



Modrá pyramida

Váš rádce na finance



Annual Report 2013

Modrá pyramida stavební spořitelna, a.s.

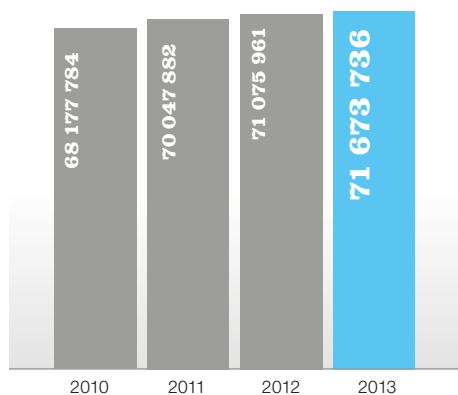
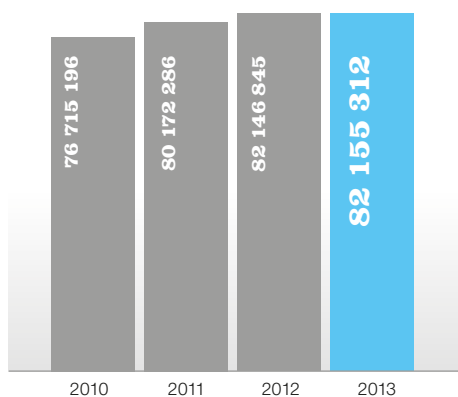
Modrá pyramida is a modern and dynamic company which is profiled as a financial advisor offering comprehensive financial advisory services which are primarily based on a financial advisor-client relationship.

Selected Key Indicators

	Units	2013	2012	2011	2010	2009
Total assets	CZK'000	82,155,312	82,146,845	80,172,286	76,715,196	76,062,079
Volume of client deposits	CZK'000	71,673,736	71,075,961	70,047,882	68,177,784	65,323,698
Total volume of loans	CZK'000	43,685,807	49,359,889	51,421,748	49,720,446	45,561,104
Volume of assigned loans	CZK'000	5,425,244	6,253,643	6,796,962	7,125,862	7,324,035
Volume of bridging loans	CZK'000	38,260,563	43,106,246	44,624,786	42,594,584	38,237,069
Net profit	CZK'000	1,065,526	1,122,737	1,050,659	930,141	739,668
Dividend designed for the business year	CZK'000	1,065,526	1,122,737	0	0	0
ROAE	%	17,62	19,92	22,38	28,10	28,18
Assets per employee	CZK'000	242,346	240,195	219,050	215,492	205,573
Profit per employee (FTE)	CZK'000	3,143	3,283	2,871	2,613	1,999
Capital adequacy	%	21.1	20.8	16.3	13.4	11.1
Headcount (at 31 December)	person	339	342	366	356	370
Valid contracts	number	632,826	669,662	717,842	768,204	805,325
Active assigned loans	number	56,892	66,728	76,501	84,922	92,419
Active bridging loans	number	51,656	57,244	62,902	65,490	65,428

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



Volume of client deposits (CZK '000)**Total assets**

This annual report can also be found
at Appstore and Google play.

**Contacts**

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spořitelna, a.s.**
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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.modrapyramida.cz.

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

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Interview with the Chairman of the Board of Directors



Jan Pokorný
Chairman of the Board of Directors

Year 2013 was indisputably the most demanding year in Modrá pyramida's history. The economic recovery was rather slow, the discussions about possible changes in the building savings systems continued for the third year, also a continuing phase of low interest rates meant other complications.

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

Even though it was a very challenging period due to the overall complicated economic situation both in the Czech Republic and abroad, for Modrá pyramida it was a very successful year - both from business and financial points of view. We were successful in the area of building savings, in the development of financial advisory and especially also in recruitment of new core advisors. Although we were finalizing the transformation process and the market, mainly interest rates conditions were not too favourable, we managed to make a net profit over CZK one billion. From the building savings banks point of view, we were certainly the most profitable building savings bank on the Czech market.

You say that the transformation from a building savings bank to a provider of financial advisory was completed, how do you evaluate the process today?

Above all it is necessary to emphasize that this was the biggest change in Modrá pyramida's history and there were many things that had to be changed since the "starting" year 2010. I would summarize the basic into three main points. First of all it was essential to design and discuss the specification of a new role of Modrá pyramida within Komerční banka Group. Not only the fact that Modrá pyramida would be another distribution channel of Komerční banka but also it was necessary to choose and gradually incorporate appropriate products into our offer so that we could professionally fulfil the role of a financial advisor. We needed basic products for

compilations of financial plans, from building savings to housing financing, insurance and investments. Further it was of course necessary to have everything "technically" ensured, which due to the high commitment and good cooperation between employees of Modrá pyramida and Komerční banka was successfully achieved. As the third but the most important prerequisite for success I consider the fact how our employees and people in the distribution network understood and literally embraced the transformation.

And how is Modrá pyramida perceived by the clients and public today?

We know that just the hardest thing is to change people's thinking – should that be the employees or the clients, after all Modrá pyramida was perceived as a successful and many times awarded building savings bank. The more pleased we were with the results of the satisfaction and loyalty survey Barometer 2013, prepared by an independent advisory company IPSOS s.r.o. at the end of the last year. The survey has shown that Modrá pyramida is perceived as a stable, fair company which has got a wide network of professional financial advisors; it offers quality products and provides comprehensive financial advisory services. The survey also pointed out that the financial advisors are one of the greatest strengths of Modrá pyramida. Most of Modrá pyramida's clients are satisfied with their financial advisor, in comparison with 2011, when the last similar survey was carried out, average satisfaction has increased and especially a number of those who chose the highest rating 10 - those were even 57% in 2013.

What, in your opinion, is Modrá pyramida's position on the financial advisory market?

Even though, or maybe for that reason, Modrá pyramida is a fairly new player on the financial advisory market, it is doing very well. And that mainly because we are not focused on a "sale" of the individual products but we focus on building a long-term relationship between a client and a financial advisor. Financial analysis and financial plan created based on it are the basics. The financial plan is individually compiled for each client according to his/her financial situation and future plans. The building saving is still a common part of the financial plans – in Modrá pyramida last year there were even 30 000 more building savings contracts concluded than in the year before, that is 123 500 contracts on building savings with the target amount of CZK 31 billion. Apart from that the financial advisors included into the financial plans further 32 000 KB Group products, for example 8 000 pcs of "Můj účet", 2 600 clients started investing in IKS KB mutual funds, 1 650 Moudré spoření (risk insurance) and above all also 2 000 KB Mortgages at the volume of CZK 3.2 billion, which is 100% increase in comparison to the previous year. In 2013 overall in form of mortgages and building savings loans, Modrá pyramida's clients were granted CZK 6.5 billion out of which more than the half through our specialized Hypocenters.

What is Modrá pyramida's advantage in comparison with the other financial advisory companies?

We have got a few indisputable advantages – first of all we build our financial advisory on a fair approach, we are very skilled at active financial advisory and moreover we can build on a strong reputation – of both Modrá pyramida's and KB's/ Sociéte Générale's. After all, reputation is the most valuable thing a financial advisor can have.

What is ahead of Modrá pyramida in 2014?

I would say we are now entering a phase of fine tuning and standardization. We have got the main, basic requirements – a finalized range of products, a functional distribution network structure, we are the second most important distribution channel of Komerční banka apart from their own branch network, we have got Financial Planning Academy, a good technical background, etc. Now it is the time for so-called fine tuning. The work with the clients and financial advisory is a never ending process. There will always be something to improve, to change, to adjust, to perfect. But it is necessary to set a standardized approach to clients and put those into practice as well. The client when dealing with various financial advisors should not perceive any difference. Should the client deal with our financial advisor in a small town or in a city, should that be a beginner or a general representative, they must adhere to the same standards, the same principles of conduct.

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.

Company Bodies

As at 31.12.2013

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

Dozorčí rada

ALBERT MARIE LE DIRAC'H

Chairman of the Supervisory Board

PETER PALEČKA

Vice-Chairman of the Supervisory Board

VLADIMÍR JEŘÁBEK

Member of the Supervisory Board
to 25.9.2012

PAVEL ČEJKA

Member of the Supervisory Board

KRISTÝNA ŽELEZNÁ

Member of the Supervisory Board

JOSEF KVĚTOŇ

Member of the Supervisory Board



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

Report of the Board of Directors on business activities and assets of the company for 2013

Despite certain recovery of the Czech economy, year 2013 was a challenging year with regard to the globally difficult economic situation both in our country and in the world. For building savings sector, it was literally the most difficult year in its history. It was the third year of ongoing discussions about changes in the system and the Chamber of Deputies was passed an amendment to the Building Savings Act, which should among others limit the purpose of the state subsidy drawing just for housing needs but also extend the licence for building savings provision to universal banks as well. With regard to the occurred political situation the amendment was not accepted, however, the building savings reputation was threatened. Long-term phase of low interest rates was and still is another complication not only for building savings sector.

In spite of the above mentioned, year 2013 was successful for Modrá pyramida, from the point of view of both building savings and further development. The 2013 results confirmed the change of Modrá pyramida's business model from a building savings bank to a provider of financial advisory with a comprehensive product offer to be undoubtedly the right one.

In 2013 there were 611 thousand new building savings contracts with a total target amount of CZK 208.1 billion concluded and loans in the volume of CZK 41.3 billion granted on the Czech building savings market. In total the clients' savings deposits amounted to CZK 429 billion and loans to CZK 261.4 billion* in the books of building savings banks at the end of 2013.

The building savings market was very strongly influenced by low interest rate environment and high volume of early repaid loans. Modrá pyramida concluded 123 498 new contracts and target amount increases with a target amount of CZK 31.1 billion in the past year. Measured by the number of concluded contracts, Modrá pyramida's market share reached 20.2%, which signifies increase by 4% and the third place in the ranking of building savings banks.

Modrá pyramida recorded increase in volume of clients' deposits. Their volume reached CZK 71.7 billion, signifying increase compared to the previous year by 0.8%. The company's total assets amounted to CZK 82 billion and thus remained at the level of 2012.

The number of valid building savings contracts was 632 826 contracts with the target amount of CZK 216 billion at the end of the past year.

In 2013 Modrá pyramida granted its clients over 6 thousand loans in the volume of CZK 3.4 billion, signifying decrease by 23% compared to the previous year. Besides building savings loans, Modrá pyramida also concluded KB Mortgages in the total volume of CZK 3.2 billion. The market share of Modrá pyramida corresponds to 13.7% as measured by the contractual volume of all concluded loans, signifying year-on-year increase by 0.5% and the third place in the market.

