



ANNUAL REPORT 2015

ČSOB Leasing, a. s.

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

ČSOB LEASING, YOUR CREDIBLE FUTURE

ČSOB Leasing brings its clients' dreams closer, helping make them reality through financing assets (vehicles, manufacturing equipment, machinery, etc.). With ČSOB Leasing, the clients can start using the asset or equipment financed immediately and pay for it later.

At ČSOB Leasing, we make our clients' dreams reality.



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ABOUT THE
COMPANY

chapter 01

THE MANAGEMENT OF ČSOB LEASING, A. S.

BOARD OF DIRECTORS 31 December 2015



Ing. LIBOR BOSÁK
chairman of the board of directors



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



Ing. Rudolf KYPTA
member of the board of directors

SUPERVISORY BOARD 31 December 2015

Ing. Petr KNAPP
(from 10 September 2014)
chairman of the supervisory board

Jiří VÉVODA
(from 1 January 2013)
member of the supervisory board

Ján LUČAN
(from 1 January 2013)
member of the supervisory board

Ing. Petr MANDA
(from 10 September 2014)
member of the supervisory board

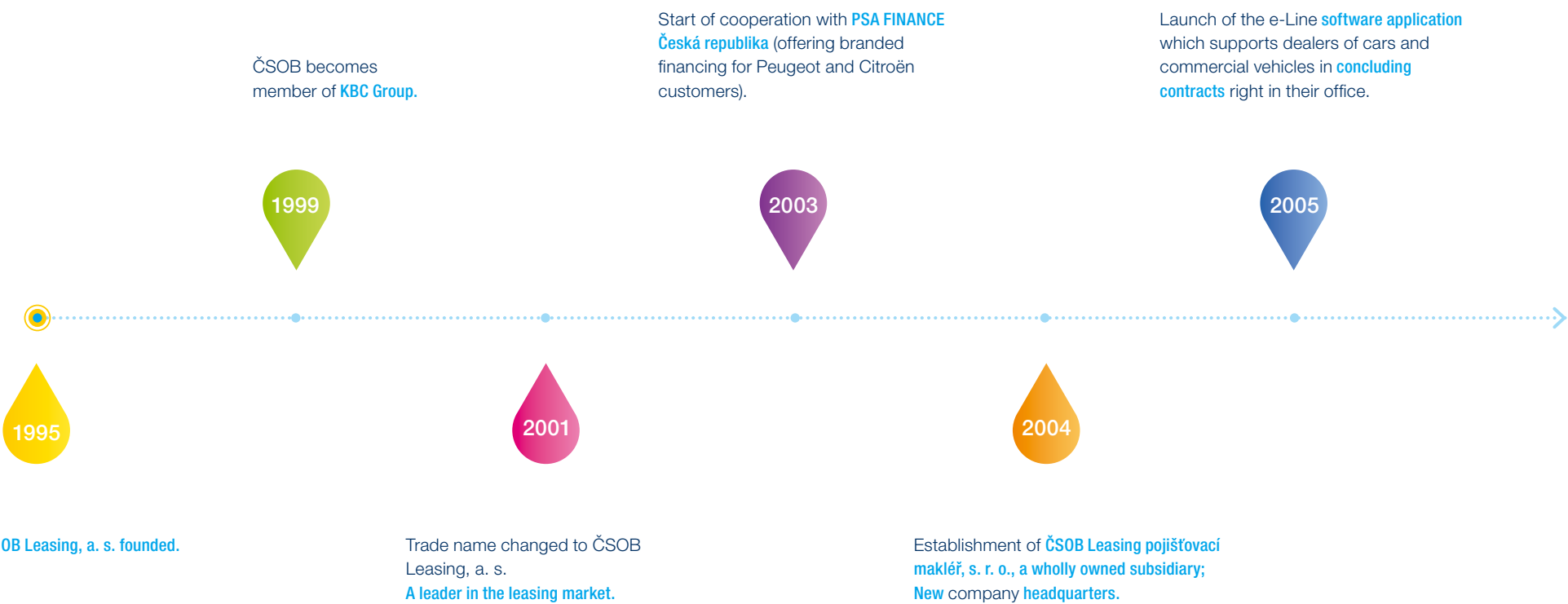
Ing. Michal KANĚRA
(from 25 March 2015)
member of the supervisory board

INTRODUCTION OF ČSOB LEASING, A. S.

ČSOB LEASING

- market leader, top player in the leasing market
- ranked the top non-bank financial service provider in the Czech Republic since 2014 (according to the statistics published by the Czech Leasing and Finance Association);
- in 2015 the Company celebrated **20 years in the market**;
- **the Company has the strongest capital base** among the leasing companies in the Czech market;
- the Company is a wholly owned subsidiary of Československá obchodní banka, a. s., a member of ČSOB Group and part of the important international KBC Group;
- **the Company is a universal leasing organisation** providing a complete range of financing services for the purchase of transport equipment, machinery and technology – finance leases, line of credit, operating leases – and a broad array of high-quality comprehensive services for clients and cooperating partners;
- in 2015 the Company provided financing in the amount of CZK 18,376.05 billion;
- **the Company is certified to ISO 9001:2008**;
- the Company specialises in financing business investments;
- corporate social responsibility is a natural part of the Company's philosophy;
- the Company develops solutions to support progressive changes in mobility;
- the Company has won many awards for the best financial services and best companies: Zlatá koruna, Zlatý měsíc, Fleet Award, CZECH TOP 100 and Flotila;
- **the Company is the most popular financial service provider among entrepreneurs and the favoured leasing organisation as far as machinery, technology and transport equipment are concerned.**
- offers its clients and business partners a comprehensive array of services: finance leases, leaseback, re-leasing, consumer loans, full service leasing, operating leases, fleet management, inventory financing, etc.;
- an experienced partner, the Company provides financing for the purchase and operation of light and heavy transport equipment, machinery, equipment, IT equipment, technology and complete manufacturing systems including expensive capital assets (railway carriages, aircraft, etc.) and syndicated loans;
- the Company markets its products not only through its own branch network (allowing the development of 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 sellers of movable assets;
- clients (businesses and natural persons alike) as well as business partners can interface with the company in a truly modern way via the e-Leasing information web portal; clients using full service leasing solutions can benefit from electronic invoicing including in the ISDOC format, while business partners can use the eLine software application through which they receive a calculation and are able to conclude a contract right in their office in a matter of minutes;
- **participation in special** European Investment Bank (EIB) and Support and Guarantee Farming and Forestry Fund grant programmes as well as other **programmes** offered by cooperating partners such as importers, manufacturers, insurers, etc.;
- **thanks to its close cooperation with ČSOB Leasing pojišťovací makléř, s. r. o., a wholly owned subsidiary, the Company can provide a broad array of insurance products** from leading insurance companies in the Czech Republic: car insurance, Casco insurance, windshield insurance, luggage insurance, assistance service insurance, legal expenses insurance, vehicle occupant insurance, replacement vehicle hire insurance, GAP insurance, machinery insurance, payment protection insurance, insurance for industry and entrepreneurs.

MILESTONES IN THE HISTORY OF ČSOB LEASING, A. S.



MILESTONES IN THE HISTORY OF ČSOB LEASING, A. S.

Launch of the **eLeasing online information portal** for clients. (The clients are able to review their existing contracts online and submit online requests.)

The **Flotila** (full service leasing) **product** comes out on top in surveys by the **Fleet** and **Flotila** magazines.



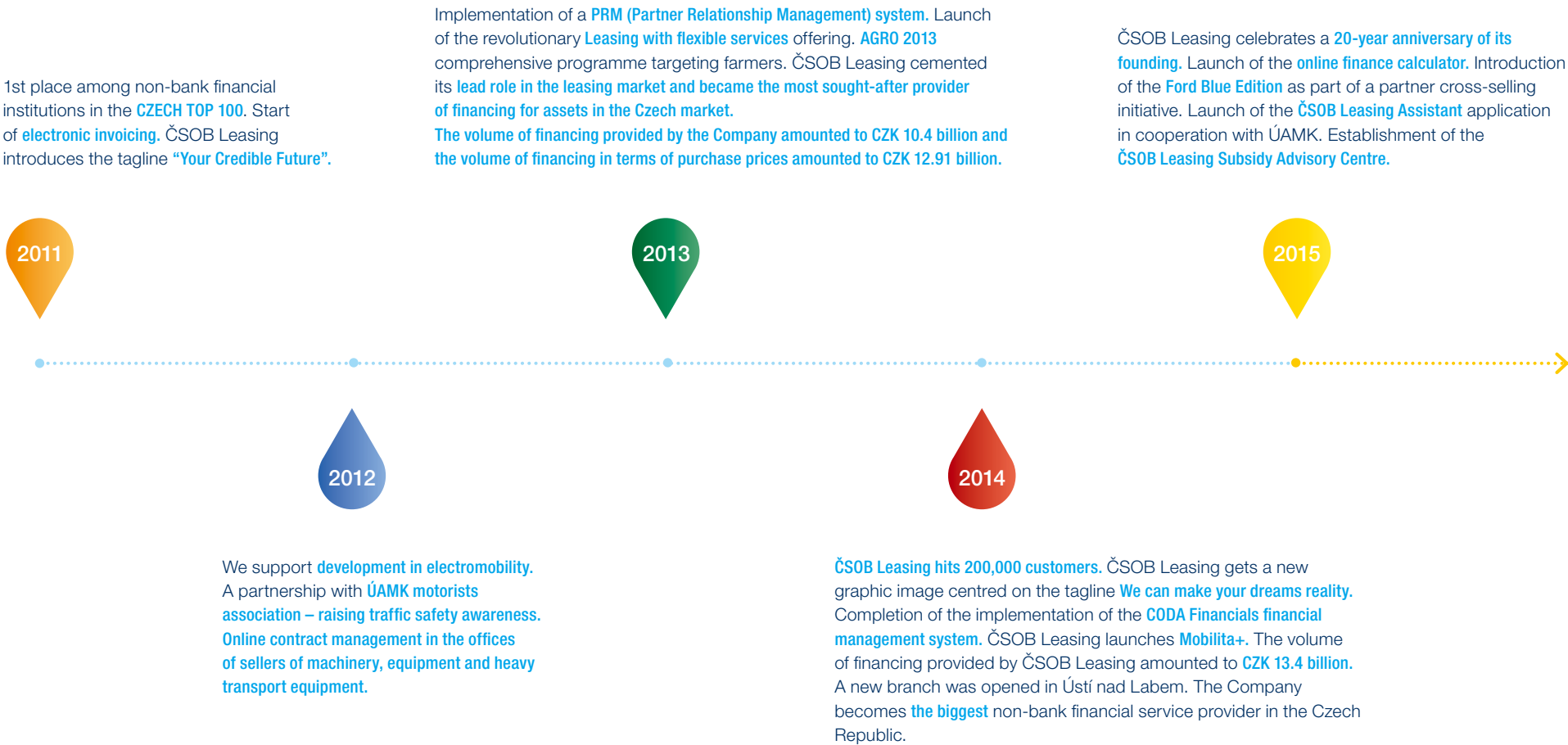
The first **Zlatá koruna** award for branded financial services.

