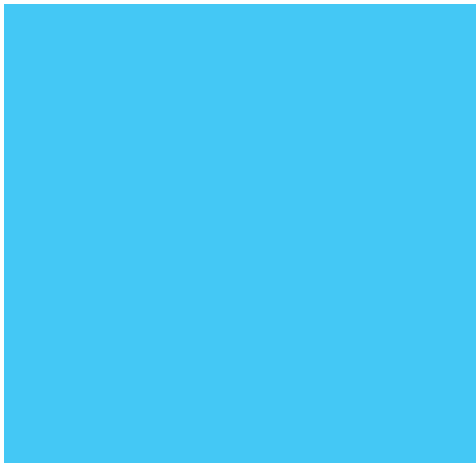




partnership  
sustainability  
responsibility



## Selected Key Indicators

	Units	2012	2011	2010	2009	2008
Total assets	CZK '000	82,146,845	80,172,286	76,715,196	76,062,079	70,705,039
Volume of client deposits	CZK '000	71,075,961	70,047,882	68,177,784	65,323,698	63,397,678
Total volume of loans	CZK '000	49,359,889	51,421,748	49,720,446	45,561,104	39,245,851
Volume of assigned loans	CZK '000	6,253,643	6,796,962	7,125,862	7,324,035	7,293,111
Volume of bridging loans	CZK '000	43,106,246	44,624,786	42,594,584	38,237,069	31,952,740
Net profit	CZK '000	1,122,737	1,050,659	930,141	739,668	580,255
Dividend declared for the business year	CZK '000	1,122,737	0	0	0	0
ROAE	%	19.92	22.38*	28.10	28.18	27.71
Assets per employee	CZK '000	240,195	219,050	215,492	205,573	192,133
Profit per employee (FTE)	CZK '000	3,283	2,871	2,613	1,999	1,577
Capital adequacy	%	20.8	16.3	13.4	11.1	9.7
Headcount (at 31 December)	person	342	366	356	370	368
Valid contracts	number	669,662	717,842	768,204	805,325	841,367
Active assigned loans	number	66,728	76,501	84,922	92,419	101,848
Active bridging loans	number	57,244	62,902	65,490	65,428	63,386

Note: \* The figure complies with CNB calculation methodology to Decree No. 123/2007 Coll. stipulating prudential rules for banks, savings and credit unions and investment firms.

Modrá pyramida is a modern and dynamic company which is profiled as a financial advisor offering comprehensive financial advisory services which are primarily based on a financial advisor-client relationship.

#### Volume of client deposits (CZK '000)

2011	70,047,882		<b>+1.5%</b>
2012	71,075,961		

#### Total volume of loans (CZK '000)

2011	51,421,748		<b>-4.0%</b>
2012	49,359,889		

#### Contacts

##### Modrá pyramida stavební spořitelna, a.s.

Bělehradská 128, č. p. 222  
120 21 Prague 2  
phone: +420 222 824 111  
e-mail: info@mpss.cz  
internet: www.modrapyramida.cz

##### Komerční banka, a.s.

Na Příkopě 33, 114 07 Prague 1  
Czech republic  
phone: +420 955 559 550  
fax: +420 224 243 020  
e-mail: mojobanka@kb.cz  
internet: www.kb.cz

#### Further information

Information about Modrá pyramida's products and services is accessible from the home page [www.mpss.cz](http://www.mpss.cz).

Data marked with \* in this annual report were not audited.

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Interview with the chairman of the Board of Directors

## Interview with the chairman of the Board of Directors of Directors



Year 2012 was not definitely easy, the Czech economy was in recession throughout the whole year, GDP decreased by 1.2%, people worried about gradually increasing unemployment rate, taking into account the rising prices the salaries actually decreased by 0.6% and there were further discussions about the building savings system changes.

**Mr. Chairman, how do you evaluate the past year?**

Despite the demanding conditions, that was a successful year both from the commercial and from the financial point of view for Modrá pyramida. We achieved the very good business results mainly because we managed to streamline the whole range of activities and processes without the necessity to reduce the business activities.

**Modrá pyramida has been undergoing the biggest transformation in its history, how would you assess the changes which were implemented last year?**

It was the third year of transformation into the provider of financial advisory which I personally regard as the crucial year. I can boldly say that what we had set to accomplish we indeed fulfilled. We completed our offer with other products so now our portfolio is complete and we can provide our clients with quality financial advisory based on drawing up individual financial plans. Also as very important, I consider the fact that we completed the Financial Planning Academy and thus we have a highly-developed training system for newcomers as well as for our own internal distribution managers. In view of the fact that we are changing the business model in a very fast pace, we spent great amount of energy on thorough communication of these changes both inside our company as well as towards our clients and the public. For example a novelty of the last year was a magazine for our clients "Finanční rádce" (Financial Advisor) which is primarily in electronic form in versions both for PC

and modern tablets iPad and android. Last autumn we launched a massive advertisement campaign and also entered the social networks. A quality communication is a prerequisite for building trust and long-lasting relationship between the client and the financial advisor.

**What, according to you, influenced the developments in Modrá pyramida the most?**

I would say that it was the preparation of pension reform and related discussions among the professional public and also in media. Thus people started thinking more about what their situation in the retirement would be like and they came to realize that all this primarily depended on them. Because the pension insurance scheme is an integral part of the financial advisory, it was natural that our financial advisors increased their activities in this direction. During the last year they took part in explaining the pension reform and concluded over 26 thousand pension contracts for KB Pension Fund. Also a great success was the fact that in spite of this we still managed to conclude more building savings contracts than in the previous year and the volume of clients' deposits increased too. And that without an advertisement campaign and at times of ongoing media debates on the future of the building savings.

**If you should briefly name the most important points of the transformation period, which would those be?**

The decision itself to change the business model when we started writing the wholly new chapter in the history of Modrá

pyramida, I personally consider crucial. We had marked out a new strategy which we very quickly started fulfilling. Just as how foresighted the decision was, it was confirmed by the legislative changes valid since year 2011 and also by the new proposed amendment to the Building Savings Act, which caused more than two years of continuous uncertainties and discussions about the future form of the whole system. Another important step was to include KB Mortgage into our offer and then final completion of our product package in form of other insurance products and mainly investments. All this we managed with very significant support and the quality background of Komerční banka Group and mainly with the high commitment of our employees, co-workers in the distribution network and also in Komerční banka. They all deserve great appreciation and gratitude.

**What have you entered the year 2013 with and is it to bring you?**

Primarily that we managed the existing transformation process as we planned and we have set the best conditions for providing fully-fledged financial advisory. Now we can expect no less demanding period of daily work. Now we want to keep developing our distribution network in order to utilize its maximum business potential, flexibility and mainly long-term relationship with the client. We will also keep supporting the Modrá pyramida brand and we anticipate our significance as a distribution channel within the Komerční banka Group to grow and to effectively complement branches of Komerční banka.



## The best success is the one which can be shared

... therefore we are a partner of the Amateur volleyball league, the unique nationwide competition of mixed non-registered players teams.

The Amateur volleyball league was established in 1995 and is the biggest competition of mixed non-registered volleyball player teams. Currently there are 7 thousand players all over the Czech Republic – it has been played in 10 towns and next year the organizers plan to cover some other regions. The main matches take place in sport halls on weekends from October to March and the nationwide finals, where the best regional teams compete, are the top of the season and the winner holds a title of the best mixed volleyball team in the Czech Republic. Modrá pyramida joined the AVL in 2010 not only as a "passive" partner but it is actively represented by its MOPY TEAM, thanks to which the colours of Modrá pyramida are visible in the sport halls even more.



# Profile

Modrá pyramida is a modern and dynamic company which is profiled as a financial advisor offering comprehensive financial advisory services which are primarily based on a financial advisor-client relationship. In addition to the traditional building savings products it offers mainly housing loans including mortgages but also insurance, banking services, consumer loans as well as certain long-term savings and investment products. The service to clients at a professional level is provided by financial advisors of Modrá pyramida in 218 consultancy centres and they try to be close to their clients also in other places throughout the Czech Republic.

## Shareholder Structure

**Company name:**  
Komerční banka, a.s.

**Registered office:**  
Na Příkopě 33, Prague 1,  
Czech Republic

**Ownership interest:**  
100%

**Registered number:**  
45317054

## Corporate Information

**Company name:**  
Modrá pyramida stavební  
spořitelna, a.s.

**Legal status:**  
public limited company

**Incorporated:**  
in the Register of Companies  
maintained at the Municipal  
Court in Prague, Section B,  
File 2281

**Registered office:** Bělehradská  
128/222, 120 21 Prague 2,  
Czech Republic

**Registered number:** 60192852

**Incorporated:**  
9 December 1993

**Share capital:**  
CZK 562,500,000

**Shares:**  
5,625 registered shares  
in book entry form with  
a nominal value per share  
of CZK 100,000

Modrá pyramida stavební  
spořitelna, a.s., does not have  
any organizational units abroad.



**JIŘÍ VOTRUBEC**  
Member of the Board

**JAN POKORNÝ**  
Chairman of the Board of Directors

**MIROSLAV HIRŠL**  
Vice Chairman of the Board of Directors



# Company Bodies

As at 31.12.2012:

## BOARD OF DIRECTORS

### **JAN POKORNÝ**

Chairman of the Board of Directors

### **MIROSLAV HIRŠL**

Vice-Chairman of the Board of Directors

### **JIŘÍ VOTRUBEC**

Member of the Board of Directors

## SUPERVISORY BOARD

### **HENRI BONNET**

Chairman of the Supervisory Board

### **PETER PALEČKA**

Vice-Chairman of the Supervisory Board

### **PATRICE TAILLANDIER-THOMAS**

Member of the Supervisory Board  
to 25.9.2012

### **VLADIMÍR JEŘÁBEK**

Member of the Supervisory Board  
from 26.9.2012

### **PAVEL ČEJKA**

Member of the Supervisory Board

### **KRISTÝNA FENCLOVÁ**

Member of the Supervisory Board

### **JOSEF KVĚTOŇ**

Member of the Supervisory Board



## The joy of life makes a person richer

... therefore we support Modrý klíč which cares about people with mental and combined disability.

Modrá pyramida began to help Modrý klíč in 2006, when money collection for purchase of a minibus for this facility caring for children and adults with mental and combined disability started. But because we knew how much this facility needs the help, we began to look for other possibilities how to contribute to the running of this necessary and beautiful facility. Then gradually throughout the years, we helped to implement various projects. Modrá pyramida contributed to the completion of the weekly care centre and became its patron, together we publish calendars and New Year cards with drawings by the people from Modrý klíč, and together we organize sales of products from the sheltered workshops. In 2011 we even received "Golden Bohouš" which is Modrý klíč annual award for the most significant sponsorship act of the year. After the years we became aware of all the things that changed in Modrý klíč and mainly of the fact that today it is not only "help" but long-term partnership.



# Report of the Board of Directors on business activities and assets of the company for 2012

With respect to the overall difficult economic situation in the Czech Republic but also in the whole world, year 2012 was very challenging. For all the building savings banks then mainly because of the continuing discussions about system changes and the government submitted amendment to the Building Savings Act which should for example restrict the purposefulness of state subsidy drawing to cover only the housing needs but primarily extend the building savings licence also to the universal banks.

All this led to the fact that practically for already two years there had been discussions ongoing and there was uncertainty about the future of so far such a stable system, which building saving undoubtedly is. Therefore year 2012 re-confirmed the rightness of Modrá pyramida's chosen strategy - its business model change from a building savings bank to a provider of financial advisory with complex product offer.

In 2012 on the Czech building savings market, there were 580 thousand new building savings contracts with total target amount of CZK 196.5 billion concluded and loans in the volume of CZK 41.7 billion granted. At the end of 2012 in total the clients' savings deposits amounted to CZK 435 billion and loans to CZK 282.2 billion\* in the books of building savings banks.

The building savings market was very strongly influenced by changes effective as of January 2011 and mainly by discussions lasting for already two years about the future and the design of the building

savings system. Despite that last year Modrá pyramida managed to conclude more contracts than in the previous year, that is 93 954 new contracts and target amount increases with total amount of CZK 23.8 billion. According to the number of concluded contracts, the market share of Modrá pyramida is 16.2%, which signifies increase by 0.2% and the fourth place in the ranking of building saving banks.

Despite the overall drop in interest in building savings, Modrá pyramida recorded growth of volume of clients' deposits. Their volume reached CZK 71 billion, which signifies growth by 1.5% in comparison to the previous year. The company's total assets reached the threshold of CZK 82 billion, in comparison to the end of 2011 it is increase by 2.5%.

At the end of the past year the number of valid building savings contracts was 669,662 contracts with target amount of CZK 222 billion.

In 2012 Modrá pyramida provided its clients with over 7 thousand loans in the volume

of CZK 4.3 billion, in comparison to the previous year it is drop by 44%, whereas overall the volume of loans provided by building savings banks dropped by 13.2%. Besides building savings loans Modrá pyramida also concluded KB Mortgages in the total volume of CZK 1.6 billion. Modrá pyramida's market share corresponds to 10.4% as for contractual loan volume, which signifies year-on-year decrease by 5.8% and the 4th place on the market.

In 2012 total volume of loans provided for housing purposes decreased by 4.0% and reached CZK 49.4 billion, ratio of loans provided for housing purposes to received savings deposits decreased to 69.4%.

Besides the production itself of building savings and building savings loans, in 2012 Modrá pyramida also significantly participated in increase of KB Group financial products sales, when the sales of savings and investment products increased year-on-year by 72%, mainly thanks to a high number of concluded pension insurance contracts. For 2012 there were concluded over

26 thousand pension insurance contracts. Sales of day-to-day banking products in year-on-year comparison increased by 95%, thanks to excellent results of the favourite child account Beruška (sold over 5 thousand pieces). We also managed to increase the sales of loan products - in comparison to the previous year the sales increased by 30%, KB Mortgage being the main contributor to it.

The ordinary financial statements for 2012 were prepared with due care and diligence and were reviewed by an independent auditor – the auditing company Ernst & Young Audit, s.r.o. with its registered office Prague 2, Karlovo nám. 10, post code 120 00. The auditing company performed the audit in accordance with the regulations applicable in the Czech Republic and has stated that the financial statements give a true and fair view of the financial position of the company Modrá pyramida stavební spořitelna, a.s., as at 31 December 2012 and of the results of its financial performance in accordance with the accounting regulations applicable in the Czech Republic.

Modrá pyramida succeeded in fulfilling the financial plan for 2012 with its profit after tax in the amount of CZK 1,122.7 million even in the environment of deteriorated economic situation on the building savings market.

### Financial advisory

Year 2012 was marked by the successful finalization of the key projects connected with the business strategy change towards the provider of complex financial advisory. There were introduced five brand new products into the Modrá pyramida product offer. In the second half of 2012 in the area of marketing communication Modrá pyramida launched a new communication concept which significantly highlighted the shift in the business strategy and Modrá pyramida was presented as a real financial advisor. As a part of the autumn marketing communication there was general partnership of Modrá pyramida and the legendary Czech music icon Olympic within successful Modrá pyramida Olympic Tour 50 years.

Significant strengthening of the communication and relationship with clients was achieved by Modrá pyramida's entering the world of social networking, mainly Facebook, Twitter and Youtube and issuing of clients' magazine Financial Advisor, which is distributed primarily in electronic form either in PC version or also for the favoured iPads and androids.

In December 2012 an extensive project of complex rebranding of more than 200 Modrá pyramida's advisory branches was completed. This project was closely followed by standardization of interiors in the second half of the year. The common target of the both projects was to unify and highlight Modrá pyramida's image in accordance with the new business strategy.

### New products and innovative approach

In April 2012 Modrá pyramida expanded its product offer by a very popular child account Beruška product of Komerční banka.

Distinctive and much anticipated innovation in May 2012 was launch of mutual funds of Investiční kapitálová společnost KB. Modrá pyramida thus can offer its clients complex investment strategy including design of personal financial plan in accordance with the actual needs of each client.

In the second half of the year there was launched in cooperation with ESSOX company a non-purpose consumer loan "Bezpečná půjčka" (Secure Loan), which the client can use for financing of any need.