The total volume of granted housing loans decreased by 11.5% in 2013 and reached CZK 43.7 billion, the decrease was caused mainly by high volume of early repaid loans.

Besides the production itself of building savings and building savings loans, Modrá

pyramida participated in increasing sales of financial products of Komerční banka Group in 2013. The sales of day-to-day banking products increased year-on-year by 5%, mainly thanks to excellent results in sales of Komerční banka's current account. We managed to increase the sales of loan products as well, compared to the previous year there was 15% increase, mainly thanks to KB Mortgage.

The sales of savings and investment products decreased year-on-year by 51%, mainly due to unsuccessful pension reform and low sales of pension savings in Pillar II. Adjusted by the sales of pension savings, this category would show year-on-year increase by 9%.

The ordinary financial statements for 2013 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 1 – Nové Město, Na Florenci 2116/15, post code 110 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 2013 and of the results of its

To work on bike

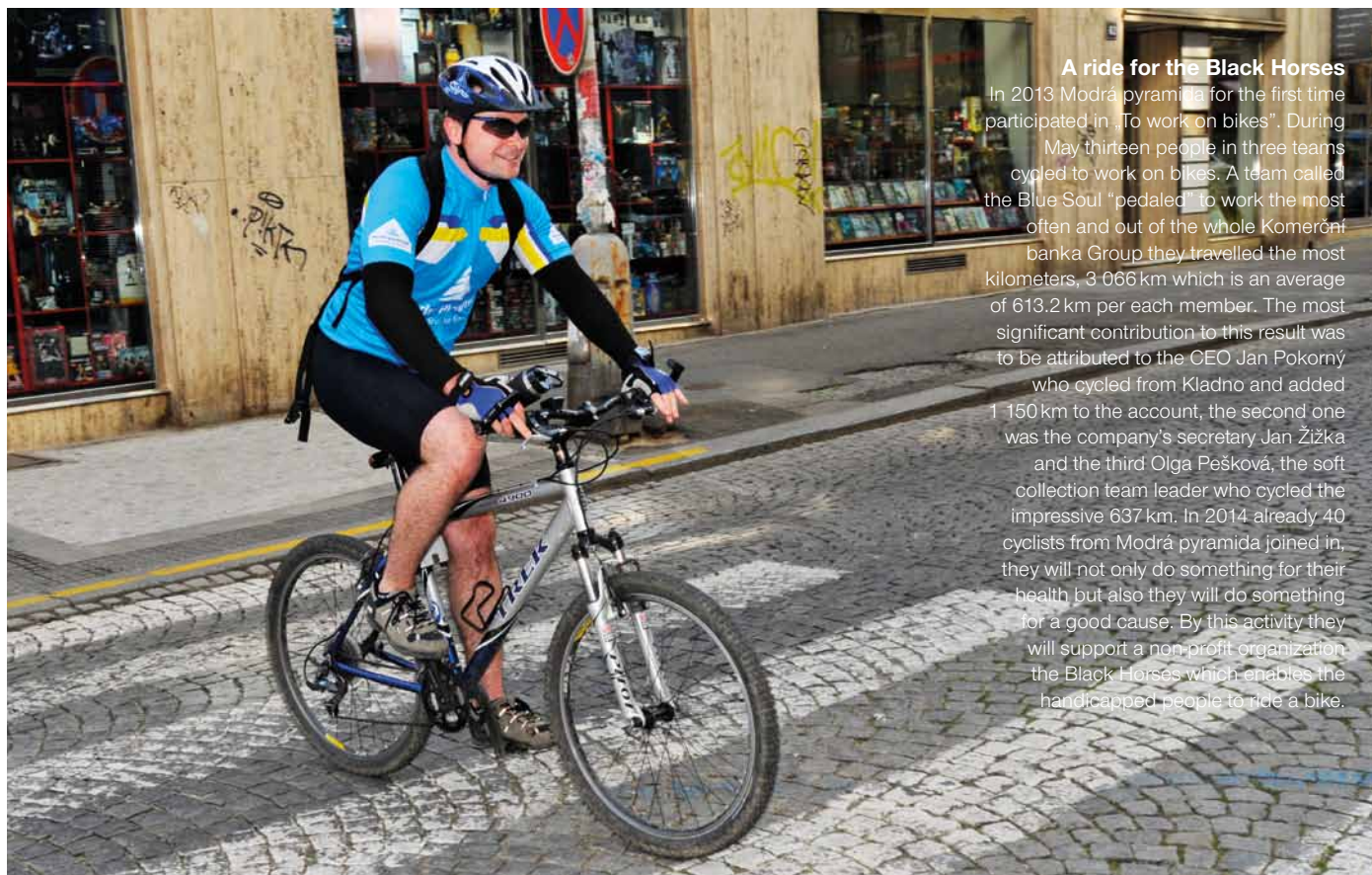
Everyone can do sports

The non-profit organization the Black Horses was established in 2008 and to this day it is already an integral part of para-cycling. The sports club unites not only handicapped sportsmen but also the professional athletes. The members are also people who find happiness in sports, adults as well as children. They all form a solid community with a clear goal – an interaction of handicapped people with the healthy sportsmen in sport but also in everyday life. The Black Horses organize series of prestige Czech cup races and Czech Republic Championships for handicapped cyclists in mountain biking and road handbike and also they are holders of three entries in the Czech Book of Records. Apart from this, they also run a free of charge rental of “specials” which enable the people with disabilities the compensation of riding a bike. The organization interlaces the worlds of healthy and handicapped sportsmen also by organizing social and sporting events and many other activities.



3,066 km

“pedaled“ team Blue Soul



A ride for the Black Horses

In 2013 Modrá pyramida for the first time participated in „To work on bikes“. During May thirteen people in three teams cycled to work on bikes. A team called the Blue Soul “pedaled“ to work the most often and out of the whole Komerční banka Group they travelled the most kilometers, 3 066 km which is an average of 613.2 km per each member. The most significant contribution to this result was to be attributed to the CEO Jan Pokorný who cycled from Kladno and added 1 150 km to the account, the second one was the company’s secretary Jan Žižka and the third Olga Pešková, the soft collection team leader who cycled the impressive 637 km. In 2014 already 40 cyclists from Modrá pyramida joined in, they will not only do something for their health but also they will do something for a good cause. By this activity they will support a non-profit organization the Black Horses which enables the handicapped people to ride a bike.

financial performance in accordance with the accounting regulations applicable in the Czech Republic.

Modrá pyramida reached a sound financial result with its profit after tax in the amount of CZK 1065.5 million despite the environment of low interest rates and generally deteriorated economic situation on the building savings market.

Financial advisory

Year 2013 was the first year after a successful end of Modrá pyramida's transformation to a provider of comprehensive financial advisory.

The distribution network of Modrá pyramida proved its ability to offer its clients a full portfolio of financial services.

The marketing communication was focused on strengthening Modrá pyramida's image as a provider of comprehensive financial advisory. In 2013 besides standard media formats, we supported this communication also through non-standard formats such as TV sponsoring spots and injections.

Modrá pyramida strongly intensified its communication on social networks and through its own client magazine Finanční rádce (Financial Advisor) too.

Deposit strategy and housing financing

In the course of 2013 Modrá pyramida continued developing its existing product offer.

Modrá pyramida created a new deposit strategy the goal of which is to ensure long-term economic stability of the company also in the environment of low interest rates, keeping interesting and competitive value increasing of clients' deposits. Within the new deposit strategy we commenced preparations for launch of a new building savings tariff "Optimal".

In the area of housing financing, Modrá pyramida significantly decreased the fee for conclusion of Hypoúvěř (mortgage-like loan) and in case of Rychloúvěř, unsecured bridging loan the fee was completely cancelled. The 100% discount was introduced on the fee for building savings conclusion determined for obligatory savings at Hypoúvěř. With these steps the offer for housing financing approached another group of clients.

Financial advisors

Also in the past year, Modrá pyramida took steps towards expansion of its distribution network including its quality enhancement. We continued training and increasing quality of professional knowledge of financial advisors within our quality-proven Financial

Planning Academy. The financial advisors are trained in the individual Academy series to be able to explain correctly the individual products in Modrá pyramida's offer to the clients, to carry out a financial analysis and in the end to prepare our clients an individual financial plan using products which meet the clients' needs best. The financial advisors who successfully passed the final certification within the Academy and fulfilled other necessary conditions can be included in a newly introduced category of a financial advisor, i.e. "Family Banker" or "Senior Family Banker". At the same time, since the last year in connection with the pension reform, the financial advisors have been proving their professional skills for the area of distribution of pension products by passing a professional exam at an accredited person.

Last year the distribution network fulfilled its ambitious target to reach 600 core financial advisors.

Quality

Modrá pyramida continued measuring instant satisfaction of its clients in order to reach our long-term goal to provide quality financial advisory also in the past year. The monitoring of clients' satisfaction enables to efficiently watch and evaluate the reaction of clients both to Modrá pyramida's products and to behaviour, professionalism and willingness of financial advisors. At the same time the ability

Modrá pyramida's Olympic Tour 2013

We were a general partner of the legendary band tour

After the successful tour in 2012 which had taken place in big concert halls and mega concerts with symphonic orchestra, the legendary rock band set on the next part of their 50th birthday tour. And in 2013 we were there as well! During the two year tour the Olympic visited more than thirty places and some 50 000 people saw their concerts.

On the occasion of Modrá pyramida's Olympic Tour we launched web pages www.olympic50.cz, to promote our partnership. On the web page the visitors could find information not only on the tour itself but they could also leave messages for the band, compete for tickets and various presents. They could also find information on Modrá pyramida's products and services. Visitors could also "time travel" with the Olympic and go through the most important events in the band's life which mingled with interesting things from financial sector.



to flexibly react to clients' suggestions and wishes is increased by this way.

Modrá pyramida devotes proper attention to messages from its clients, their issues and wishes. This is positively reflected in the system of work with clients' complaints and care which Modrá pyramida permanently devotes to this topic.

Risk Management

In 2013 Modrá pyramida continued improving quality of its risk management,

mainly by focusing on introduction and application of advanced methods enabling to achieve decrease in regulatory capital requirements as well. The area of operational risk management was consolidated and the company passed successfully the approval process from the side of the Czech National Bank being the prerequisite for using AMA advanced methods. At the same time the activities were initiated to gradually implement advanced methods for credit risk management with the goal to have the company approved for using IRBA method in the future.

