

ANNUAL REPORT 2016

ČSOB LEASING



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01

ABOUT THE
COMPANY



01

ABOUT THE
COMPANY

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

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ABOUT THE COMPANY

ČSOB LEASING, YOUR CREDIBLE FUTURE

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

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

01

ABOUT THE
COMPANY

THE MANAGEMENT OF ČSOB LEASING

BOARD OF DIRECTORS



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

Ing. Petr KNAPP
(from 22 September 2014)
chairman of the supervisory board

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

JUDr. Ing. Ján LUČAN Ph.D.
(from 1 January 2013)
member of the supervisory board

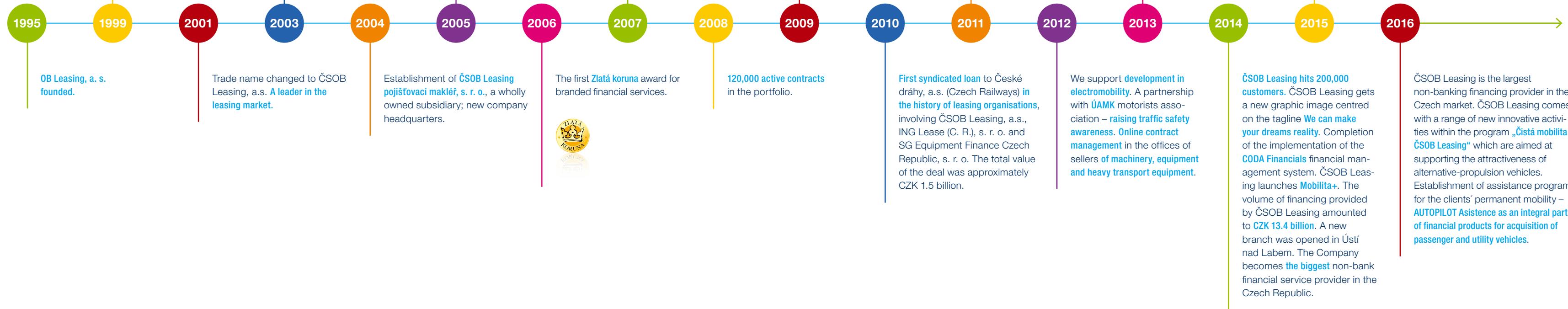
Ing. Petr MANDA
(from 10 September 2014)
member of the supervisory board

Ing. VLADIMÍR BEZDĚK, M.A.
(from 1 September 2016)
member of the supervisory board

Ing. LUDĚK OREL
(from 1 September 2016)
member of the supervisory board

INTRODUCTION OF ČSOB LEASING

- ČSOB Leasing is one of the leading leasing institutions in the Czech Republic and a market leader in the competitive environment.
- ČSOB Leasing has the strong capital base among the leasing companies in the Czech market. The amount of the paid-up registered capital as of 31 December 2016 amounted to CZK 3.050 billion. Československá obchodní banka, a.s. is the Company's 100% shareholder. ČSOB Leasing **is a member of ČSOB Group** and part of the important international **KBC Group**.
- ČSOB Leasing is a **universal leasing organization** providing a broad range of services to its clients: finance leases, leaseback, releasing, customer loan, full-service leases, operating leases, fleet management for financing the acquisition or use of light and heavy transport equipment, machinery, devices, IT equipment, technologies and technological units, **including financing of high-cost items** (railway carriages, airplanes, etc.) including syndicated financing. It supports financing of inventory stock of its partners, suppliers of the subjects of financing.
- The Company offers services to clients, entrepreneurs and natural persons, not only through its own branch network (allowing the development of a personal relationship with each client in any region of the Czech Republic) but also through the extensive branch network of ČSOB as well as directly in the offices of cooperating suppliers.
- **ČSOB Leasing pojišťovací makléř, s.r.o.** is a subsidiary of ČSOB Leasing. The registered capital of the subsidiary amounted to CZK 2 million as of 31 December 2016, where the ČSOB Leasing share is 100%. In close cooperation with its subsidiary, ČSOB Leasing provides a broad range of insurance products from leading insurance companies in the market in the Czech Republic.
- ČSOB Leasing is a holder of the **ISO 9001:2008** quality certificate (including Full Service Leasing products). The Company keeps on implementing activities aimed at increasing the productivity and efficiency, standardization and optimization of business processes and increasing the value of products and services for the clients.
- ČSOB Leasing is a company that understands the needs of the environment. It brings such solutions that support future development and progressive changes in the area of transport mobility and at the same time society-wide efforts to protect and care for nature. Social responsibility is a genetic part of the Company's philosophy.
- ČSOB Leasing won awards in several contests for best financial products or companies: Zlatá koruna, Zlatý měsíc, Fleet Award, CZECH TOP 100 or Flotila.



02

REPORT
OF THE BOARD
OF DIRECTORS
ON THE BUSINESS
ACTIVITIES



CLIENT/PARTNER ACTIVITIES, PRODUCT AND PROJECT DEVELOPMENT

In 2016, ČSOB Leasing continued, and will continue in 2017, to meet its priority objective to be a reliable financial partner providing modern and high-quality services.

During 2016, a quality system was managed in conformity with ISO 9001:2008 standards. ČSOB Leasing is a holder of the ISO 9001:2008 certificate until the end of 2018. During 2016 the internal control system was continuously monitored and verified by the Internal Control and Compliance department. Regular follow-up of identified shortcomings is set up and was continuously performed.

At the beginning of 2016, ČSOB Leasing launched a campaign titled **“Count with us”** which enabled clients to use not only advantageous financing but also interesting conditions of insurance of leased item.

Through its Operating Lease for Life without Troubles, Mobilita+ product, clients can finance vehicles the way they are usually financed abroad. A new thing for operating lease clients is the new product **„Longevity”, an operating lease** for seniors with favorable parameters.

During 2016, ČSOB Leasing continued to improve the quality of **cooperation in the ČSOB group**, with the objective of providing above-standard comprehensive services to the clients of ČSOB group.

In March 2016, a **new ČSOB Leasing web calculator** was fully implemented at www.csobleasing.cz. With the calculator, potential clients interested in financing may calculate approximate amounts of monthly installments for purpose-bound loans for new or used cars or motorcycles from the comfort of their homes or from their mobile devices. In connection with this feature, the web calculator was extended with the option of car insurance calculation in the autumn.

In July, ČSOB Leasing extended its offer with a new unique product. Within the scope **of its social responsibility policy**, it prepared a new type of purpose-bound loan called **„Opatrovník”**. It is designated for the handicapped people. The intention of ČSOB Leasing is to help its handicapped clients to better mobility, advise them about purchasing a proper vehicle and providing them with the required services and assistance for the vehicle.

In September 2016, ČSOB Leasing established a program **„Čistá mobilita ČSOB Leasing”**. It is an **environmental-protection** program aimed at mediating the procurement of alternative-propulsion vehicles by clients and, at the same time, providing them with the new benefits of drawing subsidies on these vehicles from the governmental program (National Action Plan for Pure Mobility). As soon as in May 2016, ČSOB Leasing promoted its support of alternative propulsion by entering its own electric vehicle in the New Energies Rally in Český Krumlov.



02

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES

In October 2016, ČSOB Leasing was the first in the leasing companies market to establish a new service for permanent mobility of all of its new clients – assistance services for non-mobile, non-operating vehicles – **AUTOPILOT assistance as an automatic part of loan and leasing financing of passenger and commercial vehicles**. The service provides for non-stop assistance on roads all year long. Digital support of the assistance service is also available for download as a mobile application.



The Company creates more comfortable services for its clients, available 24 hours a day. As a new thing, it launched an online service **Pojistná samoobsluha** for customers terminating their financing, in cooperation with ČSOB Leasing pojišťovací makléř, operating since October 2016. For several years customers

can use the web information portal **e-Leasing** which provides options of entering requests, obtaining information on contracts and payments, including electronic invoicing for full-service leasing clients. The SW application **eLine** is available to business partners. In this application, the client can receive a calculation and approval and then, he can conclude the contract right at the point of sale. Web portal and eLine usually get updated each year.



Also in 2016, ČSOB Leasing offers its customers, through its special products, the possibility to use support programs of the European Investment Bank (EIB) and Support and Guarantee Farmer and Forester Fund (PGRLF). It provides its customer with consultancy services to use these subventions. As the clients were interested in using the support from the Support and Guarantee Farmer and Forester Fund (PGRLF), ČSOB Leasing extended its offer of PGRLF financing by adding 4 more programs in 2016.

Other specialized programs and products were created thanks to the mutual cooperation with the subsidiary ČSOB Leasing pojišťovací makléř or partners – importers, manufacturers, insurers and others. In 2016, ČSOB Leasing, thanks to this cooperation, updated its product for financing medical devices and equipment and, in cooperation with the association of truck haulers ČESMAD, launched a beneficial program for upgrading the Czech bus and track haulers fleet.

ČSOB Leasing and **CCS** (Czech company for payment cards and provider of fuel cards) established a strategic mutual cooperation. This business synergy brings added value to the service offers of both companies.

In 2016, the **Simplifikace project** was implemented in ČSOB Leasing, aimed at simplification and increasing the efficiency of internal process operations and procedures and reducing the overall administrative burden. Many employees joined in this project and it will also continue in 2017.

Changes of legislation (namely the implementation of the new Consumer Credit Act in 2016) required massive adjustments to the Company's products, processes and software solutions.

ČSOB LEASING FIGURES IN 2016

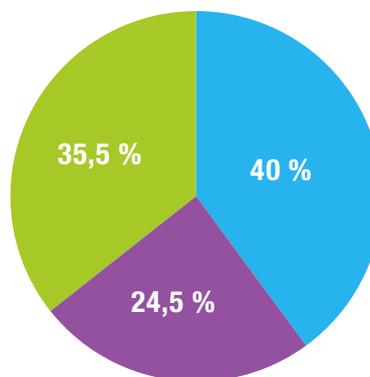
In 2016, ČSOB Leasing fully operated under the management of ČSOB bank. The company has all the valid trade licenses required to carry out its activities.