In cooperation with Komerční pojišťovna "Moudré pojištění" (Wise Insurance) was prepared and launched in October 2012. It is a modern risk life insurance with the possibility of individual setting of insurance risk coverage and high level of flexibility.

Modrá pyramida proved its innovative approach also in development of building savings. In autumn last year it launched a unique product innovation "Rostoucí úrok" (Growing Interest) on the market, which is designed to its loyal clients and offers advantaged interest in case of target amount increase.

In the area of housing financing Modrá pyramida's loan product "Rychloučvěr" (Small Unsecured Loan) won 3rd place in prestigious competition The Best Bank 2012 – Price of Hospodářské noviny, in the category Banking Innovator 2012.

Our long-term declared goal is to provide our clients with quality financial advisory, to solve their needs through our professional, polite and helpful financial advisors.

### Financial advisors

In the past year, the change in the system of distribution network management with focus on its extension and quality enhancement was completed. The target of the most important change which had been carried out as at January 1, 2012 was establishment of four country directorates – Country North, Central-West, South and East. The meaning of all executed changes is permanent enhancement of the quality of provided services and higher professional level of financial advisory and building relationships with clients. Every client has at his/her disposal an advisor who knows the client's needs and, thanks to a wide offer of the financial products, is able to process for the client an individual financial plan based on client's financial analysis and to offer the best solution. Modrá pyramida continued training and increasing of professional financial knowledge of its financial advisors within the Financial Planning Academy.

In the last year we further developed a successful concept of Hypocenters outside of Prague. Newly there were opened Hypocenters in Olomouc and in Ostrava so that besides Prague there are 7 other Hypocenters which cooperate with a number of real estate agencies and developer companies and which offer Modrá pyramida's clients a complex solution of their housing needs, from selection of the real estate to the most suitable form of financing and insurance.

### Quality

Our long-term declared goal is to provide our clients with quality financial advisory, to solve their needs through our professional, polite and helpful financial advisors. A client who leaves Modrá pyramida satisfied is a guarantee for long-term mutually convenient cooperation.

To fulfil this goal, we introduced successfully monitoring of clients' instant satisfaction within the project "Instant Satisfaction Measurement" into the daily operation. This tool enables us to monitor effectively and react to clients' suggestions and wishes. At the same time it provides us with valuable feedback from the clients.

We take clients' messages seriously the proof of this is a precise and sophisticated system of work with clients' complaints and the attention which is dedicated to handling of complaints throughout the whole Modrá pyramida.

In Prague, 21 March 2013  
Board of Directors of Modrá pyramida  
stavební spořitelna, a.s.

## The most precious moments are born from mutual teamwork

... therefore we are the long-term partner of the International musical festival of 13 towns Conventus Moraviae.

In 1996 Modrá pyramida stood at the birth of now already highly prestigious festival. Its value is not only in the representation of the classical music by the excellent artists from all over the world, but mainly because it brings the music to the small towns of South Moravia and Vysočina, where the magnificent historical sights come to life with the music.

Modrá pyramida is the official partner of this festival since its foundation in 1996.



# Employees and Environment

## Employees

In 2012 we continued in the process of activities streamlining in the individual divisions, the detached Modrá pyramida's headquarter office situated to Olomouc was dissolved and several more organizational changes were carried out. We managed to finalize processes having been gradually implemented within a substantial extension of the whole product range, which also led to saving of some resources. As a result of these measures, we achieved stabilization of the number of employees totalling 342 at the end of the year, representing year-on-year decrease by 6.6%.

In the area of employees care, we offered every employee conclusion of risk life insurance which serves to securing family members in case of death. The insurance premium is paid by the employer. Furthermore employees were given the possibility to draw short-term unpaid leave in the range of 2 days annually.

Modrá pyramida focuses on and devotes itself to employees who have some potential for development and are willing to continue improving themselves. Educational and development activities are designed both for selected talented employees with whom we plan their career development and also for other colleagues who showed interest in participating in one-day seminar focused on self-knowledge and usage of the potential of their personality.

In 2012 home office was implemented in our company, at first for a smaller group of employees. Based on the received experience we set up rules so that we could use this option for a wide group of employees. It depends on the nature of the performed activity and employee's ability to adapt to conditions of this flexible form of work.

As traditionally we organized another year of sport games called MOPYÁDA, both for our employees and financial advisors. Such a common meeting gives both groups the possibility to get to know each other and gain informal contacts, which they can use subsequently within their working activities.

## Environment

Modrá pyramida is environmental cautious and its activities do not affect it. It leads to act so both its employees and clients who are actively supported by an offer of loans for modernization of their living, insulation of buildings, reducing energy consumption or using alternative energy resources.

Modrá pyramida is also an active member of the Central European Association of Environmental Effective and Intelligent Buildings which enforces considerate approach to the environment at construction of houses and among others in 2012 organized the "CZECH-SLOVAKIAN COMPETITION FOR DESIGN OF AN ENVIRONMENTALLY DEVELOPED HOUSE – FAMILY HOUSE" for university students.

Modrá pyramida demonstrates its cautious approach to the environment in its registration in the project "Green Company" related to waste treatment and also through projects aiming at reduction in consumption of office paper, envelopes and printer toners.



## MOPYÁDA 2012



# Report of the Supervisory Board of the Company on control activities in 2012

Throughout 2012, the Supervisory Board of the Company supervised the activities of the Board of Directors of Modrá pyramida stavební spořitelna, a.s., (further as “Company”) and continuation of the transformation of the Company in compliance with the approved and updated strategy, the Articles of Association and generally binding legal regulations.

The Supervisory Board performed its control function by discussing in detail the individual issues at three ordinary Supervisory Board sessions held on 27 March, 25 September and 11 December 2012, based on supporting materials prepared by the Board of Directors of the Company. The members of the Board of Directors as well as other invited members of the Company's management participated in meetings of the Supervisory Board. The Supervisory Board reviewed documents and written materials which included information on strategic and business management of the Company.

On its regular meeting on 27 March 2012, the Supervisory Board focused also on reviewing effectiveness and efficiency of the internal management and control system of the Company, including efficiency of the outsourced internal audit services. Based on the discussion of the submitted report on management and control system, the Supervisory Board states that the management and control system of the Company is functioning and resistant.

The Supervisory Board reviewed the ordinary financial statements for year 2012, submitted by the Board of Directors, and found them to be prepared based on properly conducted accounting procedures and to be in compliance with the regular reports on the Company's financial position. Furthermore, the Supervisory Board reviewed the proposal of the Board of Directors to allocate the Company's profit after tax as at 31 December 2012 in the amount of 1,122,737 thousand CZK and stated that this proposal was in compliance with legal regulations and the Articles of Association of the Company. The Supervisory Board will inform the sole shareholder of the Company Komerční banka, a.s., on the results of its review performed.

The Supervisory Board noted the report for 2012 of 8 March 2013 prepared by the independent auditor, the company Ernst & Young Audit, s.r.o. with its registered office 120 00 Prague 2, Karlovo nám. 10, Corporate ID 26704153. The Supervisory Board understood from this report that the independent audit of the ordinary financial statements for 2012 had been performed in accordance with the relevant legal regulations and with the applicable auditing standards. The independent auditor expressed its opinion on the ordinary financial statements as at 31 December 2012 concluding that the financial statements give in all substantial aspects a true and fair view of the assets, liabilities and financial situation of the Company and that the results of its financial performance for the period from 1 January 2012 to 31 December 2012 are in accordance with the accounting regulations applicable in the Czech Republic.

The Supervisory Board recommends the sole shareholder to approve the ordinary financial statements for year 2012. The Supervisory Board also recommends the sole shareholder to approve the proposal of the Board of Directors to allocate the Company's profit after tax as at 31 December 2012 in the amount of 1,122,737 thousand CZK as follows:

- 100% dividend pay-out of net profit 1,122,737 thousand CZK.

The Supervisory Board, in compliance with legal regulations, also reviewed the Report on Relations between related parties as at 31 December 2012, prepared by the Board of Directors of the Company in accordance with Section 66a, subsection 9 of the Commercial Code. The Supervisory Board states that the Company did not suffer any loss resulting from the relations between the related parties in the accounting period from 1 January 2012 to 31 December 2012.

In Prague, on 4 April 2013  
The Supervisory Board of Modrá pyramida stavební spořitelna, a.s.



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# Independent Auditor's Report



**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Modrá pyramida stavební spořitelna, a.s.:

I. We have audited the financial statements of Modrá pyramida stavební spořitelna, a.s. ("the Company") as at 31 December 2012 presented in the annual report of the Company on pages 18 - 47 and our audit report dated 8 March 2013 stated the following:

"We have audited the accompanying financial statements of Modrá pyramida stavební spořitelna, a.s., which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Modrá pyramida stavební spořitelna, a.s., see Note 1 to the financial statements.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Modrá pyramida stavební spořitelna, a.s. as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."

A member firm of Ernst & Young Global Limited  
Ernst & Young Audit, s.r.o. with its registered office at Karlovo náměstí 10, 120 00 Prague 2,  
has been incorporated in the Commercial Register administered by the Municipal Court  
in Prague, Section C, entry no. 86504, under identification No. 26704153.



II. We have also audited the consistency of the annual report with the financial statements described above. The management of Modrá pyramida stavební spořitelna, a.s. is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1 - 15 and 54 - 55 is consistent with that contained in the audited financial statements as at 31 December 2012. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of Modrá pyramida stavební spořitelna, a.s. for the year ended 31 December 2012 presented in the annual report of the Company on pages 48 - 53. The management of Modrá pyramida stavební spořitelna, a.s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Modrá pyramida stavební spořitelna, a.s. for the year ended 31 December 2012 is materially misstated.

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

*D. Burnham*  
Douglas Burnham  
partner

*Michaela Kubíková*  
Michaela Kubíková  
Auditor, License No. 1810

29 April 2013  
Prague, Czech Republic

A member firm of Ernst & Young Global Limited  
Ernst & Young Audit, s.r.o. with its registered office at Karlovo náměstí 10, 120 00 Prague 2,  
has been incorporated in the Commercial Register administered by the Municipal Court  
in Prague, Section C, entry no. 88504, under identification No. 26704153.

# Balance Sheet at 31 December 2012

No. a	ASSETS CZK '000 b.			2012	2011
		Gross 1	Provisions 2	Net 3	Net 4
<b>1</b>	<b>Cash in hand and balances with central banks</b>	<b>397,505</b>	<b>0</b>	<b>397,505</b>	<b>729,472</b>
<b>2</b>	<b>State zero-coupon bonds and other securities eligible for refinancing with the central bank</b>	<b>11,498,717</b>	<b>0</b>	<b>11,498,717</b>	<b>10,621,005</b>
	Of which: a) Issued by Government institutions	11,498,717	0	11,498,717	10,621,005
	b) Other	0	0	0	0
<b>3</b>	<b>Amounts due from banks and savings associations</b>	<b>19,889,587</b>	<b>0</b>	<b>19,889,587</b>	<b>16,432,846</b>
	Of which: a) Repayable on demand	563	0	563	1,439
	b) Other receivables	19,889,024	0	19,889,024	16,431,407
<b>4</b>	<b>Amounts due from clients - members of savings associations</b>	<b>49,419,037</b>	<b>941,117</b>	<b>48,477,920</b>	<b>50,639,493</b>
	Of which: a) Repayable on demand	0	0	0	0
	b) Other receivables	49,419,037	941,117	48,477,920	50,639,493
<b>5</b>	<b>Debt securities</b>	<b>274,918</b>	<b>0</b>	<b>274,918</b>	<b>275,365</b>
	Of which: a) Issued by Government institutions	0	0	0	0
	b) Issued by other entities	274,918	0	274,918	275,365
<b>6</b>	<b>Shares, share certificates and other equity investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7</b>	<b>Equity investments in associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Of which: In banks	0	0	0	0
<b>8</b>	<b>Equity investments in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Of which: In banks	0	0	0	0
<b>9</b>	<b>Intangible fixed assets</b>	<b>441,708</b>	<b>217,752</b>	<b>223,956</b>	<b>233,251</b>
	Of which: a) Start-up costs	0	0	0	0
	b) Goodwill	0	0	0	0
<b>10</b>	<b>Tangible fixed assets</b>	<b>732,602</b>	<b>344,027</b>	<b>388,575</b>	<b>402,983</b>
	Of which: Land and buildings for operating activities	523,424	167,135	356,289	366,255
<b>11</b>	<b>Other assets</b>	<b>850,084</b>	<b>5,474</b>	<b>844,610</b>	<b>825,384</b>
<b>12</b>	<b>Subscribed capital unpaid</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>13</b>	<b>Deferred expenses and accrued income</b>	<b>151,057</b>	<b>0</b>	<b>151,057</b>	<b>12,487</b>
	<b>Total assets</b>	<b>83,655,215</b>	<b>1,508,370</b>	<b>82,146,845</b>	<b>80,172,286</b>

<b>LIABILITIES</b>			
No.	CZK '000	2012	2011
a	b.	6	7
<b>1</b>	<b>Amounts owed to banks and savings associations</b>	<b>0</b>	<b>0</b>
	Of which: a) Repayable on demand	0	0
	b) Other payables	0	0
<b>2</b>	<b>Amounts owed to clients - members of savings associations</b>	<b>72,679,057</b>	<b>72,418,386</b>
	Of which: a) Repayable on demand	165,155	174,726
	b) Other payables	72,513,902	72,243,660
<b>3</b>	<b>Payables from debt securities</b>	<b>0</b>	<b>0</b>
	Of which: a) Issued debt securities	0	0
	b) Other payables from debt securities	0	0
<b>4</b>	<b>Other liabilities</b>	<b>673,705</b>	<b>602,078</b>
<b>5</b>	<b>Deferred income and accrued expenses</b>	<b>618,409</b>	<b>556,754</b>
<b>6</b>	<b>Reserves</b>	<b>5,217</b>	<b>4,014</b>
	Of which: a) For pensions and similar liabilities	0	0
	b) For taxes	0	0
	c) Other charges	5,217	4,014
<b>7</b>	<b>Subordinated liabilities</b>	<b>0</b>	<b>0</b>
<b>8</b>	<b>Share capital</b>	<b>562,500</b>	<b>562,500</b>
	Of which: a) Share capital paid up	562,500	562,500
	b) Treasury shares	0	0
<b>9</b>	<b>Share premium</b>	<b>487,500</b>	<b>487,500</b>
<b>10</b>	<b>Reserve funds and other funds from profit</b>	<b>1,119,638</b>	<b>1,119,638</b>
	Of which: a) Mandatory reserve funds and risk funds	112,500	112,500
	b) Other reserve funds	1,007,138	1,007,138
	c) Other funds from profit	0	0
<b>11</b>	<b>Revaluation reserve</b>	<b>0</b>	<b>0</b>
<b>12</b>	<b>Capital funds</b>	<b>0</b>	<b>0</b>
<b>13</b>	<b>Gains or losses from the revaluation of</b>	<b>780,252</b>	<b>323,586</b>
	Of which: a) Assets and liabilities	780,252	323,586
	b) Hedging derivatives	0	0
	c) The retranslation of equity holdings	0	0
<b>14</b>	<b>Retained earnings or accumulated losses brought forward</b>	<b>4,097,830</b>	<b>3,047,171</b>
<b>15</b>	<b>Profit or loss for the period</b>	<b>1,122,737</b>	<b>1,050,659</b>
	<b>Total liabilities</b>	<b>82,146,845</b>	<b>80,172,286</b>