Within the area of information security, the system of central security monitoring was implemented.

Not only in the risk management area did Modrá pyramida intensively focus on preparation for the New Civil Code and other related legal regulations in the past year as well.

In Prague, March 18th, 2014
The Board of Directors of Modrá pyramida stavební spořitelna, a.s.

Students had the opportunity to play a Game of Life with Modrá pyramida



How to avoid falling into red numbers

Students of two Brno schools – KNIH College and Globe Gymnasium - under the supervision of Modrá pyramida's specialists had the opportunity to play a game focused on financial literacy which is essential prerequisite of successful life.

During the three hour game the students formed three member "families" consisting of a mother, a father and a child. Each family received a card with entry conditions which included data regarding their income, their expenses, and how many resources they have got left for everyday living and what their plans are. Gradually they had to accomplish three basic tasks: to get a mortgage and purchase a flat, to provide financially for their child and to save sufficient amount for their retirement.

On the joint game plan they followed the time shift on the particular fields, further the market development and also movement of their free resources. Of course everything was quite simplified but the basic principles more or less reflected the reality. The fields on which they all moved referred them to the bank where they had the opportunity to apply for loans or to buy shares. In certain fields the family could expect a disbursement of free resources and on others, as it happens in real life, the students had to take into account different unexpected events. And they found out that it is not easy – only one "family" accomplished to meet all the targets.

„We have only just begun with the seminars for the youth” Ms Hana Máčová comments the activity, Modrá pyramida's district director in Brno area. “We also plan to expand the activities to adults. For example we are preparing these activities for the companies within their teambuilding”.



Employees and Environment

Employees

In 2013 we commenced another two-year programme "Talent Management" for selected employees and managers. We support all managers in their development and training in order to have real leaders in our company, to our employees we offer mainly courses focused on development of their professional skills and also language courses to develop and maintain the language level necessary for their job.

We work with our employees' feedback. Within the annual interviews the employees have the opportunity to comment on their role in the company, in two-year cycles we organize employees' satisfaction and motivation surveys. A survey called "Employee Barometer" was carried out in 2013 and 77% of employees participated in it.

We help our employees to reconcile their working and private life in form of flexible working hours, by the possibility of home office and the possibility to draw 3 sick days a year to arrange their personal matters. Pregnant women, single parent employees looking after a child up to the age of 15 years (disabled children up to 26 years) and employees with disabilities or handicaps can draw one paid day off in every calendar quarter.

We care for our employees' health. Every year we offer all employees a flu vaccination and vaccination against tick-borne encephalitis free of charge. We organized for our employees first-aid courses so that they could quickly and effectively respond in case of a sudden health deterioration or a car accident.

We have a balanced offer of benefits with short-term and long-term impact. To secure our employees for the future, we contribute to their pension funds and life insurance. We value all of our employees and through rewards on the occasions of personal or professional anniversaries we award those who stay with the company for long term periods.

Besides the sports games called Mopyáda, our "MOPY TEAM" employees participate in the Amateur Volleyball League of which Modrá pyramida is a partner and last year we actively participated in the action "To work on bikes" for the first time.

Corporate responsibility

We regularly organize a food collection for food bank among our employees, collection of clothing and toys which the company completes by other gifts based on the agreement with the collection recipients. In 2013 we completed the collection with various school supplies and donated everything to the Asylum house for women and mothers in distress in Most. We are partners with Modrý klíč o.p.s., a society which looks after people with mental and combined disabilities. Within this partnership, we provide both financial help and organize a variety of events among our employees – for example a sale of products from sheltered workshops. Last year we also supported the Zdravotní klaun society which helps children to cope better with their hospital stays.

Barometer 2013

Modrá pyramida's clients' satisfaction and loyalty measurement

In October 2013 the survey focused on the Modrá pyramida's clients' satisfaction and satisfaction with the competition was carried out for three weeks. From the 2nd to the 21st October questioning by phone was carried out when the correspondents answered structured questions for the whole 25 minutes. And what are the results?

Modrá pyramida from the image point of view is one of the best assessed companies. It is perceived as a stable and fair company which has quality financial advisors, products and provides comprehensive financial advisory services. Our financial advisors are the best evaluated ones in most of the attributes and the clients are very satisfied with them. The

survey showed that the financial advisors are the strongest asset of Modrá pyramida and the customers consider them as the most reliable source of information. Also the overall average satisfaction with the Modrá pyramida's branches increased. Overall the survey confirmed that the Modrá pyramida's direction towards the change of the business model from the building savings bank to the provider of the financial advisory was the right one.



Environment

Modrá pyramida by its activities does not harm the environment in any ways. We lead our employees and also our clients to a considerate attitude towards the environment. We offer our clients loans for housing modernization, insulation of buildings, reducing energy consumption or using alternative energy resources.

Modrá pyramida demonstrates its environment consideration by participation in the "Green Company" project which concerns handling of waste and also through initiatives focused on reduction of office paper usage, envelopes and printer cartridges.

Modrá pyramida is also an active member of the Central European Association of Environment Effective and Intelligent Buildings which enforces a considerate approach to the environment at construction of houses.

Hypocentre

We provide services already in eight branches

The Hypocentre of Modrá pyramida is the biggest mortgage centre in CR and that not only in the layout but mainly in the scope of services. The models of tailor-made financing, the perfect knowledge of clients' needs, close relationships with the leading developers and real estate offices put Hypocentre into the position of a strong partner.

The first Hypocentre was established in 2003 in Prague 4 in an insignificant branch in a not very attractive location. It was managed by Mr Jiří Lejnar who is also the mastermind of the Hypocentre concept. He did not come to terms with the low prosperity of the branch he hired a few people and together they started to address clients in cooperating companies, developers, real estate agencies and everywhere where it was appropriate. They "harvested" many of their clients in the streets in form of the street stalls in the tube stations, the pedestrian precincts..."From the Hypocentre very beginning I realized that the mortgage market cannot exist without the real estate market. We have gripped the market at its roots and ventured there where the clients look for the real estates. We want to get close with the real estate agents more and more," Mr Lejnar says.

Currently Hypocentre offers its services in eight big branches in Prague, Brno, Ostrava, Olomouc, České Budějovice, Hradec Králové, Plzeň and Ústí n. L. The volume of provided loans was around CZK 4 billion in 2013. The average amount of a mortgage or Hypoúvěr (core mortgage-like loan) is around CZK 2 million. The Hypocentre cooperates with 250 real estate offices, developers and corporate companies.

CZK 4 billion
is the volume of provided loans



Report of the Supervisory Board of the Company on control activities in 2013

Throughout 2013, 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 finalization 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 4 April, 18 September and 18 December 2013, 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 4 April 2013, 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 2013, 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 submitted proposal of the Board of Directors to allocate the Company's profit after tax as at 31 December 2013 in the amount of CZK 1,065,525,675.83 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 2013 of 20 March 2014 prepared by the independent auditor, the company Ernst & Young Audit, s.r.o. with its registered office 110 00 Prague 1 – Nové Město, Na Florenci 2116/15, Corporate ID 26704153. The Supervisory Board understood from this report that the independent audit of the ordinary financial statements for 2013 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 2013 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 2013 to 31 December 2013 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 2013. 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 2013 in the amount of CZK 1,065,525,675.83 as follows:

– 100% dividend pay-out of net profit
CZK 1,065,525,675.83.

The Supervisory Board, in compliance with legal regulations, also reviewed the Report on Relations between related parties as at 31 December 2013, prepared by the Board of Directors of the Company. 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 2013 to 31 December 2013.

In Prague, on 3 April 2014

The Supervisory Board of Modrá pyramida stavební spořitelna, a.s.

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Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Shareholder 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 2013 presented in the annual report of the Company on pages 18 - 48 and our audit report dated 20 March 2014 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 2013, 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 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."



- 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.

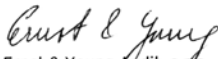
We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented 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 - 14 and 57 - 58 is consistent with that contained in the audited financial statements as at 31 December 2013. 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.

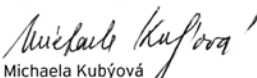
Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

- 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 2013 presented in the annual report of the Company on pages 49 - 56. As described in the report on related parties, the Company prepared this report in accordance with Commercial Code. 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 2013 is materially misstated.


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


Michaela Kubýová
Auditor, License No. 1810

29 April 2014
Prague, Czech Republic

Balance Sheet as at 31 December 2013

No.	ASSETS CZK ,000	2013			2012
		Gross 1	Provisions 2	Net 3	Net 4
a	b				
1	Cash in hand and balances with central banks	573,238	0	573,238	397,505
2	State zero-coupon bonds and other securities eligible for refinancing with the central bank	8,640,022	0	8,640,022	11,498,717
	Of which: a) Issued by Government institutions	8,640,022	0	8,640,022	11,498,717
	b) Other	0	0	0	0
3	Amounts due from banks and savings associations	28,268,705	0	28,268,705	19,889,587
	Of which: a) Repayable on demand	1,145	0	1,145	563
	b) Other receivables	28,267,560	0	28,267,560	19,889,024
4	Amounts due from clients - members of savings associations	43,741,938	1,059,731	42,682,207	48,477,920
	Of which: a) Repayable on demand	0	0	0	0
	b) Other receivables	43,741,938	1,059,731	42,682,207	48,477,920
5	Debt securities	267,140	0	267,140	274,918
	Of which: a) Issued by Government institutions	0	0	0	0
	b) Issued by other entities	267,140	0	267,140	274,918
6	Shares, share certificates and other equity investments	0	0	0	0
7	Equity investments in associates	0	0	0	0
	Of which: In banks	0	0	0	0
8	Equity investments in subsidiaries	0	0	0	0
	Of which: In banks	0	0	0	0
9	Intangible fixed assets	471,144	250,194	220,950	223,956
	Of which: a) Start-up costs	0	0	0	0
	b) Goodwill	0	0	0	0
10	Tangible fixed assets	742,640	362,276	380,364	388,575
	Of which: Land and buildings for operating activities	525,626	177,344	348,282	356,289
11	Other assets	794,512	5,394	789,118	844,610
12	Subscribed capital unpaid	0	0	0	0
13	Deferred expenses and accrued income	333,568	0	333,568	151,057
	Total assets	83,832,907	1,677,595	82,155,312	82,146,845

