses	47	53	67
*	Financial result	48	962	609
**	Net profit / (loss) before taxation	49	523	496
L.	Tax on profit or loss	50	55	75
L. 1.	Tax on profit or loss - current	51	212	134
L. 2.	Tax on profit or loss - deferred	52	(157)	(59)
**	Net profit / (loss) after taxation	53	468	421
***	Net profit / (loss) for the financial period	55	468	421
	Net turnover for the financial period = I. + II. + III. + IV. + V. + VI. + VII.	56	9 376	8 497

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UNCONSOLIDATED FINANCIAL STATEMENTS

CASH-FLOW STATEMENT

CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017			
		2016	2017
	Cash flows from operating activities		
	Net profit on ordinary activities before tax	496	523
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation/amortisation of fixed assets	4,639	5,032
A.1.2	Changes in provisions	(296)	195
A.1.3	Profit from disposal of fixed assets	(64)	14
A.1.4	Profit distribution income	(149)	(181)
A.1.5	Net interest income	(525)	(524)
A.1.6	Other non-cash movements	(3)	(445)
A*	Net cash flow from operating activities before tax and changes in working capital	4,098	4 614
A.2	Working capital changes:		
A.2.1	Changes in receivables and prepayments and accrued income	(1,576)	(2,531)
A.2.2	Changes in short-term payables, accrued expenses and deferred income	(56)	88
A.2.3	Changes in inventories	9	(23)
A**	Net cash flow from operating activities before tax	2,475	2,148
A.3	Interest paid	(247)	(205)
A.4	Interest received	773	749
A.5	Income tax on ordinary activities (paid)/received	25	(193)
A.6	Profit distribution received	149	181
A***	Net cash flow from operating activities	3,175	2,680

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UNCONSOLIDATED FINANCIAL STATEMENTS

CASH-FLOW STATEMENT – CONTINUATION

CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017			
	Cash flows from investing activities	2016	2017
B.1	Acquisition of fixed assets	(8,750)	(8,695)
B.2	Proceeds from the sale of fixed assets	899	938
B***	Net cash flow from investing activities	(7,851)	(7,757)
	Cash flows from financing activities		
C.1	Changes in long- and short-term liabilities	5,355	4,595
C.2	Changes in equity:		
C.2.3	Other cash contributions received from shareholders	-	900
C.2.6	Profit distribution paid	(677)	(421)
C***	Net cash flow from financing activities	4,678	5,074
	Net increase/(decrease) in cash and cash equivalents	2	(3)
	Cash and cash equivalents as at the beginning of the year	8	10
	Cash and cash equivalents as at the end of the year	10	7

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UNCONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017								
	Share capital	Share premium	Other capital funds	Revaluation reserve	Reserve fund	Other funds	Retained earnings	Total
As at 1 January 2016	3,050	572	3,001	(31)	610	-	677	7,880
Fair value gains from revaluation of financial derivatives	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(677)	(677)
Net profit for the current period	-	-	-	-	-	-	421	421
As at 31 December 2016	3,050	572	3,001	(31)	610	-	421	7,623
Fair value gains from revaluation of financial derivatives	-	-	-	312	-	-	-	312
Financial contribution outside share capital	-	-	900	-	-	-	-	900
Dividends paid	-	-	-	-	-	-	(421)	(421)
Net profit for the current period	-	-	-	-	-	-	468	468
As at 31 December 2017	3,050	572	3,901	281	610	-	468	8,882

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NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

ČSOB Leasing, a.s. ("the Company") is a joint-stock company incorporated on 31 October 1995 in the Czech Republic. The Company's registered office is located at Na Pankráci 310/60, Prague 4, 140 00 Czech Republic, and the business registration number is 639 98 980. The Company is involved in the leasing of industrial equipment, motor and other vehicles, technological equipment and real estate, the provision of leasing, the provision of loans and credit, and intermediary activities in trading.

The parent company is Československá obchodní banka, a. s., ("ČSOB") with its registered office at Radlická 333/150, Prague 5, 150 57, holding a 100% interest in the Company's share capital. The ultimate parent company of the group is KBC Group N.V.

In 2010, Československá obchodní banka, a. s., and KBC Lease Holding N.V. entered into a contract for the exercise of voting rights pertaining to the shares of ČSOB Leasing, a.s. Pursuant to the contract, KBC Lease Holding N.V. is entitled to exercise 49.18% of voting rights pertaining to the shares of ČSOB Leasing, a.s. However, ČSOB continues to hold all the Company's shares.

The Company's statutes were changed in 2010 as follows: the quorum for any general meeting of shareholders is the presence of shareholders (in person or by proxy)

who hold shares with a face value exceeding 60% of the Company's share capital (the power of attorney must show a certified signature of a shareholder being represented).

The Company is the 100% parent company of ČSOB Leasing pojišťovací makléř, s.r.o. ("ČSOBL PM"). The accompanying financial statements have been prepared as standalone (non-consolidated). In accordance with Czech accounting regulations, the Company is exempt from the obligation to prepare consolidated financial statements (as the Company is a subsidiary included in the consolidated group of ČSOB).

The Company has not concluded a control agreement or an agreement on profit distribution with the parent company.

Members of the statutory bodies as at 31 December 2017 were as follows:

BOARD OF DIRECTORS		FROM
Chairman:	Ing. Libor Bosák	4 May 2009
Vice-chairman:	Ing. Josef Rosenkranz	1 December 2010

SUPERVISORY BOARD		FROM
Chairman:	Ing. Petr Knapp	22 September 2014
Member:	Ing. Jiří Vévoda	1 January 2013
Member:	Ing. Petr Manda	10 September 2014
Member:	JUDr. Ing. Ján Lučan Ph.D.	1 January 2013
Member:	Ing. Vladimír Bezděk, M.A.	1 September 2016
Member:	Ing. Luděk Orel	1 September 2016

Changes made to the Commercial Register in 2017 concerning the composition of the statutory bodies were as follows:

BOARD OF DIRECTORS		UNTIL
Member:	Ing. Rudolf Kypta	30 June 2017

Organizational structure of the company is as follows:

- Prague headquarters (CEO's teams, professional groups headed by executive directors: Financial Management and Operations and Sales Department).
- Branches (Brno, České Budějovice, Liberec, Ostrava, Pardubice, Plzeň, Prague, Ústí nad Labem, Zlín, Eastern Bohemia, Southern Bohemia) and trading offices (Jihlava, České Budějovice, Hradec Králové, Pardubice, Karlovy Vary, Olomouc). The Company has no foreign branch.

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NOTES TO FINANCIAL STATEMENTS

The Company updated its Articles of Association that are now fully governed by the new Corporations Act. This change became effective as at 4 February 2014.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention except as disclosed below. Derivatives and securities (except for investments in subsidiaries and associates) are shown at fair value.

The amounts disclosed in the financial statements including the notes are rounded to millions of Czech Crowns unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Intangible fixed assets

Intangible assets with a useful life longer than one year and a unit cost of more than CZK 60 thousand are treated as intangible fixed assets.

Intangible fixed assets (both for own use and for financial or operational leases) are recorded at their acquisition cost and related expenses.

The useful economic lives are as follows:

	YEARS
Software	3 – 8
Patents, royalties and similar rights	per contract

Amortization

Intangible fixed assets are amortized as follows:

- own assets – amortization starts in the month assets are put into use and continues on a straight-line basis over their expected useful economic life;

Patents, royalties and similar rights are amortized over their useful lives as stipulated in the respective contract.

The amortisation plan is updated during the useful life of the intangible fixed assets based on changes of the expected useful life.