# Profit and Loss Account for the Year Ended 31 December 2012

No.	CZK '000	2012	2011
a	b.	1	2
<b>1</b>	<b>Interest income and similar income</b>	<b>3,569,807</b>	<b>3,539,089</b>
	Of which: Interest income from debt securities	417,543	464,807
<b>2</b>	<b>Interest expense and similar expense</b>	<b>(1,847,344)</b>	<b>(1,788,465)</b>
	Of which: Interest expense from debt securities	0	0
<b>3</b>	<b>Income from shares and equity investments</b>	<b>0</b>	<b>0</b>
	Of which: a) Income from equity investments in associates	0	0
	b) Income from equity investments in subsidiaries	0	0
	c) Other income from shares and equity investments	0	0
<b>4</b>	<b>Commission and fee income</b>	<b>513,566</b>	<b>562,042</b>
<b>5</b>	<b>Commission and fee expense</b>	<b>(204,653)</b>	<b>(336,357)</b>
<b>6</b>	<b>Net profit or loss on financial operations</b>	<b>0</b>	<b>0</b>
<b>7</b>	<b>Other operating income</b>	<b>8,908</b>	<b>10,438</b>
<b>8</b>	<b>Other operating expenses</b>	<b>(54,962)</b>	<b>(53,635)</b>
<b>9</b>	<b>Administrative expenses</b>	<b>(609,799)</b>	<b>(651,954)</b>
	a) Staff costs	(304,639)	(297,419)
	Of which: aa) Social security and health insurance	(65,559)	(68,434)
	b) Other administrative expenses	(305,160)	(354,535)
<b>10</b>	<b>Release of reserves and provisions for tangible and intangible fixed assets</b>	<b>0</b>	<b>0</b>
<b>11</b>	<b>Depreciation, charge for and use of reserves and provisions for tangible and intangible fixed assets</b>	<b>(55,628)</b>	<b>(57,606)</b>
<b>12</b>	<b>Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off</b>	<b>136,497</b>	<b>160,603</b>
<b>13</b>	<b>Write-offs, charge for and use of provisions and reserves for receivables and guarantees</b>	<b>(238,393)</b>	<b>(250,883)</b>
<b>14</b>	<b>Release of provisions for equity investments in associates and subsidiaries</b>	<b>0</b>	<b>0</b>
<b>15</b>	<b>Losses on the transfer of equity investments in associates and subsidiaries, charge for and use of provisions for equity investments in associates and subsidiaries</b>	<b>0</b>	<b>0</b>
<b>16</b>	<b>Release of other reserves</b>	<b>288</b>	<b>10,250</b>
<b>17</b>	<b>Charge for and use of other reserves</b>	<b>(1,491)</b>	<b>545</b>
<b>18</b>	<b>Share of profits or losses of subsidiaries and associates</b>	<b>0</b>	<b>0</b>
<b>19</b>	<b>Profit or loss for the period from ordinary activities before taxes</b>	<b>1,216,796</b>	<b>1,144,067</b>
<b>20</b>	<b>Extraordinary income</b>	<b>0</b>	<b>0</b>
<b>21</b>	<b>Extraordinary expenses</b>	<b>0</b>	<b>0</b>
<b>22</b>	<b>Profit or loss for the period from extraordinary activities before taxes</b>	<b>0</b>	<b>0</b>
<b>23</b>	<b>Income tax</b>	<b>(94,059)</b>	<b>(93,408)</b>
<b>24</b>	<b>Net profit or loss for the period after taxes</b>	<b>1,122,737</b>	<b>1,050,659</b>

# Off Balance Sheet Accounts

No.	CZK '000	2012	2011
a	b.	1	2
1	Issued commitments and guarantees	(1,429,153)	2,453,382
2	Provided collateral	120,134	120,115
3	Amounts due from spot transactions	0	0
4	Amounts due from term transactions	(4,350,000)	0
5	Amounts due from option transactions	0	0
6	Receivables written off	(35,629)	37,529
7	Assets provided into custody, administration and safe-keeping	0	0
8	Assets provided for management	0	0
9	Accepted commitments and guarantees	4,698,614	5,664,491
10	Received collateral	82,166,869	74,400,586
11	Amounts owed from spot transactions	0	0
12	Amounts owed from term transactions	4,350,000	0
13	Amounts owed from option transactions	0	0
14	Assets received into custody, administration and safe-keeping	0	0
15	Assets received for management	0	0

# Statement of Changes in Equity for the Year Ended 31 December 2012

CZK '000	Share capital	Treasury shares	Share premium	Reserve funds	Retained earnings/ accumulated losses of 2011s	Valuation gains or losses	Profit or loss	Total
<b>Balance at 1 January 2011</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,107,138</b>	<b>2,129,530</b>	<b>429,513</b>	<b>930,141</b>	<b>5,646,322</b>
Change of accounting policies								
Corrections of significant errors								
FX differences and valuation differences not included in profit or loss						(105,927)		(105,927)
Net profit or loss for the period							1,050,659	1,050,659
Dividends								
Directors' fees								
Allocation to funds				12,500			(12,500)	
Allocation to retained earnings					917,641		(917,641)	
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes								
<b>Balance at 31 December 2011</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>3,047,171</b>	<b>323,586</b>	<b>1,050,659</b>	<b>6,591,054</b>
<b>Balance at 1 January 2012</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>3,047,171</b>	<b>323,586</b>	<b>1,050,659</b>	<b>6,591,054</b>
Change of accounting policies								
Corrections of significant errors								
FX differences and valuation differences not included in profit or loss						456,666		456,666
Net profit or loss for the period							1,122,737	1,122,737
Dividends								
Directors' fees								
Allocations to funds								
Allocation to retained earnings					1,050,659		(1,050,659)	
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes								
<b>Balance at 31 December 2012</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>4,097,830</b>	<b>780,252</b>	<b>1,122,737</b>	<b>8,170,457</b>



# Notes to the Financial Statements for the Year Ended 31 December 2012

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## 1. GENERAL INFORMATION

### 1.1 Incorporation and Description of the Business

Modrá pyramida stavební spořitelna, a.s., corporate ID: 60192852, registered at Bělehradská 128/222, 120 21 Prague 2, was formed by a Deed of Foundation on 10 June 1993 and was incorporated following its registration in the Register of Companies held at the Municipal Court in Prague, Volume B, File 2281, on 9 December 1993. Modrá pyramida stavební spořitelna, a.s. (hereinafter the “Bank” or the “Company”) is a specialized bank and its activities and operations are defined in the Construction Savings and Construction Savings State Support Act 96/1993 Coll., as subsequently amended (the “Construction Savings Act”). The Bank operates a construction savings scheme involving the acceptance of deposits from, and the issuance of loans to, participants in the construction savings scheme, the acceptance of deposits from financial institutions, the provision of guarantees in Czech crowns for loans issued from the construction savings, for loans provided pursuant to Section 5 (5) of the Construction Savings Act and for loans defined in Section 9 (1) (a) of the Construction Savings Act, brokering the sale of financial products of companies belonging to the financial group KB, proprietary trading with mortgage bonds and bonds, execution of the payment and settlement system in connection with the operation of the Bank, and conclusion of trading for the purpose of hedging the currency and interest rate risks. The Bank only conducts its business in the territory of the Czech Republic.

During 2012, no changes were made to the shareholder structure. The sole shareholder of the Bank is Komerční banka, a.s., corporate ID: 453 17 054, with its registered office at Na Příkopě 33, Prague 1, entered in the Register of Companies maintained by the Municipal Court in Prague, Volume B, File 1360 (hereinafter “KB”).

### 1.2 Board of Directors and Supervisory Board

#### Changes in the Composition of the Bank’s Board of Directors in 2012

The term of office of the vice-chairman of the Board of Directors, Mr. Miroslav Hiršl, ended on 25 November 2012 and with effect from 26 November 2012 he was re-elected as a member of the Board of Directors. With the effect from 6 December 2012 he was re-elected as the vice-chairman of the Board of Directors. A record into the Register of Companies has not been made as at the date of preparation of the financial statements.

Changes in the Composition of the Bank’s Supervisory Board in 2012

The term of office in the Supervisory Board of Mr. Patrice Taillandier-Thomas ended on 1 May 2012 and with effect from 2 May 2012 he was re-elected to this function. A record into the Register of Companies was made on 23 May 2012.

Mr. Patrice Taillandier-Thomas resigned as a member of the Supervisory Board on 9 July 2012 and his membership came to an end on 25 September 2012. A deletion from the Register of Companies was made on 27 November 2012.

With effect from 26 September 2012 was Mr. Vladimír Jeřábek, residing Brno, Útěchov, Mladá 95/2a, 644 00, was elected as a member of the Supervisory Board, A record into the Register of Companies was made on 27 November 2012.

Composition of the Board of Directors and the Supervisory Board as at 31 December 2012

	Position	Name
<b>Board of Directors</b>	<b>Chairman</b>	<b>Jan Pokorný</b>
	Vice-Chairman	Miroslav Hiršl
	Member	Jiří Votrubec
<b>Supervisory Board</b>	Chairman	Henri Bonnet
	Vice-Chairman	Peter Palečka
	Member	Vladimír Jeřábek
	Member	Josef Květoň
	Member	Kristýna Fenclová
	Member	Pavel Čejka

### 1.3 Events in the Year 2012

The New Civil Code No. 89/2012 Coll. was published on 22 March 2012 in the Collection of Laws with effect from 1 January 2014. Simultaneously, the Law on Commercial Companies and Cooperatives (Law on Corporations) No. 90/2012 Coll. was adopted and will be effective also from 1 January 2014. At the present time a supplementary law is being prepared which, in connection with these two codes, will change and modify a number of other laws including the Law on Building Savings.

These are capital legal norms which will change private relationships for decades and affect all inhabitants of the Czech Republic. The implementation of these new legal regulations into the Bank's terms and conditions has been performed on the date of preparation of the annual financial statements.

By the end of 2012 laws for the implementation of the pension reform were adopted with effect from 1 January 2013, especially Law No. 397/2012 Coll. on pension savings, Law No. 399/2012 Coll. on the amendment of laws in connection with adoption of the law on pension insurance savings and Law No. 403/2012 Coll. amending Law No. 427/2011 Coll. on supplementary pension savings and other laws.

## 2. BASIS OF PREPARATION

### (a) Accounting Principles

The financial statements have been prepared on the basis of the underlying accounting books and records maintained in accordance with Accounting Act 563/1991 Coll., and the relevant directives and regulations applicable in the Czech Republic. These financial statements have been prepared on the accruals basis of accounting and under the historical cost convention, with the only exception being assets that are measured at fair value. Comparative figures for the previous financial reporting period are reported reflecting the conditions that existed in the period for which the financial statements have been prepared.

The financial statements have been prepared in accordance with the Regulation of the Czech Finance Ministry 501/2002 Coll., which provides implementation guidance on the composition and substance of the items in the financial statements and the scope of information to be disclosed by banks and certain financial institutions (hereinafter "Regulation no. 501"), as amended, and in accordance with the Czech Accounting Standards for Financial Institutions.

The Bank is subject to the regulatory requirements of the Czech National Bank (hereinafter the "CNB"). These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off balance sheet commitments, credit risk connected with clients of the Bank, liquidity, interest rate risk and foreign currency position.

The financial statements include the balance sheet, the profit and loss account, the statement of changes in equity and notes to the financial statements. These financial statements are unconsolidated. The data in the financial statements is presented in thousands of Czech crowns.

### (b) Transaction Recognition Date

The date of recognition of transactions is the date of payment or receipt of cash, the date of purchase or sale of securities, the date on which a payment is made or an amount is collected from the client's account, the date of issuing an order to the correspondent to make a payment, the date of settlement of the Bank's orders with the CNB Clearing Centre, the trade date and the settlement date relating to transactions with securities, the date on which the ownership title to assets originates or expires, the day when a receivable or payable originates, changes or is extinguished, a deficit, shortfall, surplus, damage or transfer of assets within the Bank is identified or other events take place that are subject to accounting.

Purchases and sales of financial assets are retained off-balance sheet in the period between the trade date and the settlement date. At settlement, the off-balance sheet entry is reversed and the settlement is brought onto the balance sheet.

### (c) Foreign Currency Translation

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate prevailing as at the transaction date. On the balance sheet date, monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

**(d) Provided Loans and Provisions against Loan Losses**

Amounts receivable arising from loans provided to clients are stated at the outstanding principal amount and accrued interest and fees, net of provisions. Accrued interest income is included in the carrying amount of these receivable balances.

Receivables are reviewed for recoverability. Based on such reviews, provisions are created for individual receivables. The level of provisioning is established in accordance with CNB Regulation 123/2007, as amended, stipulating rules for the assessment of receivables arising from financial activities and the creation of provisions and reserves, and rules for the acquisition of certain classes of assets. The guidance used in recognizing provisions for the period is set out in Note 28 (a) of these financial statements. Provisions charged against expenses are presented in 'Write-offs, charge for and use of provisions and reserves for receivables and guarantees'.

The tax-deductible portion of the period's charge for the recognition of reserves and provisions for loan losses is calculated in accordance with the requirements of Section 5 ('Banking Reserves and Provisions') of the Provisioning Act 593/1992 Coll.

The write-off of irrecoverable receivables is accounted for as 'Write-offs, charge for provisions and reserves for receivables and guarantees' in the profit and loss account as well as the relevant balance of provisions and reserves. Recoveries from receivables previously written off are included in 'Release of provisions and reserves for receivables and guarantees and recoveries of receivables previously written off'.

**(e) Securities**

Pursuant to Section 9 of the Construction Savings and Construction Savings State Support Act 96/1993 Coll., the Bank acquires Government bonds or bonds guaranteed by the Government, bonds issued by the CNB, mortgage bonds issued by the member states of the Organization for Economic Cooperation and Development (OECD), bonds issued by the OECD states, the central banks and financial institutions of these states and banks seated in these states, and bonds issued by the European Investment Bank (EIB), Nordic Investment Bank (NIB) and the European Central Bank (ECB).

Securities held by the Bank are categorized into portfolios in accordance with the Bank's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy.

At settlement, debt securities, treasury bills and mortgage bonds are initially recognized in the balance sheet at cost which comprises the net purchase cost, the proportionate part of the discount or premium and direct transaction costs related to the acquisition of securities. Accrued interest income is reflected in the carrying amount of these securities.

**Securities Available for Sale**

Securities available for sale are measured at fair value with the changes in fair values being recognized through the balance sheet in equity. If there is objective evidence that a security may be impaired, the amount corresponding to the impairment is included in the profit and loss account with a corresponding entry to gains or losses from revaluation.

The fair value of securities is determined by reference to the market value prevailing at the fair value measurement date if the Bank proves that the security can be sold at the market value.

The fair values of publicly tradable securities are equal to the reference prices of the debt securities published by the Prague Stock Exchange at the fair value measurement date. In circumstances where this price is not readily obtainable, the fair value is equal to the value published by the market maker.

Transactions under which securities are sold with a commitment to repurchase the securities (repo transactions) for a pre-determined price or are purchased with a commitment to sell the securities (reverse repo transactions) are treated as collateralized received or provided loans. The ownership title underlying these securities passes to the entity issuing the loan. Securities transferred under repo transactions continue to be reported within the relevant securities accounts on the Bank's balance sheet, with the amount acquired through the transfer of securities under repo transactions being included in 'Amounts owed to banks'. Securities acquired under reverse repo transactions are maintained off-balance sheet in the line 'Received collateral'. Loans provided under reverse repo transactions are presented within 'Amounts due from banks and savings associations'.

Income/expenses arising under reverse repo transactions/repo transactions representing the difference between the cost and the selling price are accrued over the life of the transaction and are reported in the profit and loss account lines 'Interest income and similar income' or 'Interest expense and similar expenses' as appropriate.

**Publicly non-tradable debt securities acquired in primary placements**

Upon initial recognition, publicly non-tradable debt securities acquired in primary placements are carried at the acquisition cost which includes direct transaction costs. The valuation from the purchase settlement date to maturity or the sale settlement date is gradually increased

(decreased) to reflect accrued interest income (expenses). If debt securities acquired in primary placements not held for trading are sold, the difference between the accrued amount not adjusted for provisions and the selling price at the sale/sale settlement date is recognized in income or expenses as profit or loss from the sale of securities.

#### (f) Financial Derivatives and Hedging

In the ordinary course of business, derivative transactions classified at the date of contract are realized as hedging operations.

Hedging derivatives fulfill simultaneously these following conditions:

- The appropriate strategy of the Bank within risk management
- At the beginning of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged items and hedging instruments, the definition of risk that is being hedged and the approach to identify and authenticate the efficiency of the hedge
- It is expected that the hedge is highly effective at inception and throughout the period
- Current fair value changes, respective cash flows of the hedged and hedging instruments are almost aligned (in the range 80-125%).