The corporate business strategy was and is based on sales support and maintaining the quality and flexibility of the financial services provided depending on the customer needs, while maintaining the credit risk quality and operation costs management.

The ČSOB Leasing risk policy and strategy are very conservative. ČSOB Leasing doesn't take on trading risk by speculating on profit by risk exposure. The IR (interest rate) and FX (foreign exchange) positions are closed within the limits approved by the ČSOB bank. To avoid IR risk, fixed interest rate earning assets are hedged by entering into fixed rate payer/floating rate (3M) receiver interest rate swaps unless a natural hedge by a received fixed rate credit with corresponding maturity is available. To avoid FX risk, ČSOB Leasing follows the rule that the currency of the customer's products correspond to the currency of funding. FX spots or forward transactions are used to adjust the FX position.

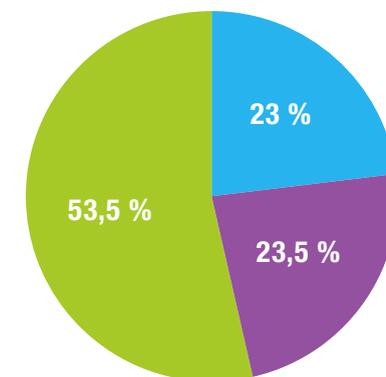
ČSOB LEASING PORTFOLIO STRUCTURE IN THE END OF 2016

- Private motor vehicles, commercial vehicles 40%
- Trucks 24.5%
- Machinery and equipment 35.5%



PORTFOLIO PRODUCT STRUCTURE:

- Finance lease 23%
- Operating lease 23.5%
- Purpose-bound loan for entrepreneurs and consumers 53.5%



The market position and the business results are based on a successful business strategy, efficient distribution and business models, functioning in own stable business network, company goodwill, cooperation with the subsidiary ČSOB Leasing pojišťovací makléř and a carefully designed product and structure orientation.

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 improving customer relations and expanding its trading activities in order to carry out its business and thus fulfill the objectives of ČSOB Group.

In 2016, ČSOB Leasing maintained its **first place in the Czech leasing market** (= relevant and comparable market including loans), both in terms of the portfolio volume (market share of 18.8%) and in terms of new business deals (market share of 15.4%). The aggregate relevant market reached the volume of new business deals of CZK 116 billion in 2016 (year-on-year increase of 8,87 %).

Market growth was driven by the financing of new cars and trucks, which achieved 30% volume growth. Financing volume increased further in commodity trucks. Market machinery and equipment in 2016

decreased by about 12%. The decrease is mainly the metalworking segment and lower number of financing of high value investments. As of 31 December 2016, ČSOB Leasing had a total of 86 133 active contracts in its portfolio. In 2016, it concluded 21 545 new customer contracts, which represents a year-on-year increase of 11%.

Based on International Financial Reporting Standards (IFRS), the Company assets (consolidated balance sheet sum) reached an amount of CZK 40.5 billion*. Changes were implemented in the financing structure in 2016. In July 2016, a loan provided by the European Investment Bank in the amount of CZK 1.7 billion was drawn. In the 4th quarter 2016, ČSOB Leasing made several issues of promissory notes in CZK and EUR which partly replaced revolving loans from ČSOB. As of 31 December 2016, the promissory notes amounted to CZK 7.6 billion. The total sum of loans accepted was CZK 22.9 billion at the end of 2016, and 97% of that sum was provided by the ČSOB bank.

ČSOB Leasing complied with the requirements of the tax recognition of costs of financing inside the group in 2016 (low capitalization).

The equity (based on IFRS) amounted to CZK 8 billion* as of 31 December 2016.

In June 2016, ČSOB Leasing paid a dividend to the ČSOB bank in the amount of CZK 677 million. The dividend payment has not endangered its compliance with the requirements of low capitalization in 2016.

The consolidated profit before tax (IFRS) for 2016 amounted to CZK 621 million*. Profit after tax amounted to CZK 488 million*.

A successful strategy in the area of the contract approval process, portfolio management and collection of claims enabled the creation of low allowances (CZK 60 million* based on IFRS). The aggregate cumulative value of allowances on loans and receivables amounted to CZK 539 million* at the end of 2016 (excluding written-off receivables). The assets and provisions in this amount fully cover the business risk. The methodology of allowances and writing off bad debts is in accordance with the standards used in the ČSOB group.

Based on Czech Accounting Standards, the ČSOB Leasing profit after tax amounted to CZK 421 million.

At the end of 2016, the ČSOB Leasing, a.s. group operated 10 branches and 4 smaller sales offices, employing a total 401 of employees (FTE) (33 of them were employees of ČSOB Leasing pojišťovací makléř).

* IFRS FINANCIAL STATEMENTS NON-AUDITED, CONSOLIDATED

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REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES

SIGNIFICANT BUSINESS DEALS

ČSOB Leasing has been a partner of Metrans a.s. for financing railway carriages and locomotives through operating leases since 2013. In 2016, the cooperation was extended by financing another 10 multi-system locomotives. The deal was being implemented gradually, from November 2016 to March 2017. ČSOB Leasing appreciates this mutually interesting cooperation; the deal involved a total of 20 locomotives and 600 railway carriages.



OTHER EVENTS AND ACTIVITIES

In the 14th year of the prestigious consent, Zlatá koruna, for the best financial products in the Czech market, ČSOB Leasing took 2nd place in the Entrepreneurial Lease category with its product „Full service leasing ČSOB Leasing“.



From 1 January 2017, there was a transfer of marketing activities (some activities and processes, including employees, assets, performance-related marketing) of ČSOB Leasing to ČSOB. This transfer determines the improvement of marketing activities/products and a higher interconnection marketing cooperation of members of the ČSOB group.

Following the balance sheet date, there were no other events which would significantly affect the purpose of annual report.

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REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES

PLANS FOR 2017

In 2017, the Company will continue its long-term strategy – to be the benchmark for the Czech leasing and asset finance market, and to be the most popular financial services provider among entrepreneurs. ČSOB leasing's long-term ambition is to support the future business success of our customers and business partners and their competitiveness on the market, or their personal prosperity by providing professional services, which are based on very attentive and timely perception of the needs of clients and partners.

Resulting from its market position, the company will continue to seek a broader dimension of its activities, which consists of cultivating the business environment of leasing companies and in social responsibility.

The high level of professionalism and quality of its products and services is the result of the daily work of the entire company team. To achieve higher quality in 2017, the company will work on improving internal processes and the professional standards of all workers.

ČSOB Leasing is aware of the influence of so-called Industrial Revolution 4.0 and pervading digitizing on all business processes and in human life. ČSOB Leasing listens to these trends and will modify its services and products during 2017 and in subsequent years it will gradually bring new useful services related to financed assets and their operability.

Prague, 27/ 3/ 2017



Ing. Libor BOSÁK
chairman of the board of directors

03

CORPORATE
SOCIAL
RESPONSIBILITY
ACTIVITIES



03

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Since 2013, the employees of ČSOB Leasing have been able to devote one day of the year to voluntary activities in support of a non-profit organization of their choice. Each year, around two thirds of employees participate in the “Helping Together” program. Throughout a calendar year, employees provide help to 25–40 non-profit organizations. In 2016, 226 employees participated, supporting 28 non-profit organizations with their activities.

Since 2016, the employees have also started doing professional voluntary work and they became a part of the platform „Know-how for a Better World“, a network of companies engaged in the long-term provision of expert voluntary work and professional Pro Bono services. Within the network, they supported non-profit organizations such as Alzheimer nadační fond, CEDU, Junior Achievement, EduFórum, in the area of the provision of consultancy services and support, namely in the area of „how to sell yourself“, human resource development, organization and PR strategy.

In 2016, ČSOB Leasing again organized three charity bake-offs under the motto “If you don’t bake with us, you bake against us” in order to raise funds for non-profit organizations. The total amount of money raised was CZK 20,694. The proceeds from the baked goods were given to the companies Mamma Help and to the project STK pro chlapy

Nadačního fondu Petra Koukala. Together with charity baking, items produced by Mamma Help members were sold; thanks to this sale, we contributed the additional amount of CZK 13,470 to breast cancer prevention and programs to improve the quality of life of oncology patients. By selling items, we also supported the charity „Farní charita Starý Knín – dílna Rukama nohama“ – we received and passed on to them the amount of CZK 9,000 – and also CZEPU – we received and passed on to them the amount of CZK 8,168 for the sale of honey, t-shirts and chocolate.



ČSOB Leasing has been working with the non-profit sector for several years. We choose to support non-profit organizations where our support is meaningful and useful. We try to support these organizations in their specific needs through gifts of money

and in kind (for example, we give away discarded IT equipment, office furniture and raise funds). In 2016, we again organized two item collections in support of the Czech Paraplegics Association („Hvězdný bazar“). Since 2013, we have been partners of the Association for Integration through Sports. In 2016, the Company contributed to the Association a donation in the amount of CZK 100,000.00 for the organization of Kuželník events.



ČSOB Leasing has been supporting non-profit organizations by donating used notebooks for a long time already. In 2016, it supported CZEPA, Municipal Museum Králíky and the Association for Integration through Sports with a donation of 16 notebooks.

03

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

ČSOB Leasing supports non-profit organizations on an individual basis through the purchase of cars. In 2016, the Company supported in this way the Safety Line and District Charity Pardubice. It also supported the foundation fund Světluška POTMĚ through a long-term vehicle lease worth CZK 120,000, which contributed to the smooth operation of the café Kavárna POTMĚ.



Since 2015, the Company has striven, by organizing the "Give blood, give health!" campaign, to support regular blood, blood component and bone marrow donors among its employees and to inspire others to donate.