Low value intangible assets with a cost not exceeding CZK 60 thousand are expensed in the year of

acquisition. A significant number of tiny intangible fixed assets are amortized over a period of 24 or 36 months and charged to income on a straight-line basis.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

b) Tangible fixed assets

Tangible assets with a useful life longer than one year and a unit cost of more than CZK 40 thousand are treated as tangible fixed assets.

Tangible fixed assets (both own and designated for financial or operational leases) are recorded at their acquisition cost, which consists of the purchase price, freight, customs duties and other related costs. Interests on loans taken for the construction of tangible fixed assets are expensed.

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NOTES TO FINANCIAL STATEMENTS

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	YEARS
Buildings	30
Machinery and equipment	4 – 12
Vehicles	4 – 6
Furniture and fixtures	6

Tangible fixed assets are depreciated as follows:

- own assets – from the month they are put into use over their expected useful economic life;
- financial leases – acquisition cost less residual value is depreciated on a straight-line basis over the life of the lease contract; depreciation starts on the day when the lessee receives the leased asset in a usable condition;
- operational leases - acquisition cost less residual value is depreciated on a straight-line basis over the life of the lease contract; depreciation starts on the day the asset is put into use.

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life and anticipated residual value of the tangible fixed assets.

Tangible fixed assets acquired free of charge are valued at their replacement cost and are recorded with a corresponding credit to the 'Other capital funds'. The replacement cost of these assets is based on a certified expert's opinion.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset. The allowance against fixed assets also includes an allowance against finance leases denominated in foreign currencies, which reflects the decrease in value due to exchange rate depreciation from the date when the payment schedule was issued.

Low value tangible assets with a cost not exceeding CZK 40 thousand acquired for own use are expensed in the year of acquisition. A significant number of low value tangible fixed assets are depreciated over a period of 24 or 36 months and charged to income on a straight-line basis.

Low value tangible assets designated for financial and operational leases represent considerable amount of low value tangible assets with cost under CZK 40 thousand. These assets are depreciated on straight line basis over the life of the lease contract up to the residual value from the day when the lessee receives the leased asset in a usable condition.

The costs of technical improvements of tangible assets are capitalized. Repairs and maintenance expenses are expensed as incurred.

c) Financial assets

Short-term financial assets consist of stamps and vouchers, cash in hand and cash in bank.

Long-term financial assets represent ownership interests in enterprises that are controlled by the Company ("the subsidiary").

Investments in subsidiaries and associates are recorded at cost less a provision for diminution in value.

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NOTES TO FINANCIAL STATEMENTS

d) Inventory

The Company records inventory when accepting vehicles to the second-hand car sale, and in case that the Company distrains underlying asset of a contract via collateral transfer of the ownership right.

In the case of used car sales, the items are valued at cost (i.e. at the cost of acquisition and any acquisition-related costs); in case of seizure items are valued using a certified expert's opinion (trucks and machinery and equipment) or using an expert estimate of realizable value (personal and utility vehicles).

e) Receivables

Receivables are stated at nominal value. Valuation of doubtful receivables is corrected by an allowance booked to expenses.

The Company creates allowances against prematurely terminated contracts based on its own analysis of customers' solvency and the availability of collateral using the leased asset, in order to estimate the expected loss resulting from the lease contract as a whole.

Further, the Company creates allowances against its active portfolio of customer contracts.

Allowances against other overdue receivables, against dealers' financing, against consumer credits and

against advances granted are created on the basis of the receivables ageing structure and based on previous experience as to the repayment of those receivables in the entire receivables portfolio.

f) Derivatives

Derivative financial instruments including currency forwards and interest rate swaps are initially recognised on the balance sheet at cost and are subsequently re-measured at their fair value. Fair values are derived from standard models with the use of exclusively market parameters. Development of cash-flows from interest rate swaps depends on contractual conditions and development of market interest rates (PRIBOR, EURIBOR). All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively.

Derivatives are classified either as derivatives held-for-trading or hedging derivatives. The hedging derivatives are concluded for a hedge of future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash-flow hedge). Hedge accounting is used for derivatives designated in this way, provided that certain criteria, including defining the hedging strategy and hedging relationship before hedge accounting is applied and ongoing documentation of the actual and expected effectiveness of the hedge, are met.

Changes in the fair value of derivatives that qualify as effective cash-flow hedges are recorded as revaluation reserve from assets and liabilities in equity and are transferred to the income statement and classified as an income or expense in the period during which the hedged item affects the income statement.

Changes in the fair value of derivatives held for trading are recorded within financial expenses or financial income, respectively.

g) Hedge accounting

In addition to the cash flow hedging described in the Note 2 f), the Company hedges currency risk arising from highly probable cash inflows from instalments from leasing contracts denominated in EUR. The hedging instrument are long-term loans also denominated in EUR. The Company applies hedge accounting to eliminate the time discrepancy between the capture of the hedged item and the time that the unrealized gain or loss on the hedging instrument is recognized in the profit and loss account.

Changes in the fair value of the non-derivative financial liability corresponding to hedged risk that meet the criteria for effective cash flow hedging are recognized, net of the related deferred tax, in the valuation differences from the revaluation of assets and liabilities in equity. If the hedged expected transaction results in the recognition of a financial asset or financial liability, then the related gains or losses charged to the balance sheet as

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NOTES TO FINANCIAL STATEMENTS

revaluation of assets and liabilities are recognized in the income statement in the same periods when the costs or benefits associated with hedged instruments are cleared.

However, the cumulative gains and losses on the hedging instrument included in the revaluation of assets and liabilities remain in equity until the expected transaction. If the expected future transaction is not expected to be realized, the gain or loss recognized in the difference from the revaluation of assets and liabilities in equity is accounted for to the relevant income and expense accounts. Changes in the fair value of non-derivative financial liabilities that do not meet the criteria for effective cash flow hedging are recognized in the financial result.

h) Employee benefits

The Company recognises an estimated payable relating to rewards and bonuses of employees.

Regular contributions are provided to the government budget to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.

i) Provisions and Liabilities

Provisions are created when the Company has a commitment, it is probable that own resources are going to be spent to settle it and the value of a commitment can be reliably estimated.

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

Long-term and short-term loans are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

j) Foreign currency transactions

Foreign currency assets and liabilities are translated into Czech crowns at the quarterly fixed rate set for the period from the last day of the previous quarter to the last but one day of the following quarter. The fixed rate represents a daily exchange rate published by the Czech National Bank ("CNB") on the day immediately preceding the relevant quarter. The CNB daily exchange rate is used for invoices received in foreign currency, for monthly recalculations of current account balances, liabilities from loans and the balance of issued bills of exchange. At the balance sheet date, monetary items are adjusted to reflect the exchange rates published by the CNB as the balance sheet date.

All exchange gains and losses on cash, receivables and liabilities balances excluding exchange differences stated in points 2 f) and 2 g) are recorded in the income statement and presented net.

k) Recognition of revenues and expenses

Revenues and expenses are recognized on an accrual basis i. e. they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company recognizes as an expense any additions to provisions or allowances to cover risks, losses or physical damage that are known at the date of the financial statements.

Revenues from the sale of own products and services represent revenues from lease services provided by the Company. Lease revenues are recognized on a straight-line basis over the lease term starting on the date of the lease contract conclusion until the regular or premature termination of the lease contract. Contractual fines and penalties are recognized at the time of billing. Insurance commissions are recorded upon the provision of services and once the commission amount can be reliably estimated.

Revenues from leases, depreciation, amortization, expenses and income from the insurance of leased assets are included within the operating result, while interest expense arising from financing the leased portfolio are included within financial expenses. As a result, neither the operating nor the financial result reflect the relationship between these revenues and expenses.

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NOTES TO FINANCIAL STATEMENTS

Revenues from the sale of goods represent the sale of seized items from consumer credits. Seized items from consumer credits are valued using an expert estimate of the realizable value or a certified expert's opinion.