Hedging derivatives are accounted according to the type of the hedging relationship which can be either:

- (i) A fair value hedge of a recognized asset or liability or firm commitment (fair value hedge) or
- (ii) Hedging of the future cash flow attributable to a recognized asset or liability or a forecasted transaction (cash flow hedge)

During the accounting period the Bank used a type of hedging relationship as fair value hedges. Changes in the fair value of derivatives that are identified as fair value hedges and qualify for hedge accounting in relation to hedged risk, are charged in income along with the change in fair value of the hedged asset or liability that is attributable to the hedged risk and recognized in „Net interest income“.

If the hedge no longer meets the criteria for hedge accounting, an adjustment of the accounting value of a hedged interest-bearing financial instrument is written off to the profit over the period to maturity of the hedged item.

The fair values of derivatives classified as hedges are set out in paragraphs 16 and 22 of the Notes.

#### (g) Tangible and Intangible Fixed Assets

Tangible fixed assets include tangible assets with a cost greater than CZK 40,000 and an estimated useful life exceeding one year.

Intangible fixed assets include assets with a cost of individual components greater than CZK 60,000 and an estimated useful life exceeding one year.

Tangible and intangible fixed assets are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives. Depreciation periods of individual classes of tangible and intangible fixed assets are as follows:

#### Terms for depreciation of tangible and intangible assets

	Depreciation period for accounting purposes
Buildings	40 years
Machinery and equipment	12 years
Energy machines	20 years
Furniture and fixtures	6 years
Vehicles	5 years
Office equipment	4 years
Software	4 years or based on the estimated useful life, as appropriate
Other intangible assets	5 years

Assets with a cost lower than CZK 60,000 and CZK 40,000 are not treated as intangible and tangible fixed assets, respectively, and are expensed in the period of acquisition, except for the collectively acquired licenses with a cost greater than CZK 60,000. Assets with a cost greater than CZK 1,000 are maintained in the underlying operating records.

The external cost of technical improvements in respect of tangible and intangible fixed assets are capitalized and increase the acquisition cost of the related fixed asset. Asset maintenance costs are charged directly to the profit and loss account when the expenditure is incurred. Internal (staff) costs incurred in respect of the project involving software development are also capitalized.

Assets held under finance leases are depreciated by the lessor.

#### **(h) Reserves**

The Bank recognizes reserves for liabilities with uncertain timing and amount in the event that:

- It has an obligation (legal or constructive)
- It is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; “likely” means a likelihood of higher than 50%
- An appropriately reliable estimate can be made of the amount of the obligation.

Reserves are used only for the purposes for which they were recognized. If there is no longer a reason for maintaining the reserve, the Bank releases the reserve to income.

#### **(i) Provisioning**

The Bank recognizes provisions for assets that are not revalued at fair value in circumstances where the carrying amount of the assets as stated in the books is temporarily impaired. Provisions are recognized in respect of amounts due from clients, tangible and intangible assets and other assets. The recognition of provisions is charged to expenses and credited to the relevant provisioning account. The recognition, use and release of provisions is reported in the relevant profit and loss account lines.

#### **(j) Recognition of Income and Expense**

Interest income and expense are recognized with the exception of interest on late payment on an accrual basis, i.e. they are accounted in the period to which they relate in terms of time and factually, irrespective of when they are paid or received. Accrued interest income and expenses related to assets and liabilities are accounted together with these assets and liabilities.

Interest income on securities held is recognized using the effective interest rate method (EIR). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument.

The Bank reports mainly fees and commissions for conclusion a building savings contracts and for processing of the loan contract. Commission and fee income and expenses are recognized on an accruals basis in the period to which they relate, irrespective of when they are paid or received and are classified in Income/Expense from fees and commissions. Other operating income and expenses and administrative expenses are recognized under the same principle.

Past due interest or interest where management of the Bank expects that it is not likely to be recovered, is recognized in income and provisions in the corresponding amount are recorded and charged to the profit and loss account.

Default interest is recognized when collected (default interest payments are disclosed in Note 3 of the Notes).

#### **(k) Use of Estimates**

The presentation of financial statements in line with the accounting regulations applicable in the Czech Republic requires the Bank's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and their reported amounts of revenues and expenses during the reporting period. These estimates, which specifically relate to the determination of fair values of financial instruments, valuation of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date.

The management of the Bank has determined these estimates and assumptions by reference to the relevant information available to it. The Bank recognizes an estimated receivable, also reported as a payable to clients, as equal to the amount of the estimated state subsidy which will be added to the deposit accounts of clients in the following year.

#### **(l) Finance Lease**

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, the ownership title to the asset transfers from the lessor to the lessee; pending the transfer of the title, the lessee makes lease payments to the lessor for the assets that are charged to expenses.

The initial lump-sum payment related to assets acquired under finance leases is amortized and expensed over the lease period.

Leasehold improvements are depreciated over the lease term. Following the transfer of the ownership title to the leased asset to the lessee, the cost of improvements is added to the value of acquired assets and the depreciation of this increased amount continues.

#### (m) Income Taxes

The income tax base is calculated using the profit for the period adjusted by adding tax non-deductible expenses and deducting non-taxable income. The income tax base is additionally adjusted to reflect tax relief and tax credits, if any. Taxation is calculated at the period-end in accordance with the Income Taxes Act 586/1992 Coll., as subsequently amended. The currently enacted tax rate is 19% for 2012.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax is provided using the balance sheet liability method on all temporary differences between the tax base of an asset or liability and the carrying amounts stated in the balance sheet. The amount of deferred tax asset or liability is calculated as equal to the resulting difference multiplied by the income tax rate effective pursuant to the Income Taxes Act 586/1992 Coll., or the income tax rate that is expected to apply in the period when the tax liability is settled or the asset realized. The tax base of an asset or liability is the amount that will be deductible for tax purposes in the future.

A deferred tax liability is always recognized. A deferred tax asset is recognized only to the extent that there is no doubt about its future recoverability and only up to the amount of the likely future taxable income.

Deferred tax assets and liabilities are offset and reported on a net basis in 'Other assets' or 'Other liabilities.'

#### (n) Year-on-year Changes in Valuation, Depreciation and Accounting Methods

From 1 January 2012, fees and commissions from building savings and loans that are related to the creation of these financial products we charged using accrual basis of accounting. By the end of 2011, were these fees and commissions are charged at the time of payment or receipt

### 3. NET INTEREST INCOME

CZK '000	2012	2011
<b>Total interest income</b>	<b>3,569,807</b>	<b>3,539,089</b>
On deposits (deposits with financial institutions, interbank transactions including repurchase transactions)	647,005	546,144
On loans	2,474,646	2,522,885
On securities (including premium and discount amortization)	417,543	464,807
On interest rate swap	30,613	5,253
<b>Total interest expense</b>	<b>1,847,344</b>	<b>1,788,465</b>
On client deposits	1,787,065	1,760,129
On interest rate swap	28,816	20,720
Other	31,463	7,616
<b>Net interest income</b>	<b>1,722,463</b>	<b>1,750,624</b>

In 2012, net interest income on loans and client deposits is CZK 687,571 thousand (2011: CZK 762,756 thousand). The decrease is due to year-on-year decreases in the volume of provided loans.

In 2012, net interest income from hedging interest rate derivatives is CZK 1,797 thousand. (2011: CZK 15,467 thousand). Hedging interest rate derivatives are used to hedge the change in the fair value. The change in the fair value is described in Notes 16 and 22.

During the year ended 31 December 2012, the Bank collected default interest of CZK 30,297 thousand (2011: CZK 30,106 thousand).

#### 4. NET FEES AND COMMISSIONS

CZK '000	2012	2011
<b>Commission and fee income</b>		
on client transactions including commission from the KB financial group and other companies	513,566	562,042
<b>Total</b>	<b>513,566</b>	<b>562,042</b>
<b>Commission and fee expenses</b>		
on transactions with securities	1,351	1,402
on client transactions including commission to the KB financial group	152,143	289,177
Other	51,159	45,778
<b>Total</b>	<b>204,653</b>	<b>336,357</b>
<b>Net fees and commissions</b>	<b>308,913</b>	<b>225,685</b>

The decrease of cost of fees and commissions on transactions with clients is due to the impact of the implementation of the deferral of entry fees and commissions from building savings and loans from 1 January 2012.

#### 5. NET PROFIT OR LOSS ON FINANCIAL OPERATIONS

In 2012, the Bank realized sales of securities with a nominal value of CZK 1,240,000 thousand (2011: 0 mil). The Bank did not realize any gains and losses from this transaction.

#### 6. STAFF COSTS

CZK '000	2012	2011
Staff costs		
Staff salaries and bonuses	223,363	213,361
Social security and health insurance	65,559	68,434
Other social costs	15,717	15,624
<b>Total</b>	<b>304,639</b>	<b>297,419</b>

#### Average Headcount

	2012	2011
Staff	356	359

Stated as the average number of employees since the beginning of the year.

#### 7. GENERAL OPERATING COSTS

##### Administrative Costs

CZK '000	2012	2011
Rent and other services relating to rent	54,689	55,312
Low-value assets	2,252	13,441
Costs of technical equipment	44,570	45,825
Consumed material	11,038	10,998
Audit, advisory	3,515	9,677
Taxes and fees	6,317	4,299
Consumed energy	16,522	13,574
Repairs and maintenance	8,194	10,827
Postage, transportation and telecommunication	21,629	23,338
Sales promotion	18,227	19,034
Public relations, advertising	94,849	123,737
Other	23,358	24,473
<b>Total administrative costs</b>	<b>305,160</b>	<b>354,535</b>



**Other Operating Income**

CZK '000	2012	2011
Other	8,604	10,323
Income from the transfer of assets	304	115
<b>Total</b>	<b>8,908</b>	<b>10,438</b>

**Other Operating Expenses**

CZK '000	2012	2011
Annual contribution to the Deposit Insurance Fund	49,898	48,461
State support covered from internal funding	148	572
Other	4,916	4,602
<b>Total</b>	<b>54,962</b>	<b>53,635</b>

In accordance with the Banking Act, the contribution to the Deposit Insurance Fund amounted to 0.05% annually at 1 July 2010. From 1 July 2010, it was 0.08% annually of the amount of insured deposits.

**8. DEPRECIATION**

CZK '000	2012	2011
Depreciation of tangible and intangible fixed assets	55,628	57,606
<b>Total</b>	<b>55,628</b>	<b>57,606</b>

**9. WRITE-OFFS, CHARGE FOR, USE AND RELEASE OF PROVISIONS FOR RECEIVABLES AND RECOVERIES OF RECEIVABLES WRITTEN OFF****Provisions for Classified Receivables**

CZK '000	
<b>Provisions for classified receivables</b>	
<b>Balance at 1 January 2011</b>	<b>736,724</b>
Charge during the year	244,017
Monitored loans	44,047
Substandard loans	67,319
Doubtful loans	35,654
Loss loans	96,997
Use during the year	(155,673)
Write-off of loans	(895)
Release of redundant provisions	(154,778)
<b>Balance of provisions at 31 December 2011</b>	<b>825,068</b>
<b>Balance at 1 January 2012</b>	<b>825,068</b>
Charge during the year	234,264
Monitored loans	41,475
Substandard loans	59,094
Doubtful loans	24,393
Loss loans	109,302
Use and release during the year	(134,802)
Write-off of loans	(6,330)
Release of redundant provisions	(128,472)
<b>Balance of provisions at 31 December 2012</b>	<b>924,530</b>

In 2012, the Bank created non-tax deductible provisions for interest amounting to CZK 691 thousand (2011: CZK 871 thousand).

#### Release of provisions and reserves against receivables and guarantees, income from receivables previously written off

CZK '000	2012	2011
Release of provisions against classified receivables	128,472	154,778
Release of provision against other receivables	3,141	1,733
Recoveries of receivables previously written off	4,884	4,092
<b>Release of provisions and reserve against receivables and guarantees, recoveries of receivables previously written off</b>	<b>136,497</b>	<b>160,603</b>

#### Write-offs, recognition and use of provisions and reserves against receivables and guarantees

CZK '000	2012	2011
Recognition of provisions against classified receivables	(234,264)	(244,017)
Recognition of provisions against other receivables	(3,932)	(6,520)
Write-off of receivables	(6,720)	(1,453)
Use of provisions against written-off receivables	6,330	895
Use of provisions against other receivables	193	212
<b>Write-offs, recognition and use of provisions and reserves against receivables and guarantees</b>	<b>(238,393)</b>	<b>(250,883)</b>

## 10. INCOME TAX

CZK '000	2012	2011
Pre-tax profit or loss for the period	1,216,796	1,144,067
Non-taxable income	(779,044)	(682,366)
Non-tax deductible expenses	48,554	53,923
Other items (tax and accounting depreciation charges)	(11,585)	(20,419)
Sponsorship	(300)	( 400)
<b>Tax liability (19 percent)</b>	<b>90,140</b>	<b>94,013</b>
Used tax relief and deductions	(180)	(180)
Income tax charge	89,960	93,833
Deferred tax credit/charge (Note 24)	3,748	(1,362)
Tax refunds and arrears	351	937
<b>Total income taxation</b>	<b>94,059</b>	<b>93,408</b>

As at 31 December 2012, refunds and arrears of taxes are mainly a repayment of legal entity income tax for 2011 in the amount CZK 324 thousand (2011: CZK 937 thousand).

## 11. ALLOCATION OF PROFIT

The Bank's profit for the year ended 31 December 2012 amounted to CZK 1,122,737 thousand. A Profit distribution proposal for the year 2012 was not available at the date of preparation of the annual financial statements. The Bank's profit for the year ended 31 December 2011 amounted to CZK 1,050,659 thousand and the General Meeting approved the transfer to retained earnings.

## 12. CASH IN HAND AND DEPOSITS AT THE CZECH NATIONAL BANK

CZK '000	2012	2011
Cash in hand	0	5,619
Deposits at the Czech National Bank	397,505	723,853
<b>Total</b>	<b>397,505</b>	<b>729,472</b>

Balances with the Czech National Bank represent mandatory minimum reserves. These mandatory minimum reserves with the Czech National Bank bear interest. As at 31 December 2012, the interest rate was 0.05% (31 December 2011: 0.75%).

## 13. AMOUNTS DUE FROM BANKS

Current accounts and term deposits

CZK '000	2012	2011
Operating account with KB (repayable at call)	563	1,439
Term deposits	1,000,286	1,503,327
Loans provided CB	1,900,011	0
Mortgage bonds issued by financial institutions	16,988,727	14,928,080
Of which: accrued interest income (including premium and discount)	41,236	24,243
<b>Total amounts due from banks</b>	<b>19,889,587</b>	<b>16,432,846</b>

Mortgage bonds issued by financial institutions are publicly non-tradable debt securities acquired in primary placements consisting of a security in certificate form with a fixed interest income with an aggregate amount of CZK 3,151,738 thousand (2011: CZK 3,166,675 thousand) and securities in certificate and booked form with a variable interest rate fixed for the determined periods. As at the fixing date, both the investor and the issuer have the possibility to sell/repurchase the securities at an aggregate amount of CZK 13,836,989 thousand (2011: CZK 11,761,405 thousand).

These securities held by the Bank at the balance sheet date are not listed.

## 14. AMOUNTS DUE FROM CLIENTS

### Classification of amounts due from clients

Since 1996, the Bank has been providing clients with both bridging loans until they become entitled to receive a construction savings loan and loans arising under the Construction Savings Act.