As a new thing, we supported several non-profit organizations with runs in 2016, such as Run for Světluška and nadační fond Petra Koukala.

In 2016, ČSOB Leasing supported organizations employing handicapped people by purchasing products and services in the total amount of CZK 1,732,000.

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

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.



**THROUGH ITS ACTIVITIES, ČSOB LEASING
SUPPORTED A TOTAL OF 28 ORGANIZATIONS.**

Among those were

- Bohnice Psychiatric Hospital
- Toulcův dvůr – ENVIRA
- Infant Care Center – Baby Center in the FTN Hospital
- DAPHNE ČR – Institute of Applied Ecology
- Etincelle o.s. – Farm Ledce-Šternberk
- Balónek Mothers' Club
- Association for Helping Handicapped Children – KC Motýlek
- Elpida, o.p.s.
- Toulcův dvůr – SRAZ Association
- 01/14 ZO ČSOP „Natura, quo vadis?“
- Pardubice District Charity
- Liberec ZOO
- Nazaret
- PALATA – Home for Visually Impaired
- POHODA – společnost pro normální život lidí s postižením, o.p.s.
- Ruka pro život o.p.s.
- Toulcův dvůr – Botič o.p.s.
- YMCA Praha (Domeček Mothers' Center)

04

INDEPENDENT
AUDITOR'S
REPORT





Independent auditor's report

to the shareholder of ČSOB Leasing, a.s.

Opinion

We have audited the accompanying financial statements of ČSOB Leasing, a.s., with its registered office at Na Pankráči 310/60, Praha 4 ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3037, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No. 021.



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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

27 March 2017

PricewaterhouseCoopers Audit, s.r.o.
PricewaterhouseCoopers Audit, s.r.o.
represented by partner

Marek Richter

Marek Richter
Statutory Auditor, Evidence No. 1800

Note

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

05

FINANCIAL
STATEMENTS
AND REPORTS



IFRS FINANCIAL STATEMENTS (NON-AUDITED, CONSOLIDATED)

PROFIT AND LOSS STATEMENT

IFRS PROFIT AND LOSS STATEMENT, THOUSANDS OF CZK	2016	2015	2014	2013
Net interest income	869,115	839,037	810,685	802,059
– Interest income	1,152,188	1,151,296	1,142,018	1,155,369
– Interest expenses	(283,073)	(312,258)	(331,333)	(353,310)
Non-interest income	516,835	461,897	444,387	535,051
– Income from financial instruments designated at fair value	(13,604)	(28,480)	(16,691)	22,745
– Net fee and commission income	94,629	114,928	105,026	142,048
– Other net income	435,810	375,449	356,052	370,258
Operating income	1,385,950	1,300,935	1,255,072	1,337,110
Operating expenses	(705,741)	(660,186)	(656,756)	(665,249)
Operating profit before adjustments and provisions	680,209	640,748	598,316	671,861
Credit risk adjustments and provisions	(59,620)	28,051	24,321	(88,862)
Profit before tax	620,589	668,799	622,637	582,999
Income tax	(133,089)	(136,198)	(127,491)	(130,317)
NET PROFIT FOR THE ACCOUNTING PERIOD	487,500	532,601	495,146	452,682

* *International Financial Reporting Standards*

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BALANCE SHEET

BALANCE SHEET (IFRS), THOUSANDS OF CZK	2016	2015	2014	2013
ASSETS				
Cash	2,664	3,304	4,078	3,755
Loans, financial leases and other receivables	35,743,665	32,719,027	26,928,501	22,857,686
Security derivatives	3,016	8,793	–	2,189
Tax receivables	–	47,454	63,523	8,222
Tangible assets	4,150,106	2,079,017	1,448,204	1,719,279
Intangible assets	207,114	181,461	169,375	153,377
Assets for sale	16,765	19,117	24,585	52,238
Other assets	346,497	315,501	192,661	202,112
TOTAL ASSETS	40,469,825	35,373,673	28,830,927	24,998,858
LIABILITIES				
Payables from trading derivatives	616	2,033	3,749	6,130
Payables booked in accrued value	30,594,873	25,287,646	21,153,421	18,443,602
Payables from trading derivatives	66,543	59,388	83,314	81,111
Tax liabilities	987,184	910,641	807,133	828,040
Other liabilities	749,056	850,902	869,476	589,836
Other provisions	7,655	9,183	7,456	9,563
TOTAL LIABILITIES	32,405,927	27,119,793	22,924,549	19,958,282

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BALANCE SHEET (IFRS), THOUSANDS OF CZK – continuation	2016	2015	2014	2013
SHAREHOLDERS' 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 and undistributed profit	3,985,315	4,129,835	1,903,740	1,096,399
Unrealized gains/losses	(31,337)	(30,977)	(114,929)	(130,926)
Profit for the period	487,500	532,601	495,146	452,682
TOTAL SHAREHOLDERS' EQUITY	8,063,898	8,253,879	5,906,378	5,040,576
TOTAL LIABILITIES	40,469,825	35,373,673	28,830,927	24,998,858

UNCONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

BALANCE SHEET (IN THOUSAND CZECH CROWNS)						
REF.		ASSETS	31. 12. 2016		31. 12. 2015	
a		b	Gross	Provision	Net	
			1	2	3	
					Net	
					4	
		TOTAL ASSETS	53 089 219	(12 022 995)	41 066 224	36 097 111
B.		Fixed assets	30 498 619	(10 804 819)	19 693 800	16 599 200
B.	I.	Intangible fixed assets	480 404	(289 315)	191 089	181 425
B.	I. 2.	Royalties	430 354	(289 315)	141 039	161 345
B.	I. 2. 1.	Software	430 155	(289 116)	141 039	161 345
B.	I. 2. 2.	Other royalties	199	(199)	–	–
B.	I. 5.	Advances paid and intangible fixed assets in the course of construction	50 050	–	50 050	20 080
B.	I. 5. 2.	Intangible fixed assets in the course of construction	50 050	–	50 050	20 080
B.	II.	Tangible fixed assets	30 016 215	(10 515 504)	19 500 711	16 415 775
B.	II. 1.	Land and constructions	24 185	(4 639)	19 546	19 922
B.	II. 1. 1.	Land	12 186	–	12 186	12 186
B.	II. 1. 2.	Constructions	11 999	(4 639)	7 360	7 736
B.	II. 2.	Equipment	29 764 449	(10 505 960)	19 258 489	16 276 299
B.	II. 4.	Other tangible fixed assets	212	–	212	212
B.	II. 4. 3.	Tangible fixed assets – other	212	–	212	212

BALANCE SHEET (IN THOUSAND CZECH CROWNS) – continuation

REF.				ASSETS	31. 12. 2016			31. 12. 2015
					Gross	Provision	Net	Net
a				b	1	2	3	4
B.	II.	5.		Advances paid and tangible fixed assets in the course of construction	227 369	(4 905)	222 464	119 342
B.	II.	5.	1.	Advances paid for tangible fixed assets	192 611	(4 905)	187 706	80 051
B.	II.	5.	2.	Tangible fixed assets in the course of construction	34 758	–	34 758	39 291
B.	III.			Long-term investments	2 000	–	2 000	2 000
B.	III.	1.		Investments – subsidiaries and controlling party	2 000	–	2 000	2 000
C.				Current assets	22 422 096	(1 218 176)	21 203 920	19 357 127
C.	I.			Inventories	4 366	–	4 366	13 040
C.	I.	3.		Finished goods and goods for resale	4 366	–	4 366	13 040
C.	I.	3.	2.	Goods for resale	4 366	–	4 366	13 040
C.	II.			Receivables	22 407 778	(1 218 176)	21 189 602	19 335 722
C.	II.	1.		Long-term receivables	11 874 748	(34 867)	11 839 881	10 546 083
C.	II.	1.	1.	Trade receivables	11 871 732	(34 867)	11 836 865	10 537 290
C.	II.	1.	5.	Receivables – other	3 016	–	3 016	8 793
C.	II.	1.	5.	4. Other receivables	3 016	–	3 016	8 793

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REF.				ASSETS	31. 12. 2016			31. 12. 2015
					Gross	Provision	Net	Net
a				b	1	2	3	4
C.	II.	2.		Short-term receivables	10 533 030	(1 183 309)	9 349 721	8 789 639
C.	II.	2.	1.	Trade receivables	10 353 440	(1 183 309)	9 170 131	8 560 242
C.	II.	2.	4.	Receivables – other	179 590	–	179 590	229 397
C.	II.	2.	4. 3.	Taxes – receivables from the state	122 421	–	122 421	179 877
C.	II.	2.	4. 4.	Short-term advances paid	894	–	894	1 694
C.	II.	2.	4. 5.	Estimated receivables	53 209	–	53 209	44 510
C.	II.	2.	4. 6.	Other receivables	3 066	–	3 066	3 316
C.	IV.			Cash	9 952	–	9 952	8 365
C.	IV.	1.		Cash in hand	2 476	–	2 476	3 105
C.	IV.	2.		Cash at bank	7 476	–	7 476	5 260
D.				Prepayments and accrued income	168 504	–	168 504	140 784
D.	1.			Prepaid expenses	43 291	–	43 291	29 133
D.	3.			Accrued income	125 213	–	125 213	111 651

BALANCE SHEET – LIABILITIES AND EQUITY

BALANCE SHEET (IN THOUSAND CZECH CROWNS)					31. 12. 2016	31. 12. 2015
REF.			LIABILITIES AND EQUITY		5	6
a			b			
			TOTAL LIABILITIES AND EQUITY		41 066 224	36 097 111
A.			Equity		7 623 155	7 879 628
A.	I.		Share capital		3 050 000	3 050 000
A.	I.	1.	Share capital		3 050 000	3 050 000
A.	II.		Share premium and capital contributions		3 542 147	3 542 507
A.	II.	1.	Share premium		572 421	572 421
A.	II.	2.	Capital contributions		2 969 726	2 970 086
A.	II.	2. 1.	Other capital contributions		3 001 063	3 001 063
A.	II.	2. 2.	Assets and liabilities revaluation		(31 337)	(30 977)
A.	III.		Other reserves		610 000	610 000
A.	III.	1.	Other reserve funds		610 000	610 000
A.	V.		Profit / (loss) for the current period		421 008	677 121
B.	+ C.		Liabilities		32 364 147	27 076 387
B.			Provisions		122 446	9 184
B.	2.		Income tax provision		114 791	–
B.	4.		Other provisions		7 655	9 184