No.	LIABILITIES CZK ,000	Row no.	2013	2012
a	b	c	6	7
1	Amounts owed to banks and savings associations	31	0	0
	Of which: a) Repayable on demand	32	0	0
	b) Other payables	33	0	0
2	Amounts owed to clients - members of savings associations	34	73,074,281	72,679,057
	Of which: a) Repayable on demand	35	145,439	165,155
	b) Other payables	37	72,928,842	72,513,902
3	Payables from debt securities	42	0	0
	Of which: a) Issued debt securities	43	0	0
	b) Other payables from debt securities	44	0	0
4	Other liabilities	45	809,600	673,705
5	Deferred income and accrued expenses	46	447,175	618,409
6	Reserves	47	6,630	5,217
	Of which: a) For pensions and similar liabilities	48	0	0
	b) For taxes	49	0	0
	c) Other charges	50	6,630	5,217
7	Subordinated liabilities	51	0	0
8	Share capital	52	562,500	562,500
	Of which: a) Share capital paid up	53	562,500	562,500
	b) Treasury shares		0	0
9	Share premium	55	487,500	487,500
10	Reserve funds and other funds from profit	56	1,119,638	1,119,638
	Of which: a) Mandatory reserve funds and risk funds	57	112,500	112,500
	b) Other reserve funds	59	1,007,138	1,007,138
	c) Other funds from profit	60	0	0
11	Revaluation reserve	62	0	0
12	Capital funds	63	0	0
13	Gains or losses from the revaluation of	64	484,692	780,252
	Of which: a) Assets and liabilities	65	484,692	780,252
	b) Hedging derivatives	66	0	0
	c) The retranslation of equity holdings	67	0	0
14	Retained earnings or accumulated losses brought forward	68	4,097,770	4,097,830
15	Profit or loss for the period	69	1,065,526	1,122,737
	Total liabilities	70	82,155,312	82,146,845

Profit and Loss Account for the Year Ended 31 December 2013

No. a	CZK ,000 b	Row no. c	2013 1	2012 2
1	Interest income and similar income	1	3,464,773	3,569,807
	Of which: Interest income from debt securities	2	366,228	417,543
2	Interest expense and similar expense	3	(1,831,437)	(1,847,344)
	Of which: Interest expense from debt securities	4	0	0
3	Income from shares and equity investments	5	0	0
	Of which: a) Income from equity investments in associates	6	0	0
	b) Income from equity investments in subsidiaries	7	0	0
	c) Other income from shares and equity investments	8	0	0
4	Commission and fee income	9	533,711	513,566
5	Commission and fee expense	10	(236,663)	(204,653)
6	Net profit or loss on financial operations	11	0	0
7	Other operating income	12	7,798	8,908
8	Other operating expenses	13	(55,445)	(54,962)
9	Administrative expenses	14	(573,665)	(609,799)
	Of which:	15		
	a) Staff costs	16	(292,423)	(304,639)
	Of which: aa) Social security and health insurance	18	(66,844)	(65,559)
	b) Other administrative expenses	19	(281,242)	(305,160)
10	Release of reserves and provisions for tangible and intangible fixed assets	20	0	0
11	Depreciation, charge for and use of reserves and provisions for tangible and intangible fixed assets	24	(50,691)	(55,628)
12	Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off	30	127,715	136,497
13	Write-offs, charge for and use of provisions and reserves for receivables and guarantees	34	(249,574)	(238,393)
14	Release of provisions for equity investments in associates and subsidiaries	38	0	0
15	Losses on the transfer of equity investments in associates and subsidiaries, charge for and use of provisions for equity investments in associates and subsidiaries	39	0	0
16	Release of other reserves	40	955	288
17	Charge for and use of other reserves	41	(2,295)	(1,491)
18	Share of profits or losses of subsidiaries and associates	42	0	0
19	Profit or loss for the period from ordinary activities before taxes	44	1,135,182	1,216,796
20	Extraordinary income	45	0	0
21	Extraordinary expenses	46	0	0
22	Profit or loss for the period from extraordinary activities before taxes	47	0	0
23	Income tax	48	(69,656)	(94,059)
24	Net profit or loss for the period after taxes	51	1,065,526	1,122,737

Off Balance Sheet Accounts

No.	OFF BALANCE SHEET ACCOUNTS CZK ,000	Row no. c	2013	2012
			1	2
a	b			
1	Issued commitments and guarantees	1	1,097,999	1,429,153
2	Provided collateral	2	125,603	120,134
3	Amounts due from spot transactions	3	0	0
4	Amounts due from term transactions	4	12,450,000	4,350,000
5	Amounts due from option transactions	5	0	0
6	Receivables written off	6	34,533	35,629
7	Assets provided into custody, administration and safe-keeping	7	0	0
8	Assets provided for management	8	0	0
9	Accepted commitments and guarantees	9	3,819,280	4,698,614
10	Received collateral	10	67,934,585	82,166,869
11	Amounts owed from spot transactions	11	0	0
12	Amounts owed from term transactions	12	12,450,000	4,350,000
13	Amounts owed from option transactions	13	0	0
14	Assets received into custody, administration and safe-keeping	14	0	0
15	Assets received for management	15	0	0

Statement of Changes in Equity for the Year Ended 31 December 2013

	Share capital	Treasury shares	Share premium	Reserve funds	Retained earnings/accumulated losses of prior periods	Valuation gains or losses	Profit or loss	Total
Balance at 1 January 2012	562,500	0	487,500	1,119,638	3,047,171	323,586	1,050,659	6,591,054
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								
Allocation to funds								
Allocation to retained earnings					1,050,659		(1,050,659)	
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes								
Balance at 31 December 2012	562,500	0	487,500	1,119,638	4,097,830	780,252	1,122,737	8,170,457
Balance at 1 January 2013	562,500	0	487,500	1,119,638	4,097,830	780,252	1,122,737	8,170,457
Change of accounting policies								
Corrections of significant errors								
FX differences and valuation differences not included in profit or loss						(295,620)		(295,620)
Net profit or loss for the period							1,065,526	1,065,526
Dividends							(1,122,737)	(1,122,737)
Directors' fees								
Allocations to funds								
Allocation to retained earnings								
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes						(60)		(60)
Balance at 31 December 2013	562,500	0	487,500	1,119,638	4,097,770	484,632	1,065,526	7,817,566

Notes to the Financial Statements for the Year Ended 31 December 2013

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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 2013, 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 2013

There were no changes in the Bank's Board of Directors in 2013.

Changes in the Composition of the Bank's Supervisory Board in 2013

With effect from 1 August 2013 Mr. Henri Bonnet resigned from the member and chairman of Supervisory Board.

With effect from 2 August 2013 Albert Marie Le Dirac 'h was elected as a new member of Supervisory Board. A record into the Register of Companies was made on 16 August 2013. With effect from 18 September 2013 he was elected as a chairman of Supervisory Board.

With effect from 16 October 2013 member of Supervisory Board Mrs. Kristýna Fenclová changed her name to Železná. A record into the Register of Companies was made on 18 October 2013.

Composition of the Board of Directors and the Supervisory Board as at 31 December 2013

	Position	Name
Board of Directors	Chairman	Jan Pokorný
	Vice-Chairman	Miroslav Hiršl
	Member	Jiří Votrubec
Supervisory Board	Chairman	Albert Marie Le Dirac 'h
	Vice-Chairman	Peter Palečka
	Member	Vladimír Jeřábek
	Member	Josef Květoň
	Member	Kristýna Železná
	Member	Pavel Čejka

1.3 Events in the Year 2013

During the year 2013 New Civil Code No. 89/2012 Coll was implemented into MPSS. Implementation was realized on day with effect 1 January 2014.

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 and savings associations'. 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. 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 and due from other receivables. 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 2013.

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.'

3. Net interest income

CZK '000	2013	2012
Total interest income	3,464,773	3,569,807
On deposits (deposits with financial institutions, interbank transactions including repurchase transactions)	751,708	647,005
On loans	2,254,045	2,474,646
On securities (including premium and discount amortization)	366,228	417,543
On interest rate swap	92,792	30,613
Total interest expense	1,831,437	1,847,344
On client deposits	1,764,235	1,787,065
On interest rate swap	65,271	28,816
Other	1,931	31,463
Net interest income	1,633,336	1,722,463

In 2013, net interest income on loans and client deposits is CZK 489,810 thousand (2012: CZK 687,581 thousand). The decrease is due to year-on-year decreases in the volume of provided loans.

In 2013, net interest income from hedging interest rate derivatives is CZK 27,521 thousand. (2012: CZK 1,797 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 2013, the Bank collected default interest of CZK 30,295 thousand (2012: CZK 30,297 thousand).

4. Net fees and commissions

CZK '000	2013	2012
Commission and fee income		
on client transactions including commission from the KB financial group and other companies	533,711	513,566
Total	533,711	513,566
Commission and fee expenses		
on transactions with securities	1,079	1,351
on client transactions including commission to the KB financial group	185,725	152,143
Other	49,859	51,159
Total	236,663	204,653
Net fees and commissions	297,048	308,913

5. Net Profit Or Loss On Financial Operations

In 2013, the Bank realized no sales of securities. The Bank did not realize any gains and losses from this transaction.

6. Staff costs

CZK '000	2013	2012
Staff costs		
Staff salaries and bonuses	209,932	223,363
Social security and health insurance	66,844	65,559
Other social costs	15,647	15,717
Total	292,423	304,639

Average Headcount

	2013	2012
Staff	343	356

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

7. General operating costs

Administrative Costs

CZK '000	2013	2012
Rent and other services relating to rent	52,141	54,689
Low-value assets	5,526	2,252
Costs of technical equipment	43,914	44,570
Consumed material	8,275	11,038
Audit, advisory	5,422	3,515
Taxes and fees	4,468	6,317
Consumed energy	12,392	16,522
Repairs and maintenance	8,221	8,194
Postage, transportation and telecommunication	18,733	21,629
Sales promotion	18,597	18,227
Public relations, advertising	81,126	94,849
Other	22,427	23,358
Total administrative costs	281,242	305,160

Other Operating Income

CZK '000	2013	2012
Other	7,137	8,604
Income from the transfer of assets	661	304
Total	7,798	8,908

Other Operating Expenses

CZK '000	2013	2012
Annual contribution to the Deposit Insurance Fund	50,795	49,898
State support covered from internal funding	426	148
Other	4,224	4,916
Total	55,445	54,962

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

8. Depreciation

CZK '000	2013	2012
Depreciation of tangible and intangible fixed assets	50,691	55,628
Total	50 691	55,628

9 Write-offs, charge for, use and release of provisions for receivables and recoveries of receivables written off

Provisions for Classified Receivables

CZK '000	
Provisions for classified receivables	
Balance at 1 January 2012	825,068
Charge during the year	234,264
Monitored loans	41,475
Substandard loans	59,094
Doubtful loans	24,393
Loss loans	109,302
Use during the year	(134,802)
Write-off of loans	(6 330)
Release of redundant provisions	(128,472)
Balance of provisions at 31 December 2012	924,530
Balance at 1 January 2013	924,530
Charge during the year	245,825
Monitored loans	26,986
Substandard loans	62,285
Doubtful loans	27,464
Loss loans	129,090
Use and release during the year	(127,920)
Write-off of loans	(4,942)
Release of redundant provisions	(122,978)
Balance of provisions at 31 December 2013	1,042,435

In 2013, the Bank created non-tax deductible provisions for interest amounting to CZK 1,062 thousand (2012: CZK 691 thousand).