Interest on consumer credit is calculated from its principal value. Interest and relevant insurance expenses are accrued and outstanding amounts are included within the balance of the respective credit.

Interest on financial products from dealers' financing is calculated from the principal value. Interest is booked to the accounting period based on the accrual principle.

Revenues and expenses relating to the prematurely terminated lease contracts including damages and losses together with insurance claims received are disclosed within other operating revenues and expenses, as these items relate directly to the operating activities of the Company.

l) Related parties

The Company's related parties are considered to be the following:

- parties, which directly or indirectly control the Company, their subsidiaries and associates;
- parties, which have directly or indirectly significant influence on the Company;

- members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence;
- subsidiaries.

m) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's management prepares these estimates and assumptions based on all available relevant information. However, because of the substance of accruals, actual future values might differ from former estimates.

n) Income Tax

The corporate income tax expense is calculated with the use of statutory tax rate from profit before taxation, increased or decreased by permanent and temporary non-deductible expenses and non-taxable revenues (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.).

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

o) Cash-flow statement

The Company has prepared a Cash flow statement using the indirect method. Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash.

p) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation are recognized in the financial statements provided these events provide additional evidence about conditions that existed at the balance sheet date.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of preparation of the financial statements the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

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NOTES TO FINANCIAL STATEMENTS

4. FIXED ASSETS

a) Intangible fixed assets

INTANGIBLE FIXED ASSETS FOR OWN USE			
	Software	Investment in progress	Total
Cost			
Balance as at 1/1/2016	418	20	438
Additions	12	30	42
Disposals	-	-	-
Balance as at 31/12/2016	430	50	480
Additions	25	19	44
Balance as at 31/12/2017	455	69	524
Accumulated amortization			
Balance as at 1/1/2016	257	-	257
Additions to accumulated amortization	32	-	32
Balance as at 31/12/2016	289	-	289
Additions to accumulated amortization	33	-	33
Balance as at 31/12/2017	322	-	322
Net book value as at 1/1/2016	161	20	181
Net book value as at 31/12/2016	141	50	191
Net book value as at 31/12/2017	133	69	202

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NOTES TO FINANCIAL STATEMENTS

b) Tangible fixed assets

TANGIBLE FIXED ASSETS AT NET BOOK VALUE		
	31/12/2016	31/12/2017
Tangible fixed assets for own use	50	65
Tangible fixed assets used for financial and operational leases	19,341	21,700
Low value tangible fixed assets used for financial and operational leases	110	101
Total	19,501	21,866

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NOTES TO FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS FOR OWN USE						
	Land and buildings	Machineries and equipments	Vehicles	Other tangibles	Tangibles in progress	Total
Cost						
Balance as at 1/1/2016	24	66	57	5	2	154
Additions	-	4	11	-	-	15
Disposals	-	(2)	(11)	-	-	(13)
Balance as at 31/12/2016	24	68	57	5	2	156
Additions	-	8	14	-	-	22
Disposals	-	-	(9)	-	(1)	(10)
Reclassification from/to own assets	-	-	15	-	-	15
Balance as at 31/12/2017	24	76	77	5	1	183
Accumulated depreciation						
Balance as at 1/1/2016	4	53	41	5	-	103
Additions to accumulated depreciation	1	6	10	-	-	17
Disposals	-	(2)	(11)	-	-	(13)
Balance as at 31/12/2016	5	57	40	5	-	107
Additions to accumulated depreciation	-	8	10	-	-	18
Disposals	-	-	(9)	-	-	(9)
Reclassification from/to own assets	-	-	2	-	-	2
Balance as at 31/12/2017	5	65	43	5	-	118
Net book value as at 1/1/2016	20	13	16	-	2	51
Net book value as at 31/12/2016	20	11	17	-	2	50
Net book value as at 31/12/2017	19	11	34	-	1	65

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NOTES TO FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS USED FOR FINANCIAL AND OPERATIONAL LEASES								
	Machineries and equipments	Passenger vehicles	Utility vehicles	Operational leases	Furniture and fixtures	Tangibles in progress	Advances	Total
Cost								
Balance as at 1/1/2016	8,092	1,390	8,015	8,055	2	37	85	25,676
Additions	1,178	342	2,168	4,735	-	-	108	8,531
Disposals	(1,103)	(351)	(1,579)	(1,519)	-	(5)	-	(4,557)
Reclassification from/to own assets	-	-	-	-	-	-	-	-
Balance as at 31/12/2016	8,167	1,381	8,604	11,271	2	32	193	29,650
Additions	1,253	355	2,269	4,561	-	-	216	8,654
Disposals	(1,014)	(275)	(1,315)	(1,554)	-	(7)	-	(4,165)
Reclassification from/to own assets	-	-	1	(16)	-	-	-	(15)
Balance as at 31/12/2017	8,406	1,461	9,559	14,262	2	25	409	34,124
Accumulated depreciation and allowances								
Balance as at 1/1/2016	3,057	782	3,582	2,006	1	-	5	9,433
Additions to accumulated depreciation	1,344	319	1,753	1,949	-	-	-	5,365
Disposals	(1,102)	(352)	(1,579)	(1,519)	-	-	-	(4,552)
Reclassification from/to own assets	-	-	-	-	-	-	-	-
Allowances	53	-	12	(2)	-	-	-	63
Balance as at 31/12/2016	3,352	749	3,768	2,434	1	-	5	10,309
Additions to accumulated depreciation	1,354	311	1,894	2,296	-	-	-	5,855
Disposals	(1,014)	(275)	(1,315)	(1,568)	-	-	-	(4,172)
Reclassification from/to own assets	-	-	-	(2)	-	-	-	(2)
Allowances	32	1	4	397	-	-	-	434

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NOTES TO FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS USED FOR FINANCIAL AND OPERATIONAL LEASES

	Machineries and equipments	Passenger vehicles	Utility vehicles	Operational leases	Furniture and fixtures	Tangibles in progress	Advances	Total
Balance as at 31/12/2017	3,724	786	4,351	3,557	1	-	5	12,424
Net book value as at 1/1/2016	5,034	608	4,433	6,049	1	37	80	16,242
Net book value as at 31/12/2016	4,815	632	4,836	8,837	1	32	188	19,341
Net book value as at 31/12/2017	4,682	675	5,208	10,705	1	25	404	21,700

Additions and deductions of allowances against fixed assets and advances granted for fixed assets are analyzed in Note 6.

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NOTES TO FINANCIAL STATEMENTS

LOW VALUE TANGIBLE FIXED ASSETS USED FOR FINANCIAL AND OPERATIONAL LEASES

	Financial leases	Operational leases	Total
Cost			
Balance as at 1/1/2016	34	167	201
Additions	3	42	45
Disposals	(5)	(31)	(36)
Balance as at 31/12/2016	32	178	210
Additions	1	49	50
Disposals	(9)	(27)	(36)
Balance as at 31/12/2017	24	200	224
Accumulated depreciation			
Balance as at 1/1/2016	16	64	80
Additions to accumulated depreciation	8	48	56
Disposals	(5)	(31)	(36)
Balance as at 31/12/2016	19	81	100
Additions to accumulated depreciation	6	53	59
Disposals	(9)	(27)	(36)
Balance as at 31/12/2017	16	107	123
Net book value as at 1/1/2016	17	104	121
Net book value as at 31/12/2016	13	97	110
Net book value as at 31/12/2017	8	93	101

The Company has adjusted the carrying value of certain tangible assets for a diminution in value through an allowance charged against expenses (see Note 6).

The assets are not encumbered by any liens or easements.