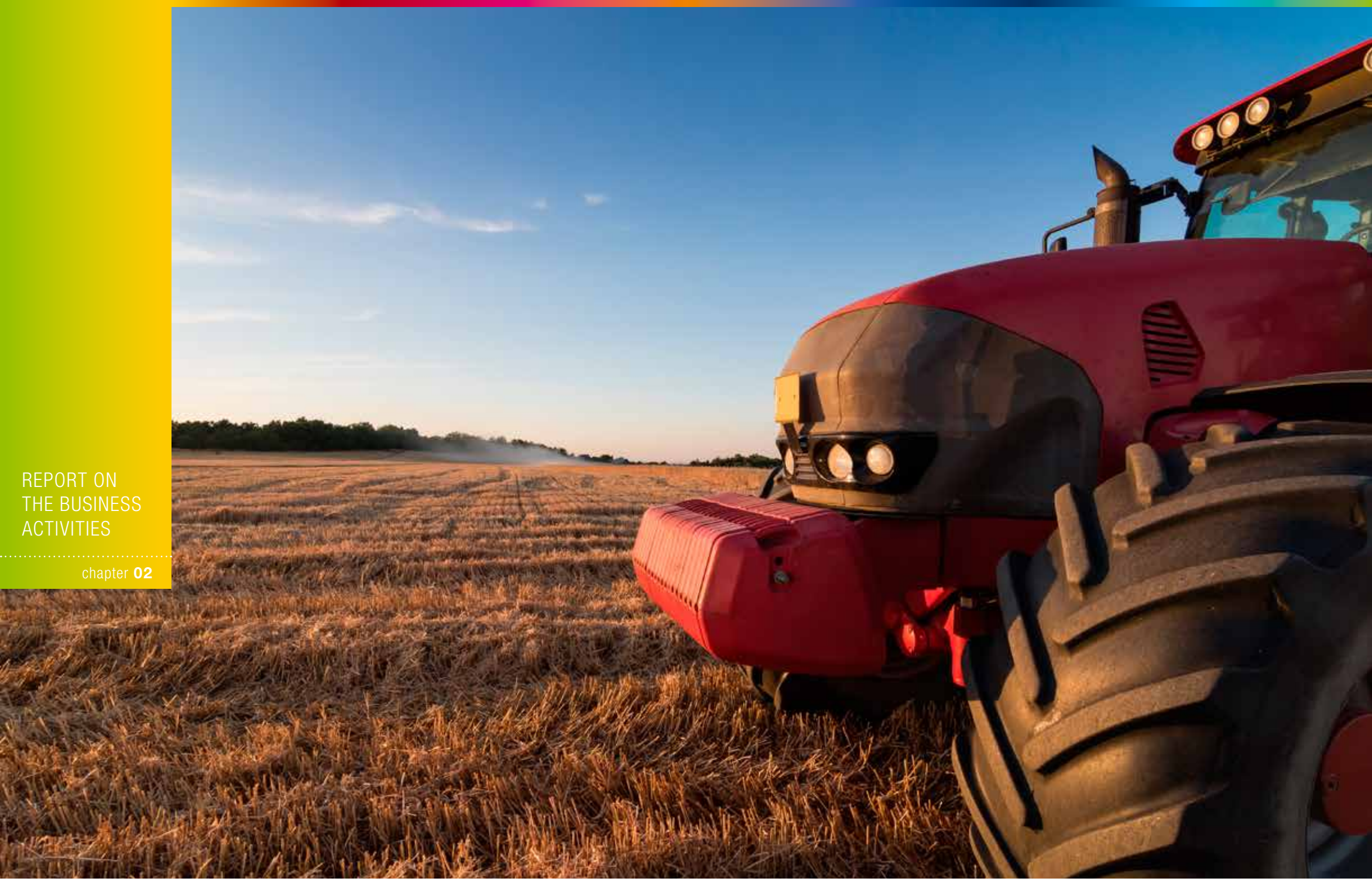


120,000 active contracts in the portfolio.

First syndicated loan to České dráhy, a. s. (Czech Railways) **in the history of leasing organisations**, involving ČSOB Leasing, a. s., ING Lease (C. R.), s. r. o. and SG Equipment Finance Czech Republic, s. r. o. The total value of the deal was approximately CZK 1.5 billion.

MILESTONES IN THE HISTORY OF ČSOB LEASING, A. S.





REPORT ON
THE BUSINESS
ACTIVITIES

chapter 02

THE BOARD OF DIRECTORS' REPORT ON THE BUSINESS ACTIVITIES OF ČSOB LEASING, A.S. AND THE STATE OF ITS ASSETS FOR 2015

The Company's Board of Directors (BoD) was composed of the following members in 2015:

Libor BOSÁK
Chairman of the Board of Directors

Josef ROSENKRANZ
Vice-Chairman of the Board of Directors

Rudolf KYPTA
Member of the Board of Directors

In 2015 the Board of Directors held twenty regular meetings in conformity with the company's Articles of Association.

In 2015 ČSOB Leasing continued its development and successfully dealt with the constantly changing macroeconomic environment. The business strategy was based on strengthening cooperation within ČSOB Group (X-selling both bank clients and insurance business), boosting our sales volumes via our own sales network, continuance of quality driven production and management of operating expenses. The successful implementation of the strategy during previous years has helped to strengthen company and employee stability within the ČSOB Group, KBC Group, as well as on the whole market, and has also helped maintain the quality and flexibility of the provided financial services dependent on customer needs.

In 2015 ČSOB Leasing fully operated under the management of ČSOB bank. The company has all valid trade licenses required to carry out its activities.

As of December 31, 2015 the company's paid-up registered capital amounted to 3,050 million CZK. The registered capital of the company's subsidiary ČSOB Leasing pojišťovací makléř, s.r.o. amounted to 2 million CZK as of December 31, 2015, the share of ČSOB Leasing, a.s. constituting 100 %.

The primary task of the company's management was to ensure and support the permanent development of the company in all its organizational and functional aspects, with emphasis on the improvement of

customer relations and expansion of its trading activities in order to carry out its business and thus fulfill the objectives of ČSOB Group. The company's management continuously worked on the accomplishment of this task, supervised and controlled its realization and ensured it at all levels of company management.

Regarding newly realized deals, ČSOB Leasing reached a turnover of 22.38 billion CZK (volume of newly financed assets at acquisition prices). The turnover of new business in 2015 was higher year-to-year by 36 %. In 2015 ČSOB Leasing entered into 19 390 new customer contracts which represent a year-to-year increase of 27 %. The Initial investment (18.38 billion CZK) of new contracts was the highest since 2008.

As of 31 December 2015, the total number of active contracts in the company's portfolio was equaled to 78 988. Moreover, ČSOB Leasing administers, based on cooperation agreements, 9 648 active contracts for PSA Finance, of which 3 792 were newly concluded in 2015.

In 2015 ČSOB Leasing maintained the first position on the total Czech leasing market and on the overall relevant market (including also asset loans relating to the comparable asset types) with the share in the market 17.2 % (year-to-year increase 2.2 %).

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES OF ČSOB LEASING, A. S. AND THE STATE OF ITS ASSETS FOR 2015

The overall relevant market increased year-to-year by 19.6 % from 89 billion CZK in 2014 to 107 billion CZK in 2015 (ČSOBL increased by 36.9 %).

The position on the market and business achievements resulted from a successful sales strategy, effective distribution and trading models, operating under its own stable commercial network, the company's reputation, cooperation with the company's subsidiary ČSOB Leasing pojišťovací makléř as well as proper product orientation and structure (brand financing, asset loans, foreign exchange leasing, operating leasing including full-service leasing, fleet management and a competitive product range for suppliers of the financed assets).

ČSOB Leasing plays an active part in development activities of ČSOB Group, mainly in the area of X-sell and ICT. The Initial investment of X-sell reached 11.8 billion CZK in 2015. New activities in RET X-sell area have been launched and successfully promoted within the bank network (distribution channel through Poštovní spořitelna). ČSOB Leasing continually carries out activities aiming at increasing productivity and efficiency, at standardization and optimization of business processes and at raising the value of products for customers.

Much effort has been devoted to the realization of key ICT projects. The most important of them, New FSL

(operational leasing), started in 2014 and during 2015 a software supplier was chosen and the pre-study begun. All other projects were delivered according to the agreed time plan.

According to the International Financial Reporting Standards (IFRS), company assets (consolidated balance sum) reached 35.4 billion CZK. This represents a year-to-year increase by 23 %.

There were no significant changes in the structure of financing in 2015. The share of fixed and float funding was 54 % to 46 % at the end of 2015. All funding was provided by ČSOB Bank since the EIB loan was repaid in December 2014. The total sum of borrowings was 25.3 billion CZK at the end of 2015.

ČSOB Leasing met the requirements for the tax recognition of cost paid on intra group funding in 2015 (thin capitalization).

Equity (according to IFRS) amounted to 8.3 billion CZK on December 31, 2015 which was higher than at the end of 2014 (5.9 billion CZK). In June 2015, **ČSOB Leasing** paid out a dividend to ČSOB Bank in the amount of 0.469 billion CZK and received additional capital in the amount of 1.2 billion CZK, in order to meet the thin capitalization rules in 2015. In November 2015, another equity increase in the amount of 1.0 billion CZK was needed to avoid the thin capitalization limit breach, as the growth of ČSOBL's business

during 2Q-3Q 2015 had been substantially faster than anticipated in the plan. The present equity volume will also cover the forecasted growth in 2016 (even after the dividend payment in June).

The pre-tax consolidated profit (IFRS) for 2015 was 669 million CZK. After-tax profit reached 533 million CZK. Consolidated managerial net profit reached 597 million CZK (year-to-year increase +12 %).

Good quality of portfolio led to a release of impairment (- 28 million CZK) during 2015, which is even better than in 2014 (-24 million CZK). This is the result of successful strategy in the field of contract approval process, portfolio management and debt collection. The impairment to the Loans and Receivables reached the cumulative total amount of 488 million CZK at the end of 2015 (excluding receivables already written off). Provisions and reserves in this amount fully cover the entrepreneurial risk. The methodology of the impairments and bad-debt write-offs is in accordance with the standards used in the ČSOB Group.

The interest income amounting to 1 151 million CZK was the most considerable revenue item in 2015. Interest costs totaling 312 million CZK represented the most considerable cost item. **ČSOB Leasing** held consolidated operating expenses below the budget (savings of 8 million CZK, i.e. 1.1 %). The main savings were realized in IT costs.

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES OF ČSOB LEASING, A. S. AND THE STATE OF ITS ASSETS FOR 2015

By the end of the year 2015 **ČSOB Leasing, a.s.** operated 10 branches and 3 smaller trading offices and the total number of employees (FTE) reached 365 (31 of them being the employees of **ČSOB Leasing** pojišťovací makléř). The level of employees' motivation remains high (68 %) and above ČSOB Group results. ČSOB Leasing continued with CSR activities in 2015 supported by all employees.

During 2015, a quality system was managed in conformity with ISO 9001:2008 standards. **ČSOB Leasing** is a holder of the ISO 9001:2008 certificate (including FSL products) until the end of 2018. During 2015 the internal control system was continuously monitored and verified by the Internal Control and Compliance department in line with the yearly plan approved by the BoD. Regular follow-up of identified shortcomings is set up and was continuously performed. In the areas of Compliance function and operational risk management, all key activities required by KBC/ČSOB were performed in 2015.

According to Czech Accounting Standards (CAS) after-tax profit of **ČSOB Leasing** amounted to 677 million CZK. The Statutory Financial Statements (CAS) as of December 31, 2015 were audited by Ernst & Young and they are an integral part of the documents submitted to the Annual Meeting and the Supervisory Board.

According to the auditor, the Statutory Financial Statements according to Czech Accounting Standards gives a true and fair view of the assets, liabilities, shareholder capital and equity of **ČSOB Leasing, a.s.**, as of December 31, 2015, and the results of the company's business administration activities for the year 2015 are consistent with the Act on Accounting No. 563/1991 Sb. according to Czech Accounting Standards.

ČSOB Leasing's and ČSOB Leasing Pojišťovací makléř achievements are the result of the extraordinary efforts of all the company's employees and management. Therefore gratitude is expressed to all of them. Our thanks also belong to ČSOB for the support and work conditions provided.