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BALANCE SHEET (IN THOUSAND CZECH CROWNS) – continuation					
REF.			LIABILITIES AND EQUITY	31. 12. 2016	31. 12. 2015
a			b	5	6
C.			Liabilities	32 241 701	27 067 203
C.	I.		Long-term liabilities	13 284 635	13 158 329
C.	I.	2.	Liabilities due to financial institutions	12 417 620	12 245 807
C.	I.	3.	Long-term advances received	12 482	4 060
C.	I.	8.	Deferred tax liability	789 068	848 541
C.	I.	9.	Liabilities – other	65 465	59 921
C.	I.	9. 3.	Other liabilities	65 465	59 921
C.	II.		Short-term liabilities	18 957 066	13 908 874
C.	II.	2.	Liabilities due to financial institutions	10 524 711	13 029 429
C.	II.	3.	Short-term advances received	19 762	134 895
C.	II.	4.	Trade payables	388 514	333 066
C.	II.	5.	Short-term bills of exchange payable	7 646 494	–
C.	II.	6.	Liabilities – subsidiaries and controlling party	60 000	50 000
C.	II.	8.	Liabilities – other	317 585	361 484
C.	II.	8. 3.	Liabilities to employees	18 331	13 501
C.	II.	8. 4.	Liabilities for social security and health insurance	8 372	7 092
C.	II.	8. 5.	Taxes and state subsidies payable	4 028	2 878
C.	II.	8. 6.	Estimated payables	284 985	336 179
C.	II.	8. 7.	Other liabilities	1 869	1 834
D.			Accruals and deferred income	1 078 922	1 141 096
D.	1.		Accrued expenses	6 129	12 478
D.	2.		Deferred income	1 072 793	1 128 618

INCOME STATEMENT

INCOME STATEMENT (IN THOUSAND CZECH CROWNS)					
REF.		TEXT	ACCOUNTING PERIOD		
a	b		2016 1	2015 2	
I.		Sales of products and services	5 719 539	5 164 971	
II.		Sales of goods	23 746	16 925	
A.		Cost of sales	705 264	634 119	
A.	1.	Cost of goods sold	23 746	16 925	
A.	2.	Raw materials and consumables used	72 005	80 530	
A.	3.	Services	609 513	536 664	
D.		Staff costs	407 174	362 800	
D.	1.	Wages and salaries	300 185	267 917	
D.	2.	Social security, health insurance and other social costs	106 989	94 883	
D.	2. 1.	Social security and health insurance costs	96 178	85 475	
D.	2. 2.	Other social costs	10 811	9 408	
E.		Value adjustments in operating activities	4 301 920	3 359 085	
E.	1.	Value adjustments of fixed assets	4 658 813	4 052 111	
E.	1. 1.	Depreciation, amortisation and write off of fixed assets	4 595 371	4 085 541	
E.	1. 2.	Provison for impairment of fixed assets	63 442	(33 430)	
E.	3.	Provison for impairment of receivables	(356 893)	(693 026)	
III.		Operating income – other	1 830 987	1 502 716	
III.	1.	Sales of fixed assets	899 221	661 050	
III.	3.	Other operating income	931 766	841 666	

INCOME STATEMENT (IN THOUSAND CZECH CROWNS) – continuation

REF.	TEXT	ACCOUNTING PERIOD	
		2016	2015
a	b	1	2
F.	Operating expenses – other	2 272 964	2 164 480
F. 1.	Net book value of fixed assets sold	834 908	610 080
F. 3.	Taxes and charges from operating activities	29 462	28 502
F. 4.	Operating provisions and complex prepaid expenses	(1 528)	1 728
F. 5.	Other operating expenses	1 410 122	1 524 170
*	Operating result	(113 050)	164 128
IV.	Income from sales of long-term investments – shares	148 973	139 640
IV. 1.	Income from sales of investments – subsidiaries or controlling party	148 973	139 640
VI.	Interest and similar income	772 299	760 153
VI. 2.	Other interest and similar income	772 299	760 153
J.	Interest and similar expenses	247 385	269 646
J. 1.	Interest and similar expenses – subsidiaries or controlling party	247 385	269 646
VII.	Other financial income	1 657	66 025
K.	Other financial expenses	67 166	52 041
*	Financial result	608 378	644 131
**	Net profit / (loss) before taxation	495 328	808 259
L.	Tax on profit or loss	74 320	131 138
L. 1.	Tax on profit or loss – current	133 708	17 981
L. 2.	Tax on profit or loss – deferred	(59 388)	113 157
**	Net profit / (loss) after taxation	421 008	677 121
***	Net profit / (loss) for the financial period	421 008	677 121
	Net turnover for the financial period	8 497 201	7 650 430

CASH-FLOW STATEMENT

CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016			
(IN THOUSAND CZECH CROWNS)	CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
	Net profit on ordinary activities before tax	495,328	808,259
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation/amortisation of fixed assets	4,638,935	4,759,226
A.1.2	Changes in provisions	(294,980)	(736,089)
A.1.3	Profit from disposal of fixed assets	(64,313)	(50,970)
A.1.4	Profit distribution income	(148,973)	(139,640)
A.1.5	Net interest income	(524,914)	(490,507)
A.1.6	Other non-cash movements	(3,041)	(107,001)
A*	Net cash flow from operating activities before tax and changes in working	4 098 042	4 043 278
A.2	Working capital changes:		
A.2.1	Changes in receivables and prepayments and accrued income	(1,576,434)	(3,951,582)
A.2.2	Changes in short-term payables, accrued expenses and deferred income	(56,206)	15,449
A.2.3	Changes in inventories	8,674	1,139
A**	Net cash flow from operating activities before tax	2,483,791	108,284
A.3	Interest paid	(246,667)	(285,294)
A.4	Interest received	772,945	758,431
A.5	Income tax on ordinary activities (paid)/received	25,082	(9,401)
A.6	Profit distribution received	148,973	139,640
A***	Net cash flow from operating activities	3,184,124	711,660

CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 – continuation			
		2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
B.1	Acquisition of fixed assets	(8,750,029)	(7,545,909)
B.2	Proceeds from the sale of fixed assets	899,221	695,011
B***	Net cash flow from investing activities	(7,860,523)	(6,850,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
C.1	Changes in long- and short-term liabilities	5,355,107	4,407,765
C.2	Changes in equity:		
C.2.3	Other cash contributions received from shareholders	–	2,200,000
C.2.6	Profit distribution paid	(677,121)	(469,050)
C***	Net cash flow from financing activities	4,677,986	6,138,715
	Net increase/(decrease) in cash and cash equivalents	1,587	(523)
	Cash and cash equivalents as at the beginning of the year	8,365	8,888
	Cash and cash equivalents as at the end of the year	9,952	8,365

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016								
IN THOUSAND CZECH CROWNS	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL FUNDS	REVALUATION RESERVE	RESERVE FUND	OTHER FUNDS	RETAINED EARNINGS	TOTAL
As at 1 January 2015	3,050,000	572,421	801,063	(114,929)	610,000	33	469,050	5,387,638
Fair value gains from revaluation of financial derivatives	-	-	-	83,952	-	-	-	83,952
Dividends paid	-	-	-	-	-	-	(469,050)	(469,050)
Financial contribution outside share capital	-	-	2,200,000	-	-	-	-	2,200,000
Net profit for the current period	-	-	-	-	-	-	677,121	677,121
Other	-	-	-	-	-	(33)	-	(33)
As at 31 December 2015	3,050,000	572,421	3,001,063	(30,977)	610,000	-	677,121	7,879,628
Fair value gains from revaluation of financial derivatives	-	-	-	(360)	-	-	-	(360)
Dividends paid	-	-	-	-	-	-	(677,121)	(677,121)
Net profit for the current period	-	-	-	-	-	-	421,008	421,008
As at 31 December 2016	3,050,000	572,421	3,001,063	(31,337)	610,000	-	421,008	7,623,155

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

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

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

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

The Company's statutes were changed in 2010 as follows: the quorum for any general meeting of

shareholders is the presence of shareholders (in person or by proxy) who hold shares with a face value exceeding 60% of the Company's share capital (the power of attorney must show a certified signature of a shareholder being represented).

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

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

MEMBERS OF THE STATUTORY BODIES AS AT 31 DECEMBER 2016
WERE AS FOLLOWS:

BOARD OF DIRECTORS	FROM
Chairman: Ing. Libor Bosák	4 May 2009
Vice-chairman: Ing. Josef Rosenkranz	1 December 2010
Member: Ing. Rudolf Kypta	1 March 2011

MEMBERS OF THE STATUTORY BODIES AS AT 31 DECEMBER 2016
WERE AS FOLLOWS:

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

Changes made to the Commercial Register in 2016 concerning the composition of the statutory bodies were as follows:

SUPERVISORY BOARD	UNTIL	DO
Member: Ing. Michal Kaněra		6 September 2016

Organizational structure of the company is as follows:

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

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

Based on the amendment to the Act on Accounting and implementing Decree effective from 1 January 2016, individual items of the balance sheet and income statement are presented in a different structure.

In order to ensure the comparability of items presented in the financial statements, the comparative figures were reclassified in accordance with the Czech accounting standard no. 24: "The comparative figures for the accounting period beginning in 2016".

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2016 and 2015 financial statements are as follows:

a) Intangible fixed assets

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

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

THE USEFUL ECONOMIC LIVES ARE AS FOLLOWS:

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

Amortization

Intangible fixed assets are amortized as follows:

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

- financial 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;
- operational 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 asset is put into use.