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

CZK '000	2013	2012
Release of provisions against classified receivables	122,978	128,472
Release of provision against other receivables	2,233	3,141
Recoveries of receivables previously written off	2,504	4,884
Release of provisions and reserve against receivables and guarantees, recoveries of receivables previously written off	127,715	136,497

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

CZK '000	2013	2012
Recognition of provisions against classified receivables	(245,825)	(234,264)
Recognition of provisions against other receivables	(2,951)	(3,932)
Write-off of receivables	(5,886)	(6,720)
Assignment of receivables from clients	57	0
Use of provisions against written-off receivables	4,942	6,330
Use of provisions against other receivables	89	193
Write-offs, recognition and use of provisions and reserves against receivables and guarantees	(249,574)	(238,393)

10. Income tax

CZK '000	2013	2012
Pre-tax profit or loss for the period	1,135,182	1,216,796
Non-taxable income	(803,263)	(779,044)
Non-tax deductible expenses	52,336	48,554
Other items (tax and accounting depreciation charges)	(8,097)	(11,585)
Sponsorship	(351)	(300)
Tax liability (19 percent)	71,403	90,140
Used tax relief and deductions	(180)	(180)
Income tax charge	71,223	89,960
Deferred tax credit/charge (Note 24)	1,567	3,748
Tax refunds and arrears	0	351
Total income taxation	69,656	94,059

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.

11. Allocation of profit

The Bank's profit for the year ended 31 December 2013 amounted to CZK 1,065,526 thousand. A Profit distribution proposal for the year 2013 was not available at the date of preparation of the annual financial statements. The Bank's profit for the year ended 31 December 2012 amounted to CZK 1,122,737 thousand and the General Meeting approved the dividend payment.

12. Cash in hand and deposits at the czech national bank

CZK '000	2013	2012
Deposits at the Czech National Bank	573,238	397,505
Total	573,238	397,505

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 2013, the interest rate was 0.05% (31 December 2012: 0,05%).

13. Amounts due from banks

Current accounts and term deposits

CZK '000	2013	2012
Operating account with KB (repayable at call)	1,145	563
Term deposits	3,810,929	1,000,286
Loans provided CB	0	1,900,011
Mortgage bonds issued by financial institutions	24,456,631	16,988,727
Of which: accrued interest income (including premium and discount)	67,449	41,236
Total amounts due from banks	28,268,705	19,889,587

Mortgage bonds issued by financial institutions are publicly non-tradable debt securities acquired in primary placements consisting of a security in certificate form with and booked a fixed interest income with an aggregate amount of CZK 5,153,828 thousand (2012: CZK 3,151,738 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 19,302,803 thousand (2012: CZK 13,836,989 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	2013	2012
Granted loans	5,425,244	6,253,643
Bridging loans	38,260,563	43,106,246
Total loans (gross)	43,685,807	49,359,889
Other amounts due from clients	48,692	59,148
Fair value due from clients portfolio hedged	7,439	0
Total amounts due from clients (gross balance)	43,741,938	49,419,037
Provisions against granted loans	(77,885)	(78,209)
Provisions against bridging loans	(964,551)	(846,321)
Provisions against other amounts due from clients	(17,295)	(16,587)
Total provisions	(1,059,731)	(941,117)
Total amounts due from clients (net balance)	42,682,207	48,477,920

Granted loans

CZK '000	2013	2012
Standard	5,260,286	6,092,025
Monitored	48,621	47,797
Substandard	46,223	50,263
Doubtful	2,024	2,833
Loss	68,090	60,725
Granted loans (gross balance)	5,425,244	6,253,643

Bridging loans

CZK '000	2013	2012
Standard	35,795,094	40,766,102
Monitored	834,517	926,333
Substandard	571,384	550,054
Doubtful	53,369	54,186
Loss	1,006,199	809,571
Total bridging loans (gross balance)	38,260,563	43,106,246

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

Type of collateral (CZK '000)	2013	2012
Bank guarantees	328,976	398,903
Real estate	28,078,158	32,210,617
Guarantors	1,709,733	2,129,512
Deposits	6,565,599	7,023,273
Uncollateralised	7,003,341	7,597,584
Total	43,685,807	49,359,889

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

CZK '000	2013	2012
Resident individuals	40,514,540	45,841,890
Legal entities, housing associations, etc.	3,171,267	3,517,999
Total (gross amount)	43,685,807	49,359,889

15. Securities available for sale

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

CZK '000	2013	2012
Carrying amount of state zero-coupon bonds	8,640,022	11,498,717
Of which: accrued interest income (including premium and discount)	(248,293)	(20,717)

Debt securities

CZK '000	2013	2012
Mortgage bonds issued by financial institutions	267,140	274,918
Of which: accrued interest income (including premium and discount)	(9,512)	(7,744)

The amount of valuation differences of securities charged against equity before taking into account the effect of deferred tax amounted to CZK 601,023 thousand (2012: CZK 963,274 thousand) as at 31 December 2013.

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	2013	2012
Office material in stock	149	348
Car lease	4,031	4,025
Entrance fees and commissions from building savings and loans	322,409	139,472
Other (rental, meal tickets, newspaper subscriptions, magazines, etc.)	6,979	7,212
Total	333,568	151,057

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	2013	2012
Prepayments made to suppliers	26,465	15,467
Estimated receivables for state subsidy	713,068	742,055
Estimated commission, invoices not issued, other	18,982	48,180
Settlement with the State budget	22,952	309
Settlement with employees	1	0
Various debtors	12,236	13,486
Positive fair value of interest rate swap	808	30,587
Total other assets	794,512	850,084
Provisions against other receivables	(5,394)	(5,474)
Total other assets	789,118	844,610

17. Intangible assets

Summary of intangible fixed assets

CZK '000	Software	Other intangible fixed assets	Investments under construction	Total
Cost				
At 1 January 2012	383,707	13,078	18,595	415,380
Additions	16,639	0	50,766	67,405
Other movements	0	0	(24,438)	(24,438)
Disposals	0	0	(16,639)	(16,639)
At 31 December 2012	400,346	13,078	28,284	441,708
At 1 January 2013	400,346	13,078	28,284	441,708
Additions	17,752	0	46,917	64,669
Other movements	0	0	(16,990)	(16,990)
Disposals	0	0	(18,243)	(18,243)
At 31 December 2013	418,098	13,078	39,968	471,144
Accumulated amortization and provisions				
At 1 January 2012	172,842	9,287	0	182,129
Annual charges	34,675	948	0	35,623
Disposals	0	0	0	0
At 31 December 2012	207,517	10,235	0	217,752
At 1 January 2013	207,517	10,235	0	217,752
Annual charges	31,494	948	0	32,442
Disposals	0	0	0	0
At 31 December 2013	239,011	11,183	0	250,194
Net book value				
At 31 December 2012	192,829	2,843	28,284	223,956
At 31 December 2013	179,087	1,895	39,968	220,950

18. Tangible assets

Summary of tangible assets

CZK '000	Land and buildings	Tools, office equip- ments and others	Tangibles under construction	Total
Cost				
At 1 January 2012	523,257	185,676	22,686	731,619
Additions	167	27,314	6,834	34,315
Other movements	0	0	(1,236)	(1,236)
Disposals	0	(4,615)	(27,481)	(32,096)
At 31 December 2012	523,424	208,375	803	732,602
At 1 January 2013	523,424	208,375	803	732,602
Additions	2,202	5,679	10,105	17,986
Other changes	0	0	(559)	(559)
Disposals	0	0	(7,389)	(7,389)
At 31 December 2013	525,626	214,054	2,960	742,640
Accumulated amortization and provisions				
At 1 January 2012	157,001	171,635	0	328,636
Annual charges	10,134	9,872	0	20,006
Disposals	0	(4,615)	0	(4,615)
At 31 December 2012	167,135	176,892	0	344,027
At 1 January 2013	167,135	176,892	0	344,027
Annual charges	10,209	8,040	0	18,249
Disposals	0	0	0	0
At 31 December 2013	177,344	184,932	0	362,276
Net book value				
At 31 December 2012	356,289	31,483	803	388,575
At 31 December 2013	348,282	29,122	2,960	380,364

In addition to the above, at the balance sheet date the Bank reported 24 cars (2012: 24 cars) acquired under a long-term finance lease contract; the acquisition cost of the cars amounts to CZK 12,061 thousand (2012: CZK 12,950 thousand).

19. Equity investments

The Bank held no equity investments in other companies in 2013 and 2012.

20. Amounts owed to banks

As at 31 December 2013, the Bank reported no amounts owed to banks. 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	2013	2012
Deposits received from clients under construction savings schemes	71,673,736	71,075,961
Deposits received from clients under construction savings schemes-Fair Value	(217,986)	15,984
Other payables to clients	75,359	84,815
State subsidy claims	713,068	742,055
Received term deposits from other financial institutions	830,104	760,242
Total	73,074,281	72,679,057
Of which: Repayable at call	145,439	165,155

The level of state subsidy arising under construction savings schemes as at 31 December 2013 and 2012 is estimated on the basis of the client deposit balance at the end of the month. The state subsidy for 2013 will be credited to client accounts after its level is approved by the Czech Finance Ministry during 2014.