Prague, March 21, 2016



Libor Bosák
Chairman of the Board of Directors



HIGHLIGHTS
OF 2015

chapter 03

HIGHLIGHTS OF 2015 AND PLANS FOR 2016

JANUARY–MARCH

- In 2015, ČSOB Leasing continued financing additional **TRAXX F140 MS electrical locomotives** for Metrans.
- In the first quarter, the Company put forth its application development plan which identifies existing and new applications to be developed and implemented by ČSOB Leasing in the next 5 years. These applications are to support the Company in delivering a higher quality of service to its clients as well as in the simplification of work procedures and improved communication with partners.
- ČSOB Leasing partners with Metrostav to provide financing for a special investment totalling CZK 2 billion. This involved the provision of financing for the manufacture and supply of **the Viktorie TBM S-799 tunnel boring machine**. This piece of machinery weighing 1,800 tons was financed through a special-purpose individualised finance lease structure.
- ČSOB Leasing provided an **operating lease for 30 MAN tractor units** to Lannutti Czech, one of the leading freight companies in the Czech Republic.
- After Q1 2015, ČSOB Leasing, with a **32% share of the market, became a market leader** in financing for **machinery and equipment**.

ČSOB Leasing recorded above-average results in financing for articulated lorries, tractor units and buses. Heavy transport equipment saw an increase (CZK 836 million).



ČSOB Leasing, a. s. results for Q1 2015 (the volume of financing in millions of CZK by asset type)

Private motor vehicles, commercial vehicles	901.78
Road vehicles over 3.5 t	836.19
Machinery and equipment	2017.46

APRIL–JUNE

- At the 2015 Zlatá koruna financial services competition, ČSOB Leasing won two awards – **2nd place for its HIT Kredit business loan and 3rd place for its AGRO 2015 service**.



- ČSOB Leasing signed an agreement with Isuzu Sales Deutschland (ISD) for the provision of wholesale **financing for in-stock and demonstration Isuzu D-Max vehicles** to be offered by dealerships in the Czech Republic. This strong partnership will boost the dealership presence of this car brand.
- As part of an initiative to improve services for full service leasing clients, the Company introduced the new CCS Carnet system which provides vehicle and machinery GPS tracking.
- The Company completed the second level of the implementation of a Partner Relationship Management (PRM) system. The aim was to provide even better support to the business units within partner companies as part of implementing the Company's business strategy.
- As part of its assistance service offering, ČSOB Leasing Assistance, ČSOB Leasing, in cooperation with ÚAMK, the provider of comprehensive services for motorists, launched the **new mobile application for drivers**, ČSOB Leasing Asistent. The application provides drivers with easy access to traffic information for the whole Czech Republic, including information on road closures, accidents and traffic levels.

JULY–SEPTEMBER

- In summer 2015, the **ČSOB Leasing Subsidy Advisory Centre** was established with the mission to provide SMEs in supplier chains with information and advisory in the industrial and agricultural grant subsidy application process. Thus ČSOB Leasing has brought its financial services involving grants from the European Investment Bank (EIB) and the Support and Guarantee Farming and Forestry Fund to another level.
- ČSOB Leasing has negotiated exclusive terms for clients looking to purchase equipment for golf courses and public spaces.
- ČSOB Leasing supports development in electromobility and alternative fuels; its private and business clients are able to trial a VW eGolf electric car.
- ČSOB Leasing and Liebherr-Stavební stroje CZ entered into a partnership.



- ČSOB Leasing, together with STILL ČR, secured a tender to provide **financing for 60 pieces of**

manipulation equipment through an operating lease for **Magna Exteriors**, one of the leading automotive companies in the Czech Republic.

- From the beginning of the year to the end of September, the volume of new contracts signed by ČSOB Leasing exceeded CZK 13 billion. **The year-on-year increase in the volume of operating leases was the second highest in the market.**

OCTOBER–DECEMBER

- **ČSOB Leasing celebrates a 20-year anniversary of its founding.**



- The partnership between ČSOB, Ford and ČSOB Leasing led to the creation of the limited **Ford Blue Edition** available to the clients of ČSOB.
- Along with a **redesign of the company website**, ČSOB Leasing launched an **online calculator for financing private and commercial vehicles and motorcycles.**
- Through its **extensive branch network as well as through partners** located throughout the Czech

Republic, ČSOB Leasing marketed the **Mobilita+** operating lease solution to clients, giving consumers the benefits that ČSOB Leasing, together with its partners, normally extends to its business clients. The range of services the Company provides now more closely matches the offerings of foreign financial service providers.

- ČSOB Leasing partnered with important supplier of agricultural machinery, KRONE, to provide branded financing.
- ČSOB Leasing supports innovations in the agricultural sector. Thanks to the cooperation between ČSOB Leasing and HZT Technik-servis, a. s., Czech farmers can obtain financing for new TATRA tractors.
- ČSOB Leasing partners with CEREAL, a. s. to provide financing for complete fleets.

YEAR 2016

- At the beginning of 2016, ČSOB Leasing will launch a campaign titled **“Count with us”** to promote its HIT Kredit car finance solution with additional benefits.
- In cooperation with the Association of Road Haulage Companies, ČESMAD, ČSOB Leasing will finance, throughout 2016, the renewal of vehicle fleets by Czech road haulage companies through an attractively priced programme.
- ČSOB Leasing will launch a trial, offering operating leases for pre-owned lorries.



ČSOB LEASING CORPORATE SOCIAL RESPONSIBILITY IN 2015



Since 2013, the employees of ČSOB Leasing have been able to devote one day of the year to voluntary work in support of a non-profit organisation of their choice. Each year, around two thirds of employees participate in the **"Helping Together"** programme. Throughout a calendar year, employees provide help to 25–40 non-profit organisations.

In 2015, ČSOB Leasing organised three charity bake-offs under the motto **"If you don't bake with us, you bake against us"** in order to raise funds towards non-profit initiatives. The total amount of money raised was CZK 37,044. Proceeds from the last breakfast were given to Pomocné tlapy o. p. s. – an organisation which trains service dogs.



ČSOB Leasing has been working with the non-profit sector for several years. We choose to support non-profit

organisations where our support is meaningful and useful. We try to support these organisations in their specific needs through gifts in money and in kind (for example, we give away discarded IT equipment, office furniture and raise funds). In 2015, we organised two item collections in support of the Czech Paraplegics Association. ČSOB Leasing also gave discarded office furniture worth CZK 201,269 to this organisation. Since 2013, we have been partners of the Association for Integration through Sports. The donations of ČSOB Leasing have helped this association to put on its IKuželník events.



ČSOB Leasing supports non-profit organisations on an individual basis through the purchase of cars. In 2015, the Company supported the Mathilda Foundation by purchasing a car and the Světluška – kavárna POTMĚ foundation through a long-term vehicle lease worth CZK 60,000.



Since 2015, the Company has strived, by organising 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.

At ČSOB Leasing we embrace equality at work and employee development. We care about the health and satisfaction of our employees, offering work from home if the nature of the job permits as well as various types of part-time contracts (on an individual basis). As a standard, our employees receive work-life balance training. We try to prevent psychosomatic disorders and stress.

ČSOB LEASING CORPORATE SOCIAL RESPONSIBILITY IN 2015

In 2015, the employees of ČSOB Leasing were able to try the lunch box diet during a **“Health Day”** event; they were able to try exercises which relieve the effects of sedentary lifestyle and attend a lecture on healthy lifestyle and health food. For those interested in eating healthy, a new employee benefit, “Lunch box diet – ABC diet and NutriCare” was introduced – this is now used by more than ten employees.

As part of our commitment to environmental protection, we save energy, print economically and recycle waste to minimise the negative impacts of our business on the environment.

“Our starting point has been the belief that a little considerateness which each of us can show, can make a significant contribution to our social responsibility as a company.”

THROUGH ITS ACTIVITIES, ČSOB LEASING SUPPORTED A TOTAL OF 29 ORGANISATIONS.

Among those were:

- Thomayer Hospital Child Care Centre and Infant Welfare Facility
- Krajina Association
- PALATA – Home for the Visually Impaired
- Bohnice Psychiatric Hospital
- Toulcův dvůr – SRAZ Association
- ERGO Aktiv, o. p. s.
- Toulcův dvůr – ENVIRA
- Vlastní cestou, o. s.
- Dvůr Králové Zoo
- Severní Terasa retirement home
- Elpida, o. p. s.
- Studánka Catholic Nursery School
- Pardubice District Charity
- Prague Zoo



IFRS FINANCIAL
STATEMENT

chapter 05

IFRS FINANCIAL STATEMENTS (NON-AUDITED, CONSOLIDATED)

IFRS profit and loss statement, thousands of CZK	2015	2014	2013	2012
Net Interest Income	839,037	810,685	802,059	828,409
Interest Income	1,151,295	1,142,018	1,155,369	1,261,298
Interest Expenses	(312,258)	(331,333)	(353,310)	(432,889)
Non Interest Income	461,897	444,387	535,051	608,447
Income from Fin. Instruments at Fair Value	(28,480)	(16,691)	22,745	19,652
Net Fee and Commission Income	114,928	105,026	142,048	143,309
Other Net income	375,449	356,052	370,258	445,486
Operational Income	1,300,934	1,255,072	1,337,110	1,436,856
Operating Expenses	(660,186)	(656,756)	(665,249)	(665,436)
Operating profit before adjustments and provisions	640,748	598,316	671,861	771,420
Adjustments and provisions for credit risks	28,051	24,321	(88,862)	(174,543)
Profit before tax and minority interests	668,799	622,637	582,999	596,877
Total income tax	(136,198)	(127,491)	(130,317)	(129,532)
NET PROFIT	532,601	495,146	452,682	467,345

Balance Sheet (IFRS), thousands of CZK	2015	2014	2013	2012
ASSETS				
Cash and balances with central banks	3,304	4,078	3,755	5,434
Receivables from banks	59,014	94,241	58,867	110,000
Trading assets	0	0	0	0
Investment securities	0	0	0	0
Loans and leases	32,674,816	26,849,225	22,798,819	21,021,832
Tangible and intangible assets	2,260,477	1,617,579	1,872,656	1,597,347
Other assets, incl. tax receivables	226,915	147,898	190,023	178,728
Prepayments and accrued income	149,146	117,906	74,738	62,959
TOTAL ASSETS	35,373,673	28,830,927	24,998,858	22,976,300
LIABILITIES				
Payables to banks	25,287,646	21,153,421	18,443,602	15,252,110
Trading payables	2,024	3,749	6,130	13,861
Payables to customers	27,120	130,183	98,433	96,683
Securities issued	0	0	0	889,969
Other liabilities, including tax liabilities	1,412,106	1,454,034	1,207,368	1,197,057
Accruals and deferred income	381,714	175,706	193,186	138,587
Other provisions	9,183	7,456	9,563	7,718
TOTAL LIABILITIES	27,119,793	22,924,549	19,958,282	17,595,985
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
Reserve funds	3,611,263	1,411,263	611,263	611,263
Gains/losses not recognized in profit and loss	(30,977)	(114,929)	(130,926)	(112,374)
Retained earnings	518,572	492,477	485,136	791,660
Profit for the period	532,601	495,146	452,682	467,345
TOTAL SHAREHOLDER'S EQUITY	8,253,879	5,906,378	5,040,576	5,380,315
TOTAL LIABILITIES & EQUITY	35,373,673	28,830,927	24,998,858	22,976,300



REPORT OF THE
SUPERVISORY
BOARD

chapter 06



(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ČSOB Leasing, a.s.:

We have audited the accompanying financial statements of ČSOB Leasing, a.s. which comprise the balance sheet as at 31 December 2015, and the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of ČSOB Leasing, a.s. see Note 1 to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for preparation and presentation of financial statements that give a true and fair view in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ČSOB Leasing, a.s. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.



Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. 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 obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young Audit, s.r.o.
License No. 401

Iveta Sobolová
Iveta Sobolová, Auditor
License No. 2328

D. Burnham
Douglas Burnham
Partner

21 March 2016
Prague, Czech Republic



UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

BALANCE SHEET – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

		Current year			Prior year 2014
		Gross	Allowances	Net	Net
TOTAL ASSETS		47,545,731	(11,448,620)	36,097,111	29,247,126
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	26,472,750	(9,873,550)	16,599,200	13,681,646
B. I.	Intangible assets	438,769	(257,344)	181,425	181,453
B. I. 1	Foundation and organization expenses				
	2 Research and development				
	3 Software	418,490	(257,145)	161,345	154,397
	4 Patents, royalties and similar rights	199	(199)	0	
	5 Goodwill				
	6 Other intangible assets				
	7 Intangible assets in progress	20,080		20,080	27,056
	8 Advances granted for intangible assets				
B. II.	Tangible assets	26,031,981	(9,616,206)	16,415,775	13,498,193
B. II. 1	Land	12,186		12,186	12,186
	2 Constructions	11,961	(4,225)	7,736	40,150
	3 Separate movable items and groups of movable items	25,883,607	(9,607,308)	16,276,299	12,960,442
	4 Perennial crops				
	5 Livestock				
	6 Other tangible assets	212		212	212
	7 Tangible assets in progress	39,291		39,291	15,206
	8 Advances granted for tangible assets	84,724	(4,673)	80,051	469,997
	9 Gain or loss on revaluation of acquired property				
B. III.	Financial investments	2,000	0	2,000	2,000

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

BALANCE SHEET – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

				Current year			Prior year 2014
				Gross	Allowances	Net	Net
B.	III.	1	Subsidiaries	2,000		2,000	2,000
		2	Associates				
		3	Other long-term securities and interests				
		4	Loans and borrowings to subsidiaries and associates				
		5	Other long-term investments				
		6	Long-term investments in progress				
		7	Advances granted for long-term investments				
C.			CURRENT ASSETS	20,932,197	(1,575,070)	19,357,127	15,427,849
C.	I.		Inventory	13,040	0	13,040	14,179
C.	I.	1	Materials				
		2	Work in progress and semi-finished production				
		3	Finished products				
		4	Livestock				
		5	Goods	13,040		13,040	14,179
		6	Advances granted for inventory				
C.	II.		Long-term receivables	10,546,083	0	10,546,083	7,899,091
C.	II.	1	Trade receivables	10,537,290		10,537,290	7,899,091
		2	Receivables from group companies with majority control				
		3	Receivables from group companies with control of 20%–50%				
		4	Receivables from partners				
		5	Long-term advances granted				
		6	Unbilled revenue				
		7	Other receivables				2,189
		8	Deferred tax asset				

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

BALANCE SHEET – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

				Current year			Prior year 2014
				Gross	Allowances	Net	Net
C.	III.	Short-term receivables		10,364,709	(1,575,070)	8,789,639	7,505,691
C.	III.	1	Trade receivables	10,135,312	(1,575,070)	8,560,242	7,368,951
		2	Receivables from group companies with majority control				
		3	Receivables from group companies with control of 20%–50%				
		4	Receivables from partners				
		5	Social security and health insurance				
		6	Due from government – tax receivables	179,877		179,877	104,305
		7	Short-term advances granted	1,694		1,694	3,737
		8	Unbilled revenue	44,510		44,510	26,257
		9	Other receivables	3,316		3,316	2,441
C.	IV.	Short-term financial assets		8,365	0	8,365	8,888
C.	IV.	1	Cash	3,105		3,105	3,978
		2	Bank accounts	5,260		5,260	4,910
		3	Short-term securities and interests				
		4	Short-term financial assets in progress				
D.		OTHER ASSETS – TEMPORARY ACCOUNTS OF ASSETS		140,784	0	140,784	137,631
D.	I.	Accrued assets and deferred liabilities		140,784	0	140,784	137,631
D.	I.	1	Prepaid expenses	29,133		29,133	19,686
		2	Prepaid expenses (specific-purpose expenses)				
		3	Unbilled revenue	111,651		111,651	117,945

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

BALANCE SHEET – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

				Current year	Prior year 2014
TOTAL EQUITY & LIABILITIES				36,097,111	29,247,126
A. EQUITY				7,879,628	5,387,638
A.	I.	Basic capital		3,050,000	3,050,000
A.	I.	1	Registered capital	3,050,000	3,050,000
		2	Own shares and own ownership interests (-)		
		3	Changes in basic capital		
A.	II.	Capital funds		3,542,507	1,258,555
A	II.	1	Share premium (agio)	572,421	572,421
		2	Other capital funds	3,001,063	801,063
		3	Gain or loss on revaluation of assets and liabilities	(30,977)	(114,929)
		4	Gain or loss on revaluation of corporation transformations		
		5	Gain or loss on corporation transformations		
		6	Gain or loss on revaluation upon corporation transformations		
A	III.	Funds created from profit		610,000	610,033
A	III.	1	Reserve fund	610,000	610,000
		2	Statutory and other funds		33
A.	IV.	Profit (loss) for the previous years		0	0
	IV.	1	Retained earnings for the previous years		
		2	Accumulated loss of previous years		
		3	Other retained earnings for previous years		
A.	V.	Profit (loss) for the year (+/-)		677,121	469,050
B. LIABILITIES				27,076,387	22,755,362
B.	I.	Provisions		9,184	7,456

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

BALANCE SHEET – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

		Current year	Prior year 2014
B. I.	1	Provisions created under special legislation	
	2	Provision for pensions and similar obligations	
	3	Provision for corporate income tax	
	4	Other provisions	9,1847,456
B. II.		Long-term liabilities	912,522796,782
B. II.	1	Trade payables	
	2	Liabilities to group companies with majority control	
	3	Liabilities to group companies with control of 20%–50%	
	4	Liabilities to partners	
	5	Long-term advances received	4,060439
	6	Bonds payable	
	7	Long-term notes payable	
	8	Unbilled deliveries	
	9	Other liabilities	59,92180,652
	10	Deferred tax liability	848,541715,691
B. III.		Current liabilities	879,445811,574
B. III.	1	Trade payables	333,066446,653
	2	Liabilities to group companies with majority control	50,000
	3	Liabilities to group companies with control of 20%–50%	
	4	Liabilities to partners	
	5	Liabilities to employees	13,50112,687
	6	Liabilities arising from social security and health insurance	7,0926,954
	7	Due to government – taxes and subsidies	2,8782,945
	8	Short-term advances received	134,895116,506

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

BALANCE SHEET – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

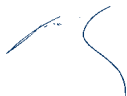
		Current year	Prior year 2014
9	Bonds payable	0	0
10	Unbilled deliveries	336,179	219,276
11	Other liabilities	1,834	6,553
B. IV.	Bonds payable	25,275,236	21,139,550
B. IV. 1	Unbilled deliveries	12,245,807	9,422,243
2	Other liabilities	13,029,429	11,717,307
3	Borrowings		
C.	OTHER LIABILITIES – TEMPORARY ACCOUNTS OF LIABILITIES	1,141,096	1,104,126
C. I.	Accrued liabilities and deferred assets	1,141,096	1,104,126
C. I. 1	Accruals	12,478	14,454
2	Deferred income	1,128,618	1,089,672

PREPARED ON: 21 March 2016

Signature of accounting entity's statutory body:



Ing. Rudolf Kypka



Ing. Libor Bosák

Person responsible for accounting
(name, signature):



Ing. Pavel Burša

Person responsible for financial
statements (name, signature):



Ing. Pavel Burša

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

INCOME STATEMENT – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

			Current year	Prior year 2014
I.	1	Revenue from sale of goods	16,925	15,345
A.	2	Cost of goods sold	16,925	15,345
+		Gross margin	0	0
II.		Production	5,164,971	4,758,214
II.	1	Revenue from sale of finished products and services	5,164,971	4,758,214
	2	Change in inventory produced internally		
	3	Own work capitalized		
B.		Production related consumption	617,194	620,447
B.	1	Consumption of material and energy	80,530	90,327
B.	2	Services	536,664	530,120
+		Value added	4,547,777	4,137,767
C.		Personnel expenses	362,800	354,935
C.	1	Wages and salaries	267,917	259,820
C.	2	Bonuses to members of corporation management	0	372
C.	3	Social security and health insurance	85,475	83,968
C.	4	Other social costs	9,408	10,775
D.	1	Taxes and charges	28,502	28,248
E.	1	Amortization and depreciation of intangible and tangible fixed assets	4,085,541	3,689,032
III.		Revenue from sale of intangible and tangible fixed assets and materials	661,050	575,756
III.	1	Revenues from sale of intangible and tangible fixed assets	661,050	575,756
	2	Revenue from sale of materials		
F.		Net book value of intangible and tangible fixed assets and materials sold	610,080	517,326
F.	1	Net book value of intangible and tangible fixed assets sold	610,080	517,326
F.	2	Materials sold		

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

INCOME STATEMENT – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

			Current year	Prior year 2014
G.	1	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	(724,728)	(347,583)
IV.	2	Other operating revenues	841,666	818,350
H.	1	Other operating expenses	1,524,170	1,244,966
V.	2	Transfer of operating revenues		
I.	1	Transfer of operating expenses		
*		Profit or loss on operating activities	164,128	44,949
VI.	1	Revenue from sale of securities and interests		
J.	1	Securities and interests sold		
VII.		Income from financial investments	139,640	160,940
VII.	1	Income from subsidiaries and associates	139,640	160,940
	2	Income from other long-term securities and interests		
	3	Income from other financial investments		
VIII.	1	Income from short-term financial assets		
K.	2	Expenses related to financial assets		
IX.	1	Gain on revaluation of securities and derivatives	1,559	1,439
L.	2	Loss on revaluation of securities and derivatives	43,001	62,666
M.	1	Change in provisions and allowances relating to financial activities		
X.	1	Interest income	760,153	750,133
N.	2	Interest expense	269,646	269,510
XI.	1	Other finance income	64,466	29,919
O.	2	Other finance cost	9,040	89,836
XII.	1	Transfer of finance income		
P.	2	Transfer of finance cost		

UNCONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2015

INCOME STATEMENT – LONG FORM (IN THOUSANDS OF CZECH CROWNS)

			Current year	Prior year 2014
*	Profit or loss on financial activities		644,131	520,419
Q.	Tax on profit or loss on ordinary activities		131,138	96,318
Q.	1	– due	17,981	94
Q.	2	– deferred	113,157	96,224
**	Profit or loss on ordinary activities after taxation		677,121	469,050
XIII.	1	Extraordinary gains		
R.	2	Extraordinary losses		
S.	1	Tax on extraordinary profit or loss	0	0
S.	1	– due		
S.	2	– deferred		
*	Extraordinary profit or loss		0	0
	1	Transfer of share of profit or loss to partners (+/-)		
***	Profit or loss for the year (+/-)		677,121	469,050
****	Profit or loss before taxation		808,259	565,368

PREPARED ON: 21 March 2016

Signature of accounting entity’s statutory body:

Ing. Rudolf Kypta

Ing. Libor Bosák

Person responsible for accounting
(name, signature):

Ing. Pavel Burša

Person responsible for financial
statements (name, signature):