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

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

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

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

b) Tangible fixed assets

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

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

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:

	POČET LET
Stavby	30
Stroje, přístroje a zařízení	4 – 12
Dopravní prostředky	4 – 6
Inventář	6

Tangible fixed assets are depreciated as follows:

- own assets – from the month they are put into use over their expected useful economic life;
- financial leases – acquisition cost less residual value is depreciated on a straight-line basis over

the life of the lease contract; depreciation starts on the day when the lessee receives the leased asset in a usable condition;

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

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

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

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

Low value tangible assets with a cost not exceeding CZK 40 thousand acquired for own use are expensed in the year of acquisition. A significant number of low value

tangible fixed assets are depreciated over a period of 24 or 36 months and charged to income on a straight-line basis.

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

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

c) Financial assets

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

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

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

d) Jointly controlled operations

The Company has a jointly controlled operations 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 states rules according to which expenses incurred in common and the operating profits or losses derived from the joint venture are shared among the venturers. Regarding share on 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.

The cooperation was terminated as of 31 January 2017.

e) Inventory

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

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

f) Receivables

Receivables are stated at nominal value less an allowance for doubtful amounts. An allowance for doubtful amounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers.

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

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

Allowances against other overdue receivables, against dealers' financing, against consumer credits and against advances granted are created on the basis of the receivables ageing structure and based on previous experience as to the repayment of those receivables in the entire receivables portfolio.

g) Derivatives

Derivative financial instruments including currency forwards and interest rate swaps are initially recognised on the balance sheet at cost and are subsequently re-measured at their fair value. Fair values are derived from standard models with the use of exclusively market parameters. Development of cash-flows from interest rate swaps depends on contractual conditions and development of

market interest rates (PRIBOR, EURIBOR). All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively.

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

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

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

h) Equity

The share capital of the Company is stated at the amount recorded in the Commercial Register. Other capital funds consist donations into intangible assets 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. In subsequent years 5% of profit after tax is allocated to legal reserve fund until the fund reaches 20% of share capital. The Board of the Company decides about the utilization of reserve fund.

i) Employee benefits

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

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

j) 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 met.

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.

k) Foreign currency transactions

Foreign currency assets and liabilities are translated into Czech crowns at the quarterly fixed rate set for the period from the last day of the previous quarter to the last but one day of the following quarter. The fixed rate represents a daily exchange rate published by the Czech National Bank ("CNB") on the day immediately preceding the relevant quarter. The CNB daily exchange rate is used for invoices received in foreign currency, for monthly recalculations of current account balances, liabilities from loans and the balance of issued bills of exchange. At the balance sheet date, monetary items are adjusted to reflect the exchange rates published by the CNB as at 31 December.

All exchange gains and losses on cash, receivables and liabilities balances excluding those related to cash-flow hedges are recorded in the income statement and presented net.

l) Recognition of revenues and expenses

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

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

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

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

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

Interest on consumer credit is calculated from its principal value. Interest and relevant insurance expenses

are accrued and outstanding amounts are included within the balance of the respective credit.

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

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

m) Related parties

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

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

n) Use of estimates

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

o) Income Tax

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

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

p) Cash-flow statement

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

q) 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.

4. FIXED ASSETS

a) Intangible fixed assets

INTANGIBLE FIXED ASSETS FOR OWN USE				
	PATENTS, ROYALTIES AND SIMILAR RIGHTS	SOFTWARE	INVESTMENT IN PROGRESS	TOTAL
Cost				
Balance as at 1/ 1/ 2015	199	378,064	27,056	405,319
Additions	–	40,426	–	40,426
Disposals	–	–	(6,976)	(6,976)
Balance as at 31/ 12/ 2015	199	418,490	20,080	438,769
Additions	–	11,665	29,970	41,635
Balance as at 31/ 12/ 2016	199	430,155	50,050	480,404
Accumulated amortization				
Balance as at 1/ 1/ 2015	199	223,667	–	223,866
Additions to accumulated amortization	–	33,478	–	33,478
Balance as at 31/ 12/ 2015	199	257,145	–	257,344
Additions to accumulated amortization	–	31,971	–	31,971
Balance as at 31/ 12/ 2016	199	289,116	–	289,315
Net book value as at 1/ 1/ 2015	–	154,397	27,056	181,453
Net book value as at 31/ 12/ 2015	–	161,345	20,080	181,425
Net book value as at 31/ 12/ 2016	–	141,039	50,050	191,089

The total value of small intangible fixed assets (for own use) which are not reflected in the accompanying balance sheet was CZK 1,159 thousand and CZK 1,146 thousand at cost as at 31 December 2016 and 2015, respectively.

b) Tangible fixed assets

TANGIBLE FIXED ASSETS AT NET BOOK VALUE		
	31/ 12/ 2016	31/ 12/ 2015
Tangible fixed assets for own use	49,994	50,969
Tangible fixed assets used for financial and operational leases	19,340,875	16,243,279
Low value tangible fixed assets used for financial and operational leases	109,842	121,527
Total	19,500,711	16,415,775

TANGIBLE FIXED ASSETS FOR OWN USE						
	LAND AND BUILDINGS	MACHINERIES AND EQUIPMENTS	VEHICLES	OTHER TANGIBLES	TANGIBLES IN PROGRESS	TOTAL
Cost						
Balance as at 1/ 1/ 2015	71,017	66,436	54,272	5,421	–	197,146
Additions	81	3,895	8,003	116	1,707	13,802
Disposals	(46,951)	(3,902)	(5,453)	(250)	–	(56,556)
Balance as at 31/ 12/ 2015	24,147	66,429	56,822	5,287	1,707	154,392
Additions	38	4,005	11,020	0	610	15,637
Disposals	–	(2,282)	(11,187)	(46)	–	(13,515)
Balance as at 31/ 12/ 2016	24,185	68,152	56,655	5,241	2,317	156,550
Accumulated depreciation						
Balance as at 1/ 1/ 2015	18,681	52,090	34,750	4,929	–	110,450
Additions to accumulated depreciation	31,512	5,068	11,777	189	–	48,546
Disposals	(45,968)	(3,902)	(5,453)	(250)	–	(55,573)

TANGIBLE FIXED ASSETS FOR OWN USE – continuation

Balance as at 31/ 12/ 2015	4,225	53,256	41,074	4,868	–	103,423
Additions to accumulated depreciation	414	6,242	9,884	108	–	16,648
Disposals	–	(2,282)	(11,187)	(46)	–	(13,515)
Balance as at 31/ 12/ 2016	4,639	57,216	39,771	4,930	–	106,556
Net book value as at 1/ 1/ 2015	52,336	14,346	19,522	492	–	86,696
Net book value as at 31/ 12/ 2015	19,922	13,173	15,748	419	1,707	50,969
Net book value as at 31/ 12/ 2016	19,546	10,936	16,884	311	2,317	49,994

TANGIBLE FIXED ASSETS USED FOR FINANCIAL AND OPERATIONAL LEASES

	MACHINERIES AND EQUIPMENTS	PASSENGER VEHICLES	UTILITY VEHICLES	OPERATIONAL LEASES	FURNITURE AND FIXTURES	TANGIBLES IN PROGRESS	ADVANCES	TOTAL
Cost								
Balance as at 1/ 1/ 2015	7,293,330	1,509,265	7,266,773	5,422,872	1,274	15,206	474,311	21,983,031
Additions	1,807,265	321,927	2,037,296	3,629,851	523	22,378	–	7,819,240
Disposals	(932,554)	(441,321)	(1,288,581)	(1,073,913)	–	–	(389,587)	(4,125,956)
Reclassification from/to own assets	(76,386)	–	–	76,386	–	–	–	–
Balance as at 31/ 12/ 2015	8,091,655	1,389,871	8,015,488	8,055,196	1,797	37,584	84,724	25,676,315
Additions	1,178,296	341,949	2,168,203	4,735,313	–	–	107,887	8,531,648
Disposals	(1,102,577)	(351,472)	(1,578,786)	(1,519,814)	–	(5,143)	–	(4,557,792)
Balance as at 31/ 12/ 2016	8,167,374	1,380,348	8,604,905	11,270,695	1,797	32,441	192,611	29,650,171

TANGIBLE FIXED ASSETS USED FOR FINANCIAL AND OPERATIONAL LEASES – continuation								
Accumulated depreciation and allowances								
Balance as at 1/ 1/ 2015	2,810,647	904,856	3,299,910	1,670,493	130	–	4,314	8,690,350
Additions to accumulated depreciation	1 273 077	320 422	1 587 461	1 387 857	377	0	0	4 569 194
Disposals	(989,263)	(441,321)	(1,288,581)	(1,073,913)	–	–	–	(3,793,078)
Reclassification from/to own assets	(19,677)	–	–	19,677	–	–	–	–
Allowances	(17,554)	(1,917)	(16,292)	1,974	–	–	359	(33,430)
Balance as at 31/ 12/ 2015	3,057,230	782,040	3,582,498	2,006,088	507	–	4,673	9,433,036
Additions to accumulated depreciation	1,343,970	318,827	1,752,709	1,949,578	383	–	–	5,365,467
Disposals	(1,102,577)	(351,472)	(1,578,786)	(1,519,814)	–	–	–	(4,552,649)
Allowances	53,396	(372)	12,364	(2,178)	–	–	232	63,442
Balance as at 31/ 12/ 2016	3,352,019	749,023	3,768,785	2,433,674	890	–	4,905	10,309,296
Net book value as at 1/ 1/ 2015	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	5,034,425	607,831	4,432,990	6,049,108	1,290	37,584	80,051	16,243,279
Net book value as at 31/ 12/ 2016	4,815,355	631,325	4,836,120	8,837,021	907	32,441	187,706	19,340,875

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

LOW VALUE TANGIBLE FIXED ASSETS USED FOR FINANCIAL AND OPERATIONAL LEASES			
	FINANCIAL LEASES	FINANCIAL LEASES	TOTAL
Cost			
Balance as at 1/ 1/ 2015	35,941	174,697	210,638
Additions	9,747	49,104	58,851
Disposals	(11,606)	(56,609)	(68,215)
Balance as at 31/ 12/ 2015	34,082	167,192	201,274
Additions	2,956	41,392	44,348
Disposals	(5,243)	(30,885)	(36,128)
Balance as at 31/ 12/ 2016	31,795	177,699	209,494
Accumulated depreciation			
Balance as at 1/ 1/ 2015	18,742	73,080	91,822
Additions to accumulated depreciation	9,193	46,947	56,140
Disposals	(11,606)	(56,609)	(68,215)
Balance as at 31/ 12/ 2015	16,329	63,418	79,747
Additions to accumulated depreciation	7,843	48,190	56,033
Disposals	(5,243)	(30,885)	(36,128)
Balance as at 31/ 12/ 2016	18,929	80,723	99,652
Net book value as at 1/ 1/ 2015	17,199	101,617	118,816
Net book value as at 31/ 12/ 2015	17,753	103,774	121,527
Net book value as at 31/ 12/ 2016	12,866	96,976	109,842

The Company provides low value tangible assets on financial and operational leases since 2005.