22. Accrued expenses and deferred income and other liabilities

CZK '000	2013	2012
Annual bonuses, overtime hours, outstanding vacation days, fine, social security and health insurance	36,567	30,664
Estimate for advantageous interest	289,174	515,547
Entrance fees and commissions from building savings and loans	121,434	72,163
Deferred income – (rental)	0	35
Total	447,175	618,409

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	2013	2012
Estimated payables	161,641	159,816
Of which: Commission for mediating construction savings contracts and loan contracts	91,414	83,915
Other (predominantly unbilled supplies)	70,227	75,901
Suppliers	32,526	29,819
Settlement with employees	10,860	10,711
Settlement with the state budget	244,662	246,653
Settlement with social authorities	5,857	5,275
Deferred tax liability (Note 24)	139,745	210,656
Other temporary liabilities	778	(2,031)
Negative in fair value of interest rate swap	213,531	12,806
Total other liabilities	809,600	673,705

As at 31 December 2013, settlement with the state budget includes withholding tax liability amounting to CZK 239,307 thousand (2012: CZK 239,850 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 2013 was as follows:

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
Release of the reserve for legal disputes	0
Use of the reserve for legal disputes	0
Recognition of a reserve for other personnel costs	493
Balance of tax non-deductible reserves at 31 December 2012	5,217

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.

CZK '000

Balance at 1 January 2013	5,217
Recognition of a reserve for employee jubilees and loyalty bonuses (net)	143
Recognition of the reserve for legal disputes	650
Release of the reserve for legal disputes	(700)
Use of the reserve for legal disputes	0
Recognition of a reserve for other personnel costs	5,923
Release and use of the reserve for other personnel costs	(4,603)
Balance of tax non-deductible reserves at 31 December 2013	6,630

As at 31 December 2013, non-deductible reserves represent the reserve for seizure of CZK 750 thousand, the reserve for employee jubilees and loyalty bonuses amounting to CZK 2,199 thousand, the reserve for legal disputes with bank advisors of CZK 708 thousand and with clients amounting to CZK 733 thousand and the reserve for social and health insurance in connection with provision of shares to the employees of CZK 2,240 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 2014 and used for 2013 (in 2012: i.e. 19% applicable for 2013).

The deferred income tax for the year ended 31 December 2013 reflects the difference between the accounting and tax net book values of assets, the amount estimated 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 2013 and temporary differences of allowances and reserves. 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	2013	2012
Intangible and tangible fixed assets – difference between accounting and tax net book values	(180,275)	(172,178)
Planned bonuses to be paid in the following year	24,277	19,864
Social security and health insurance on planned bonuses, estimated unpaid vacation	8,169	6,873
Allowances non-tax	4,006	0
Reserves non-tax	6,631	0
Total balance of temporary differences	(137,192)	(145,441)
Deferred tax asset with an impact on the profit and loss account at 31 December	(26,066)	(27,634)
Remeasurement of available for sale securities	(598,385)	(963,274)
Change estimate the anniversary bonuses	74	0
Balance of the deferred tax asset charged against equity	(113,679)	(183,022)

Development of deferred tax asset and liability

CZK '000	2013	2012
Deferred tax asset with an impact on profit or loss at 1 January	(27,634)	(23,886)
Deferred tax asset charged against equity at 1 January	(183,022)	(75,903)
Deferred tax asset (+) / liability (-) at 1 January	(210,656)	(99,789)
Current changes charged against profit or loss	1,567	(3,748)
Current changes charged against equity	69,344	(107,119)
Impact of the change in the tax rate	0	0
Total current changes charged	70,911	(110,867)
Deferred tax asset with an impact on profit or loss at 31 December	(26,066)	(27,634)
Deferred tax asset/liability with an impact on equity at 31 December	(113,679)	(183,022)
Deferred tax asset (+) / liability (-) at 31 December	(139,745)	(210,656)

25. Equity

As at 31 December 2013 and 2012, 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 2013 and 2012, 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 484,692 (in the year ended 31 December 2012: CZK 780,252 thousand).

26. Contingent assets, liabilities and loan commitments

Loan Commitments

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

CZK '000	2013	2012
Commitments – granted loans	81,194	107,667
Commitments - bridging loans	1,016,805	1,321,486
Loan Commitments Total	1,097,999	1,429,153

Legal Disputes and Administrative Proceedings

Bank wasn't involved in any legal disputes, which would have a significant impact on MPSS.

27. Related party transactions

Transactions with KB financial group

CZK '000	2013	2012
ASSETS		
Operating accounts with KB	1,145	562
Term deposits with KB	3,810,929	1,000,286
KB mortgage bonds available for sale	264,917	271,553
KB mortgage bonds – non-current financial investment	24,456,631	16,988,727
Estimate of the commission of the KB financial group (sale of products)	11,607	41 862
Other assets (deferred expenses, operating receivables, rebilling)	24,091	13 477
Positive fair value of interest rate swap incl. off-balance sheet	12,450,808	4,380,587
Total	41,020,128	22,697,054
LIABILITIES		
Received term deposit from Protos	830,104	760,242
Payables to KB	717	1,444
Estimated payables – services and commissions to KB	7,530	9,785
Change fair value of securities KB	9,478	14,345
Negative fair value of interest rate swap incl. off-balance sheet	12,663,531	4,362,806
Total	13,511,360	5,148,622
EXPENSES		
Commissions and fees (KB)	8,192	3,934
Interest (KB)	65,390	1,139
Interest (PF KB)	0	24,175
Interest (Protos)	1,812	6,330
Loss on fair value of interest rate swap	1,169,201	28,636
Net expenses for securities transactions (KB)	1,032	1,285
Other operating expenses (KB)	21,954	20,869
Total	1,267,581	86,368
INCOME		
Interest KB (term deposit, IRS)	95,269	34,047
Earnings on fair value of interest rate swap	925,154	28,636
Income from mortgage bonds of KB	758,065	619,364
Other operating income (KB)	74	85
Commission to the KB financial group (sale of products)	79,343	126,132
Total	1,857,905	808,264

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

CZK '000	2013	2012
Salaries and bonuses		
To members of the Board of Directors	14,942	14,834
To members of the Supervisory Board	30	30
Total	14,972	14,864
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 2013 was included (to be paid in March 2014). 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 2013 was registered receivable from provided loans to members of the Board of Directors in the amount of CZK 3,267 thousand (2012: CZK 3,267 thousand) and the members of the Supervisory Board in the amount of CZK 1,645 thousand (2012: 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 or risk associated with property collateral assessment, 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 ('fyzicke 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 Banking and non-banking client data registry operated by CBCB and CNCB and the register operated by SOLUS as well as other internal or freely available 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 Hypoúvěř 100 mortgage loans standard up to 100% of the current price. In the assessment of risks associated with property collateral, the Bank uses the synergies within the KB group. Uncollateralized loans are provided only to clients with a history with the Bank or 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 ('pravnicke 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. In cases resigned contract 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 2013, the proportion of classified loans increased from 5.07% as at the 2012 year-end to 6.02%. As part of this category, the proportion of monitored loans slightly increased from 1.97% to 2.02% and the proportion of distressed loans increased from 3.09 to 4.00%.

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%, 2013: 3.38%.

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 2013, 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 performs these financial operations to assess available funds and to decrease 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 behaves as would be 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 (or validity of rate interest) 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 At 31 December 2013	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
Total assets	13,932	38,023	26,095	3,073	13	1,018	82,155
Cash in hand and balances with central banks	573	0	0	0	0	0	573
State zero-coupon bonds and other securities eligible for refinancing with the central bank	337	5,617	1,465	1,221	0	0	8,640
Amounts due from banks and savings associations	4,091	4,194	18,174	1,809	0	0	28,269
Amounts due from clients – members of savings associations	8,216	27,947	6,456	44	13	7	42,682
Debt securities	2	265	0	0	0	0	267
Intangible fixed assets	0	0	0	0	0	221	221
Tangible fixed assets	0	0	0	0	0	380	380
Other assets	713	0	0	0	0	76	789
Expenses and income of the next period	0	0	0	0	0	334	334
Total liabilities and equity	41,532	28,196	3,854	0	0	8,573	82,155
Amounts owed to clients – members of savings associations	41,242	28,196	3,854	0	0	(218)	73,074
Other liabilities	1	0	0	0	0	809	810
Deferred income and accrued expenses	289	0	0	0	0	158	447
Reserves	0	0	0	0	0	7	7
Total equity	0	0	0	0	0	7,818	7,818
Off balance sheet assets – risk of the interest rate	5,100	0	6,200	1,150	0	0	12,450
Interest rate swap	5,100	0	6,200	1,150	0	0	12,450
Off balance sheet liabilities – risk of the interest rate	8,350	4,100	0	0	0	0	12,450
Interest rate swap	8,350	4,100	0	0	0	0	12,450
Gap	(30,849)	5,727	28,441	4,223	13	(7,555)	0
Kumulativní Gap	(30,849)	(25,122)	3,319	7,542	7,555	0	0

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.

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 At 31 December 2013	Up to 7 days	7 days to 1 month	1 month to 3 mon- ths	3 months to 6 mon- ths	6 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Maturity undefined	Total for remaining maturity
Total assets	2,891	1,615	310	1,918	1,100	3,093	13,961	54,677	2,590	82,155
Cash in hand and balances with central banks	573	0	0	0	0	0	0	0	0	573
State zero-coupon bonds and other securities eligible for refinancing with the central bank	0	263	0	59	15	997	4,620	2,686	0	8,640
Amounts due from banks and savings associations	1,782	1,200	110	851	148	0	4,194	19,983	0	28,269
Amounts due from clients - members of savings associations	536	153	199	295	935	1,831	5,146	32,008	1,579	42,682
Debt securities	0	0	0	0	2	265	0	0	0	267
Intangible fixed assets	0	0	0	0	0	0	0	0	221	221
Tangible fixed assets	0	0	0	0	0	0	0	0	380	380
Other assets	0	0	0	713	0	0	0	0	76	789
Expenses and income of the next period	0	0	0	0	0	0	0	0	334	334
Total liabilities and equity	210	580	34,456	3,039	3,247	11,929	16,267	3,854	8,573	82,155
Amounts owed to clients - members of savings associations	210	579	34,166	3,039	3,247	11,929	16,267	3,854	(218)	73,074
Other liabilities	0	1	0	0	0	0	0	0	809	810
Deferred income and accrued expenses	0	0	289	0	0	0	0	0	158	447
Reserves	0	0	0	0	0	0	0	0	7	7
Total equity	0	0	0	0	0	0	0	0	7,818	7,818
Gap	2,682	1,036	(34,146)	(1,121)	(2,147)	(8,837)	(2,306)	50,823	(5,983)	0
Cumulative gap	2,682	3,717	(30,429)	(31,550)	(33,697)	(42,534)	(44,840)	5,983	0	0

(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 (mj. credit 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 2013 and 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 2013, the approval process of advanced approach was carried out by the Czech National Bank, which on the basis of the mission recommended to the French regulator to approve the application of advanced approaches in the bank. An action plan was established, its fulfillment will be monitored in 2014.

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 five 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 and meeting of the crisis staff.