Ing. Pavel Burša

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2015

			Current year	Prior year 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Z.	PROFIT OR LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (+/-)		808,259	565,368
A. I.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities		3,235,019	3,143,233
A. I.	1	Depreciation and amortization of fixed assets and write-off of receivables	4,759,226	4,117,637
A. I.	2	Change in allowances	(726,457)	(345,475)
A. I.	3	Change in provisions	(9,632)	(2,107)
A. I.	4	Foreign exchange differences	(105,320)	75,481
A. I.	5	(Gain)/Loss on disposal of fixed assets	(50,970)	(58,430)
A. I.	6	Interest expense and interest income	(490,507)	(480,623)
A. I.	7	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(141,321)	(163,250)
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items		4,043,278	3,708,601
A. II.	Change in non-cash components of working capital		(3,968,926)	(1,761,559)
A. II.	1	Change in inventory	1,139	1,293
A. II.	2	Change in trade receivables	(3,871,638)	(1,935,754)
A. II.	3	Change in other receivables and in prepaid expenses and unbilled revenue	(113,876)	(37,551)
A. II.	4	Change in trade payables	(180,520)	143,782
A. II.	5	Change in other payables, short-term loans and in accruals and deferred income	195,969	66,671
A **	Net cash from operating activities before taxation, interest paid and extraordinary items		74,351	1,947,042
A. III.	1	Interest paid	(285,294)	(272,229)
A. IV.	1	Tax paid	24,531	(165,882)
A. V.	1	Gains and losses on extraordinary items		
A ***	Net cash provided by (used in) operating activities		(186,411)	1,508,931

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2015

	Current year	Prior year 2014
CASH FLOWS FROM INVESTING ACTIVITIES		
B. I. 1 Purchase of fixed assets	(7,545,909)	(5,932,229)
B. II. 1 Proceeds from sale of fixed assets	695,011	559,687
B. III. 1 Loans granted		
B. IV. 1 Interest received	758,431	749,603
B. V. 1 Dividends received	139,640	160,940
B *** Net cash provided by (used in) investing activities	(5,952,827)	(4,461,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
C. I. Change in long-term liabilities and long-term, resp. short-tem, loans	4,407,765	2,598,416
C. 2. 1 Effect of changes in basic capital on cash	0	0
C. 2. 2 Profit shares paid	(469,050)	(445,342)
C. 2. 3 Effect of other changes in basic capital on cash	2,200,000	799,072
C *** Net cash provided by (used in) financing activities	6,138,715	2,952,146
F. Net increase (decrease) in cash	(523)	(922)
P. Cash and cash equivalents at beginning of year	8,888	9,810
R. Cash and cash equivalents at end of year	8,365	8,888

PREPARED ON: 21 March 2016

Signature of accounting entity’s statutory body:

Ing. Rudolf Kypta

Ing. Libor Bosák

Person responsible for accounting
(name, signature):

Ing. Pavel Burša

Person responsible for financial
statements (name, signature):

Ing. Pavel Burša

NOTES TO THE UNCONSOLIDATED 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 (IČ) 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 basic 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 basic capital (the power of attorney must show a certified signature of a shareholder being represented).

The Company is included in the consolidated group of ČSOB.

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 accounts (non-consolidated). In accordance with Czech accounting legislation, 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 2015 were as follows:

BOARD OF DIRECTORS		FROM
Chair	Ing. Libor Bosák	1. 5. 2009
Vice-chair	Ing. Josef Rosenkranz	1. 11. 2010
Member	Ing. Rudolf Kypťá	1. 3. 2011

SUPERVISORY BOARD		FROM
Chair:	Ing. Petr Knapp	10. 9. 2014
Member:	Jiří Vévoda	1. 1. 2013
Member:	Ing. Petr Manda	10. 9. 2014
Member:	Ján Lučan	1. 1. 2013
Member:	Ing. Michal Kaněra	25. 3. 2015

Changes made to the Commercial Register in 2015 concerning the composition of the statutory and supervisory bodies were as follows:

SUPERVISORY BOARD		UNTIL
Member:	Jeroen Karel van Leeuwen	4. 6. 2015

Prague headquarters (CEO's teams, professional groups headed by executive directors: Financial Management and Operations; and Sales Department).

Branches (Brno, České Budějovice, Hradec Králové, Liberec, Ostrava, Pardubice, Plzeň, Prague, Ústí nad Labem, Zlín) and trading offices (Jihlava, Karlovy Vary, Olomouc).

The Company has no foreign branch.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying (separate) financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines and the Czech Accounting Standards as applicable for 2015 and 2014.

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

Explanation Added for Translation into English
These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2015 and 2014 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets (both own use and used for finance or operating 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 with a cost exceeding CZK 60 thousand are amortized as follows:

- own assets – amortization starts in the month assets are put in use and continues on a straight-line basis over their useful economic lives;
- finance leases – acquisition cost less residual value is amortized on a straight-line basis over the life of the lease contract; amortization starts on the day when the lessee receives the leased asset in a usable condition;
- operating leases – acquisition cost less residual value is amortized on a straight-line basis over the life of the lease contract; amortization start on the day when the asset is put in use.

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

Small intangible assets with a cost not exceeding CZK 60 thousand are expensed in the year of acquisition. A significant number of small intangible fixed assets are amortized over a period of 24 or 36 months and charged to income on a straight-line basis.

b) Tangible Fixed Assets

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

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 with a cost exceeding CZK 40 thousand are depreciated as follows:

- own assets – from the month they are put in use over their useful economic lives;
- finance 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;

- operating leases – acquisition cost less residual value is depreciated on a straight-line basis over the life of the lease contract; depreciation start on the day the asset is put in use.

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’ account on the date of acquisition. The replacement cost of these assets is based on a certified expert’s opinion.

If the net book value of the depreciated assets exceeds their estimated realizable value, an allowance is created against such assets.

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.

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

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

c) Financial Assets

Short-term financial assets consist of liquid valuables, cash in hand and at bank.

Long-term financial assets consist of ownership interests. Ownership interests constituting dominant

or significant influence are valued at acquisition cost in accordance with Czech Accounting Standards.

If there is a decrease in the carrying value of long-term financial assets that are not revalued at the balance sheet date, the difference is considered a temporary diminution in value and is recorded as an allowance.

d) Jointly Controlled Operations

The Company has a jointly controlled operation with an entity in which the Company has no ownership interest. These jointly controlled operations represent back-office services for another leasing company. The Companies cooperate based on an “Operating Agreement” meaning that each joint venturer uses their own assets and resources to perform the activities of the joint venture, rather than founding a business organization, partner company or another legal entity or financial structure separated from venturers. The Operating Agreement ensures that any expenses incurred in common and the operating profits or losses derived from the joint venture are shared among the venturers. In respect of its interests in jointly controlled operations, the Company recognizes in the accompanying financial statements expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

e) Inventory

The Company records inventory when accepting vehicles to the second-hand car sale, and in the event that the Company confiscates the leased asset via a collateralized transfer of the ownership right.

In the case of second-hand car sales, the items are valued at cost (i.e. at the cost of acquisition and any acquisition-related costs); in the case of confiscation

they 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).

f) Receivables

Both long – and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income.

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. As the time period between the premature termination of the contract and the realization of collateral is usually short, the expected proceeds are not discounted.

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

Allowances against other overdue receivables, against commercial loans to suppliers, consumer credit and against advances granted are created on the basis of the receivable ageing structure and previous experience as to the repayment of those receivables in the entire receivables portfolio.

g) Derivatives

Derivatives – currency forwards and interest rate swaps – are initially measured at cost. Fair values are derived from discounted cash-flow models. Derivatives are recorded in other receivables, if their fair value is positive, or in other payables, if their fair value is negative for the Company.

Derivatives are classified as derivatives held-for-trading or hedging derivatives. The latter are designated as cash flow hedges. In order to qualify for hedge accounting, the change in its estimated cash flow must offset, in whole or in part, the change in cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in income. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through a gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is reported in income.

Realized derivatives transactions are shown within financial gains and losses on revaluation on a net basis.

h) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register. Other capital funds consist of intangible asset donations from ČSOB in 2003.

The Company creates a reserve fund from profit (in the first year in which profit is generated, i.e. in 2000) in the amount of 20% of profit after tax and in subsequent years, the legal reserve fund is allocated 5% of profit after tax until the fund reaches 20% of basic capital. These funds can only be used to offset losses.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

The Company accounts for a Social fund within equity, which serves exclusively to pay costs related to sports and social events organized for the Company employees. There has been no allocation of cash funds to the Social fund since 2012.

i) Provisions and Liabilities

The Company creates provisions for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

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

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies 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, in monthly recalculations of current account balances, liabilities from loans and the balance of issued promissory notes. On the balance sheet date, monetary items are adjusted to the exchange rates as published by the CNB as at 31 December.

Realized and unrealized exchange rate gains and losses excluding those related to cash flow hedges are charged or credited, as appropriate, to income for the year.

k) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, 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 for or allowances against 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 when accounted for. Insurance commissions are recognized after the provision of services and a reliable determination of commission amount.

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

Revenues from the sale of goods represent hire purchase revenue and sales of seized goods from hire

purchase contracts and consumer credits contracts. Revenues from hire purchase contracts are recognized when the leased asset is delivered, and the acquisition cost of the asset is recognized in cost of goods sold. At the same time, the Company creates a tax non-deductible provision for the sales margin on the hire purchase contract, which is amortized on the basis of the annual payment. Seized goods from hire purchases and 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 are accrued and outstanding amounts are included in the balance of the respective credit.

Interest on financial products for suppliers is calculated from the principal value thereof. Interest is recognized in the periods in which the actual flow of the related services occurs, regardless of when the related monetary flow arises.

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

l) 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 predictions based on all available

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

relevant information. These estimates and assumptions are based on information available at the date of the financial statements and may differ from actual results.

m) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.).

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization. A deferred tax asset is recorded if it is likely to be tax deductible in the following tax periods.

n) 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.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

4. FIXED ASSETS

a) Intangible Fixed Assets

TOTAL INTANGIBLE FIXED ASSETS AT NET BOOK VALUE

	31/12/2015	31/12/2014
Intangible fixed assets used for leases	0	0
Total intangible fixed assets for own use	181,425	181,453
Total	181,425	181,453

INTANGIBLE FIXED ASSETS FOR OWN USE

	Patents, royalties and similar rights	Software	Investment in progress	Total
Cost				
Balance as at 31/12/2013	199	272,276	85,770	358,245
Additions	0	105,788	47,074	152,862
Disposals	0	0	(105,788)	(105,788)
Balance as at 31/12/2014	199	378,064	27,056	405,319
Additions	0	40,426	36,272	76,698
Disposals	0	0	(43,248)	(43,248)
Balance as at 31/12/2015	199	418,490	20,080	438,769
Accumulated amortization				
Balance as at 31/12/2013	199	192,703	0	192,902
Additions to accumulated amortization	0	30,964	0	30,964
Disposals of accumulated amortization	0	0	0	0
Balance as at 31/12/2014	199	223,667	0	223,866
Additions to accumulated amortization	0	33,478	0	33,478
Disposals of accumulated amortization	0	0	0	0

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

INTANGIBLE FIXED ASSETS FOR OWN USE

	Patents, royalties and similar rights	Software	Investment in progress	Total
Balance as at 31/12/2015	199	257,145	0	257,344
Net book value as at 31/12/2013	0	79,573	85,770	165,343
Net book value as at 31/12/2014	0	154,397	27,056	181,453
Net book value as at 31/12/2015	0	161,345	20,080	181,425

The total value of small intangible fixed assets (for own use) which are not reflected in the accompanying balance sheet was CZK 1,146 thousand and CZK 1,161 thousand at cost as at 31 December 2015 and 2014, respectively.