The total value of low value tangible fixed assets (for own use) which are not reflected in the accompanying balance sheet was CZK 54,154 thousand and CZK 55,570 thousand at cost as at 31 December 2016 and 2015, respectively.

The assets are not encumbered by any liens or easements.

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

c) Long-Term Financial Investments

As at 31.12.2016 and 31.12.2015, the Company owned a share in subsidiary ČSOB Leasing pojišťovací makléř, s.r.o. with registered office Na Pankráci 60/310, Prague 4. Following financial information are derived from the audited financial statements of the subsidiary.

LONG-TERM FINANCIAL INVESTMENTS		
	31/ 12/ 2016	31/ 12/ 2015
Percentage of ownership	100	100
Total assets	199,970	164,656
Equity	182,846	151,173
Basic capital and capital funds	2,000	2,000
Funds created from profit	200	200
Profit for the current year	180,646	148,973
Acquisition cost of interest	2,000	2,000
Nominal value of interest	2,000	2,000
Dividends paid	148,973	139,640

5. RECEIVABLES

RECEIVABLES		
	31/ 12/ 2016	31/ 12/ 2015
Long-term trade receivables	11,871,732	10,537,290
Other long-term receivables	3,016	8,793
Total long-term receivables	11,874,748	10,546,083
Allowances against long-term receivables	(34,867)	–
Total residual value of long-term receivables	11,839,881	10,546,083
Short-term trade receivables	10,353,440	10,135,312
Other short-term receivables	179,590	229,397
Total short-term receivables	10,533,030	10,364,709
Allowances against short-term trade receivables	(1,183,309)	(1,575,070)
Total residual value of short-term receivables	9,349,721	8,789,639
Total receivables	21,189,602	19,335,722

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

AGEING STRUCTURE OF SHORT-TERM TRADE RECEIVABLES:

OVERDUE CATEGORY	31/ 12/ 2016	31/ 12/ 2015
30 days or less	186,379	205,630
31–60 days	20,773	20,254
61–90 days	9,201	9,280
91–184 days	27,254	21,772
185–365 days	79,996	35,040
From 1 year to 5 years	507,664	561,437
Over 5 years	633,912	877,928
Total overdue	1,465,179	1,731,341
Before maturity	8,888,261	8,403,971
Total short-term trade receivables	10,353,440	10,135,312

TRADE RECEIVABLES:

	31/ 12/ 2016 SHORT-TERM	31/ 12/ 2016 LONG-TERM	31/ 12/ 2015 SHORT-TERM	31/ 12/ 2015 LONG-TERM
Receivables from financial leases	760,292	–	957,079	–
Receivables from operational leases	295,109	–	208,823	–
Receivables from hire purchases	10,884	–	11,018	–
Receivables from customer credits	7,505,900	11,871,732	7,121,476	10,532,050
Dealers' financing receivables	1,185,956	–	1,179,996	5,240
Factoring of receivables	338,327	–	372,796	–
Other trade receivables	256,972	–	284,124	–

TRADE RECEIVABLES – continuation

	31/ 12/ 2016 SHORT-TERM	31/ 12/ 2016 LONG-TERM	31/ 12/ 2015 SHORT-TERM	31/ 12/ 2015 LONG-TERM
Total trade receivables	10,353,440	11,871,732	10,135,312	10,537,290
Allowances	(1,183,309)	(34,867)	(1,575,070)	–
Net value of trade receivables	9,170,131	11,836,865	8,560,242	10,537,290

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

OTHER RECEIVABLES:

	31/ 12/ 2016	31/ 12/ 2015
Due from government – tax receivables	122,421	179,877
Estimated receivables	53,209	44,510
Short-term advances paid	894	1,694
Other receivables	3,066	3,316
Total other short-term receivables	179,590	229,397
Positive fair value of financial derivatives (Note 14)	3,016	8,793
Total other long-term receivables	3,016	8,793

Estimated receivables represent, in particular, accruals for income from prematurely terminated customer contracts and revenues from jointly controlled operations. Related parties receivables are disclosed within note 19.

6. ALLOWANCES

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

In addition, the Company wrote-off irrecoverable receivables in the amount of CZK 422,043 thousand and CZK 655,804 thousand in 2016 and 2015, respectively because of bankruptcy proceedings were completed, claims in bankruptcy proceedings have been denied or receivables have been settled.

CHANGES IN THE ALLOWANCES FOR DOUBTFUL ACCOUNTS AND FIXED ASSETS

ALLOWANCES FOR:	BALANCE AS AT 1/1/ 2015	ADDITIONS	DEDUCTIONS	BALANCE AS AT 31/ 12/ 2015	ADDITIONS	DEDUCTIONS	BALANCE AS AT 31/ 12/ 2016
Fixed assets	73,665	7,604	(41,393)	39,876	106,764	(43,555)	103,085
Advances for fixed assets	4,313	1,958	(1,599)	4,672	682	(449)	4,905
Receivables – legal	1,071,300	36,481	(352,879)	754,902	16,526	(215,938)	555,490
Receivables – other	1,196,796	10,018	(386,646)	820,168	31,330	(188,812)	662,686
Total allowances	2,346,074	56,061	(782,517)	1,619,618	155,302	(448,754)	1,326,166

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

7. SHORT-TERM FINANCIAL ASSETS

The Company has open overdraft with ČSOB (in CZK, EUR and USD) which entitles them to draw loan up to the amount of CZK 400,000 thousand. As at 31 December 2016 and 2015, the drawn element of the overdraft was CZK 324,238 thousand and CZK 159,301 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 value assets of considerable value, etc., which are charged to income in the year in which they were incurred.

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

9. EQUITY

The share 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 share 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.

Other funds from profit are designated for expenses related to social events for employees, payment of public transport passes, costs of beverages in the workplace, etc.

Furthermore, on 10 June 2015 and on 22 October 2015 the Company has signed contracts on Voluntary financial contribution outside the share capital with Československá obchodní banka, a.s. Based on these contracts, Československá obchodní banka, a.s. has contributed to the Company's capital in the amount of CZK 1,200,000 thousand, CZK and 1,000,000 thousand, respectively.

The Annual General Meetings held on 19 May 2016 and 3 June 2015, respectively, approved the transfer of profit for 2015 and 2014 to retained earnings.

The Annual General Meeting held on 19 May 2016 and on 3 June 2015 further approved the dividend payment from retained earnings in the amount of CZK 677,121 thousand and CZK 469,050 thousand, respectively. Profit for the year 2016 would be transferred to retained earnings.

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

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

10. PROVISIONS

PROVISIONS			
	PROVISION FOR INCOME TAX	PROVISION FOR LITIGATION	TOTAL
Opening balance as at 1/ 1/ 2015	–	7,456	7,456
Additions	14,239	3,479	17,718
Deductions/Reversal	(14,239)	(1,751)	(15,990)
Closing balance as at 31/ 12/ 2015	–	9,184	9,184
Additions	129,875	1,586	131,461
Deductions	(15,084)	(3,115)	(18,199)
Closing balance as at 31/ 12/ 2016	114,971	7,655	122,446

Advances for income tax of CZK 15,084 thousand paid by the Company by 31 December 2016 are netted off with the provision for income tax of CZK 129,875 thousand as at 31 December 2016.

As at 31 December 2015 the prepayments paid in the amount of CZK 58,323 thousand enhanced the expected tax expense of CZK 14,239 thousand by CZK 44,084 thousand. This amount was disclosed within other short-term receivable.

11. LIABILITIES

LIABILITIES	31/ 12/ 2016	31/ 12/ 2015
Long-term bank loans (Note 12)	12,417,620	12,245,807
Long-term advances received	12,482	4,060
Deferred tax liability	789,068	848,541
Other liabilities – negative fair value of derivatives (Note 14)	65,465	59,921
Total long-term liabilities	13,284,635	13,158,329
Short-term bank loans (Note 12)	10,524,711	13,029,429
Short-term bills of exchange payable (Note 12)	7,646,494	-
Short-term trade liabilities and advances received	408,276	467,961
Short-term liabilities – subsidiaries and controlling party (Note19)	60,000	50,000
Other short-term liabilities	317,585	361,484
Total short-term liabilities	18,957,066	13,908,874

As at 31 December 2016 and 2015, long-term advances were received as security for collateral of receivables arising from customer contracts.