29. Post balance sheet events

In order to minimize the volatility of the regulatory capital after adoption of CRD IV – Capital Requirements Directive, MPSS carried out transfer of some securities in the total volume of CZK 7,432 million from the category of securities available for sale (AFS) to the category of securities held to maturity (HTM) as of 31.3.2014, with regard to the intent to hold them until their maturity.

Report on relations between related parties for the 2013 accounting period

(hereinafter the „Relations Report“)

Modrá pyramida stavební spořitelna, a.s., based at Bělehradská 128, no. 222, postcode 120 21 Prague 2, company registration number 60192852, registered in the Business Register maintained by the Municipal Court in Prague, volume B, file 2281, (hereinafter the „Company“), is part of the business groups (concern) of Société Générale S.A., based at 29, BLD Hausmann, 75009 Paris, France, registration number in the French Business Register: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter the “SG” or “SG Paris”), in which the following relations exist between the Company and the person controlling it, and further, relations between the Company and other persons controlled by the same controlling person (hereinafter the „Related Parties“) that are mentioned in this Report. The only shareholder of the Company is Komerční banka, a.s., based at Na Příkopě 33, no. 969, postcode 114 07 Prague 1, company registration number 453 17 054, registered in the Business Register maintained by the Municipal Court in Prague, volume B, file 1360. SG is a 60.735% shareholder of Komerční banka, a.s.

This Report on relations between the below-mentioned parties has been drawn up in compliance with the provision of Article 66a(9) of Act No. 513/1991, as amended, (Business Code), for the period of 2013, i.e. from 01/01/2013 till 31/12/2013 (hereinafter the „Accounting Period“).

I Introduction

In the 2013 Accounting Period, the Company was in relations with the following Related Parties:

Company	Registered office	The SG's share in voting rights of the Company
Société Générale S.A.	29, BLD Hausmann, 75009 Paris, France	-
Komerční banka, a.s.	Na Příkopě 33 no. 969, postcode 114 07 Prague 1	60.735%*
Komerční pojišťovna, a.s.	Karolinská 1, no. 650, postcode 186 00 Prague 8	100%
KB Penzijní společnost, a.s.	Náměstí Junkových 2772/1, postcode 155 00, Prague 5 - Stodůlky	100%
Factoring KB, a.s.	Lucemburská 1170/7, postcode 130 11 Prague 3, Vinohrady	100%
ALD Automotive s.r.o.	U Stavoservisů 527/1, postcode 100 40 Prague 10	100%
ESSO X s.r.o.	Senovážné náměstí 231/7, postcode 370 01 České Budějovice	100%
SG Equipment Finance Czech Republic s.r.o.	Antala Staška 2027/79, postcode 140 00 Prague 4, Krč	100%
Protos, uzavřený investiční fond, a.s.	Dlouhá 34, postcode 110 15 Prague 1	100%

* data valid as at 31/12/2013

II Relations with Related Parties

A. Contracts and Agreements with the Controlling Person and Other Related Parties

I. The Contracts and Agreements Concluded within the Accounting Period

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
General contract on providing advantageous conditions for the employees of KB and Societé Générale Group – participants in the building saving account in MPSS of 01/11/2013.	Komerční banka, a.s.	provision of advantageous conditions	service provision	did not occur
Cooperation agreement of 31/01/2013	Komerční banka, a.s.	cooperation in the defined areas, service acceptance, payment of the service price	service provision	did not occur
Distribution agreement for products "Úvěry pro bytová družstva a společenství vlastníků bytových jednotek" ("Loans for housing cooperatives and homeowners partnerships") of 01/11/2013	Komerční banka, a.s.	provision of services as per agreement	payment of commission as per agreement	did not occur
Agreement on settlement in accordance with Article 221 of Labour Code on providing a leave for an employee after employment change of 29/04/2013	Komerční banka, a.s.	one-time payment	provision of a leave in a specified extent	did not occur
Agreement on HR costs re-invoicing from KB to MPSS (training) in 2013, 124 invoices in total	Komerční banka, a.s.	payment of re-invoicing from KB	service provision	did not occur
Contract on providing advantageous conditions for the employees of KP – participants in the building saving account in MPSS of 01/11/2013.	Komerční pojišťovna, a.s.	provision of advantageous conditions	service provision	did not occur
Contract on commercial representation of 04/01/2013, incl. Amendment of 27/11/2013	KB Penzijní společnost, a.s.	acceptance of commission	payment of commission	did not occur
Advertising agreement of 05/04/2013	KB Penzijní společnost, a.s.	service provision	payment for the service	did not occur
Contract on providing advantageous conditions for the employees of KB Penzijní společnost – participants in the building saving account in MPSS of 01/11/2013.	KB Penzijní společnost, a.s.	provision of advantageous conditions	service provision	did not occur
Contract on providing advantageous conditions for the employees of ESSOX – participants in the building saving account in MPSS of 01/11/2013.	ESSOX s.r.o.	provision of advantageous conditions	service provision	did not occur
Contract on providing advantageous conditions for the employees of Factoring KB – participants in the building saving account in MPSS of 01/11/2013.	Factoring KB, a.s.	provision of advantageous conditions	service provision	did not occur
Financial leasing agreement of 12/04/2013	SG Equipment Finance Czech Republic s.r.o.	payment of leasing instalments	service provision	did not occur
Financial leasing agreement of 02/09/2013	SG Equipment Finance Czech Republic s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on providing advantageous conditions for the employees of SG Equipment Finance Czech Republic – participants in the building saving account in MPSS of 01/11/2013.	SG Equipment Finance Czech Republic s.r.o.	provision of advantageous conditions	service provision	did not occur
Insurance premiums paid as per contract concluded between Societé Générale S.A. and Komerční banka, a.s. for MPSS, 30/08/2013, for the period between 01/07/2013 and 30/06/2014	Societé Générale, S.A.	payment of premium	service provision	did not occur
Fixed term deposit 21/05 and 21/11/2013	PROTOS, uzavřený investiční fond, a.s.	interest payment	deposit	did not occur
Contract on providing advantageous conditions for the employees of ALD Automotive – participants in the building saving account in MPSS of 01/11/2013.	ALD Automotive s.r.o.	provision of advantageous conditions	service provision	did not occur

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
Contract on financial leasing and subsequent purchase of the leased goods No. 310056190 of 15/02/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310056191 of 15/02/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310056192 of 15/02/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310056193 of 15/02/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310056194 of 15/02/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310058390 of 29/07/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310058392 of 29/07/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Contract on financial leasing and subsequent purchase of the leased goods No. 310058393 of 29/07/2013	ALD Automotive s.r.o.	payment of leasing instalments	service provision	did not occur
Premature termination of the leasing contract No.310038081 due to the disposal of the car after crash, 26/03/2013	ALD Automotive s.r.o.	termination of the leasing contract and acceptance of insurance benefit (pojistné plnění)	cooperation at the termination of the leasing contract	did not occur
Purchase contract of 28/02/2013, cancels the leasing contract No. 310035147	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur
Purchase contract of 30/06/2013, cancels the leasing contract No. 310035149	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur
Purchase contract of 30/06/2013, cancels the leasing contract No. 310035146	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur
Purchase contract of 30/06/2013, cancels the leasing contract No. 310035090	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur
Purchase contract of 30/09/2013, cancels the leasing contract No. 310035148	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur
Purchase contract of 31/10/2013, cancels the leasing contract No. 310038083	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur
Purchase contract of 08/11/2013, cancels the leasing contract No. 310038082	ALD Automotive s.r.o.	payment of the purchase price	sale of a car	did not occur

II Considerations accepted as well as provided in the Accounting Period, from the contracts concluded in previous accounting periods

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
Contract on opening and maintaining a current account including amendments	Komerční banka, a.s.	service provision – current account maintenance and interest payments	current account maintenance and interest payments	did not occur
Contract on issuing and using a payment card for a current account, VISA card Business Silver Card, ID 109917517	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA card Business Silver Card, ID 109140568	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA card Business Gold Card, No.111276042	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA Business Gold Card, No. 112435746	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
Contract on issuing and using a payment card for a current account, VISA Business Gold Card, No. 106894372	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA Gold card, No. 137577636	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA Business Silver Card, No. 110011245	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA Business Gold Card, No. 125379042	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on issuing and using a payment card for a current account, VISA Business Silver Card, No. 134471131	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on providing direct banking services (internet banking for a current account) of 17/06/2009, including Amendment of 22/10/2012, Amendment of 20/12/2013	Komerční banka, a.s.	payment of interest and fees arising from the contract	service provision	did not occur
Contract on providing services on the Short-term Bond Market of 22/06/1999	Komerční banka, a.s.	payment for services	service provision	did not occur
General contract on financial market trading of 27/07/2005, including Modification of the Annex No. 3 of 13/11/2012	Komerční banka, a.s.	payment of fees arising from the contract	service provision	did not occur
General contract on financial market trading of 06/01/2010 - trades	Komerční banka, a.s.	payment of fees arising from the contract	service provision	did not occur
Contract on custody services provided by KB of 07/07/ 2010	Komerční banka, a.s.	payment of contractual remuneration	custody service provision	did not occur
Contract (no. 494) on using a safe deposit box of Komerční banka, a.s., No. 833	Komerční banka, a.s.	payment of fees arising from the contract	service provision	did not occur
Contract (no. 863) on using a safe deposit box of Komerční banka, a.s., No. 723	Komerční banka, a.s.	payment of fees arising from the contract	service provision	did not occur
Contract (no. 867) () on using a safe deposit box of Komerční banka, a.s., No. 921	Komerční banka, a.s.	payment of fees arising from the contract	service provision	did not occur
Universal contract on transfer of cash in packages of 16/05/2011	Komerční banka, a.s.	payment of fees arising from the contract	service provision	did not occur
Contract on installation of a cash dispenser No. 20076/0000 of 27/02/2012	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Contract on installation of a cash dispenser No. 20162/0000 of 02/04/2012	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Contract on using KB sales network of 01/03/2005 (incl. Amendment No. 1 of 12/06/2009, Amendment No. 2 of 30/09/2010 and Amendment No. 3 of 01/10/2011)	Komerční banka, a.s.	payment of commission for service provision	service provision	did not occur
General agreement on providing advantageous conditions for the employees of KB and subsidiaries – participants in the building saving account of 17/02/2005 (valid until 31/10/2013)	Komerční banka, a.s.	provision of advantageous conditions	service provision	did not occur
Confidentiality Agreement – quadripartite agreement	Komerční banka, a.s. BHW Holding AG and Česká pojišťovna, a.s.	maintenance of information confidentiality	maintenance of information confidentiality	did not occur
General agreement on employees' secondment of 01/12/2006, including Amendment No. 1 of 31/07/2007	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Contract on cooperation between KB and VSS on provision of consumer loans of 07/11/1994, incl. Amendment No. 1 of 21/03/1995	Komerční banka, a.s.	cooperation for service provision	service provision	did not occur
Lease contract - garage parking of 31/01/2007, incl. Amendment No. 1 of 30/04/2013	Komerční banka, a.s.	service provision	payment of the service price	did not occur
Contract on mutual cooperation of 31/08/2007, incl. Amendment No. 1 of 01/03/2010	Komerční banka, a.s.	payment of the service price	service provision	did not occur