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NOTES TO FINANCIAL STATEMENTS

c) Long-Term Financial Investments

The Company owns a share in subsidiary ČSOB Leasing pojišťovací makléř, s.r.o. with registered office Na Pankráci 60/310, Prague 4. Following financial information are derived from the audited financial statements of the subsidiary.

LONG-TERM FINANCIAL INVESTMENTS		
	31/12/2016	31/12/2017
Percentage of ownership	100	100
Nominal value of interest	2	2
Acquisition cost of interest	2	2
Equity	183	175
Profit for the current year	181	173
Dividends paid	149	181

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NOTES TO FINANCIAL STATEMENTS

5. RECEIVABLES

RECEIVABLES	31/12/2016	31/12/2017
Customer loans receivables	11,872	13,103
Dealer financing receivables	-	1
Total long-term trade receivables	11,872	13,104
Other long-term receivables	3	181
Total long-term receivables	11,875	13,285
Allowances against long-term receivables	(35)	-
Total residual value of long-term receivables	11,840	13,285
Short-term trade receivables - due	8,888	10,021
Short-term trade receivables – over due	1,465	1,280
Short-term trade receivables	10,353	11,301
Other short-term receivables	180	229
Total short-term receivables	10,533	11,530
Allowances against short-term trade receivables	(1,183)	(960)
Total residual value of short-term receivables	9,350	10,570
Total receivables	21,190	23,855

Allowances against outstanding doubtful receivables have been created on the basis of the receivables ageing structure and based on previous experience as to the repayment of those receivables (see note 6).

Estimated receivables represent, in particular, accruals for income from prematurely terminated customer contracts.

Related parties receivables are disclosed within note 19.

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NOTES TO FINANCIAL STATEMENTS

BREAK DOWN OF TRADE RECEIVABLES:		
	31/12/2016 Short-term	31/12/2017 Short-term
Receivables from financial leases	760	680
Receivables from operational leases	295	274
Receivables from hire purchases	11	11
Receivables from customer credits	7,506	8,757
Dealers' financing receivables	1,186	1,044
Factoring of receivables	338	306
Other trade receivables	257	229
Total trade receivables	10,353	11,301
Allowances	(1,183)	(960)
Net value of trade receivables	9,170	10,341

Receivables from consumer credits are secured by the collateral transfer of ownership rights from contract inception.

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NOTES TO FINANCIAL STATEMENTS

6. ALLOWANCES

Legal allowances are created in compliance with the Act on Provisions.

In addition, the Company wrote-off irrecoverable receivables in the amount of CZK 226 million in 2017 and CZK 422 million in 2016 respectively, because of bankruptcy proceedings were completed, claims in bankruptcy proceedings have been denied or receivables have been settled.

CHANGES IN THE ALLOWANCES FOR DOUBTFUL ACCOUNTS AND FIXED ASSETS							
Allowances for:	Balance as at 1/1/2016	Additions	Deductions	Balance as at 31/12/2016	Additions	Deductions	Balance as at 31/12/2017
Fixed assets	40	107	(44)	103	712	(278)	537
Advances for fixed assets	5	-	-	5	-	-	5
Receivables – legal	755	16	(216)	555	15	(121)	449
Receivables – other	820	32	(189)	663	31	(183)	511
Total allowances	1,620	155	(449)	1,326	758	(582)	1,502

Allowances reflect a temporary diminution in the value of assets (see notes 4 and 5).

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NOTES TO FINANCIAL STATEMENTS

7. SHORT-TERM FINANCIAL ASSETS

The Company has open overdraft with ČSOB (in CZK, EUR and USD) which entitles them to draw loan up to the amount of CZK 400,000 thousand. As at 31 December 2017 and 2016, the drawn element of the overdraft was CZK 319 million and CZK 324 million respectively, and is shown as a short-term bank loan in the accompanying balance sheet (see Note 12).

8. OTHER ASSETS

Prepaid expenses include, in particular, insurance premiums, subscriptions, licenses, prepaid purchases of small value assets of considerable value, etc., which are charged to income in the year in which they were incurred.

Accrued income includes, in particular, unpaid insurance claims and unbilled interest and customer credit insurance, which are recognized into income in the year in which they were earned.

9. EQUITY

The Company's sole shareholder is the company Československá obchodní banka, a. s. with registered office at Radlická 333/150, 150 57, Prague 5. The company Československá obchodní banka, a. s. prepares the consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary. Consolidated financial statements can be obtained at the premises of Československá obchodní banka, a. s.

The company KBC Group N. V. with registered office at Havenlaan 2, B-1080 Brussels (Sint-Jans Molenbeek), Belgium prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary. Consolidated financial statements can be obtained at the premises of KBC Group N. V.

The Company keeps the reserve fund up to 20% of the share capital.

On 19 June 2017 has the Company signed contracts on Voluntary financial contribution outside the share capital with Československá obchodní banka, a.s. Based on these contracts, Československá obchodní banka, a.s. has contributed to the Company's capital the amount of CZK 900 million.

The Annual General Meetings held on 17 May 2017 approved the transfer of profit for 2016 in the amount of CZK 421 million to retained earnings. The Annual General Meeting further approved the dividend payment from retained earnings in the amount of CZK 421 million. About profit distribution for the year 2017 has not been decided yet.

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NOTES TO FINANCIAL STATEMENTS

10. PROVISIONS

PROVISIONS				
	Provision for income tax	Provision for litigation	Other	Total
Opening balance as at 1/1/2016	-	9	-	9
Additions	130	1	-	131
Deductions/Reversal	(15)	(3)	-	(18)
Closing balance as at 31/12/2016	115	7	-	122
Additions	198	1	19	218
Deductions	(194)	(1)	-	(195)
Closing balance as at 31/12/2017	119	7	19	145

Provision for income tax of CZK 198 million booked as at 31 December 2017 is netted off with the prepayments paid of CZK 79 million. Provision for income tax of CZK 130 million booked as at 31 December 2016 is netted off with the prepayments paid of CZK 15 million.

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NOTES TO FINANCIAL STATEMENTS

11. LIABILITIES

LIABILITIES		
	31/12/2016	31/12/2017
Long-term bank loans (Note 12)	12,418	14,668
Long-term advances received	12	18
Deferred tax liability	789	721
Other liabilities - negative fair value of derivatives (Note 14)	66	15
Total long-term liabilities	13,285	15,422
Short-term bank loans (Note 12)	10,525	7,994
Short-term bills of exchange payable (Note 12)	7,646	11,691
Short-term trade liabilities and advances received	409	419
Short-term liabilities - subsidiaries and controlling party (Note 19)	60	40
Other short-term liabilities	317	506
Total short-term liabilities	18,957	20,650

Long-term advances were received as security for collateral of receivables arising from customer contracts.

The Company has no payables that were secured by collateral or guarantees in favour of a creditor.

Estimated payables represent, in particular, uninvoiced insurance costs of assets relating to financial and operational leases, properties and services received but not invoiced and accruals regarding commissions and rent.

Related party payables are described in Note 19.

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NOTES TO FINANCIAL STATEMENTS

12. BANK LOANS AND BORROWINGS

BANK LOANS AND BORROWINGS		
	31/12/2016	31/12/2017
Short-term bank loans and overdrafts	10,525	7,994
Long-term loans	12,418	14,668
Short-term borrowings (bills of exchange payable)	7,646	11,691
Bank loans and borrowings	30,589	34,353

BREAKDOWN OF SHORT- AND LONG-TERM ITEMS:		
	31/12/2016	31/12/2017
Overdrafts	324	319
Short-term loans	578	128
Long-term loans – part due within 1 year	9,623	7,547
Short-term bank loans and overdrafts	10,525	7,994
Long-term loans – due over 1 year and within 5 years	10,399	12,525
Long-term loans – due over 5 years	2,019	2,143
Long-term bank loans	12,418	14,668

The Company uses amortized fixed-rate five-year loans to finance the new portfolio from April 2011. The loans, which have replaced interest-rate swaps as instruments hedging the Company against interest rate risk, are drawn on a monthly basis.