b) Tangible Fixed Assets

TANGIBLE FIXED ASSETS AT NET BOOK VALUE

	31/12/2015	31/12/2014
Tangible fixed assets for own use	50,969	86,696
Tangible fixed assets used for finance and operating leases	16,243,279	13,292,681
Small tangible fixed assets used for finance and operating leases	121,527	118,816
Total	16,415,775	13,498,193

TANGIBLE FIXED ASSETS FOR OWN USE

	Land and buildings	Machinery and equipment	Vehicles	Other tangibles	Tangibles in progress	Total
Cost						
Balance as at 31/12/2013	70,653	61,655	61,197	5,421	4,914	203,840
Additions	400	6,832	3,138	0	5,453	15,823
Disposals	(36)	(2,051)	(10,063)	0	(10,367)	(22,517)
Reclassification from/to leased assets	0	0	0	0	0	0

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS FOR OWN USE

	Land and buildings	Machinery and equipment	Vehicles	Other tangibles	Tangibles in progress	Total
Balance as at 31/12/2014	71,017	66,436	54,272	5,421	0	197,146
Additions	81	3,895	8,003	116	13,802	25,897
Disposals	(46,951)	(3,902)	(5,453)	(250)	(12,095)	(68,651)
Reclassification from/to leased assets	0	0	0	0	0	0
Balance as at 31/12/2015	24,147	66,429	56,822	5,287	1,707	154,392
Accumulated depreciation						
Balance as at 31/12/2013	16,704	48,632	31,173	4,656	0	101,165
Additions to accumulated depreciation	2,012	5,509	13,640	273	0	21,434
Disposals	(35)	(2,051)	(10,063)	0	0	(12,149)
Reclassification from/to leased assets	0	0	0	0	0	0
Balance as at 31/12/2014	18,681	52,090	34,750	4,929	0	110,450
Additions to accumulated depreciation	31,512	5,068	11,777	189	0	48,546
Disposals	(45,968)	(3,902)	(5,453)	(250)	0	(55,573)
Reclassification from/to leased assets	0	0	0	0	0	0
Balance as at 31/12/2015	4,225	53,256	41,074	4,868	0	103,423
Net book value as at 31/12/2013	53,949	13,023	30,024	765	4,914	102,675
Net book value as at 31/12/2014	52,336	14,346	19,522	492	0	86,696
Net book value as at 31/12/2015	19,922	13,173	15,748	419	1,707	50,969

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS USED FOR FINANCE AND OPERATING LEASES

	Land and buildings	Machinery and equipment	Personal automobiles	Utility vehicles	Operating leases	Furniture and fixtures	Tangibles in progress	Advances	Total
Cost									
Balance as at 31/12/2013	52,263	7,005,406	1,691,374	7,224,041	4,800,848	0	146,365	367,223	21,287,520
Additions	0	1,963,412	323,319	1,859,192	1,655,628	1,274	5,761,565	2,077,008	13,641,398
Disposals	(52,263)	(1,675,488)	(505,428)	(1,821,635)	(1,028,429)	0	(5,892,724)	(1,969,920)	(12,945,887)
Reclassification from/to own assets	0	0	0	5,175	(5,175)	0	0	0	0
Balance as at 31/12/2014	0	7,293,330	1,509,265	7,266,773	5,422,872	1,274	15,206	474,311	21,983,031
Additions	0	1,807,265	321,927	2,037,296	3,629,851	523	7,878,091	1,796,867	17,471,820
Disposals	0	(932,554)	(441,321)	(1,288,581)	(1,073,913)	0	(7,855,713)	(2,186,454)	(13,778,536)
Reclassification from/to own assets	0	(76,386)	0	0	76,386	0	0	0	0
Balance as at 31/12/2015	0	8,091,655	1,389,871	8,015,488	8,055,196	1,797	37,584	84,724	25,676,315
Accumulated depreciation and allowances									
Balance as at 31/12/2013	47,187	3,334,861	1,061,602	3,619,921	1,589,623	0	0	6,576	9,659,770
Additions to accumulated depreciation	5,076	1,149,234	345,837	1,497,157	1,138,271	130	0	0	4,135,705
Disposals	(52,263)	(1,675,488)	(505,428)	(1,821,635)	(1,031,339)	0	0	0	(5,086,153)
Reclassification from/to own assets	0	0	0	2,265	(2,265)	0	0	0	0
Allowances	0	2,040	2,845	2,202	(23,797)	0	0	(2,262)	(18,972)
Balance as at 31/12/2014	0	2,810,647	904,856	3,299,910	1,670,493	130	0	4,314	8,690,350
Additions to accumulated depreciation	0	1,273,077	320,422	1,587,461	1,387,857	377	0	0	4,608,548
Disposals	0	(989,263)	(441,321)	(1,288,581)	(1,073,913)	0	0	0	(3,832,432)
Reclassification from/to own assets	0	(19,677)	0	0	19,677	0	0	0	0
Allowances	0	(17,554)	(1,917)	(16,292)	1,974	0	0	359	(33,430)
Balance as at 31/12/2015	0	3,057,230	782,040	3,582,498	2,006,088	507	0	4,673	9,433,036
Net book value as at 31/12/2013	5,076	3,670,545	629,772	3,604,120	3,211,225	0	146,365	360,647	11,627,750
Net book value as at 31/12/2014	0	4,482,683	604,409	3,966,863	3,752,379	1,144	15,206	469,997	13,292,681
Net book value as at 31/12/2015	0	5,034,425	607,831	4,432,990	6,049,108	1,290	37,584	80,051	16,243,279

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

SMALL TANGIBLE FIXED ASSETS USED FOR FINANCE AND OPERATING LEASES

	Financial leases – machinery	Finance leases – furniture and fixtures	Operating leases – machinery	Total
Cost				
Balance as at 31/12/2013	37,500	0	124,350	161,850
Additions	8,808	0	81,091	89,899
Disposals	(10,367)	0	(30,744)	(41,111)
Balance as at 31/12/2014	35,941	0	174,697	210,638
Additions	9,747	0	49,104	58,851
Disposals	(11,606)	0	(56,609)	(68,215)
Balance as at 31/12/2015	34,082	0	167,192	201,274
Accumulated depreciation				
Balance as at 31/12/2013	20 009	0	64 393	84,402
Additions to accumulated depreciation	9,100	0	39,431	48,531
Disposals	(10,367)	0	(30,744)	(41,111)
Balance as at 31/12/2014	18,742	0	73,080	91,822
Additions to accumulated depreciation	9,193	0	46,947	56,140
Disposals	(11,606)	0	(56,609)	(68,215)
Balance as at 31/12/2015	16,329	0	63,418	79,747
Net book value as at 31/12/2013	17,491	0	59,957	77,448
Net book value as at 31/12/2014	17,199	0	101,617	118,816
Net book value as at 31/12/2015	17,753	0	103,774	121,527

The Company has provided small tangible assets for finance and operating leases since 2005.
The total value of small tangible fixed assets (for own use) which are not reflected in the accompanying balance sheet was CZK 55,570 thousand and CZK 49,588 thousand at cost as at 31 December 2015 and 2014, respectively.
The Company has adjusted the carrying value of certain tangible assets for a diminution in value through an allowance charged against income (see Note 6).
The assets are not encumbered by any liens or easements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

c) Long-Term Financial Investments

SUMMARY OF CHANGES IN LONG-TERM FINANCIAL INVESTMENTS:

	Balance as at 31/12/2013	Additions	Disposals	Revaluation	Balance as at 31/12/2014	Additions	Disposals	Revaluation	Balance as at 31/12/2015
Subsidiaries	2,000	0	0	0	2,000	0	0	0	2,000
Total	2,000	0	0	0	2,000	0	0	0	2,000

SUBSIDIARY AS AT 31 DECEMBER 2015 WAS AS FOLLOWS:

Name	ČSOB Leasing pojišťovací makléř, s. r. o.
Registered office	Prague 4, Na Pankráci 60/310
Percentage of ownership	100
Total assets	164,656
Equity	151,173
Basic capital and capital funds	2,000
Funds created from profit	200
Retained earnings	0
Profit for the current year	148,973
Acquisition cost of interest	2,000
Nominal value of interest	2,000
Intrinsic value of interest	151,173
Dividends paid in 2015	139,640

SUBSIDIARY AS AT 31 DECEMBER 2014 WAS AS FOLLOWS:

Name	ČSOB Leasing pojišťovací makléř, s. r. o.
Registered office	Prague 4, Na Pankráci 60/310
Percentage of ownership	100
Total assets	153,480
Equity	141,840
Basic capital and capital funds	2,000
Funds created from profit	200
Retained earnings	0
Profit for the current year	139,640
Acquisition cost of interest	2,000
Nominal value of interest	2,000
Intrinsic value of interest	141,840
Dividends paid in 2014	160,940

The financial information on ČSOBL PM was obtained from its audited financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

5. RECEIVABLES

	31/12/2015	31/12/2014
Trade receivables and advances granted, gross	20,674,296	17,539,875
– Long-term	10,537,290	7,899,091
– Short-term	10,137,006	9,640,784
Allowances	(1,575,070)	(2,268,096)
Trade receivables, net	19,099,226	15,271,779
Other receivables	250,735	135,882
Total short- and long-term receivables and advances granted	19,349,961	15,407,661

Allowances against outstanding receivables that are considered doubtful were charged to income in 2015 and 2014 based on their ageing analysis and previous experience in the repayment of those receivables (see Note 6).

AGEING STRUCTURE OF TRADE RECEIVABLES AND ADVANCES GRANTED:

After due date	31/ 12/ 2015	31/ 12/ 2014
30 days or less	205,630	203,420
31–60 days	20,254	30,187
61–90 days	9,280	17,391
91–184 days	21,772	54,324
185–365 days	35,040	55,397
From 1 year to 5 years	561,437	1,119,187
Over 5 years	877,928	939,314
Total overdue	1,731,341	2,419,220
Before maturity	18,942,955	15,120,655
Total short- and long-term trade receivables and advances granted	20,674,296	17,539,875

In addition, the Company wrote off irrecoverable receivables of CZK 655,804 thousand and CZK 406,615 thousand in 2015 and 2014, respectively, as bankruptcy proceedings were completed, unsatisfying the claims in bankruptcy proceedings.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

TRADE RECEIVABLES AND ADVANCES GRANTED:

	31/12/2015 Short-term	31/12/2015 Long-term	31/12/2014 Short-term	31/12/2014 Long-term
Receivables from finance leases	957,079	0	1,315,039	0
Receivables from operating leases	208,823	0	179,673	0
Receivables from hire purchases	11,018	0	12,790	0
Receivables from customer credit	7,121,476	10,532,050	6,619,429	7,891,216
Commercial loans to suppliers	1,179,996	5,240	1,047,700	7,875
Receivable purchases	372,796	0	152,773	0
Other trade receivables	285,818	0	313,380	0
Total trade receivables and advances granted	10,137,006	10,537,290	9,640,784	7,899,091
Total trade receivables and advances granted	20,674,296		17,539,875	
Allowances	(1,575,070)		(2,268,096)	
Net value of trade receivables and advances granted	19,099,226		15,271,779	

Receivables from consumer credits granted since March 2011 are secured by the collateralized transfer of ownership rights from contract inception.