### Amounts due from clients

CZK '000	2012	2011
Granted loans	6,253,643	6,796,962
Bridging loans	43,106,246	44,624,786
<b>Total loans (gross)</b>	<b>49,359,889</b>	<b>51,421,748</b>
Other amounts due from clients	59,148	58,791
<b>Total amounts due from clients (gross balance)</b>	<b>49,419,037</b>	<b>51,480,539</b>
Provisions against granted loans	(78,209)	(70,535)
Provisions against bridging loans	(846,321)	(754,533)
Provisions against other amounts due from clients	(16,587)	(15,978)
<b>Total provisions</b>	<b>(941,117)</b>	<b>(841,046)</b>
<b>Total amounts due from clients (net balance)</b>	<b>48,477,920</b>	<b>50,639,493</b>

## Financial Section &gt; Notes to the Financial Statements

**Granted loans**

<b>CZK '000</b>	<b>2012</b>	<b>2011</b>
Standard	6,092,025	6,655,548
Monitored	47,797	43,219
Substandard	50,263	44,078
Doubtful	2,833	4,658
Loss	60,725	49,459
<b>Granted loans (gross balance)</b>	<b>6,253,643</b>	<b>6,796,962</b>

**Bridging loans**

<b>CZK '000</b>	<b>2012</b>	<b>2011</b>
Standard	40,766,102	42,507,465
Monitored	926,333	829,071
Substandard	550,054	537,946
Doubtful	54,186	79,189
Loss	809,571	671,115
<b>Total bridging loans (gross balance)</b>	<b>43,106,246</b>	<b>44,624,786</b>

**Analysis of granted loans and bridging loans to clients by type of collateral**

<b>Type of collateral (CZK '000)</b>	<b>2012</b>	<b>2011</b>
Bank guarantees	398,903	438,200
Real estate	32,210,617	33,508,207
Guarantors	2,129,512	2,689,818
Deposits	7,023,273	6,761,880
Uncollateralised	7,597,584	8,023,643
<b>Total</b>	<b>49,359,889</b>	<b>51,421,748</b>

The collateral values presented above represent the types of collateral accepted by the Bank but only up to the amount of the loan balances. If collateral is combined, the loan is split into portions and reported on several lines based on the collateral quality.

**Analysis of loans to clients by sector - gross balance**

<b>CZK '000</b>	<b>2012</b>	<b>2011</b>
Resident individuals	45,841,890	48,184,582
Legal entities, housing associations, etc.	3,517,999	3,237,166
Municipalities	0	0
<b>Total (gross amount)</b>	<b>49,359,889</b>	<b>51,421,748</b>

**Amounts due from clients written off and recoveries of receivables written off**

<b>CZK '000</b>	<b>2012</b>	<b>2011</b>
<b>Receivables written off</b>	<b>(6,720)</b>	<b>(1,453)</b>
Amounts due from clients written off	(6,716)	(1,221)
Other amounts due written off	(4)	(232)
<b>Recoveries of receivables written off</b>	<b>4,884</b>	<b>4,092</b>
Of which: Recoveries of amounts due from clients written off	4,884	4,092
Recoveries of amounts due sold	0	0

## 15. SECURITIES AVAILABLE FOR SALE

### State zero-coupon bonds and other securities eligible for refinancing with the central bank

CZK '000	2012	2011
Carrying amount of state zero-coupon bonds	11,498,717	10,621,005
Of which: accrued interest income (including premium and discount)	(20,717)	74,798

### Debt securities

CZK '000	2012	2011
Mortgage bonds issued by financial institutions	274,918	275,365
Of which: accrued interest income (including premium and discount)	(7,744)	(6,039)

The amount of valuation differences of securities charged against equity before taking into account the effect of deferred tax amounted to CZK 963,274 thousand (2011: CZK 399,489 thousand) as at 31 December 2012.

All securities available for sale held by the Bank at the balance sheet date are listed on the Prague Stock Exchange.

## 16. DEFERRED EXPENSES, ACCRUED INCOME AND OTHER ASSETS

### Deferred expenses and accrued income

CZK '000	2012	2011
Office material in stock	348	347
Car lease	4,025	5,157
Entrance fees and commissions from building savings and loans	139,472	0
Other (rental, meal tickets, newspaper subscriptions, magazines, etc.)	7,212	6,983
<b>Total</b>	<b>151,057</b>	<b>12,487</b>

Entrance fees and commissions from building savings and loans represent expense of the next periods whose accrual accounting was implemented from the 1 January 2012.

### Other assets

CZK '000	2012	2011
Prepayments made to suppliers	15,467	17,936
Estimated receivables for state subsidy	742,055	777,002
Estimated commission, invoices not issued, other	48,180	21,244
Settlement with the State budget	309	1,708
Various debtors	13,486	12,980
Positive fair value of interest rate swap	30,587	0
<b>Total other assets</b>	<b>850,084</b>	<b>830,870</b>
Provisions against other receivables	(5,474)	(5,486)
<b>Total other assets</b>	<b>844,610</b>	<b>825,384</b>

## 17. INTANGIBLE ASSETS

### Summary of intangible fixed assets

CZK '000	Software	Prepayments	Other intangible fixed assets	Investments under construction	Total
<b>Cost</b>					
At 1 January 2011	353,356	0	13,078	20,367	386,801
Additions	30,351	0	0	28,579	58,930
Other movements	0	0	0	0	0
Disposals	0	0	0	(30,351)	(30,351)
<b>At 31 December 2011</b>	<b>383,707</b>	<b>0</b>	<b>13,078</b>	<b>18,595</b>	<b>415,380</b>
At 1 January 2012	383,707	0	13,078	18,595	415,380
Additions	16,639	0	0	50,766	67,405
Other movements	0	0	0	(24,438)	(24,438)
Disposals	0	0	0	(16,639)	(16,639)
<b>At 31 December 2012</b>	<b>400,346</b>	<b>0</b>	<b>13,078</b>	<b>28,284</b>	<b>441,708</b>
<b>Accumulated amortization and provisions</b>					
At 1 January 2011	137,559	0	8,339	0	145,898
Annual charges	35,283	0	948	0	36,231
Disposals	0	0	0	0	0
<b>At 31 December 2011</b>	<b>172,842</b>	<b>0</b>	<b>9,287</b>	<b>0</b>	<b>182,129</b>
At 1 January 2012	172,842	0	9,287	0	182,129
Annual charges	34,675	0	948	0	35,623
Disposals	0	0	0	0	0
<b>At 31 December 2012</b>	<b>207,517</b>	<b>0</b>	<b>10,235</b>	<b>0</b>	<b>217,752</b>
<b>Net book value</b>					
<b>At 31 December 2011</b>	<b>210,865</b>	<b>0</b>	<b>3,791</b>	<b>18,595</b>	<b>233,251</b>
<b>At 31 December 2012</b>	<b>192,829</b>	<b>0</b>	<b>2,843</b>	<b>28,284</b>	<b>223,956</b>

## 18. TANGIBLE ASSETS

### Summary of tangible assets

CZK '000	Land and buildings	Tools, office equipments and others	Prepayments	Tangibles under construction	Total
<b>Cost</b>					
At 1 January 2011	522,496	189,565	0	331	712,392
Additions	761	2,580	0	25,696	29,037
Other movements	0	0	0	0	0
Disposals	0	(6,469)	0	(3,341)	(9,810)
<b>At 31 December 2011</b>	<b>523,257</b>	<b>185,676</b>	<b>0</b>	<b>22,686</b>	<b>731,619</b>
At 1 January 2012	523,257	185,676	0	22,686	731,619
Additions	167	27,314	0	6,834	34,315
Other changes	0	0	0	(1,236)	(1,236)
Disposals	0	(4,615)	0	(27,481)	(32,096)
<b>At 31 December 2012</b>	<b>523,424</b>	<b>208,375</b>	<b>0</b>	<b>803</b>	<b>732,602</b>
<b>Accumulated amortization and provisions</b>					
At 1 January 2011	146,886	166,844	0	0	313,730
Annual charges	10,115	11,260	0	0	21,375
Disposals	0	(6,469)	0	0	(6,469)
<b>At 31 December 2011</b>	<b>157,001</b>	<b>171,635</b>	<b>0</b>	<b>0</b>	<b>328,636</b>
At 1 January 2012	157,001	171,635	0	0	328,636
Annual charges	10,134	9,872	0	0	20,006
Disposals	0	(4,615)	0	0	(4,615)
<b>At 31 December 2012</b>	<b>167,135</b>	<b>176,892</b>	<b>0</b>	<b>0</b>	<b>344,027</b>
<b>Net book value</b>					
<b>At 31 December 2011</b>	<b>366,256</b>	<b>14,041</b>	<b>0</b>	<b>22,686</b>	<b>402,983</b>
<b>At 31 December 2012</b>	<b>356,289</b>	<b>31,483</b>	<b>0</b>	<b>803</b>	<b>388,575</b>

In addition to the above, at the balance sheet date the Bank reported 24 cars (2011: 25 cars) acquired under a long-term finance lease contract; the acquisition cost of the cars amounts to CZK 12,950 thousand (2011: CZK 13,578 thousand).

## 19. EQUITY INVESTMENTS

The Bank held no equity investments in other companies in 2012 and 2011.

## 20. AMOUNTS OWED TO BANKS

As at 31 December 2012, the Bank reported no amounts owed to banks (as at 31 December 2011: from received term deposits). The Bank does not provide other banks with guarantees for loans to its clients and does not accept any bills of exchange.

## 21. AMOUNTS OWED TO CLIENTS

### Total amounts owed to clients

CZK '000	2012	2011
Deposits received from clients under construction savings schemes	71,075,961	70,047,882
Deposits received from clients under construction savings schemes-Fair Value	15,984	0
Other payables to clients	84,815	90,312
State subsidy claims	742,055	777,002
Received term deposits from other financial institutions	760,242	1,503,190
<b>Total</b>	<b>72,679,057</b>	<b>72,418,386</b>
Of which: Repayable at call	165,155	174,726

The level of state subsidy arising under construction savings schemes as at 31 December 2012 and 2011 is estimated on the basis of the client deposit balance at the end of the month. The state subsidy for 2012 will be credited to client accounts after its level is approved by the Czech Finance Ministry during 2013.

## 22. ACCRUED EXPENSES AND DEFERRED INCOME AND OTHER LIABILITIES

CZK '000	2012	2011
Annual bonuses, overtime hours, outstanding vacation days, fine, social security and health insurance	30,664	39,012
Estimate for advantageous interest	515,547	517,702
Entrance fees and commissions from building savings and loans	72,163	0
Deferred income – (rental)	35	40
<b>Total</b>	<b>618,409</b>	<b>556,754</b>

The estimate for interest benefit to clients represents accrued expenses for client deposits in respect of the Profit tariff (construction savings contracts concluded prior to 30 June 2001) which are recognized on an ongoing basis and to which the clients become entitled under certain conditions and advantageous interest provided to clients within the marketing activities.

Entrance fees and commissions from building savings and loans represent income of the next periods whose accrual accounting was implemented from the 1 January 2012.

### Other liabilities

CZK '000	2012	2011
Estimated payables	159,816	183,113
Of which: Commission for mediating construction savings contracts and loan contracts	83,915	86,699
Other (predominantly unbilled supplies)	75,901	96,414
Suppliers	29,819	27,864
Settlement with employees	10,711	11,087
Settlement with the state budget	246,653	272,069
Settlement with social authorities	5,275	5,861
Deferred tax liability (Note 24)	210,656	99,789
Other temporary liabilities	(2,031)	2,295
Negative in fair value of interest rate swap	12,806	0
<b>Total other liabilities</b>	<b>673,705</b>	<b>602,078</b>

As at 31 December 2012, settlement with the state budget includes withholding tax liability amounting to CZK 239,850 thousand (2011: CZK 236,520 thousand) from interest income on deposits credited in December 2012 in relation to the amendment to the Income Tax Act effective from 1 January 2011.



## 23. RESERVES

The development of the reserve and the other tax non-deductible reserves in 2012 and 2011 was as follows:

CZK '000	
Balance at 1 January 2011	14,810
Recognition of a reserve for employee jubilees and loyalty bonuses (net)	22
Use of the reserve for penalties	(9,100)
Recognition of the reserve for legal disputes	600
Release of the reserve for legal disputes	(1,151)
Use of the reserve for legal disputes	(1,594)
Recognition of a reserve for other personnel costs	427
<b>Balance of tax non-deductible reserves at 31 December 2011</b>	<b>4,014</b>

As at 31 December 2011, non-deductible reserves represent the reserve for seizure of CZK 750 thousand, the reserve for employee jubilees and loyalty bonuses amounting to CZK 1,885 thousand, the reserve for legal disputes with bank advisors of CZK 708 thousand and with clients amounting to CZK 244 thousand and the reserve for social and health insurance in connection with provision of shares to the employees of CZK 427 thousand.

CZK '000	
Balance at 1 January 2012	4,014
Recognition of a reserve for employee jubilees and loyalty bonuses (net)	171
Recognition of the reserve for legal disputes	539
Recognition of a reserve for other personnel costs	493
<b>Balance of tax non-deductible reserves at 31 December 2012</b>	<b>5,217</b>

As at 31 December 2012, non-deductible reserves represent the reserve for seizure of CZK 750 thousand, the reserve for employee jubilees and loyalty bonuses amounting to CZK 2,056 thousand, the reserve for legal disputes with bank advisors of CZK 708 thousand and with clients amounting to CZK 784 thousand and the reserve for social and health insurance in connection with provision of shares to the employees of CZK 919 thousand.

## 24. DEFERRED TAX

Deferred tax is calculated from temporary differences between the tax base and carrying value using tax rates effective in the period when the use of the temporary tax difference is estimated, i.e. 19% applicable in 2013 and used for 2012 (in 2011: i.e. 19% applicable for 2012).

The deferred income tax for the year ended 31 December 2012 reflects the difference between the accounting and tax net book values of assets, the amount of planned bonuses for managers to be paid in the following year, the costs of social security and health insurance on planned bonuses for managers and an estimate made in respect of outstanding vacation days for 2012. The deferred tax liability with an impact on equity represents a difference on the fair value remeasurement of the portfolio of securities available for sale.

### Deferred tax asset and liability

CZK '000	2012	2011
Intangible and tangible fixed assets – difference between accounting and tax net book values	(172,178)	(160,592)
Planned bonuses to be paid in the following year	19,864	26,173
Social security and health insurance on planned bonuses, estimated unpaid vacation	6,873	8,703
<b>Total balance of temporary differences</b>	<b>(145,441)</b>	<b>(125,716)</b>
<b>Deferred tax asset with an impact on the profit and loss account at 31 December</b>	<b>(27,634)</b>	<b>(23,886)</b>
Remeasurement of available for sale securities	(963,274)	(399,489)
<b>Balance of the deferred tax asset charged against equity</b>	<b>(183,022)</b>	<b>(75,903)</b>

**Development of deferred tax asset and liability**

CZK '000	2012	2011
Deferred tax asset with an impact on profit or loss at 1 January	(23,886)	(25,248)
Deferred tax asset charged against equity at 1 January	(75,903)	(100,750)
<b>Deferred tax asset (+) / liability (-) at 1 January</b>	<b>(99,789)</b>	<b>(125,998)</b>
Current changes charged against profit or loss	(3,748)	1,362
Current changes charged against equity	(107,119)	24,847
Impact of the change in the tax rate	0	0
<b>Total current changes charged</b>	<b>(110,867)</b>	<b>26,209</b>
Deferred tax asset with an impact on profit or loss at 31 December	(27,634)	(23,886)
Deferred tax asset/liability with an impact on equity at 31 December	(183,022)	(75,903)
<b>Deferred tax asset (+) / liability (-) at 31 December</b>	<b>(210,656)</b>	<b>(99,789)</b>

**25. EQUITY**

As at 31 December 2012 and 2011, the Bank's share capital amounts to CZK 562,500 thousand and is composed of 5 625 registered shares that are not tradable with a nominal value of CZK 100 thousand each. The shares are registered in book-entry form. The sole shareholder of the Bank with 100% equity investment is KB.

As at 31 December 2012 and 2011, the Bank has a statutory reserve fund of CZK 112,500 thousand, general reserve fund of CZK 1,007,138 thousand, share premium CZK 487,500 thousand and valuation differences of CZK 780,252 (in the year ended 31 December 2011: CZK 323,586 thousand).