SHORT-TERM TRADE PAYABLES AND ADVANCES RECEIVED:		
	31/ 12/ 2016	31/ 12/ 2015
Financial lease installments received before maturity	137,152	133,388
Advances received for financial leases	2,201	1,164
Trade payables	261,366	328,245
Other trade payables	7,557	5,164
Total short-term trade payables and advances received	408,276	467,961

OTHER SHORT-TERM PAYABLES:		
	31/ 12/ 2016	31/ 12/ 2015
Liabilities to employees	18,311	13,501
Social and health insurance	8,372	7,092
Taxes payables	4,028	2,878
Estimated payables	284,985	336,179
Negative fair value of derivatives (Note 14)	1,694	1,501
Other payables – other	175	333
Total other short-term liabilities	317,585	361,484

As at 31 December 2016 and 2015, the Company had overdue current payables of CZK 78,221 thousand and CZK 107,034 thousand, respectively.

The Company has no payables that were secured by collateral or guarantees in favour of a creditor. Estimated payables represent, in particular, unin-

voiced insurance costs of assets relating to financial and operational leases, properties and services received but not invoiced and accruals regarding commissions and rent.

Related party payables are described in Note 19.

12. BANK LOANS AND BORROWINGS

BANK LOANS AND BORROWINGS		
	31/ 12/ 2016	31/ 12/ 2015
Short-term bank loans and overdrafts	10,524,711	13,029,429
Long-term loans	12,417,620	12,245,807
Short-term borrowings (bills of exchange payable)	7,646,494	–
Bank loans and borrowings	30,588,825	25,275,236

The interest expense relating to bank loans and borrowings for 2016 and 2015 was CZK 247,005 thousand and CZK 269,257 thousand, respectively. The Company does not capitalize interest on loans as part of the purchase price of tangible fixed assets.

BREAKDOWN OF SHORT- AND LONG-TERM ITEMS:		
	31/ 12/ 2016	31/ 12/ 2015
Overdrafts	324,238	159,301
Short-term loans	578,215	2,203,368
Long-term loans – part due within 1 year	9,622,258	10,666,760
Short-term bank loans and overdrafts	10,524,711	13,029,429
Long-term loans – due over 1 year and within 5 years	10,399,038	10,779,727
Long-term loans – due over 5 years	2,018,582	1,466,080
Long-term bank loans	12,417,620	12,245,807
Short-term borrowings (bills of exchange payable)	7,646,494	–

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

rate risk, are drawn on a monthly basis. In 2016, the average interest rate accruing on the above bank loans and borrowings amounted to 0.94% (in 2015: 1.14%). The average interest rate in case of

bills of exchange was 0.37% in 2016. 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

Accrued expenses consist of, in particular, accrued interest on loans, which are charged to expense in the year in which they were incurred.

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

14. DERIVATIVES

The Company has concluded several derivative contracts which are further classified as derivatives held for trading or as hedging derivatives. As at 31 December 2016 and 2015, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively (see Note 5 and 11).

The following table summarizes face values and positive or negative fair values of outstanding derivatives held for trading as at 31 December:

PŘEHLED NOMINÁLNÍCH ČÁSTEK						
	31/ 12/ 2016			31/ 12/ 2015		
	FAIR VALUE			FAIR VALUE		
	CONTRACTUAL/ FACE VALUE	POSITIVE	NEGATIVE	CONTRACTUAL/ FACE VALUE	POSITIVE	NEGATIVE
Derivatives held for trading						
Interest rate swaps						
Due within 1 year	11,348	–	(428)	11,000	–	(31)
Due over 1 year	31,000	–	(188)	3,243	–	(1,994)
Total derivatives held for trading	42,348	–	(616)	14,243	–	(2,025)

CHANGE IN FAIR VALUE OF DERIVATIVES RECORDED IN PROFIT AND LOSS ACCOUNT:

(CZK'000)	2016	2015
As at 1 January	(2,017)	(3,698)
Fair value of interest rate swaps settled in current period	30	–
Increase in fair value	1,453	1,681
As at 31 December	(534)	(2,017)

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

(CZK'000)	31/ 12/ 2016			31/ 12/ 2015		
	CONTRACTUAL/ FACE VALUE	FAIR VALUE POSITIVE	FAIR VALUE NEGATIVE	CONTRACTUAL/ FACE VALUE	FAIR VALUE POSITIVE	FAIR VALUE NEGATIVE
Derivatives hedging cash flows						
Interest rate swaps (interest rate hedge)						
Due within 1 year	228,901	–	(1,266)	199,809	–	(1,462)
Due over 1 year	12,838,074	3,016	(65,277)	8,893,107	8,793	(57,927)
Currency forwards (FX rate hedge)						
Due within 1 year	–	–	–	2,363	–	(8)
Total hedging derivatives	13,066,975	3,016	(66,543)	9,095,279	8,793	(59,397)

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

CHANGE IN FAIR VALUE OF DERIVATIVES RECORDED IN EQUITY:

(CZK'000)	2016	2015
As at 1 January	(40,459)	(70,831)
Fair value of interest rate swaps bought in current period	(2,655)	969
Fair value of interest rate swaps settled in current period in P&L	408	3 637
Increase / (decrease) in fair value	(13,021)	25 766
As at 31 December	(55,727)	(40,459)

15. INCOME TAXES

15. INCOME TAXES		
(CZK'000)	2016	2015
Profit before taxes	495,328	808,259
Non-taxable revenues	(162,566)	(162,057)
Difference between book and tax depreciation	(193,435)	(802,567)
Difference between book and tax net book value of disposed assets	428,433	336,039
Non-deductible expenses	115,791	(104,731)
Creation of allowances, net	(94,040)	(410,058)
Creation of provisions, net	(1,528)	1,728
Other (e.g. entertainment expenses, write offs of receivables, shortages and losses)	211,359	303,599
Taxable income	683,551	74,943
Current income tax rate	19%	19%
Tax	129,875	14,239
Adjustment of the tax paid in previous years	3,833	3,742
Current tax expense	133,708	17,981

THE COMPANY QUANTIFIED DEFERRED TAXES AS FOLLOWS:

ITEMS SUBJECT TO DEFERRED TAX	2016		2015	
	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	–	(826,375)	–	(877,745)
Other temporary differences:				
Allowances against receivables	14,990	–	9,788	–

THE COMPANY QUANTIFIED DEFERRED TAXES AS FOLLOWS:

ITEMS SUBJECT TO DEFERRED TAX	2016		2015	
	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY
Valuation differences from cash flows hedging derivatives	10,588	-	7,687	-
Bonuses and social and health insurance contributions	11,653	-	12,150	-
Valuation differences from cash flows from operational lease hedging derivatives	-	(3,237)	-	(421)
Non-deductible estimations on operating lease services	3,313	-	-	-
Total	40,544	(829,612)	29,625	(878,166)
Net		(789,068)		(848,541)

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 2016 and 2015, the Company recorded a deferred tax liability of CZK 789,068 thousand and CZK 848,541 thousand, respectively.

16. COMMITMENTS AND CONTINGENCIES

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

COMMITMENTS AND CONTINGENCIES

(CZK'000)	2016	2015
Due in one year	21,365	21,365
Due after one year	8,964	30,329
Contract commitments total	30,329	51,694

17. REVENUES

THE BREAKDOWN OF OPERATING REVENUES IS AS FOLLOWS:

	2016	2015
Revenues from hire purchase and sale of used automobiles	23,746	16,925
Revenues from sales of goods	23,746	16,925
Revenues from finance and operating leases	5,717,430	5,163,194
Fees for hire purchase and consumer credit	2,109	1,777
Revenues from sale of own products and services	5,719,539	5,164,971
Revenues from sales of assets from prematurely terminated lease contracts	888,177	614,451
Revenues from sales of assets from regularly terminated finance lease contracts	6,548	13,858
Revenues from sale of assets for own use	4,496	32,741
Revenues from sales of fixed intangible and tangible assets	899,221	661,050
Contractual penalties, interest for delayed payments and other operating revenues	11,837	11,939
Other revenues from contractual and intermediary activities	682,785	653,573
Revenues from prematurely terminated contracts	226,329	167,305
Revenues from sale of receivables	10,815	8,849
Other operating income	931,766	841,666
Interest on bank accounts	6	1
Contractual interest on loans for suppliers	26,421	22,606
Interest on customer credit	745,872	737,546
Interest income	772,299	760,153

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 2016 and 2015, the fees represented net income of CZK 32,360 thousand and

CZK 25,939 thousand, respectively, which are shown within other operating income from contractual and intermediary activities.

18. PERSONNEL EXPENSES

THE BREAKDOWN OF PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES, MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES:

	2016		2015	
	number	(CZK thousands)	number	(CZK thousands)
Emoluments to the Board of Directors	3	18,308	3	20,350
Emoluments to members of the Supervisory Board	6	–	6	–
Wages and salaries to other management	29	55,454	29	52,069
Wages and salaries to other employees	334	226,423	304	195,498
Social security costs	–	96,178	–	85,475
Other social costs	–	10,811	–	9,408
Wages and salaries total		407,174		362,800

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 2016 and 2015 and they do not hold any shares of the Company.

As at 31 December 2016 and 2015, the members of the Board of Directors and senior management use company cars also for private purposes, with a total cost of CZK 18,796 thousand and CZK 17,886 thousand, respectively, and with a net book value of CZK 4,380 thousand and CZK 6,214 thousand, respectively.

As at 31 December 2016, the members and former members of the Board of Directors and of the Supervisory Board has four customers' contracts with the Company; the value of future installments of the Board of Directors' and Supervisory Board's members totaled CZK 1,193 thousand and CZK 372 thousand (respectively, as at 31 December 2015 3 contracts with the value of future installments of CZK 54 thousand and CZK 62 thousand).

In 2016 and 2015, the Company received dividends from its subsidiary ČSOBL PM in the amount of

CZK 148,973 thousand and CZK 139,640 thousand, respectively.