OTHER RECEIVABLES:

	31/12/2015	31/12/2014
Due from government – tax receivables	179,877	104,305
Unbilled revenues	44,510	26,257
Other receivables	3,316	2,441
Total other short-term receivables	227,703	133,003
Positive fair value of financial derivatives (Note 14)	8,793	0
Total other long-term receivables	8,793	0
Total other receivables	236,496	133,003

Unbilled revenue represents, in particular, contingent revenues from prematurely terminated customer contracts and revenues from jointly controlled operations.
Receivables from related parties (see Note 19).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

6. ALLOWANCES

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

CHANGES IN THE ALLOWANCE ACCOUNTS:

Allowances against:	Balance as at 31/12/2013	Additions	Deductions	Balance as at 31/12/2014	Additions	Deductions	Balance as at 31/12/2015
Fixed assets	90,375	31,021	(47,731)	73,665	7,604	(41,393)	39,876
Advances for fixed assets	6,576	10,289	(12,552)	4,313	1,958	(1,599)	4,672
Receivables – legal	1,249,041	66,747	(244,488)	1,071,300	36,481	(352,879)	754,902
Receivables – other	1,345,558	75,930	(224,692)	1,196,796	10,018	(386,646)	820,168
Total allowances	2,691,550	183,987	(529,463)	2,346,074	56,061	(782,517)	1,619,618

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

7. SHORT-TERM FINANCIAL ASSETS

The Company has overdraft an facility of CZK 400,000 thousand with ČSOB (in CZK, EUR and USD). As at 31 December 2015 and 2014, the drawn element of the overdraft was CZK 159,301 thousand and CZK 238,669 thousand, 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 assets, etc., which are charged to income in the year in which they were incurred.

Unbilled revenues include, 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 basic capital of the Company consists of 305 registered shares fully subscribed and paid, with a nominal value of CZK 10,000 thousand per share.

The reserve fund was created up to 20% of the basis capital and will not be further raised.

Other capital funds consist of the donation of assets from ČSOB in 2003. Differences arising from the revaluation of assets and liabilities consist of the revaluation of hedging derivatives to fair value. The changes in the revaluation of assets and liabilities is attributable to the changes in the fair value of hedging derivatives.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

THE MOVEMENTS IN THE CAPITAL ACCOUNTS DURING 2015 AND 2014 WERE AS FOLLOWS (IN CZK THOUSANDS):

	Balance as at 31/12/2013	Increase	Decrease	Balance as at 31/12/2014	Increase	Decrease	Balance as at 31/12/2015
Number of shares	305	0	0	305	0	0	305
Basic capital	3,050,000	0	0	3,050,000	0	0	3,050,000
Share premium	572,421	0	0	572,421	0	0	572,421
Other capital funds	1,063	800,000	0	801,063	2,200,000	0	3,001,063
Differences arising from revaluation of assets and liabilities	(130,926)	64,456	(48,459)	(114,929)	11,308	72,644	(30,977)
Legal reserve fund	610,000	0	0	610,000	0	0	610,000
Other funds	961	0	(928)	33	0	(33)	0

Other funds from profit are restricted for expenses related to sports and social events for employees, payment of public transport passes, costs of beverages in the workplace, etc. Further, the Company has signed contracts on Voluntary financial contribution outside the basic capital with Československá obchodní banka, a. s. on 20 June 2015 and 22 October 2015 and on 26 May 2014. Based on these contracts, Československá obchodní banka, a. s. has contributed to the Company capital in the amount of CZK 1,200,000 thousand, CZK 1,000,000 thousand and CZK 800,000 thousands respectively.

The Annual General Meetings held on 3 June 2015 and 16 April 2014, respectively, approved the transfer of profit for 2014 and 2013 to retained earnings. The Annual General Meeting held on 3 June 2015 and 16 April 2014 approved the dividend payment from retained earnings of CZK 469,050 thousand and CZK 445,342 thousand, respectively.

PROFIT FOR 2013	445,342	PROFIT FOR 2014	469,050
Allocation to:		Allocation to:	
Legal reserve fund	0	Legal reserve fund	0
Other funds	0	Other funds	0
Undistributed profits added to retained earnings	445,342	Undistributed profits added to retained earnings	469,050
Dividends and profit distribution	(445,342)	Dividends and profit distribution	(469,050)
Retained earnings as at 31/12/2014	0	Retained earnings as at 31/12/2015	0

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

10. PROVISIONS

	Provision for hire purchase	Provision for income tax	Provision for litigation	Other provisions	Total
Closing balance as at 31/12/2013	0	107,870	8,926	637	117,433
Additions	0	2,879	1,250	0	4,129
Deductions/Reversal	0	(107,870)	(2,720)	(637)	(111,227)
Corporate income tax prepayment	0	(2,879)	0	0	(2,879)
Closing balance as at 31/12/2014	0	0	7,456	0	7,456
Additions	0	14,239	3,479	0	17,718
Deductions	0	0	(1,751)	0	(1,751)
Corporate income tax prepayment	0	(14,239)	0	0	(14,239)
Closing balance as at 31/12/2015	0	0	9,184	0	9,184

The Company does not create legal provisions.

Until 2012, no provision for corporate income tax was created due to a zero tax liability, i.e. utilization of the tax loss from prior years, incurred as a result of a change in the depreciation and amortization of newly acquired assets for leases. As of 2013, the Company is creating provisions for corporate income tax.

Other provisions were created for the purpose of covering future liabilities and expenses where the related purpose and timing can be reliably estimated and the accrual principle is observed. As at 31 December 2015 and 2014, the paid income tax advances exceed the provision for income tax. Due to this fact, the Company has an income tax receivable of CZK 44,084 thousand and CZK 52,664 thousand as at 31 December 2015 and 2014 presented within Due from government – tax receivables (see Note 5).

11. LIABILITIES

	31/12/2015	31/12/2014
Trade payables and advances received	517,961	563,159
Other payables	1,274,006	1,045,197
Total current and long-term liabilities and advances received	1,791,967	1,608,356

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

TRADE PAYABLES:

	31/12/2015	31/12/2014
Finance lease installments received before maturity	133,388	108,740
Advances received for finance leases	1,164	7,363
Advances received for operating leases	0	0
Trade payables	328,245	436,598
Liabilities to group companies with majority control (Note 19)	50,000	0
Other trade payables	5,164	10,458
Total trade payables	517,961	563,159

OTHER PAYABLES:

	31/12/2015	31/12/2014
Payables to ČSOB	0	0
Long-term advances received	4,060	439
Negative fair value of derivatives (Note 14)	59,921	80,652
Deferred tax liability (Note 15)	848,541	715,691
Total long-term liabilities	912,522	796,782
Payables to employees	13,501	12,687
Social and health insurance	7,092	6,954
Due to government – tax liabilities	2,878	2,945
Unbilled deliveries	336,179	219,276
Negative fair value of derivatives (Note 14)	1,501	6,411
Other payables – other	333	142
Total current liabilities	375,535	248,415
Total other liabilities	1,274,006	1,045,197

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015 and 2014, long-term advances were received as security for collateral of receivables arising from customer contracts.
As at 31 December 2015 and 2014, the Company had overdue current payables totaling CZK 107,034 thousand and CZK 126,549 thousand, respectively.
The Company has no payables that were secured by collateral or guarantees in favour of a creditor.
Unbilled deliveries represent, in particular, estimated unbilled insurance cost of insurance of assets used for finance and operating leases, unbilled services, contingent commissions and rent.
Payables to related parties (see Note 19).

12. BANK LOANS AND BORROWINGS

	31/12/2015	31/12/2014
Short-term bank loans and overdrafts	13,029,429	11,717,307
Long-term loans	12,245,807	9,422,243
Short-term borrowings (short-term notes issued)	0	0
Bank loans and borrowings	25,275,236	21,139,550

The interest expense relating to bank loans and borrowings for 2015 and 2014 was CZK 269,257 thousand and CZK 268,849 thousand, respectively. The Company does not capitalize interest on loans as part of the construction of tangible fixed assets.

BREAKDOWN OF SHORT- AND LONG-TERM ITEMS:

	31/12/2015	31/12/2014
Overdrafts	159,301	238,669
Short-term loans	2,203,368	2,009,737
Long-term loans – part due within 1 year	10,666,760	9,468,901
Short-term bank loans and overdrafts	13,029,429	11,717,307
Long-term loans – due over 1 year and within 5 years	10,779,727	8,563,015
Long-term loans – due over 5 years	1,466,080	859,228
Long-term bank loans	12,245,807	9,422,243
Short-term borrowings (short-term notes issued)	0	0

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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

BANK LOANS AND SHORT TERM BORROWINGS:

	Currency	31/12/2015	31/12/2014
ČSOB	CZK & EUR	25,275,236	21,139,550
European Investment Bank	CZK	0	0

In 2015, the average interest rate accruing on the above bank loans and borrowings amounted to 1.14% (in 2014: 0.48% to 1.40%). 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.

13. OTHER LIABILITIES

Accruals include, in particular, accrued interest on loans, which are charged to income in the year in which they were incurred.
Deferred income includes, in particular, deferred lease installments, which are recognized into income in the year in which they were earned.

14. DERIVATIVES

The Company has concluded several derivative contracts and classifies derivatives either as held for trading or as hedging derivatives. As at 31 December 2015 and 2014, 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 values of outstanding derivatives held for trading as at 31 December:

	31/12/2015			31/12/2014		
	Contractual/Face value	Fair value		Contractual/Face value	Fair value	
	(in CZK thousands)	Positive	Negative		Positive	Negative
Derivatives held for trading						
Interest rate swaps						
Due within 1 year	11,000	0	(31)	0	0	0
Due over 1 year	3,243	0	(1,994)	64,121	0	(3,749)
Total derivatives held for trading	14,243	0	(2,025)	64,121	0	(3,749)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes face values and positive or negative values of outstanding hedging derivatives as at 31 December:

(in CZK thousands)	31/12/2015			31/12/2014		
	Contractual/Face value	Fair value		Contractual/Face value	Fair value	
		Positive	Negative		Positive	Negative
Derivatives hedging cash flows						
Interest rate swaps (interest rate hedge)						
Due within 1 year	199,809	0	(1,462)	603,156	0	(6,411)
Due over 1 year	8,893,107	8,793	(57,927)	7,581,170	0	(76,903)
Currency forwards (FX rate hedge)						
Due within 1 year	2,363	0	(8)	0	0	0
Due over 1 year	0	0	0	0	0	0
Total hedging derivatives	9,095,279	8,793	(59,397)	8,184,326	0	(83,314)

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.

15. INCOME TAXES

	2015	2014
Profit before taxes	808,259	565,368
Non-taxable revenues	(162,057)	(222,798)
Difference between book and tax depreciation	(802,567)	(681,867)
Difference between book and tax net book value of disposed assets	336,039	306,378
Non-deductible expenses	(104,731)	48,071
Creation of allowances, net	(410,058)	(167,735)
Creation of provisions, net	1,728	(2,107)
Other (e.g. entertainment expenses, write offs of receivables, shortages and losses)	303,599	217,913
Taxable income	74,943	15,152
Tax loss carried forward	0	0
Current income tax rate	19%	19%

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

	2015	2014
Tax	14,239	2,879
Adjustment of the tax paid in previous years	3,742	(2,785)
Current tax expense	17,981	94

The Company quantified deferred taxes as follows (in CZK thousands):

	2015		2014	
Deferred tax items	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	0	(877,745)	0	(780,404)
Other temporary differences:				
Allowance against receivables	9,788	0	24,919	0
Valuation differences from cash flows hedging derivatives	7,687	0	13,458	0
Bonuses and social and health insurance contributions	12,150	0	12,835	0
Valuation differences from cash flows from operational lease hedging derivatives	0	(421)	13,501	0
Total	29,625	(878,166)	64,713	(780,404)
Net		(848,541)		(715,691)

The Company calculated deferred tax on the basis of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, while taking into consideration the period of realization.

As at 31 December 2015 and 2014, the Company recorded a deferred tax liability of CZK 848,541 thousand and CZK 715,691 thousand, respectively.