**26. CONTINGENT ASSETS, LIABILITIES AND LOAN COMMITMENTS****Loan Commitments**

Loan Commitments of the Bank as at 31 December were as follows:

CZK '000	2012	2011
Commitments – granted loans	107,667	133,525
Commitments - bridging loans	1,321,486	2,319,857
<b>Loan Commitments Total</b>	<b>1,429,153</b>	<b>2,453,382</b>

**Legal Disputes and Administrative Proceedings**

In 2004, the Anti-monopoly Office initiated administrative proceedings regarding the coordinated approach of construction savings banks to determine fees relating to the construction savings scheme. The dispute ended in 2011 with the decision to cancel the penalty and the Bank released the recognized reserve of CZK 9,100 thousand.

As at 31 December 2012, in addition to the above, the Bank was not involved in any litigation, which would have a significant impact on the company.

## 27. RELATED PARTY TRANSACTIONS

### Transactions with KB financial group

CZK '000	2012	2011
<b>ASSETS</b>		
Operating accounts with KB	562	1,439
Term deposits with KB	1,000,286	1,503,328
KB mortgage bonds available for sale	271,553	272,239
KB mortgage bonds – non-current financial investment	16,988,727	14,928,080
Estimate of the commission of the KB financial group (sale of products)	44,298	12,633
Other assets (deferred expenses, operating receivables, rebilling)	11,041	173
Positive fair value of interest rate swap incl. off-balance sheet	4,380,587	0
<b>Total</b>	<b>22,697,054</b>	<b>16,717,892</b>
<b>LIABILITIES</b>		
Received term deposit from KB	0	0
Received term deposit from PF KB	0	1,503,190
Received term deposit from Protos	760,242	0
Payables to KB	1,444	1,773
Estimated payables – services and commissions to KB	9,785	13,566
Change fair value of securities KB	14,345	13,326
Change fair value of deposits from building savings	15,984	0
Negative fair value of interest rate swap incl. off-balance sheet	4,362,806	0
<b>Total</b>	<b>5,164,606</b>	<b>1,531,855</b>
<b>EXPENSES</b>		
Commissions and fees (KB)	3,934	9,534
Interest (KB)	1,139	38,128
Interest (PF KB)	24,175	3,190
Interest (Protos)	6,330	0
Loss on fair value of interest rate swap	28,636	0
Interest on subordinate debt (KB)	0	0
Net expenses for securities transactions (KB)	1,285	1,300
Other operating expenses (KB)	20,869	17,550
<b>Total</b>	<b>86,368</b>	<b>69,702</b>
<b>INCOME</b>		
Interest KB (term deposit, IRS)	34,047	21,720
Earnings on fair value of interest rate swap	28,636	0
Income from mortgage bonds of KB	619,364	546,924
Other operating income (KB)	85	60
Commission to the KB financial group (sale of products)	126,132	49,492
<b>Total</b>	<b>808,264</b>	<b>618,196</b>

### Remuneration and receivables from members of the Board of Directors and the Supervisory Board

CZK '000	2012	2011
Salaries and bonuses		
To members of the Board of Directors	14,834	14,384
To members of the Supervisory Board	30	33
<b>Total</b>	<b>14,864</b>	<b>14,417</b>
Number of members of the Board of Directors at 31 December	3	3
Number of members of the Supervisory Board at 31 December	6	6

In the case of the Board of Directors, the assumption of an annual bonus for 2012 was included (to be paid in March 2013). The salaries of the members of the Supervisory Board elected by the Bank's employees have not been reflected in the above table.

As at 31 December 2012 was registered receivable from provided loans to members of the Board of Directors in the amount of CZK 3,267 thousand (2011: CZK 3,267 thousand) and the members of the Supervisory Board in the amount of CZK 1,000 thousand (2011: CZK 1,195 thousand).

## 28. RISK MANAGEMENT

The inclusion of the Bank into the Société Générale/Komerční banka Group requires the gradual introduction of risk management standards adhered to by the whole Group which has a positive impact on the quality of management of all risks to which the Bank is exposed. The cooperation involves, for example, the implementation of tools for managing operational risks developed within the Group, introduction of scoring models in the area of retail receivables, and implementation of the Internal Ratings-Based approach based on the model established in SG with respect to exposures on the financial market, etc.

### Capital Management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. As part of the capital planning process, the Bank takes both internal and external factors into account which are reflected in the corresponding internal targets expressed in the targeted Tier 1 values and the capital adequacy ratio. The Bank's capital level planning process is based on a regular capital structure analysis and a forecast which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank. This analysis principally leads to adjustments of the level of the Bank's dividend pay-out, identification of future capital needs and maintenance of a balanced capital composition.

The Bank uses the Internal Rating Based Advanced Approach for the credit risk capital requirement calculation in respect of amounts due from banks, central banks and central governments. The Bank uses the Standardized Approach for the credit risk capital requirement calculation in respect of other exposures.

For amounts due from banks, the Bank will use a central economic rating model developed by Société Générale. The model is based on variables of a qualitative questionnaire, including quantitative financial criteria, and country support questionnaire. Central models have also been developed for sovereigns (central banks and central governments).

The Bank uses the Standardized Approach for the operational risk capital requirement calculation.

#### (a) Credit Risk

##### **Credit Risk Arising from Construction Savings (bridging and granted loan)**

In the credit risk management process, the roles of individual departments are established so as to comply with the CNB's regulatory requirements. Risk management and loan approval is separate from business activities at the level of the members of the Board of Directors. Any important decisions in the area of credit risk management are adopted by the Credit Risk Management Committee.

In addition to construction savings loans, the Bank provides 'bridging loans' to clients who have not yet met the criteria to be eligible for the construction savings loan. The bridging loans are designed to bridge the period over which the client is not yet entitled to receive a construction savings loan. The client drawing a bridging loan pays interest on the bridging loan account and, at the same time, makes mandatory additional payments to a savings account. The additional payments made to the savings account represent the credit risk indicator and make the client eligible for state support. Once the terms and conditions for the provision of a loan from the construction savings are met, the bridging loan is repaid partly from the amount accumulated in the savings account and partly from the newly provided loan from the construction savings.

Pursuant to the Construction Savings Act, loans advanced to the participants in the construction savings scheme must be used to accommodate their housing needs. The purpose of each loan is subject to the Bank's review.

The Construction Savings Act places a limit on the proportion of loans entered into with legal entities. A similar restriction is put in place in respect of loans to persons whose products and services are designed to meet housing needs and bridging loans granted to clients. In addition to these regulatory limits, the Bank maintains other internal limits as well.

##### **Individuals ('fyzické osoby')**

The provision of loans to individuals represents the principal business of the Bank. As such, the loan portfolio is composed of a significant number of loan transactions of a relatively small volume and similar characteristics. With a view to limiting situations where the debtor is unable to repay the loan as required, the Bank specifically refers to the following information (depending on the product type) in making a loan underwriting decision:

- Assessment of a client's repayment ability based on documented income which is anticipated to be sustained in the future (after taking into account the expenses of the client)
- Assessment of a client using the scoring models that reflect both the savings and credit history of the client in the Bank and other available information on clients
- Assessment of negative information on a client (the Bank uses Bankovní registr klientských informací (Client Data Banking Register) operated by CBCB and the register operated by SOLUS as well as other internal or freely available negative information)
- Assessment of the quality of provided collateral.

Internal rules set out requirements to be followed in collateralizing the provided loans. The Bank uses the following forms of collateral: collateral by guarantors, by real estate, by deposits and by bank guarantees. Loans collateralized by real estate are largely issued up to 85% of the current price, for Hypoúvěr 100 mortgage loans up to 100% of the current price. Uncollateralized loans are provided only to clients with a history with the Bank with using the application scoring. Synergies within the KB Group have been reflected in the area of provided loans where the Bank uses the scoring models developed in close cooperation with KB.

### Legal Entities ('právníce osoby')

Loans to legal entities are provided specifically to groups of owners of flats and housing associations. Loans provided to legal entities are assessed with reference to the financial position, debt service and payment health of the client at regular intervals.

### Recovery, Restructuring and Write-Offs of Receivables from Debtors

The loan recovery process has three phases involving the prevention of the origin of the classified loans, the out-of-court recovery phase and the court recovery phase. Classified loan receivables are recovered by the Distressed Loan Management Department and each overdue loan transaction is assessed on an individual basis.

At any phase of the loan recovery process, loan restructuring can be performed. The restructuring is primarily effected by writing a bailiff's deed. Since October 2009, the Bank has also used restructuring in the form of a short postponement of principal payments (additional payments).

A loan receivable is written off when the Bank determines that the receivable has become irrecoverable specifically through its assessment of a debtor's financial and economic position and hence court recovery of the loan cannot be expected to be successful.

### Credit Risk Monitoring

The Bank regularly monitors the development of the loan portfolio and, as part of its regular monitoring activities, it analyses the loan portfolio by individual types of products, clients, distribution channels, collateral, individual classification grades of receivables and other criteria.

The Bank uses a standard methodology for monitoring according to default rates, i.e. by client default to repay the loan in particular periods. This approach makes it possible to identify early indications of portfolio quality impairment as well as to compare the quality of the Bank's portfolio to the quality of the parent company's portfolio.

### Loan Portfolio Quality

During 2012, the proportion of classified loans increased from 4.39% as at the 2011 year-end to 5.07%. As part of this category, the proportion of monitored loans slightly increased from 1.70% to 1.97% and the proportion of distressed loans increased from 2.70 to 3.09%.

In case the classification was purely based on the observed number of days after the maturity of individual loans, the share of classified loans in the Bank would be at the end of particular years: 2008: 2.84%, 2009: 2.85%, 2010: 2.63%, 2011: 2.76%, 2012: 2.97%.

In addition to the number of days over maturity, the final classification of loans into categories influence other factors, see further description below.

### Loan Categorization

The Bank classifies loans primarily by reference to the number of past due days. The calculation of the number of the past due days reflects both the outstanding past due amounts on the loan account (interest on the bridging loans and annuity repayments of loans under a construction savings scheme) and the savings debts in respect of the bridging loans. The savings debts have been reflected in the classification of loans since the end of 2007.

Special rules for the classification of receivables are applied to loans which are restructured by the Bank.

The classification of the receivable may also be impacted by 'default transfers', i.e., downgrading in circumstances where the debtor or co-debtor

in the assessed loan participates in another classified loan at the Bank either as a debtor, co-debtor or guarantor. The default transfer is partially applied to clients that default on their loans provided by KB.

### **Provisioning**

The Bank recognizes provisions against classified exposures arising from provided loans. In charging the provisions, the Bank does not apply the portfolio approach; provisions are recognized in respect of individual receivables.

Loans are categorized into individual classification grades in accordance with the Czech National Bank Regulation 123/2007 Coll. The Bank categorizes its loans into standard exposures and classified exposures (watch, substandard, doubtful and loss). The substandard, doubtful and loss exposures are collectively referred to as distressed loans. The Bank recognizes provisions against classified receivables.

In determining coefficients to arrive at provisioning for individual classification grades, the Bank refers to its own statistical measurements and reflects the mandated coefficient ranges applicable to individual classification grades according to the CNB Regulation. The settings of the coefficients in the Bank are almost at the maximum level as outlined in the Regulation 123/2007 Coll., which leads to a high level of provisioning for classified exposures. In determining the provisions, the Bank additionally takes into account the level and quality of loan collateral. For provisioning purposes, the nominal value of the collateral is adjusted for a discount reflecting the risk of realizing the relevant type of collateral. This adjusted value is offset against the total loan exposure and the adjusted loan exposure serves as a basis for provisioning. The setting of discount coefficients for individual types of collateral is assessed on an ongoing basis by reference to the information regarding the recovery rates of individual forms of collateral.

### **Credit Risk Associated with Financial Markets**

Available funds are invested in Czech government bonds or mortgage bonds or in term deposits with KB. The Bank does not hold any assets issued by any other entity and has no financial market exposure to any other entities than the Czech state and KB. The Czech state and KB are the only entities for which the Bank maintains a credit limit.

### **(b) Market Risks**

Given that the Bank complies with the Construction Savings Act 96/1993 Coll. as amended, the possibility of using financial instruments are limited. In 2012, in addition to bridging loans and construction savings loans, the Bank used the following financial instruments: depository transactions on the interbank market, investment in government bonds, and mortgage bonds, and it conducted repo transactions and securities transactions carrying the repurchase or sale commitment and hedging transactions. The Bank does not include any of these instruments in the trading book. The Bank makes these investments to assess available funds and to not increase the exposure to the interest rate risk. The Bank additionally carries no open currency, commodity or other positions that would depend on the development of market prices.

As the Bank does not hold foreign currency assets and liabilities, it does not present an analysis of assets and liabilities by balance sheet categories and principal currencies.

### **Assets and Liabilities Management - Interest Rate Risk**

#### **Interest Rate Characteristics of the Bank's Assets and Liabilities**

Given the structure of assets and liabilities which show a timing mismatch and have different maturities or repricing dates, the Bank is exposed to interest rate risk. The bulk of liabilities consist of client deposits bearing a fixed interest rate throughout the entire life of the construction savings contract. In respect of the contracts entered into subsequent to 2004, the Bank has the option to revise interest rates on deposits provided that the participant meets the conditions for being granted a loan under the construction savings scheme and assuming that more than six years have elapsed. With regard to the contracts entered into prior to 2004, the interest rate remains valid throughout the contract term.

Provided construction savings loans and the bulk of securities held by the Bank in its portfolio also bear interest at fixed interest rates, the Bank may review the interest rate attached to the long-term bridging loans after the lapse of six years. The possibility of reviewing interest rates attached to bridging loans relates only to contracts entered into subsequent to 1 July 2004. This fact is also reflected in the Bank's interest rate model.

#### **Interest Rate Risk Management**

The Bank manages interest rate risk through its investment policy, changes in the setting of interest rate terms underlying new construction savings contracts, adjustments of client contractual arrangements and realization of hedging transactions. The assets and Liabilities Management Committee approves the rules and techniques used for management of interest rate and liquidity position. Cooperation with KB in assets and liabilities management involves KB's representatives taking part in the Assets and Liabilities Management Committee meetings and cooperation in the development of interest rate risk management model.

### Interest Rate Risk Measurement Techniques

Interest rate risk is the risk that net interest income will fluctuate due to changes in market interest rates. The basic instrument for monitoring and measuring interest rate risk is a gap analysis which represents an analysis of the difference in maturities of individual assets and liabilities. The substance of this technique involves comparing how quickly assets and liabilities respond to changes in market interest rates and how these changes impact the Bank's net interest income. The technique is based on the allocation of assets and liabilities into time bands according to the period of their repricing (contractual change of the interest rate) or maturity.

In measuring interest rate risk, the Bank uses the polo-dynamic model which reflects both the existing balance sheet amounts and the future increase in the volume of deposits and loans, but only in respect of the existing loan and construction savings contracts. In 2012, the Bank implemented a new model for loan risk management which more exactly reflects clients behaviour as a reaction to changes adopted in legislative framework in building savings.

In addition, the Bank uses the sensitivity indicator to quantify the level of interest rate risk taken. The sensitivity indicator quantifies the impact of a parallel shift of the yield curve by 1% to the position of unsecured position. The sensitivity indicator is calculated for all time periods. The Bank has established an internal limit in respect of this indicator.

The table below describes balances allocated to individual time buckets at the balance sheet date (a static model which does not reflect the increase in the balance sheet amounts in respect of the existing contracts and which the Bank uses only as a supporting model for interest rate risk measurement).