In 2017, the average interest rate accruing on the above bank loans and borrowings amounted to 0.84% (in 2016: 0.94%). The average interest rate in case of bills of exchange was 0.35% in 2017 (in 2016 0.37%). The interest rate was determined as a weighted average taking into account the amount of the loan, duration of the loan, and the interest rate in the respective year.

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NOTES TO FINANCIAL STATEMENTS

13. OTHER LIABILITIES

Deferred income includes, in particular, accrual principal of lease installments, which are recognized into income in the year in which they were earned.

14. DERIVATIVES

The Company has concluded several derivative contracts which are further classified as derivatives held for trading or as hedging derivatives. As a balance sheet date, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively (see Note 5 and 11).

The following table summarizes face values and positive or negative fair values of outstanding derivatives held for trading:

THE FOLLOWING TABLE SUMMARIZES FACE VALUES AND POSITIVE OR NEGATIVE FAIR VALUES OF OUTSTANDING DERIVATIVES HELD FOR TRADING:						
	31/12/2016			31/12/2017		
	Contractual/ Face value	Fair value Positive	Fair value Negative	Contractual/ Face value	Fair value Positive	Fair value Negative
Derivatives held for trading						
Interest rate swaps						
Due within 1 year	11	-	(1)	-	-	-
Due over 1 year	31	-	-	6	-	-
Total derivatives held for trading	42	-	(1)	6	-	-

CHANGE IN FAIR VALUE OF DERIVATIVES RECORDED IN PROFIT AND LOSS ACCOUNT:		
	2016	2017
As at 1 January	(2)	(0.5)
Fair value of interest rate swaps settled in current period	-	0.1
Increase in fair value	1.5	0.2
As at 31 December	(0.5)	(0.2)

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NOTES TO FINANCIAL STATEMENTS

THE FOLLOWING TABLE SUMMARIZES FACE VALUES AND POSITIVE OR NEGATIVE VALUES OF OUTSTANDING HEDGING DERIVATIVES AS AT 31 DECEMBER:

	31/12/2016			31/12/2017		
	Contractual/ Face value	Fair value Positive	Fair value Negative	Contractual/ Face value	Fair value Positive	Fair value Negative
Derivatives hedging cash flows						
Interest rate swaps (interest rate hedge)						
Due within 1 year	229	-	(1)	549	-	(1)
Due over 1 year	12,838	3	(65)	16,756	181	(15)
Currency forwards (FX rate hedge)						
Due within 1 year	-	-	-	31	-	-
Total hedging derivatives	13,067	3	(66)	17,336	181	(16)

Hedging derivatives include derivatives hedging cash flows that are designated as hedging instruments of assets and liabilities in a hedge of interest rate risks and that qualify for hedge accounting.

CHANGE IN FAIR VALUE OF DERIVATIVES RECORDED IN EQUITY:

	2016	2017
As at 1 January	(41)	(56)
Fair value of interest rate swaps bought in current period	(2)	64
Fair value of interest rate swaps settled in current period in P&L	-	-
Increase / (decrease) in fair value	(13)	164
As at 31 December	(56)	172

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NOTES TO FINANCIAL STATEMENTS

15. INCOME TAXES

INCOME TAXES		
	2016	2017
Profit before taxes	496	523
Non-taxable revenues	(162)	(27)
Difference between book and tax depreciation	(193)	(150)
Difference between book and tax net book value of disposed assets	428	437
Non-deductible expenses	115	260
Creation of allowances, net	(94)	282
Creation of provisions, net	(2)	19
Other (e.g. entertainment expenses, write offs of receivables, shortages and losses)	211	(41)
Taxable income	684	1,043
Current income tax rate	19%	19%
Tax	130	198
Adjustment of the tax paid in previous years	4	14
Current tax expense	134	212

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NOTES TO FINANCIAL STATEMENTS

THE COMPANY QUANTIFIED DEFERRED TAXES AS FOLLOWS:

	2016		2017	
Items subject to deferred tax	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes and allowances against fixed assets	-	(827)	-	(697)
Other temporary differences:				
Allowances against receivables	15	-	28	-
Valuation differences from cash flows hedging derivatives	11	-	-	(33)
Bonuses and social and health insurance contributions	12	-	11	-
Valuation differences from cash flows from operational lease hedging derivatives	-	(3)	-	(33)
Non-deductible estimations on operating lease services	3	-	3	-
Total	41	(830)	42	(763)
Net		(789)		(721)

16. COMMITMENTS AND CONTINGENCIES

The Company has conducted a hire contracts for the fix period with possibility of prolongation to infinite period after the former agreed period elapses. Commitments from these contracts can be divided as following:

COMMITMENTS AND CONTINGENCIES

	2016	2017
Due in one year	21	23
Due after one year	9	2
Contract commitments total	30	25

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NOTES TO FINANCIAL STATEMENTS

17. REVENUES

THE BREAKDOWN OF OPERATING REVENUES IS AS FOLLOWS:		
	2016	2017
Revenues from hire purchase and sale of used automobiles	23	18
Revenues from sales of goods	23	18
Revenues from finance and operating leases	5,718	6,130
Fees for hire purchase and consumer credit	2	2
Revenues from sale of own products and services	5,720	6,132
Revenues from sales of assets from prematurely terminated lease contracts	888	925
Revenues from sales of assets from regularly terminated finance lease contracts	7	9
Revenues from sale of assets for own use	4	4
Revenues from sales of fixed intangible and tangible assets	899	938
Contractual penalties, interest for delayed payments and other operating revenues	12	11
Other revenues from contractual and intermediary activities	683	706
Revenues from prematurely terminated contracts	226	317
Revenues from sale of receivables	11	15
Other operating income	932	1,049
Interest on bank accounts	-	1
Contractual interest on loans for suppliers	26	23
Interest on customer credit	746	724
Interest income	772	748

All revenues of the Company are domestic revenues.

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NOTES TO FINANCIAL STATEMENTS

18. PERSONNEL EXPENSES

THE BREAKDOWN OF PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES, MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES:				
	2016		2017	
	number	(CZK million)	number	(CZK million)
Emoluments to the Board of Directors	3	18	2,5	17
Emoluments to members of the Supervisory Board	6	-	6	-
Wages and salaries to other management	29	55	29	52
Wages and salaries to other employees	334	227	343	231
Social security costs	-	96	-	98
Other social costs	-	11	-	13
Wages and salaries total		407		411

19. RELATED PARTY INFORMATION

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in 2017 and 2016 and they do not hold any shares of the Company.

As at 31 December 2017 and 2016, the members of the Board of Directors and senior management use company cars also for private purposes, with a total cost of CZK 15 million and CZK 19 million, respectively, and with a net book value of CZK 5 million and CZK 4 million, respectively.

As at 31 December 2017, the members and former members of the Board of Directors has two customers' contracts with the Company; the value of future installments of the Board of Directors' totaled CZK 0.5 million (respectively, as at 31 December 2016 two contracts with the value of future installments of CZK 0.6 million).

In 2017 and 2016, the Company received dividends from its subsidiary ČSOBL PM in the amount of CZK 181 million and CZK 149 million, respectively.

In 2017 and 2016, the Company recorded an interest expense resulting from a short-term loan granted by ČSOBL PM in the amount of CZK 0.4 million and CZK 0.4 million, respectively.