16. COMMITMENTS AND CONTINGENCIES

As at 31 December 2015, the Company had no contingent liabilities or contingent assets recorded off balance sheet.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

17. REVENUES

THE BREAKDOWN OF REVENUES ON ORDINARY ACTIVITIES IS AS FOLLOWS:

	2015	2014
Revenues from hire purchase and sale of used automobiles	16,925	15,345
Revenues from sales of goods	16,925	15,345
Revenues from finance and operating leases	5,163,194	4,756,157
Fees for hire purchase and consumer credit	1,777	2,057
Revenues from sale of own products and services	5,164,971	4,758,214
Revenues from sales of assets from prematurely terminated lease contracts	614,451	561,132
Revenues from sales of assets from regularly terminated finance lease contracts	13,858	11,627
Revenues from sale of assets for own use	32,741	2,997
Revenues from sales of fixed intangible and tangible assets	661,050	575,756
Contractual penalties, interest for delayed payments and other operating revenues	11,939	15,331
Other revenues from contractual and intermediary activities	653,573	599,444
Revenues from prematurely terminated contracts	167,305	193,294
Revenues from sale of receivables	8,849	10,281
Other operating income	841,666	818,350
Interest on bank loans	1	2
Contractual interest on loans for suppliers	22,606	27,926
Interest on consumer credit	737,546	722,205
Interest income	760,153	750,133
Exchange rate gains	0	29,919
Income from long-term financial assets (dividends)	139,640	160,940
Gain on revaluation of derivatives	1,559	1,439
Other income from financial activities	141,199	192,298

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

All revenues of the Company are domestic revenues. Since 2003, the Company has been providing back-office services to another third party leasing company; this business represents a jointly controlled operation. The fees for these services depend on the operating results of the company to which the services are provided. In 2015 and 2014, the fees represented net income of CZK 25,939 thousand and CZK 20,096 thousand, respectively, which are shown within other operating income from contractual and intermediary activities.

18. PERSONNEL AND RELATED EXPENSES

NUMBER OF EMPLOYEES, MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES:

	2015	2014
Average number of employees		
Members of management bodies	32	33
Employees	304	290
Total	336	323
Number of statutory body members		
Members of the Board of Directors	3	3
Members of the Supervisory Board	5	5

THE BREAKDOWN OF PERSONNEL EXPENSES IS AS FOLLOWS:

	2015	2014
Wages and salaries of management	72,419	56,701
Wages and salaries of other employees	195,498	203,119
Social and health insurance premiums of management	17,227	16,451
Social and health insurance premiums of other employees	68,248	67,517
Social cost	9,408	10,775
Bonuses to members of the Board of Directors	0	372
Total personnel expenses	362,800	354,935

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 2015 and 2014 and they do not hold any shares of the Company. As at 31 December 2015 and 2014, the members of the Board of Directors and senior management used company automobiles for private purposes, with a total cost of CZK 17,886 thousand and CZK 18,616 thousand, respectively, and with a net book value of CZK 6,214 thousand and CZK 8,176 thousand, respectively. As at 31 December 2015, the members and former members of the Board of Directors and of the Supervisory Board had three lease contracts entered into with the Company; the value of future installments of the Board of Directors' and Supervisory Board's members totaled CZK 54 thousand and CZK 62 thousand (respectively, as at 31 December 2014 CZK 312 thousand and CZK 130 thousand). In 2015 and 2014, the Company received dividends from its subsidiary ČSOBL PM in the amount of CZK 139,640 thousand and CZK 160,940 thousand, respectively. In 2015 and 2014, the Company recorded an interest expense resulting from a short-term loan granted by ČSOBL PM in the amount of CZK 389 thousand and CZK 461 thousand, 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 2015 and 2014:

	2015	2014
Expenses		
ČSOB – interest on loans received	269,258	266,599
CSOB – revaluation of derivatives	43,001	62,666
ČSOB Leasing pojišťovací makléř, s. r. o. – interest on loans and insurance costs	7,640	7,744
ČSOB – rent and other related services, telephones, other expenses	33,405	33,873
ČSOB Pojišťovna, a. s., člen holdingu ČSOB – insurance costs	336,006	321,352
Hypoteční banka, a. s. – fleet management	1,178	650
ČSOB – fleet management	9,252	6,573
ČSOB Factoring, a. s. – fleet management	54	25
ČSOB Pojišťovna, a. s., člen holdingu ČSOB. – fleet management	1,163	3,457
ČSOB Pojišťovna, a. s., člen holdingu ČSOB. – rent and other related services	395	870
Českomoravská stavební spořitelna, a. s. – operative lease	1,023	765
KBC Global Services N.V.	0	0
KBC Global Services Czech Branch, organizační složka – IT services	60,509	55,359
KBC Group N.V.	10,476	9,073
KBC Global Services Hungarian Branch	0	1

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

	2015	2014
Expenses		
Patria Online, a. s. – services	151	30
První certifikační autorita, a. s.	6	0
Patria Finance CF, a. s. – services	192	0
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB – fleet management	125	44
Total expenses	773,834	769,081
Income		
ČSOB – intermediary commission, rebilling	599	750
ČSOB – fleet management	42,977	51,096
ČSOB – revaluation of derivatives	826	367
ČSOB – interest on bank accounts	1	2
CSOB – sale of technical improvement	30,000	0
ČSOB Pojišťovna, a. s., člen holdingu ČSOB – insurance commission and insurance claims	33,026	33,914
ČSOB Pojišťovna, a. s., člen holdingu ČSOB – fleet management	4,472	5,659
ČSOB Leasing pojišťovací makléř, s. r. o. – other income	8,869	8,791
KBC Global Services Czech Branch, organizační složka – rent and ICT transfer	3,163	2,342
KBC Global Services N.V. – fleet management	0	17
KBC Group N.V.	0	0
ČSOB Factoring, a. s. – fleet management and other income	3,191	1,748
Českomoravská stavební spořitelna, a. s. – operating lease	6,870	12,469
Hypoteční banka, a. s. – fleet management	8,595	6,514
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB – fleet management	384	197
Total income	142,973	123,866

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

	31/12/2015	31/12/2014
Assets		
ČSOB Pojišťovna, a. s., člen holdingu ČSOB – trade receivables and contingent insurance claims	1,832	873
ČSOB – advances granted for rent(related services	411	790
ČSOB – fair value of financial derivates (Note 14)	8,793	0
ČSOB – other	3,390	3,231
KBC Global services N.V.	0	0
ČSOB Leasing pojišťovací makléř, s. r. o. – trade receivables	839	651
ČSOB Factoring, a. s. – trade receivables	376	321
Českomoravská stavební spořitelna a. s. – trade receivables.	667	758
Hypotéční banka, a. s. – trade receivables	1,895	1,366
ČSOB Penzijní společnost, a. s., člen skupiny ČSOB	38	92
Total assets	18,241	8,082
Liabilities		
ČSOB – loans (including overdrafts) (Note 12)	25,275,236	21,139,550
ČSOB – issued bills of exchanges	0	0
ČSOB – fair values of derivatives (Notes 5, 11 and 14)	61,422	87,063
Patria Online, a. s.	0	36
KBC Global Services N.V.	0	0
KBC Global Services Czech Branch, organizační složka	21,551	14,771
KBC Group N.V.	727	599
ČSOB – other	1,438	1,324
ČSOB Leasing pojišťovací makléř, s. r. o. – trade payables	0	734
ČSOB Leasing pojišťovací makléř, s. r. o. – loans (Note 11)	50,000	0
ČSOB Pojišťovna, a. s., člen holdingu ČSOB – insurance premiums	26,832	32,049
Total Liabilities	25,437,206	21,276,126

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

Following the balance sheet date, the Board of Directors of Československá obchodní banka, a. s. has approved the intention of the Company to transfer employees of the IT department of Československá obchodní banka, a. s. to the Company. The aim of the transfer of employees is the increase of effectiveness and cost savings as a result of direct management of the IT department.

There were no other material events subsequent to the balance sheet date to be disclosed in the financial statements.

22. STATEMENT OF CASH FLOWS (SEE CHAPTER 7 BEFORE NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS)

The cash flow statement was prepared under the indirect method.

23. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 9)

PREPARED ON: 21 March 2016

Signature of accounting unit's statutory body:



Ing. Rudolf Kypta



Ing. Libor Bosák

Person responsible for accounting
(name, signature):



Ing. Pavel Burša

Person responsible for financial
statements (name, signature):



Ing. Pavel Burša

The accompanying balance sheet and income statement are an integral part of the financial statements.

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 shareholder 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 which is the ultimate controlling entity of ČSOB is the sole shareholder 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, CZ
Československá obchodní banka, a. s.	Radlická 333/150, 150 57 Praha 5, CZ
ČSOB Factoring, a. s.	Benešovská 2538/40, 101 00 Praha 10 - Vinohrady, CZ
ČSOB Leasing, a. s.	Panónska cesta 11, 852 01 Bratislava, SK
ČSOB Leasing pojišťovací makléř, s. r. o.	Na Pankráci 60/310, 140 00 Praha, CZ
ČSOB Penzijní společnost, a. s., a member of the ČSOB group	Radlická 333/150, 150 57 Praha 5, CZ
ČSOB Pojišťovna, a. s., a member of the ČSOB holding	Masarykovo náměstí 1458, 532 18 Pardubice - Zelené předměstí, CZ
Hypoteční banka, a. s.	Radlická 333/150, 150 57 Praha 5, CZ
KBC Group NV (legal entity)	Havenlaan 2, 1080 Brusel (Sint-Jans Molenbeek), Belgium
KBC Group NV Czech Branch, organizational unit	Radlická 333/150, 150 57 Praha 5, CZ
Patria Online, a. s.	Jungmannova 745/24, 110 00 Praha 1, CZ
První certifikační autorita, a. s.	Podvinný mlýn 2178/6, 190 00 Praha 9, CZ

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 cooperation 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.

Further, the Company has signed two contracts on Voluntary financial contribution outside the basic capital with Československá obchodní banka, a. s. on 20 June 2015 and 22 October 2015. Based on these contracts, Československá obchodní banka, a. s. has contributed to the Company capital in the amount of CZK 1,200,000 thousand and CZK 1,000,000 thousand, respectively.

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 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. Based on the decision to outsource all ICT services, all rights and obligations arising from some of the foregoing agreements have been transferred from ČSOB to KBC Global Services Czech Branch (KBC GS CZ). The existing job contracts of employees providing the Company's ICT services have been transferred to KBC GS CZ. The Company continues to be the contractual partner for external supply of ICT products and services. The Related Parties provided

counter-performance in the form of payment for the services or licenses rendered and provision of HW or SW. The agreements were concluded under standard business terms and conditions.

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. 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.

RELATED PARTIES REPORT

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 for car hand-washing services

In the accounting period, the Company concluded agreements or had concluded agreements for car hand-washing services. 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.

OTHER

Amendment nb. 10 of the Agreement on the outsourcing of services dated 1.8.2014

In the accounting period, the Company has concluded an amendment to the Agreement on the outsourcing of services dated 1.8.2014 in relation to settlement of the remaining claims of ČSOB Leasing, a. s. towards the Company. These claims resulted from previous intermediation activity of ČSOB Leasing, a. s. for the Company, which ČSOB Leasing, a. s. rendered until 1 March 2011.

DIVIDENDS AND OTHER MEASURES

On 3 June 2015, Československá obchodní banka, a. s. being a single shareholder within scope of competence of General Meeting decided on distribution of 2014 profit in the way that profit (dividends) in the value of 469 050 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.

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 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.

RELATED PARTIES REPORT

9. ACCOUNTING PERIOD

This report describes relations for the accounting period from 1 January 2015 to 31 December 2015.

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, 21 March 2016

ČSOB Leasing, a. s.

On behalf of the Board of Directors



Libor Bosák
*Chairman of
the Board of Directors*



Rudolf Kypta
*Member of
the Board of Directors*





chapter **08**

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