### Interest Rate Sensitivity of the Bank's Assets and Liabilities

CZK million	Up to 1 year	1 year to 5 years	5 years to 10 years	10 years to 15 years	Over 15 years	Undefined	Total net balance
<b>At 31 December 2012</b>							
<b>Total assets</b>	<b>16,028</b>	<b>36,095</b>	<b>18,190</b>	<b>7,781</b>	<b>3,186</b>	<b>867</b>	<b>82,147</b>
Cash in hand and balances with central banks	398	0	0	0	0	0	398
State zero-coupon bonds and other securities eligible for refinancing with the central bank	2,771	5,900	1,530	1,298	0	0	11,499
Amounts due from banks and savings associations	3,129	1,369	14,767	624	0	0	19,889
Amounts due from clients – members of savings associations	8,986	28,553	1,893	5,859	3,186	0	48,477
Debt securities	2	273	0	0	0	0	275
Intangible fixed assets	0	0	0	0	0	224	224
Tangible fixed assets	0	0	0	0	0	389	389
Other assets	742	0	0	0	0	103	845
Expenses and income of the next period	0	0	0	0	0	151	151
<b>Total liabilities and equity</b>	<b>44,459</b>	<b>26,240</b>	<b>2,481</b>	<b>0</b>	<b>0</b>	<b>8,967</b>	<b>82,147</b>
Amounts owed to clients – members of savings associations	43,942	26,240	2,481	0	0	16	72,679
Other liabilities	1	0	0	0	0	674	675
Deferred income and accrued expenses	516	0	0	0	0	102	618
Reserves	0	0	0	0	0	5	5
Total equity	0	0	0	0	0	8,170	8,170
<b>Gap</b>	<b>(28,431)</b>	<b>9,855</b>	<b>15,709</b>	<b>7,781</b>	<b>3,186</b>	<b>(8,100)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(28,431)</b>	<b>(18,576)</b>	<b>(2,867)</b>	<b>4,914</b>	<b>8,100</b>	<b>0</b>	<b>0</b>

### Assets and Liabilities Management - Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its financial commitments when they fall due or will not be able to refinance its assets. The principal objective of liquidity management is to ensure the Bank's ability to settle its payables at any point of time. The Bank has developed a liquidity management strategy which was approved by the Board of Directors.

Liquidity management can be divided into two areas:

#### 1) Short-term Liquidity Management (Operational Liquidity)

The Bank monitors and controls liquidity in the context of managing the mandatory minimum reserves placed on the account in the CNB Clearing Centre. Current liquidity is monitored on a daily basis. Monitoring is performed with no less than a three-month forecast.

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The Bank outsources short-term liquidity management to KB which enables further drawing from the KB synergy potential as KB is in a better position to deposit and/or lend cash on financial markets.

## 2) Long-term Liquidity Management (Strategic Liquidity)

As a part of its risk management strategy, the Bank maintains a proportion of its assets in highly liquid instruments such as interbank market deposits with maturity of less than three months, reverse repo transactions by ČNB, treasury bills, and securities related to repo guarantee. For measurement purposes, the Bank uses, inter alia, the quick assets ratio which represents the proportion of highly liquid assets net of loan commitments to total assets and to the amount of deposits where the blocking period has expired.

In addition, the Bank uses the liquidity gap as a strategic liquidity management tool, which shows the liquidity position based on a semi-dynamic model and shows the situation that would occur if the Bank ceased to enter into new construction savings contracts and to provide bridging loans. It simulates the state in which the Bank would only settle the current contracts and all payables arising from them. The model foresees the acceptance of new deposits and the conclusion of new construction savings loans but only as part of the already existing construction savings contracts. This indicator is prepared and reported to the management on a monthly basis. The Bank has set the limit for this indicator.

For liquidity risk management purposes, the Bank uses the limits specified in its internal regulations.

The table below shows the allocation of balances to individual time buckets as at the balance sheet date (using a static model which does not reflect the increase in balances of the existing contracts and which serves only as a liquidity risk measurement supporting tool). In 2009, the Bank introduced a product for which clients undertake to maintain funds on savings accounts after the blocking period. These contracts set out a new blocking period at 3 or 6 years. The new blocking period is reflected in the table below showing the remaining maturity. In 2012, the Bank introduced similar "stabilizing" saving product called "Rostoucí úrok" which motivates new and existing clients to regular and long-term saving thanks to in time growing interest subsidy.

## The remaining maturity of the Bank's assets and liabilities

CZK million	Up to 7 days	7 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Maturity undefined	Total for remaining maturity
<b>At 31 December 2012</b>										
<b>Total assets</b>	<b>697</b>	<b>2,388</b>	<b>688</b>	<b>4,865</b>	<b>1,581</b>	<b>2,179</b>	<b>14,739</b>	<b>52,581</b>	<b>2,428</b>	<b>82,147</b>
Cash in hand and balances with central banks	398	0	0	0	0	0	0	0	0	398
State zero-coupon bonds and other securities eligible for refinancing with the central bank	0	263	0	2,492	15	0	5,900	2,828	0	11,499
Amounts due from banks and savings associations	241	1,900	84	760	144	0	1,369	15,391	0	19,889
Amounts due from clients - members of savings associations	58	225	604	871	1,420	2,179	7,197	34,362	1,561	48,477
Debt securities	0	0	0	0	2	0	273	0	0	275
Intangible fixed assets	0	0	0	0	0	0	0	0	224	224
Tangible fixed assets	0	0	0	0	0	0	0	0	389	389
Other assets	0	0	0	742	0	0	0	0	103	845
Expenses and income of the next period	0	0	0	0	0	0	0	0	151	151
<b>Total liabilities and equity</b>	<b>395</b>	<b>656</b>	<b>34,262</b>	<b>3,034</b>	<b>6,111</b>	<b>5,813</b>	<b>20,427</b>	<b>2,481</b>	<b>8,967</b>	<b>82,147</b>
Amounts owed to clients - members of savings associations	395	655	33,746	3,034	6 111	5,813	20,427	2,481	16	72,679
Other liabilities	0	1	0	0	0	0	0	0	674	675
Deferred income and accrued expenses	0	0	516	0	0	0	0	0	102	618
Reserves	0	0	0	0	0	0	0	0	5	5
Total equity	0	0	0	0	0	0	0	0	8,170	8,170
<b>Gap</b>	<b>302</b>	<b>1,732</b>	<b>(33,574)</b>	<b>1,831</b>	<b>(4,530)</b>	<b>(3,634)</b>	<b>(5,688)</b>	<b>50,100</b>	<b>(6,539)</b>	<b>0</b>
<b>Cumulative gap</b>	<b>302</b>	<b>2,034</b>	<b>(31,540)</b>	<b>(29,709)</b>	<b>(34,239)</b>	<b>(37,873)</b>	<b>(43,561)</b>	<b>6,539</b>	<b>0</b>	<b>0</b>



### (c) Operational Risk

All significant decisions relating to operational risk management are adopted by the Operational Risk Management Committee.

The Bank collects data on losses arising from operational risks. Data collection also relates to loan fraud which is treated as losses from credit risk associated with operational risk. The loss data is forwarded to KB and used in the group model for calculating capital requirements under the Advanced Measurement Approach (AMA) managed within the SG group. However, the capital requirements are calculated by reference to the standard method (TSA) on the Bank's level.

During 2012, the Bank implemented and updated all instruments of the advanced approach of operational risks management. Currently the Bank uses within Operational risk management besides collecting data on operational risk events also key risk indicators monitoring, risk and control environment self assessment, scenarios analysis and formalized first level controls. When defining particular instruments the Bank very closely cooperates with KB and with particular units at SG group level.

In 2012, in connection with the process of approval of an advanced approach initiated Czech National Bank an informational visit focused on operational risk management and implementation of advanced approach for calculating of capital requirement to operational risk.

The Bank's internal regulations define practices and procedures to be followed in recovering IT systems in disaster situations (disaster recovery planning) and IT security management principles. In 2012, the Bank carried out four tests of business continuity: test of a crisis communication, test of external place of employment, test of applications recovery from back-up server and test of evacuation of the Bank's headquarter employees.

## 29. POST BALANCE SHEET EVENTS

There were no significant events after the financial statements as at 31 December 2012.

# Report on Relations Between Affiliated Companies in Accounting Year 2012

(hereinafter "Report")

Modrá pyramida stavební spořitelna, a.s., with its registered office at Bělehradská 128, no. 222, 120 21 Prague 2, Ident. no. 60192852, incorporated in the Companies Register maintained by the Municipal Court in Prague, section 2281, record no. 2281, (hereinafter the "Company") is member of Soci t  G n rale S.A. Group, with its registered office at 29, BLD Hausmann, 75009 Paris, France, company registration number in French Companies Register: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter "SG" or "SG Paris "). The relations between the Company and its controlling company and also the relations between the Company and other companies controlled by the same controlling company (hereinafter "affiliated companies") within the Group are indicated in this Report. Komer n  banka, a.s., with its registered office at Na P řkop  33, no. 969, 114 07 Prague 1, Ident. number 453 17 054, incorporated in the Companies Register maintained by the Municipal Court in Prague, section B, record no. 1360 is the sole shareholder of the Company. SG has 60.35% shares in Komer n  banka, a.s.

This Report on relations between the companies indicated below has been made in compliance with section 66a subsection 9 of Act no. 513/1991 as amended (The Commercial Code) and covers year 2012 (1 Jan. 2012 – 31 Dec. 2012) (hereinafter "Accounting Period").

## I. Introduction

In 2012, the Company maintained relations with the following affiliated companies:

Company	Address	Share of SG in voting rights of the Company
Soci�t� G�n�rale S.A.	29, BLD Hausmann, 75009 Paris, Francie	-
Komer�n� banka, a.s.	Na P�řkop� 33 �p. 969, 114 07 Praha 1	60.73% *
Komer�n� pojiřtovna, a.s.	Karolinsk� 1, �.p. 650, 186 00 Praha 8	100%
Penzijn� fond Komer�n� banky, a.s. **	Lucembursk� 1170/7, 130 11 Praha 3, Vinohrady **	100%
Factoring KB, a.s.	Lucembursk� 1170/7, 130 11 Praha 3, Vinohrady	100%
ALD Automotive s.r.o.	U Stavoservisu 527/1, 100 40 Praha 10	100%
ESSOX s.r.o.	Senov�žn� n�m�st� 231/7, 370 01 �esk� Bud�jovice	100%
SG Equipment Finance Czech Republic s.r.o.	Antala Stařka 2027/79, 140 00 Praha 4, Kr�	100%
Protos, uzavřen� investijn� fond, a.s.	Dlouh� 34, 110 15 Praha 1	100%

\* information as at 31 Dec. 2012

\*\* starting from 1 Jan. 2013, KB Penzijn  spole nost, a. s. with its registered office at n m st  Junkov ch 2772/1, Praha 5 – Stod lky, postal code 155 00

## II. Relations with affiliated companies

### A. Agreements and arrangements with the controlling company and other companies within the Group

#### I. Agreements and arrangements concluded during the Accounting Period

Agreement/arrangements (or subject-matter of the agreement/arrangement, unless specified in the heading)	Party	Performance by the Company	Counter-Performance	Damage incurred by the Company
Agreement on issuing and use of credit card no. 134471131	Komerční banka, a.s.	payment of interests and fees according to the agreement	provision of service	no
Installation of ATM No. 20076/0000	Komerční banka, a.s.	payment of the service price	provision of service	no
Installation of ATM No. 20162/0000	Komerční banka, a.s.	payment of the service price	provision of service	no
Specific agreement no. 5 to General Agreement on IT services	Komerční banka, a.s.	payment of the service price	provision of service	no
Accession to insurance agreement concluded by Komerční pojišťovna, a.s. (insurer) a Komerční banka, a.s. (insured company), covering also the employees of MPSS starting from 1 Dec. 2012 (risk covered by insurance: employee death)	Komerční banka, a.s.	payment of insurance premium	provision of service	no
Memorandum of Understanding signed on 11 Oct. 2012	Komerční banka, a.s.	maintaining confidentiality of information	maintaining confidentiality of information	no
KB employees training agreement	Komerční banka, a.s.	payment of invoices issued by KB	provision of service	no
Agreement on transferring the commission from KB to MPSS	Komerční banka, a.s.	payment of invoices issued by KB	provision of service	no
Invoicing PR costs from KB to MPSS	Komerční banka, a.s.	payment of invoices issued by KB	provision of service	no
Invoicing IT costs from KB to MPSS	Komerční banka, a.s.	payment of invoices issued by KB	provision of service	no
General distribution agreement of 15 Oct. 2012, incl. Amendment no. 1 of 15 Nov. 2012, incl. invoicing media and marketing campaign from MPSS to KP	Komerční pojišťovna, a.s.	provision of service	payment of the price of service	no
Specific distribution agreement for VITAL INVEST product, signed on 15 Oct. 2012, incl. Amendment no. 1 of 19 Dec. 2012	Komerční pojišťovna, a.s.	provision of service	payment of the price of service	no
Specific distribution agreement for MOUDRÉ POJIŠTĚNÍ RISK LIFE INSURANCE product, signed on 15 Oct. 2012, incl. Amendment no. 1 of 19 Dec. 2012, incl. invoicing of costs from MPSS to KP	Komerční pojišťovna, a.s.	provision of service	payment of the price of service	no
Specific distribution agreement for PYRAMIDA RISK LIFE INSURANCE product, signed on 15 Oct. 2012, incl. Amendment no. 1 of 19 Dec. 2012	Komerční pojišťovna, a.s.	provision of service	payment of the price of service	no
Time deposit	Penzijní fond Komerční banky, a.s.	payment of interests	deposit	no
Ordering IT services for MPSS from PF KB no. 522100056	Penzijní fond Komerční banky, a.s.	payment of the service price	provision of service	no
Time deposit	PROTOS, uzavřený investiční fond, a.s.	payment of interests	deposit	no
Insurance paid for MPSS upon agreement concluded between Sociétés Générale S.A. and Komerční banka, a.s.	Sociétés Générale S.A.	payment of insurance premium	provision of service	no
Sales agency agreement signed on 18 July 2012	ESSOX s.r.o.	agency in granting loans	payment of commission	no
Sales agreement	ALD Automotive s.r.o.	car sale	payment of purchasing price	no
Premature termination of the Agreement no. 310047136 on financial leasing with subsequent purchase of the leased object	ALD Automotive s.r.o.	co-operation in damage settlement	insurance benefit payment	no

## II. Performance accepted and provided in relevant Accounting Period upon agreements concluded in preceding accounting periods

Agreement/arrangements (or subject-matter of the agreement/arrangement, unless specified in the heading)	Party	Performance by the Company	Counter-Performance	Damage incurred by the Company
Agreement on opening and operation of current account as amended	Komerční banka, a.s.	provision of service – maintaining current account and payment of interests	maintaining current account and payment of interests	no
Agreement on issuing and use of credit card with current account ( VISA Business Silver Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Business Silver Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Business Gold Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Business Gold Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Business Gold Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Gold Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Business Silver Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Agreement on issuing and use of credit card with current account (VISA Business Gold Card)	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
Direct Banking (e-Banking) for current account , incl. Amendment no. 1 of 22 Oct. 2012	Komerční banka, a.s.	payment of interests and fees in accordance with the agreement	provision of service	no
General Agreement on trading on financial market, signed on 27 July 2005, incl. amendment no. 3 of 13 Nov. 2012	Komerční banka, a.s.	payment of fees in accordance with the agreement	provision of service	no
General Agreement on trading on financial market, signed in 2010 - trading	Komerční banka, a.s.	payment of fees in accordance with the agreement	provision of service	no
Agreement on custody services provided by KG, signed in 2010	Komerční banka, a.s.	payment of contractual remuneration	provision of custody service	no
Agreement no. 494 on KB safe deposit box use (box no. 833)	Komerční banka, a.s.	payment of fees in accordance with the agreement	provision of service	no
Agreement no. 863 on KB safe deposit box use (box no. 723)	Komerční banka, a.s.	payment of fees in accordance with the agreement	provision of service	no
Agreement no. 867 on KB safe deposit box use (box. no.921)	Komerční banka, a.s.	payment of fees in accordance with the agreement	provision of service	no
Universal agreement on handing over packed cash money	Komerční banka, a.s.	payment of fees in accordance with the agreement	provision of service	no
Agreement on use of KB sales network (incl. Amendments no. 1, 2 and 3)	Komerční banka, a.s.	payment of commission for provision of service	provision of service	no
General Agreement on preferential conditions for employees of KB and its subsidiaries (participation in saving schemes for building)	Komerční banka, a.s.	payment of the service price	provision of service	no
Confidentiality Agreement	Komerční banka,a.s., BHW Holding AG a Česká pojišťovna, a.s.	maintaining confidentiality of information	maintaining confidentiality of information	no
General Agreement on temporary employee assignment, incl. Amendment no. 1	Komerční banka, a.s.	payment of the service price	provision of service	no
Agreement on co-operation between KB and VSS in provision of consumer lending, incl. Amendment no. 1	Komerční banka, a.s.	co-operation in provision of the service	provision of service	no
Lease Agreement for garage parking lot	Komerční banka, a.s.	provision of the service	provision of service	no
Co-operation Agreement, signed on 31 Aug. 2007 incl. Amendment no. 1	Komerční banka, a.s.	payment of the service price	provision of service	no
General Distribution Agreement signed on 31 Aug. 2007 incl. Amendment no. 1 of 09 Sept. 2011 and Amendment no. 2 of 15 Nov. 2012, incl. invoicing costs from KB to MPSS as well as from MPSS to KB in 2012	Komerční banka, a.s.	mutual co-operation in sales of products	mutual co-operation in sales of products	no
Cooperation Agreement incl. Amendment no. 1	Komerční banka, a.s.	co-operation in specified areas, acceptance of service, payment of the service price	provision of service	no