The Company receives services from and sells services to related parties in the ordinary course of business. Purchases and sales were as follows in 2017 and 2016:

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NOTES TO FINANCIAL STATEMENTS

EXPENSES		
	2016	2017
ČSOB – interest on loans received	241	198
CSOB – expenses related to revaluation of derivatives	36	34
ČSOB – interest on bills of exchange	6	25
ČSOB Leasing pojišťovací makléř, s.r.o. – interest on loans	0.4	0.4
ČSOB – rent and other related services, telephones, other expenses	96	57
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – insurance costs	377	404
Hypoteční banka, a.s. – fleet management	1	1
ČSOB – fleet management	23	23
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – fleet management	1	1
Českomoravská stavební spořitelna, a.s. – operational lease	1	0
KBC Group N.V.	11	10
Patria Corporate Finance, a.s.. – services	1	0
Total expenses	794	754

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NOTES TO FINANCIAL STATEMENTS

INCOME		
	2016	2017
ČSOB – intermediary commission, re-invoicing	2	3
ČSOB – fleet management	40	39
ČSOB - revaluation of derivatives	0	1
ČSOB – interest on bank accounts	0	1
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – insurance commissions and insurance claims	49	76
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – fleet management	4	4
ČSOB Leasing pojišťovací makléř, s.r.o. – other income	7	6
ČSOB Factoring, a.s. – fleet management and other services	4	5
Českomoravská stavební spořitelna, a.s. – operational lease	5	1
Hypoteční banka, a.s. – fleet management	8	7
ČSOB Penzijní společnost, a.s., člen skupiny ČSOB – fleet management	0.4	0.4
Total income	119	143

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NOTES TO FINANCIAL STATEMENTS

BREAKDOWN OF RECEIVABLES FROM, AND PAYABLES TO, RELATED PARTIES:

	31/12/2016	31/12/2017
Assets		
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – trade receivables and accrued insurance claims	14	14
ČSOB – fair value of financial derivatives (Note 5 and 14)	3	181
ČSOB – other	4	3
ČSOB Factoring, a.s. – trade receivables	1	1
Hypotéční banka, a.s. – trade receivables	1	1
Total assets	23	200
Liabilities		
ČSOB – loans (including overdrafts) (Note 12)	22,942	22,662
ČSOB – issued bills of exchanges	7,646	11,691
ČSOB – fair values of derivatives (Notes 11 and 14)	67	16
KBC Group N.V.	2	1
ČSOB – other	2	10
ČSOB Leasing pojišťovací makléř, s.r.o. – loans (Note 11)	60	40
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – insurance premiums	35	48
Total liabilities	30,754	34,468

Trade receivables and payables arose in the ordinary course of business.

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NOTES TO FINANCIAL STATEMENTS

20. SIGNIFICANT ITEMS OF INCOME STATEMENT

Other operating expenses represent, in particular, expenses for insurance of leased assets.

The statutory auditor's fee is disclosed in the notes to the consolidated financial statements of Československá obchodní banka, a.s.

21. SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2017.

PREPARED ON: 23 MARCH 2018

Signature of accounting unit's statutory body:



Ing. Libor Bosák



Ing. Josef Rosenkranz

Person responsible for accounting:
(name, signature):



Ing. Pavel Burša

Person responsible for financial statements
(name, signature):



Ing. Pavel Burša

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RELATED PARTIES REPORT, DIAGRAM

REPORT OF THE BOARD OF DIRECTORS OF
ČSOB LEASING, A. S., ON RELATIONS BETWEEN
RELATED PARTIES

1. CONTROLLED ENTITY

ČSOB Leasing, a. s. with its registered office at Praha 4, Na Pankráci 310/60,PSČ: 140 00, Company ID No. 63998980, incorporated in the Commercial Register, Section B, Insert 3491, maintained at the Municipal Court in Prague (hereinafter referred to as “ČSOBL” or the “Company”).

2. CONTROLLING ENTITY

Československá obchodní banka, a.s. is the sole share- holder of ČSOBL with its registered office at Praha 5, Radlická 333/150, PSČ 150 57, Czech Republic.

KBC Bank NV is the sole shareholder of ČSOB with its registered office at Havenlaan 2, B-1080 Brussels, Belgium.

KBC Group NV holds (directly or indirectly) all the shares of KBC Bank NV.

3. STRUCTURE OF RELATIONSHIP BETWEEN
A CONTROLLING ENTITY AND CONTROLLED ENTITY
AS WELL AS BETWEEN A CONTROLLED ENTITY AND
ENTITIES CONTROLLED BY THE SAME CONTROLLING
ENTITY

Československá obchodní banka, a.s. a member of financial bank-insurance group ČSOB is regulated by Czech National Bank. ČSOB Group is member of the KBC Group.

As for accounting period, ČSOBL had various relations with the controlling entity as well as with other companies controlled by the controlling entity (hereafter mentioned as „related entities“ for the purposes of the Related Parties Report) being based as common business.

A basic overview of ČSOB and KBC group companies is provided in Attachment 1 to this report or is available at www.kbc.com. The Bank has relations mainly with the following related entities:

COMPANY	BUSINESS ADDRESS	
Českomoravská stavební spořitelna, a.s.	Vinohradská 3218/169, 100 17 Praha 10	Czech Republic
Československá obchodní banka, a. s.	Radlická 333/150, 150 57 Praha 5	Czech Republic
ČSOB Factoring, a.s.	Benešovská 2538/40, 101 00 Praha 10 - Vinohrady	Czech Republic
ČSOB Leasing pojišťovací makléř, s.r.o.	Na Pankráci 60/310, 140 00 Praha	Czech Republic
ČSOB Penzijní společnost, a. s., a member of the ČSOB group	Radlická 333/150, 150 57 Praha 5	Czech Republic
ČSOB Pojišťovna, a.s., a member of the ČSOB holding	Masarykovo náměstí 1458, 532 18 Pardubice - Zelené předměstí	Czech Republic
Hypoteční banka, a.s.	Radlická 333/150, 150 57 Praha 5	Czech Republic
KBC Group NV (legal entity)	Havenlaan 2, 1080 Brussels (Sint-Jans Molenbeek)	Belgium
Patria Online, a.s.	Jungmannova 745/24, 110 00 Praha 1	Czech Republic
První certifikační autorita, a.s.	Podvinný mlýn 2178/6, 190 00 Praha 9	Czech Republic

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RELATED PARTIES REPORT, DIAGRAM

4. PURPOSE OF A CONTROLLING ENTITY MEASURES AND MEANS OF CONTROL

Československá obchodní banka, a.s. controls the Company through decisions of a single shareholder in the scope of competence of the General Meeting in line with the Law on Commercial Corporations.

The controlling entity also exercises its influence through its representatives in governing bodies of ČSOBL namely in the Supervisory Board. First and foremost it means co-operation and coordination on the field of consolidated risk management, auditing and compliance with prudential rules that apply for financial institutions and legal requirements.

5. REVIEW OF ACTIVITIES COMMITTED IN THE ACCOUNTING PERIOD, WHICH HAD BEEN INDUCED BY INTEREST OF THE CONTROLLING ENTITY OR ITS CONTROLLED ENTITIES

If not stated otherwise, no activities have been committed in the accounting period, that had been induced by interest of the controlling entity or its controlled entities that would affected a property that exceeds 10 % of ČSOBL equity including common business transactions.

As for the accounting period, the Company repeatedly concluded loan agreements with Československá obchodní banka, a.s., value of which exceeded 10% of company's equity. Purpose of the activity was efficient financial management of the Company. The loan

agreements, described above, arose in the ordinary course of business and are subject to the substantially same terms, including interest rates and security, as for comparable transactions with third party counterparties. The Company incurred no damage from the fulfillment of these contracts.