In 2016 and 2015, the Company recorded an interest expense resulting from a short-term loan granted by ČSOBL PM in the amount of CZK 380 thousand and CZK 389 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 2016 and 2015:

EXPENSES		
	2016	2015
ČSOB – interest on loans received	240,665	269,258
ČSOB – interest on loans received	36,067	43,001
ČSOB – interest on bills of exchange	6,340	–
ČSOB Leasing pojišťovací makléř, s.r.o. – interest on loans and insurance intermediation	380	7,640
ČSOB – rent and other related services, telephones, other expenses	95,609	33,405
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – insurance costs	376,635	336,006
Hypoteční banka, a.s. – fleet management	1,110	1,178
ČSOB – fleet management	22,886	28,816
ČSOB Factoring, a.s. – fleet management	7	54
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – fleet management	1,006	1,163
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – rent and other related services	28	395
Českomoravská stavební spořitelna, a.s. – operational lease	901	1,023
KBC Global Services Czech Branch, organizační složka – IT services	–	60,509
KBC Group N.V.	10,597	10,476
Patria Online, a.s. – services	30	151
První certifikační autorita, a.s.	13	6
Patria Finance CF, a.s. – services	1,347	192
ČSOB Penzijní společnost, a.s., člen skupiny ČSOB – fleet management	36	125
Total expenses	793,657	793,398

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INCOME		
	2016	2015
ČSOB – intermediary commission, re-invoicing	1 691	599
ČSOB – fleet management	39 672	42,977
ČSOB – revaluation of derivatives	174	826
ČSOB – interest on bank accounts	6	1
CSOB – sale of technical improvement	–	30,000
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – insurance commissions and insurance claims	49 105	33,026
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – fleet management	3 969	4,472
ČSOB Leasing pojišťovací makléř, s.r.o. – other income	7 477	8,869
KBC Global Services Czech Branch, organizační složka – rent and ICT transfer	–	3,163
ČSOB Factoring, a.s. – fleet management and other services	4 076	3,191
Českomoravská stavební spořitelna, a.s. – operational lease	4 754	6,870
Hypoteční banka, a.s. – fleet management	7 963	8,595
ČSOB Penzijní společnost, a.s., člen skupiny ČSOB – fleet management	423	384
Total income	119,310	142,973

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

ASSETS	31/ 12/ 2016	31/ 12/ 2015
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – trade receivables and accrued insurance claims	13,857	1,832
ČSOB – advances paid for rent related services	250	411
ČSOB – fair value of financial derivatives (Note 5 and 14)	3,016	8,793
ČSOB – other	3,515	3,390
ČSOB Leasing pojišťovací makléř, s.r.o. – trade receivables	82	839
ČSOB Factoring, a.s. – trade receivables	700	376
Českomoravská stavební spořitelna a.s. – trade receivables	252	667
Hypotéční banka, a.s. – trade receivables	816	1,895
ČSOB Penzijní společnost, a.s., člen skupiny ČSOB	60	38
Total assets	22,548	18,241
LIABILITIES	31/ 12/ 2016	31/ 12/ 2015
ČSOB – loans (including overdrafts) (Note 12)	22,942,331	25,275,236
ČSOB – issued bills of exchanges	7,646,494	–
ČSOB – fair values of derivatives (Notes 11 and 14)	67,159	61,422
KBC Global Services Czech Branch, organizační složka	–	21,551
KBC Group N.V.	1,634	727
ČSOB – other	1,572	1,438
ČSOB Leasing pojišťovací makléř, s.r.o. – loans (Note 11)	60,000	50,000
ČSOB Pojišťovna, a.s., člen holdingu ČSOB – insurance premiums	34,892	26,832
Total liabilities	30,754,082	25,437,206

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

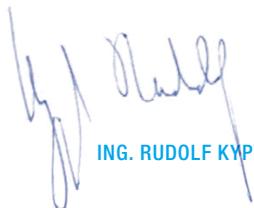
No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2016.

PREPARED ON: 27/ 3/ 2017

Signature of accounting unit's statutory body:



ING. LIBOR BOSÁK



ING. RUDOLF KYPTA

Person responsible for accounting (name, signature):



ING. PAVEL BURŠA

Person responsible for financial statements (name, signature):



ING. PAVEL BURŠA

The accompanying Balance sheet, Income statement, Cash-flow statement and Statement of changes in shareholder's equity are an integral part of the financial statements.

RELATED PARTIES REPORT

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. 639 98 980, 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. as 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 of common business nature.

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

COMPANY	BUSINESS ADDRESS	
Českomoravská stavební spořitelna, a.s.	Vinohradská 3218/169, 100 17 Praha 10	Czech Republic
Československá obchodní banka, a. s.	Radlická 333/150, 150 57 Praha 5	Czech Republic
ČSOB Factoring, a.s.	Benešovská 2538/40, 101 00 Praha 10 – Vinohrady	Czech Republic
ČSOB Leasing, a.s.	Panónska cesta 11, 852 01 Bratislava	Slovak Republic
ČSOB Leasing pojišťovací makléř, s.r.o.	Na Pankráci 60/310, 140 00 Praha	Czech Republic
ČSOB Penzijní společnost, a. s., a member of the ČSOB group	Radlická 333/150, 150 57 Praha 5	Czech Republic
ČSOB Pojišťovna, a. s., a member of the ČSOB holding	Masarykovo náměstí 1458, 532 18 Pardubice – Zelené předměstí	Czech Republic
Hypoteční banka, a.s.	Radlická 333/150, 150 57 Praha 5	Czech Republic
KBC Group NV (legal entity)	Havenlaan 2, 1080 Brussels (Sint-Jans Molenbeek)	Belgium
Patria Online, a.s.	Jungmannova 745/24, 110 00 Praha 1	Czech Republic
Patria Corporate Finance, a.s.	Jungmannova 745/24, 110 00 Praha 1	Czech Republic
První certifikační autorita, a.s.	Podvinný mlýn 2178/6, 190 00 Praha 9	Czech Republic

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 Corporations Act.

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 in the field of consolidated risk management, auditing and compliance with prudential rules arising from legal requirements that apply for financial institutions.

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 in interest of the controlling entity or its controlled entities that would affected a property that exceeds 10 % of the Company's 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 of the substantially same terms, including interest rates and security, as for comparable transactions with third party counterparties. The Company incurred no damage from the fulfillment of these contracts.

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

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

LEASING SERVICES

Operating leases

In the Reporting Period, the Company entered into lease agreements with some Related Parties. Alternatively, in the Reporting Period the Company provided performance to the relevant Related Parties on the basis of lease agreements which were concluded during 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 concluded during 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 concluded during 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 concluded during 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, promissory notes and bonds, guarantees

In the Reporting Period, the Company entered into agreements with some Related Parties regarding loans, the promissory note program and promissory note procurement, and on guarantee acceptance. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of agreements concluded during prior reporting periods. The Company provided counter-performance in the form of payment of loan interests and principals, fees and commissions for promissory notes 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 regarding 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 concluded during 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 regarding employee benefits or had concluded 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 mediation of 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 concluded during 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 regarding 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 concluded during 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 regarding 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 concluded during prior reporting periods. Based on the agreement about transfer of IT services, formerly outsourced employees of the Controlling entity were transferred under employment of the Company since 1 April 2016.

The Related Parties provided counter-performance in the form of payment for the services, licenses rendered, provision of HW or SW and compensation for the transfer of ICT services from the Controlling entity to the Company. 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 regarding provision of call center 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 regarding provision of 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 regarding business representation, insurance brokerage and administration and related activities. Alternatively, in the Reporting Period the Related Parties provided performance on the basis of agreements concluded during the prior reporting periods. The Related Parties provided counter-performance in the form of commissions paid or provision of the agreed upon services. All agreements were concluded under standard business terms and conditions.

Agreements on Providing Services – Other Supporting Services

In the accounting period, the Company concluded agreements or had concluded agreements from previous accounting periods regarding co-operation and provision of 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 together with administrative support. The consideration consisted of services and contractual commissions. ČSOBL also concluded agreements regarding personal data processing or transmission of information, maintenance of confidentiality, 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 from the previous accounting periods regarding the purchase of used cars and its sale to third parties. The consideration consisted of contractual commissions. The contracts and agreements were concluded under standard business terms and conditions.

Agreement on sharing and provision of IT property

In the accounting period, the Company concluded agreements or had concluded agreements from the previous accounting periods regarding sharing of IT property, especially servers, disc capacity and virtual architecture and provision of relating IT services. The consideration consisted of contractual commissions.

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

DIVIDENDS AND OTHER MEASURES

On 19 May 2016, Československá obchodní banka, a.s. being a single shareholder within scope of competence of General Meeting decided on distribution of 2015 profit in the way that profit (dividends) in the value of 677 121 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 relationships 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 in the fields of effective cost management, human resources and help with processes setting in order 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 especially provides leasing services to companies within the group such as financial and 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 comprise of mainly the fair value of derivative financial instruments and debt instruments.

Mutual cooperation of the companies within the KBC and ČSOB groups as well as other companies, which are controlled by ČSOB, supports strengthening of a common market position and allows extension of

range of offered financial services for their clients in the area of products portfolio including mortgages and building savings loans, asset management, collective investment, pension fund products, leasing, factoring as well as insurance products and stock trading on financial markets.

9. ACCOUNTING PERIOD

This report describes relations for the accounting period from 1 January 2016 to 31 December 2016.

In Prague, 27 March 2017
ČSOB Leasing, a.s.

On behalf of the Board of Directors



LIBOR BOSÁK

Chairman of the Board of Directors

10. CONCLUSION

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

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



RUDOLF KYPTA

Chairman of the Board of Directors

OVERVIEW OF COMPANIES OF THE KBC GROUP AND THE ČSOB GROUP (31 DECEMBER 2016)



EXPLANATORY NOTES:

Percentage shares shown for individual companies are expressed from the ČSOB point of view as a parent company.
KBC Group is the sole shareholder of company KBC Bank and company KBC Insurance.
ČSOB is 100% owned and fully controlled by KBC Bank.

For complete overview of "other subsidiaries" of the KBC Group please refer to KBC's corporate website www.kbc.com, where detail information are available.
RC: registered capital VR: voting rights

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CONTACTS



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