Agreement/arrangements (or subject-matter of the agreement/arrangement, unless specified in the heading)	Party	Performance by the Company	Counter-Performance	Damage incurred by the Company
Co-operation – Scoring clients	Komerční banka, a.s.	co-operation, acceptance of service, payment of the service price	provision of service	no
Outsourcing Agreement - Treasury	Komerční banka, a.s.	payment of the service price	provision of service	no
Confidentiality Agreement – Use of HP OV SD licences	Komerční banka, a.s.	maintaining confidentiality of information	maintaining confidentiality of information	no
Agreement on payment of costs of licences (in replacement of oral agreement on payment of costs of licences, made in 2007) incl. Amendment no. 1	Komerční banka, a.s.	payment of the service price	provision of service	no
Agreement on co-operation within the Group pursuant to section 5a of Act no. 235/2004 as amended (VAT Act), incl. Amendment no. 1	Komerční banka, a.s.	payment of the service price	provision of service	no
Agreement on lease of non-residential space and payment of services associated with its use (Uherský Brod)	Komerční banka, a.s.	payment of the service price	provision of service	no
General agreement on personal data processing (KB as administrator, MPSS as processing entity), signed on 30 May 2009	Komerční banka, a.s.	co-operation	personal data processing	no
General Agreement on personal data processing (MPSS administrator, KB processing company), signed on 30 May 2009, incl. Amendment no. 1 of 12 Sept. 2011	Komerční banka, a.s.	personal data processing	co-operation	no
Agreement on payment of insurance premium (discount on insurance premium within FS KB), signed on 1 July 2009	Komerční banka, a.s.	acceptance of service	co-operation	no
Agreement on KB call centre services signed on 1 Jan. 2010	Komerční banka, a.s.	payment of the service price	provision of service	no
Confidentiality agreement relating Service Provision Agreement –Outsourcing (HR services )	Komerční banka, a.s.	maintaining confidentiality of information	maintaining confidentiality of information	no
Services Provision Agreement -Outsourcing (HR services)	Komerční banka, a.s.	payment of the service price and co-operation	provision of service	no
Confidentiality agreement for Outsourcing and Purchasing Co-operation Agreement	Komerční banka, a.s.	maintaining confidentiality of information	maintaining confidentiality of information	no
Consent to rules of co-operation between KB and FS member companies in outsourcing and purchasing sector, issued on 16 Sept. 2010	Komerční banka, a.s.	payment of the service price and co-operation	provision of service	no
Memorandum of Understanding in credit risk management, signed on 3 Aug. 2010	Komerční banka, a.s.	agreement on rules of co-operation	agreement on rules of co-operation	no
Agreement on Organisation of Periodic Control, signed on 17 Dec. 2010, incl. Amendment no. 1 of 6 Dec. 2012	Komerční banka, joint-stock companya Société Générale S.A.	payment of the service price	provision of service	no
General agreement on services signed on 24 Jan 2011, Amendment no. 1 of 11 Oct. 2011	Komerční banka, a.s.	payment of the service price	auditing services	no
Separate distribution agreement (Perfektní půjčka) signed on 1 April 2011	Komerční banka, a.s.	provision of services in accordance with the agreement	payment of commission in accordance with the agreement	no
Separate distribution agreement (MůjÚčet, G2.2), signed on 1 April 2011, incl. Amendment no. 1 signed on 27 April 2012	Komerční banka, a.s.	provision of services in accordance with the agreement	payment of commission in accordance with the agreement	no
Separate distribution agreement (A karta, Lady karta, Kreditní karta VISA Elektron), signed on 1 April 2011	Komerční banka, a.s.	provision of services in accordance with the agreement	payment of commission in accordance with the agreement	no
Agreement on provision of services (outsourcing – data storage), signed on 30 June 2011, Amendment no. of 15 Oct. 2011	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no

## Financial Section &gt; Report on Relations Between Affiliated Companies

Agreement/arrangements (or subject-matter of the agreement/arrangement, unless specified in the heading)	Party	Performance by the Company	Counter-Performance	Damage incurred by the Company
Separate distribution agreement (Mortgage loan, Pre-Mortgage loan), signed on 09 Sept. 2011, Amendment no. 1 of 19 Dec. 2011	Komerční banka, a.s.	provision of services in accordance with the agreement	payment of commission in accordance with the agreement	no
ATM Installation Agreement no. 2004/2011/9526	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no
Specific agreement no. 2, signed on 31.Oct. 2011 in compliance with General Agreement for IT provisions, signed on 24 Jan. 2011	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no
Specific agreement no. 3, signed on 31 Oct. 2011 in compliance with General Agreement for IT provisions, signed on 24 Jan. 2011	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no
Specific agreement no. 4, signed on 31 Oct. 2011 in compliance with General Agreement for IT provisions, signed on 24 Jan. 2011, incl. Amendment no. 1 of 5 Oct. 2012	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no
Specific agreement no. 1, signed on 31.11.2011 in compliance with General Agreement for IT provisions, signed on 24 Jan. 2011, incl. Amendment no. 1 of 5 Oct. 2012	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no
Agreement on provision of services (outsourcing ), Assessment of risks associated with real estate pledge for MPSS in KB system	Komerční banka, a.s.	payment of the service price	provision of services in accordance with the agreement	no
Agreement on collective co-insurance (death) of VSSKB clients to guarantee loan no. 37-9861	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	agency	commission	no
Technical agreement on collective co-insurance of clients of VSSKB Česká pojišťovna, a.s., Komerční pojišťovna, a.s.	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	agency in client insurance	commission	no
Agreement on provision of preferential conditions for employees of Komerční pojišťovna, a.s., (participation in saving schemes for building)	Komerční pojišťovna, a.s.	granting preferential conditions	granting preferential conditions	no
Sales Agency Agreement, incl. Amendments no. 1, 2 and 3, incl. pre-invoicing of marketing costs from MPSS to KP in 2012	Komerční pojišťovna, a.s.	agency in sales	payment of commission	no
General Co-operation Agreement no. 301000246 (PROGRAM SPEKTRUM)	Komerční pojišťovna, a.s.	co-operation	provision of service for employees of MPSS	no
Mandate Agreement on co-operation in additional pension insurance, incl. Amendments no. 1, 2, 3, 4, 5 and 6, incl. pre-invoicing of marketing costs from MPSS to PF KB in 2012	Penzijní fond Komerční banky, a.s.	agency in dealing	payment of commission	no
Agreement on processing personal data, signed on 28 Nov. 2003, administrator PFKB, processing entity MPSS	Penzijní fond Komerční banky, a.s.	co-operation	personal data processing	no
Agreement on processing personal data, signed on 9 Nov. 2004 ( administrator MPSS, processing company PFKB)	Penzijní fond Komerční banky, a.s.	personal data processing	co-operation	no
Agreement on additional pension insurance with state contribution	Penzijní fond Komerční banky, a.s.	agency in dealing	payment of commission	no
Mandate Agreement on dealing with MPSS employee applications for participation in additional pension insurance	Penzijní fond Komerční banky, a.s.	agency in dealing	payment of commission	no
Agreement on preferential conditions for PF KB employees participating in savings scheme for building in MPSS	Penzijní fond Komerční banky, a.s.	granting preferential conditions	acceptance of preferential conditions	no
Ordering IT services, provided by PF KB to MPSS, order no. 522100056	Penzijní fond Komerční banky, a.s.	payment of the service price	provision of service	no
Agreement on preferential conditions for employees of ESSOX s.r.o. participating in savings scheme for building in MPSS	ESSOX s.r.o.	granting preferential conditions	acceptance of preferential conditions	no
Co-Operation Agreement (incl. co-operation process rules and financial conditions), signed on 16 May 2007	ESSOX s.r.o.	agency in granting loan	payment of commission	no

Agreement/arrangements (or subject-matter of the agreement/arrangement, unless specified in the heading)	Party	Performance by the Company	Counter-Performance	Damage incurred by the Company
Agreement on processing personal data (MPSS as administrator, ESSOX as processing company), signed on 16 May 2007	ESSOX s.r.o.	co-operation	personal data processing	no
Sales Agency Agreement (Moje auto)	ESSOX s.r.o.	agency in granting loan	commission	no
Agreement on preferential conditions for employees of Factoring KB a.s. participating in savings scheme for building in MPSS	Factoring KB a.s.	granting preferential conditions	acceptance of preferential conditions	no
Agreement on preferential conditions for employees of SG Equipment Finance Czech Republic, s.r.o. a.s. participating in savings schemes for building in MPSS	SG Equipment Finance Czech Republic, s.r.o.	granting preferential conditions	acceptance of preferential conditions	no
Transfer of Evolution no. 20070049.1 agreement from ECS International Czech Republic, s.r.o., incl. Amendment no. 1 of 31 July 2007, deed of transfer dated 30 Aug. 2007, Amendment no. 2 of 31 Aug. 2012	SG Equipment Finance Czech Republic, s.r.o.	payment of leasing rates	provision of service	no
Agreement on processing personal data in Societé Générale S.A., France	Societé Générale, S.A.	provision of service	co-operation in provision of service	no
Agreement on preferential conditions for employees of ALD Automotive s.r.o. participating in savings schemes for building in MPSS	ALD Automotive s.r.o.	granting preferential conditions	acceptance of preferential conditions	no
General Agreement of 18 Oct. 2007 on conclusion of financial leasing agreements	ALD Automotive s.r.o.	co-operation	provision of service	no
25 agreements on financial leasing with subsequent purchase of the leased object no. 310035090, 310035146, 310035147, 310035148, 310035149, 310035971, 310038081, 310038082, 310038083, 310040492, 310045803, 310045804, 310044806, 310045799, 310045800, 310045801, 310045802, 310045803, 310044804, 310047131, 310047132, 310047133, 310047279, 310050680, 310050822	ALD Automotive s.r.o.	payment of leasing rates	provision of service	no

### B. Other legal acts made by the Company in the interest of the controlling company and other affiliated companies

In 2012, the Company did not make any other legal acts in interest of the controlling company and other affiliated companies or on their request.

### C. Measures adopted or made by the Company in the interest of the controlling company and other affiliated companies or on their request

In 2012, the Company did not adopted or make any measures protecting the interests of the controlling company and other affiliated companies or on their request.

## III. Conclusion

Board of Directors of the Company considered all relations existing between the Company and affiliated companies in 2012 and found not any damage arising from concluded agreements, arrangements or any other legal acts and measures adopted or made by the Company.

Prague 6 February 2013

Drawn by: JUDr. Josef Květoň, Legal Department Manager

Approved by:



Jan Pokorný  
Chairman of the Board and  
Managing Director



Miroslav Hiršl  
Deputy Chairman of the Board and  
First Deputy Managing Director

# Data on adherence to rules of cautious entrepreneurial activity

## 1. Data on capital

a) The share capital of the Bank is fully subscribed and paid, it amounts to CZK 562,5 million and is divided into 5,625 pcs of registered shares of a nominal value CZK 100,000 per share. The shares have a form of book-entered securities and are not publicly traded.

Besides the share capital, the following is also included in the original capital (Tier 1): share premium in the amount of CZK 487,5 million, reserve funds and other funds from profit in the amount of CZK 1,120 million and undistributed profit from previous periods in the amount of CZK 4,098 million; intangible assets in the amount of CZK 224 million are deducted on the contrary.

The capital of the Bank consists of the original capital (Tier 1) and is reduced by insufficiency in coverage of expected credit losses in the amount of CZK 3 million.

CZK thousand	31.12.2012	30.9.2012*	30.6.2012*	31.3.2012*
<b>Total amount of original capital (Tier 1 component)</b>	<b>6,043,512</b>	<b>6,043,080</b>	<b>6,039,744</b>	<b>4,985,867</b>
thereof paid share capital registered in commercial register	562,500	562,500	562,500	562,500
thereof share premium	487,500	487,500	487,500	487,500
thereof reserve funds and undistributed profit	5,217,468	5,217,468	5,217,468	4,166,809
– mandatory reserve funds	112,500	112,500	112,500	112,500
– other funds from profit distribution	1,007,138	1,007,138	1,007,138	1,007,138
– undistributed profit from previous periods	4,097,830	4,097,830	4,097,830	3,047,171
<b>Total amount of supplementary capital (Tier 2 component)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
thereof other supplementary capital	0	0	0	0
– subordinated debt A	0	0	0	0
<b>Total amount of capital for coverage of market risk (Tier 3 component)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total amount of deductible items</b>	<b>226,785</b>	<b>227,360</b>	<b>230,771</b>	<b>233,817</b>
thereof insufficiency in coverage of expected credit losses at IRB	2,829	2,971	3,047	2,875
<b>Total amount of capital after consideration of deductible items from original and supplementary capital and set limits of capital items</b>	<b>6,040,683</b>	<b>6,040,109</b>	<b>6,036,697</b>	<b>4,982,992</b>



## 2. Data on capital requirements

CZK thousand	31.12.2012	30.9.2012*	30.6.2012*	31.3.2012*
Amount of capital requirements	2,324,622	2,367,037	2,401,602	2,392,025
a) 1. of credit risk in total	2,108,231	2,150,646	2,185,211	2,196,330
1.1 of credit risk according to standardized approach, therein:	1,676,090	1,724,374	1,757,270	1,800,579
Cap. requir. at STA in IRB of exposures towards central governments and banks	0	0	0	0
Cap. requir. at STA in IRB of exposures towards institutions	0	0	0	0
Cap. requir. at STA in IRB of corporate	159,390	182,444	183,753	156,864
Cap. requir. at STA in IRB of retail exposures	1,516,700	1,541,930	1,573,517	1,643,715
Cap. requir. at STA in IRB of the other exposures	0	0	0	0
1.2 of credit risk according to IRB approach in total	432,141	426,272	427,941	395,751
Cap. requir. of credit risk at IRB approach of selected exposures in total	380,384	377,522	384,024	351,871
Cap. requir. at IRB of exposures towards central governments and banks	53,382	54,390	55,957	56,019
Cap. requir. at IRB of exposures towards institutions	327,002	323,132	328,067	295,852
Cap. requir. at IRB of corporate exposures	0	0	0	0
Cap. requir. at IRB of retail exposures	0	0	0	0
Cap. requir. of credit risk at IRB of share exposures	0	0	0	0
Cap. requir. of credit risk at IRB of securitized exposures	0	0	0	0
Cap. requir. of credit risk at IRB of the other exposures	51,757	48,750	43,917	43,880
b) of settlement risk	0	0	0	0
c) of position, currency and commodity risk	0	0	0	0
d) of operational risk	216,391	216,391	216,391	195,695
e) of engagement risk of business portfolio	0	0	0	0
f) of other tools of business portfolio	0	0	0	0
g) Transition cap. requir.	0	0	0	0

## 3. Ratio indicators

	31.12.2012	30.9.2012*	30.6.2012*	31.3.2012*
1. indicator of capital adequacy	20.79	20.41	20.11	16.67
2. return on average assets (ROAA)	1.36	1.41	1.43	1.42
3. return on average equity (ROAE)	19.92	21.19	22.30	23.34
4. assets per 1 employee	240,195	233,527	232,630	229,916
5. administrative costs per 1 employee	1,782	1,553	1,508	1,438
6. profit or loss after taxation per 1 employee	3,283	3,291	3,293	3,232

# Notes

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