6. REVIEW OF MUTUAL AGREEMENTS BETWEEN A CONTROLLED ENTITY AND CONTROLLING ENTITY OR AMONG CONTROLLED ENTITIES

As for accounting period, ČSOBL had contractual relations in the following areas:

LEASING SERVICES**Operating leases**

In the Reporting Period, the Company entered into lease agreements with some Related Parties. Alternatively, in the Reporting Period the Company provided performance to the relevant Related Parties on the basis of lease agreements entered into in prior reporting periods. The Related Parties provided counter-performance in the form of lease installments. The agreements were concluded under standard business terms and conditions.

Fleet management

In the Reporting Period, the Company entered into agreements with some Related Parties on fleet management,

and agreements related to fleet management agreements (e.g. on personal data administration, on car sale dealership, on legal relations regulation), and provided performance to the Related Parties. Alternatively, in the Reporting Period the Company provided performance to the respective Related Parties on the basis of lease agreements entered into in prior reporting periods. The Related Parties provided counter-performance in the form of payment for the agreed upon services rendered related to car fleet operation. The agreements were concluded under standard business terms and conditions.

OTHER RELATIONS**Insurance contracts**

In the Reporting Period, the Company entered into insurance contracts with some Related Parties. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of insurance contracts entered into in prior reporting periods. The Related Parties provided counter-performance in the form of insurance coverage and settlement. The agreements were concluded under standard business terms and conditions.

Cash management

In the Reporting Period, the Company entered into agreements with the Controlling Party. The scope of the agreements comprised provision of services related to current accounts or term deposits, and services related to internet banking. Alternatively, in the Reporting Period

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RELATED PARTIES REPORT, DIAGRAM

the Controlling Party provided performance on the basis of agreements entered into in prior reporting periods. The Company provided counter-performance in the form of fees paid. The agreements were concluded under standard business terms and conditions.

Loans, notes and bonds, guarantees

In the Reporting Period, the Company entered into agreements with some Related Parties on loans, the promissory note program and note procurement, and on guarantee acceptance. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of agreements entered into in prior reporting periods. The Company provided counter-performance in the form of payment of loan interest and principals, fees and commissions for note placements, fees for bond administration, and fees for guarantees. The agreements were concluded under standard business terms and conditions.

Lease and sub-lease agreements

In the Reporting Period, the Company entered into agreements with some Related Parties on lease and sub-lease of non-residential premises, parking places and separate movable items or groups of movable items. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of lease and sub-lease agreements entered into in prior reporting periods. The Related Parties provided counter-performance in the form of contractual fees or lease of assets or sets of assets. The agreements were concluded under standard business terms and conditions.

Co-operation Agreements – Employee Benefits

In the accounting period, the Company concluded co-operation agreements - employee benefits or had concluded these contracts from the previous accounting periods. The consideration consisted of the provision of employee benefits. The agreements were concluded under standard business terms and conditions.

Cooperation agreements – sale of products and services

In the Reporting Period, the Company entered into cooperation agreements with some Related Parties. The scope of the agreements comprised cooperation in brokering the sale of products, provision of advisory services, searching for business opportunities and product sale support. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of agreements entered into in prior reporting periods. The Related Parties provided counter-performance in the form of commissions paid or provision of the agreed upon services. The agreements were concluded under standard business terms and conditions.

Further in connection with the cooperation agreements, ČSOBL entered into agreements with some Related Parties on personal data processing, data transfer and agreements on mutual rights and obligations. Alternatively, in the Reporting Period the Related parties provided performance on the basis of the cooperation agreements entered into in prior reporting periods. The Related Parties provided counter-performance in

the form of information transmission and ensuring of confidentiality. The agreements were concluded under standard business terms and conditions.

Agreements on provision of IT services

In the Reporting Period, the Company entered into agreements with some Related Parties on provision of services in the field of information technology, comprising primarily of provision of SW licenses, SW maintenance, and provision of IT and information system services. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of agreements entered into in prior reporting periods.

Agreements on Providing Services – Call Centre

In the accounting period, the Company concluded agreements or had concluded agreements from the previous accounting periods for providing Call centre services. The consideration consisted of contractual commissions. The contracts and agreements were concluded under standard business terms and conditions.

Agreements on Providing Services – Back Office

In the accounting period, the Company concluded agreements or had concluded agreements from the previous accounting periods for providing services in the area of back-office and supporting processes, i.e. co-operation in risk management, development of models, management consulting, central procurement, processing of foreign payments. The consideration consisted of contractual commissions and consultations.

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RELATED PARTIES REPORT, DIAGRAM

The contracts and agreements were concluded under standard business terms and conditions.

Agreement on representation in insurance and related activities

In the Reporting Period, the Company entered into agreements with some Related Parties on business representation, insurance brokerage and administration and related activities. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of agreements entered into in the prior reporting periods. The Related Parties provided counter-performance in the form of commissions paid or provision of the agreed upon services. All agreements were concluded under standard business terms and conditions.

Agreements on Providing Services – Other Supporting Services

In the accounting period, the Company concluded agreements or had concluded agreements from the previous accounting periods for co-operation and providing services in the area of internal audit and compliance, administrative support in the area of finance and accounting, human resource management including labour-law relations and utilization of employees, administrative support. The consideration consisted of services and contractual commissions. ČSOBL also concluded agreements on personal data processing or transmission of information, maintenance confidentiality agreements, etc. The contracts and agreements were concluded under standard business terms and conditions.

Agreement on purchase of used cars

In the accounting period, the Company concluded agreements or had concluded agreements on the purchase of used cars and its sale to third parties. The consideration consisted of contractual commissions. The contracts and agreements were concluded under standard business terms and conditions.

Agreement on sharing and provision of IT property

In the accounting period, the Company concluded agreements or had concluded agreements for sharing of IT property, especially servers, disc capacity and virtual architecture and provision of relating IT services. The consideration consisted of contractual commissions. The contracts and agreements were concluded under standard business terms and conditions.

DIVIDENDS AND OTHER MEASURES

On 17 May 2017, Československá obchodní banka, a.s. being a single shareholder within the competence of General Meeting decided on distribution of 2016 profit in the way that profit (dividends) in the value of 421 008 thousand CZK had been paid to the shareholder.

Within the accounting period ČSOBL similarly received revenue in the form of dividends from the company ČSOB Leasing pojišťovací makléř, s.r.o.

Československá obchodní banka, a.s. being a single shareholder within the competence of General Meeting decided

also on the change of articles of association due to current legislation (in terms of being non-bank provider of customer loans and the change of stocks to book-registered).

In the accounting period, ČSOBL further adopted a Resolution of the sole partner on behalf of ČSOB Leasing pojišťovací makléř, s.r.o. where the Company is the sole partner. There are approval of the year-end financial statements, settlement of profit and dividends pay-out, election of Board members and their remuneration.

7. ASSESSMENT OF INCURRED DAMAGE FOR CONTROLLED ENTITIES

There was no damage incurred from contractual and other relationship between ČSOBL and the controlling entity.

8. EVALUATION OF RELATIONSHIP BETWEEN CONTROLLING ENTITY AND CONTROLLED ENTITY AS WELL AS BETWEEN A CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

A common synergy within the financial group ČSOB and KBC Group respectively brings positive effects on the fields of effective cost management, human resources and aid with processes setting so to be in line with the company strategy. The cooperation also supports risk reduction

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RELATED PARTIES REPORT, DIAGRAM

for certain transaction risks as e. g. risks connected with providing sensitive information to the third parties.

ČSOBL provides especially leasing services to companies within the group such as finance are operational lease, asset based loans and fleet management services.

The outstanding balances of assets and liabilities with Československá obchodní banka, a.s. and the entities under common control principally comprise the fair value of derivative financial instruments and debt instruments.

Mutual cooperation of the companies within the groups KBC group and ČSOB as well as other companies, which are controlled by ČSOB, supports building of a common market position and allows extension of range of offered financial services for their clients in the area of products portfolio including mortgages and building savings loans, asset management, collective investment, pension fund products, leasing, factoring as well as insurance products and stock trading on financial markets.

9. ACCOUNTING PERIOD

This report describes relations for the accounting period from 1 January 2017 to 31 December 2017.

10. CONCLUSION

The Board of Directors of ČSOBL states that this Report was prepared within the stated period and in line with § 82 of Law on Commercial Corporations. While processing the report the Board of Directors exercised due professional care and the content of the Report reflects purpose of legal provisions within Law on Commercial Corporations in relation to the ownership structure of ČSOBL.

This Report was submitted to review of the Supervisory Board of ČSOBL.

IN PRAGUE, 23 MARCH 2018
ČSOB LEASING, A. S.

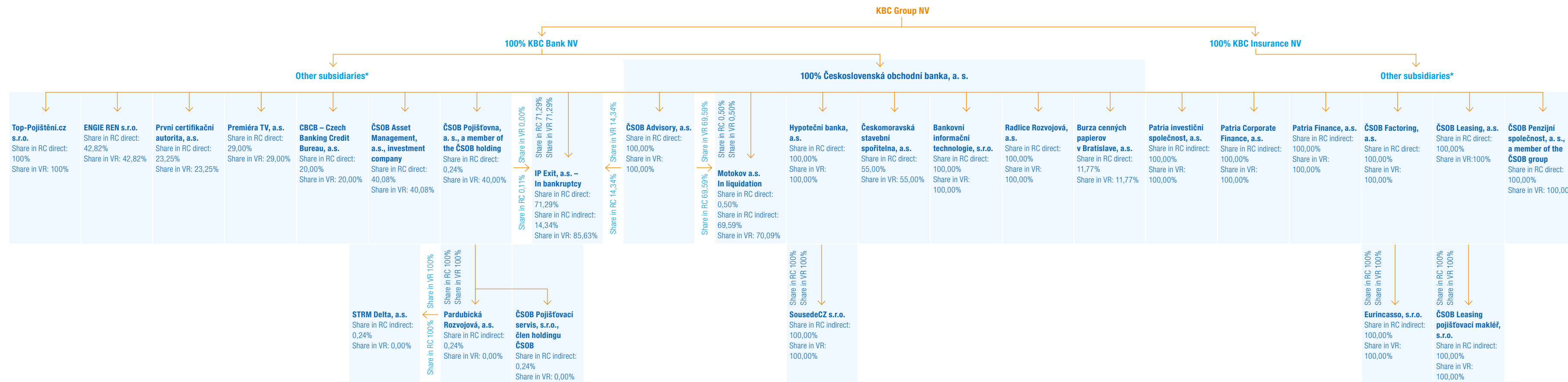
On behalf of the Board of Directors



Ing. Libor Bosák
Chairman of the Board of Directors



Ing. Josef Rosenkranz
Vice-chairman of the Board of Directors

**EXPLANATORY NOTES:**

Percentage shares shown for individual companies are expressed from the ČSOB point of view as a parent company.

All shares of KBC Bank and KBC Insurance are held (directly or indirectly) by the KBC Group.

ČSOB is 100% owned and fully controlled by KBC Bank.

* For complete overview of „other subsidiaries“ of the KBC Group please refer to KBC's corporate website

www.kbc.com, where other details regarding the KBC Group are available.

RC: registered capital

VR: voting rights

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INDEPENDENT AUDITOR'S REPORT





Independent auditor's report

to the shareholder of ČSOB Leasing, a.s.

Opinion

We have audited the accompanying financial statements of ČSOB Leasing, a.s., with its registered office at Na Pankráči 60/310, Praha 4 ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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**Shareholder of ČSOB Leasing, a.s.
Independent auditor's report**

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

23 March 2018

Přemysl Herman
represented by partner

Marek Richter
Marek Richter
Statutory Auditor, Evidence No. 1800

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

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IFRS FINANCIAL
STATEMENTS



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BALANCE SHEET

BALANCE SHEET (IFRS), CZKT	2017	2016	2015	2014
ASSETS				
Total Cash and Cash balances	82 453	2 664	3 304	4 078
Loans, leases and receivables	39 739 269	35 743 665	32 719 027	26 928 501
Derivatives used for hedging	180 906	3 016	8 793	-
Tax asstes	-	-	47 454	63 523
Property and equipment	4 725 187	4 150 106	2 079 017	1 448 204
Intangible assets	235 004	207 114	181 461	169 375
Non-current assets held for sale	41 667	16 765	19 117	24 585
Other assets	533 255	346 497	315 501	192 661
TOTAL ASSETS	45 537 742	40 469 825	35 373 673	28 830 927
LIABILITIES				
Held for trading liabilities (trading derivatives)	291	616	2 033	3 749
Financial liabilities at AC	34 358 615	30 594 873	25 287 646	21 153 421
Derivatives used for hedging	16 209	66 543	59 388	83 314
Tax liabilities	901 140	987 184	910 641	807 133
Other liabilities	1 000 026	749 056	850 902	869 476
Provisions	26 544	7 655	9 183	7 456
TOTAL LIABILITIES	36 302 826	32 405 927	27 119 793	22 924 549

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BALANCE SHEET – *CONTINUATION*

BALANCE SHEET (IFRS), CZKT	2017	2016	2015	2014
SHAREHOLDER'S EQUITY				
Registered capital	3 050 000	3 050 000	3 050 000	3 050 000
Share premium	572 421	572 421	572 421	572 421
Reserves and retained earnings	4 951 806	3 985 315	4 129 835	1 903 740
Gains/losses not recognized in profit and loss	280 724	(31 337)	(30 977)	(114 929)
Profit for the financial year	379 966	487 500	532 601	495 146
TOTAL SHAREHOLDER'S EQUITY	9 234 916	8 063 898	8 253 879	5 906 378
TOTAL LIABILITIES & EQUITY	45 537 742	40 469 825	35 373 673	28 830 927

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PROFIT AND LOSS STATEMENT

PROFIT AND LOSS STATEMENT (IFRS), CZKT	2017	2016	2015	2014
Net Interest Income	853 620	869 115	839 037	810 685
Interest Income	1 110 603	1 152 188	1 151 296	1 142 018
Interest Expenses	(256 983)	(283 073)	(312 258)	(331 333)
Non Interest Income	474 854	516 835	461 897	444 387
Net Result from FIFV through profit or loss	8 384	(13 604)	(28 480)	(16 691)
Net Fee and Commission Income	27 752	94 629	114 928	105 026
Net other income	438 718	435 810	375 449	356 052
Total income	1 328 474	1 385 950	1 300 935	1 255 072
Operating Expenses	(683 646)	(705 741)	(660 186)	(656 756)
Operating profit before adjustments and provisions	644 828	680 209	640 748	598 316
Adjustments and provisions for credit risks	54 340	(54 968)	28 875	17 033
Adjustments and provisions to P&E	(234 100)	(4 652)	(825)	7 288
Result before tax	465 069	620 589	668 799	622 637
Income tax	(85 103)	(133 089)	(136 198)	(127 491)
NET PROFIT	379 966	487 500	532 601	495 146

Based on International Financial Reporting Standards (IFRS), the Company assets (consolidated balance sheet sum) reached an amount of CZK 45.5 billion.

The equity (based on IFRS) amounted to CZK 9,2 billion as of 31 December 2017.

The consolidated profit before tax (IFRS) for 2017 amounted to CZK 465 million. Profit after tax amounted to CZK 380 million.

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CONTACTS



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