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
General Distribution Agreement of 31/08/2007, incl. Amendment No. 1 of 09/09/2011 and Amendment No. 2 of 15/11/2012, including costs re-invoicing from KB to MPSS and from MPSS to KB for the year 2013	Komerční banka, a.s.	mutual cooperation at products sale	mutual cooperation at products sale	did not occur
Cooperation Agreement of 31/08/2007, including Amendment No.1 of 17/05/2011	Komerční banka, a.s.	cooperation in the defined areas, service acceptance, payment of the service price	service provision	did not occur
Cooperation Agreement - Clients Scoring of 31/08/2007	Komerční banka, a.s.	cooperation and service acceptance, payment of the service price	service provision	did not occur
Outsourcing Agreement – treasury of 07/02/2008	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Confidentiality Agreement related to "Agreement on using the HP OV DS licence" of 09/02/2009	Komerční banka, a.s.	maintenance of information confidentiality	maintenance of information confidentiality	did not occur
Agreement on paying costs of licence use (replaced the 2007 verbal agreement on paying costs of licence use) of 28/05/2009, incl. Amendment No. 111 2 2010	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Contract on cooperation within the Group according to Article 5a of Act No. 235/2004, as amended, on value added tax of 27/11/2008, including Amendment No. 1 of 22/10/2009	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Contract on lease of non-residential space and payment of services related to its use (Uherský Brod) of 20/11/2008	Komerční banka, a.s.	payment of the service price	payment of the service price	did not occur
General agreement on personal data processing (KB - administrator, MPSS - processing party) of 30/05/2009	Komerční banka, a.s.	provision of cooperation	personal data processing	did not occur
General agreement on personal data processing (MPSS - administrator, KB - processing party) of 30/05/2009, incl. Amendment No. 1 of 12/09/2011	Komerční banka, a.s.	personal data processing	provision of cooperation	did not occur
Agreement on method of payment of premium (premium discount within FS KB) of 01/07/2009	Komerční banka, a.s.	acceptance of service	provision of cooperation	did not occur
Agreement on KB call centre services of 01/01/2010	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Confidentiality Agreement related to "Contract on service provision - outsourcing (HR services)" of 27/04/2010	Komerční banka, a.s.	maintenance of information confidentiality	maintenance of information confidentiality	did not occur
Contract on service provision - outsourcing (HR services) of 30/11/2010, including Amendment No. 1 of 29/12/2013	Komerční banka, a.s.	payment for the service price and provision of cooperation	service provision	did not occur
Confidentiality Agreement related to "Contract on cooperation in the fields of outsourcing and purchasing" of 09/07/2010	Komerční banka, a.s.	maintenance of information confidentiality	maintenance of information confidentiality	did not occur
Adoption of the rules for cooperation of KB and FS members in the fields of outsourcing and purchasing of 16/09/2010	Komerční banka, a.s.	payment for the service price and provision of cooperation	service provision	did not occur
Agreement on the Organisation of Periodic Control of 17/12/2010, including Amendment No. 1 of 6/12/2012	Komerční banka, a.s. and Société Générale S.A.	payment of the service price	service provision	did not occur
General agreement on provision of services of 24/01/2011, including Amendment No. 1 of 11/10/2011	Komerční banka, a.s.	payment of the service price	audit services	did not occur
Individual distribution agreement (Perfect Loan) of 01/04/2011, Amendment No. 1 of 31/01/ 2013	Komerční banka, a.s.	provision of services as per agreement	payment of commission as per agreement	did not occur
Individual distribution agreement (MůjÚčet - MyAccount, G2 2) of 01/04/2011, including Amendment No. 1 of 27/04/2012, Amendment No. 2 of 31/01/2013	Komerční banka, a.s.	provision of services as per agreement	payment of commission as per agreement	did not occur
Individual distribution agreement (A Card, Lady Card, VISA Elektron Credit Card) of 01/04/2011, including Amendment No. 1 of 31/01/2013	Komerční banka, a.s.	provision of services as per agreement	payment of commission as per agreement	did not occur

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
Contract on provision of services – outsourcing - data warehouse of 30/06/2011, Amendment No. 15.10.2011, Amendment No. 3 of 31/12/13	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Individual distribution agreement (Mortgage Loan, Pre-Mortgage Loan of 09/09/2011, including Amendment No. 1 of 19/12/2011, Amendment No. 2 of 31/01/2013	Komerční banka, a.s.	provision of services as per agreement	payment of commission as per agreement	did not occur
Contract on installation of a cash dispenser No. 2004/2011/9526 of 03/10/2011	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Sub-Contract No. 2 of 31/10/2011 according to the General Agreement on Supply of IT Services	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Sub-Contract No. 3 of 31/10/2011 according to the General Agreement on Supply of IT Services	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Sub-Contract No. 4 of 31/10/2011 according to the General Agreement on Supply of IT Services, including Amendment No. 1 of 05/10/2012	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Sub-Contract No. 1 of 31/11/2011 according to the General Agreement on Supply of IT Services, including Amendment No. 1 of 05/10/2012	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Contract on provision of services – outsourcing, Assessment of risks related to the immovable pledge for MPSS in the KB system of 17/12/2011	Komerční banka, a.s.	payment of the service price	provision of services as per agreement	did not occur
Sub-Contract No. 5 of 29/08/2012 to the General Agreement on Supply of IT Services	Komerční banka, a.s.	payment of the service price	service provision	did not occur
Memorandum of Understanding, incl. SLA - MPSS retail of 11/10/2012	Komerční banka, a.s.	acceptance of services	provision of services	did not occur
Agreement on cooperation at performance of the Contract on Group risk insurance for employees No.3280000000, as amended by Amendment No. 1 of 10/09/2012	Komerční banka, a.s., Komerční pojišťovna, a.s.	payment of monthly premiums on behalf of MPSS employees	provision of risk insurance for the case of death of a MPSS employee	did not occur
Contract on collective co-insurance of VSSKB clients for the case of death to secure the loan No. 37-9861 of 05/12/1995 (terminated with effects until the end of 2007 – insurance is expiring).	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	arrangement of client's insurance	commission	did not occur
Operational contract to provide collective co-insurance of VSSKB clients, Česká pojišťovna, a.s., Komerční pojišťovna, a.s. of 05/12/ 1995 – terminated with effects until the end of 2007 - insurance is expiring)	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	arrangement of client's insurance	commission	did not occur
Contract on provision of advantageous conditions for the employees of Komerční pojišťovna a.s. – participants in the building saving account in MPSS, valid until 31/10/2013	Komerční pojišťovna, a.s.	provision of advantageous conditions	provision of advantageous conditions	did not occur
General Cooperation Agreement No.3010000246 (PROGRAM SPEKTRUM) of 01/04/2008	Komerční pojišťovna, a.s.	provision of cooperation	provision of service to the MPSS employees	did not occur
GENERAL DISTRIBUTION AGREEMENT of 15/10/2012, Amendment No. 1 of 15/11/2012 , including re-invoicing of marketing costs from MPSS to KP in 2013	Komerční pojišťovna, a.s.	service provision	payment of the service price	did not occur
Distribution sub-contract for the VITAL INVEST product, of 15/10/2012, including Amendment No.1 of 19/12/2012, Amendment No. 2 of 11/02/2013, including Report on Reduction of Commission for 2013 and 2014	Komerční pojišťovna, a.s.	service provision	payment of the service price	did not occur

Type of contract (or the subject of the contract – unless indicated by the name)	Contracting party	Performance of the Company	Consideration	Damage caused to the Company
Distribution sub-contract for the product called MOUDRÉ POJIŠTĚNÍ RISK LIFE INSURANCE, of 15/10/2012, including Amendment No. 1 of 19/12/2012	Komerční pojišťovna, a.s.	service provision	payment of the service price	did not occur
Distribution sub-contract for the product called PYRAMIDA RISK LIFE INSURANCE, of 15/10/2012, including Amendment No. 1 of 19/12/2012, including costs re-invoicing from MPSS to KP in 2013	Komerční pojišťovna, a.s.	service provision	payment of the service price	did not occur
Agreement on cooperation in the field of supplementary pension insurance with a state contribution, of 06/05/2005	KB Penzijní společnost, a.s.	service provision	payment of the service price	did not occur
Contract on provision of advantageous conditions for the employees of PF KB a.s. – participants in the building saving account in MPSS, validity terminated as at 31/10/2013	KB Penzijní společnost, a.s.	provision of advantageous conditions	acceptance of advantageous conditions	did not occur
Contract on provision of advantageous conditions for the employees of ESSOX s.r.o. – participants in the building saving account in MPSS, valid until 31/10/2013	ESSOX s.r.o.	provision of advantageous conditions	acceptance of advantageous conditions	did not occur
Cooperation Agreement (including Procedural rules for cooperation and Financial conditions of cooperation) of 16/05/2007	ESSOX s.r.o.	credit brokerage	payment of commission	did not occur
General agreement on personal data processing (MPSS - administrator, ESSOX - processing party) of 16/05/2007	ESSOX s.r.o.	provision of cooperation	personal data processing	did not occur
Contract on commercial representation (Moje auto - My car) of 07/06/2011, including Agreement on its termination of 30/04/2013	ESSOX s.r.o.	credit brokerage	commission	did not occur
Contract on commercial representation of 18/07/2012 (Safe Loan - Bezpečná půjčka)	ESSOX s.r.o.	credit brokerage	commission	did not occur
Contract on provision of advantageous conditions for the employees of Factoring KB a.s. – participants in the building saving account in MPSS, valid until 31/10/2013	Factoring KB, a.s.	provision of advantageous conditions	acceptance of advantageous conditions	did not occur
Contract on provision of advantageous conditions for the employees of SG Equipment Finance Czech Republic, s.r.o. – participants in the building saving account in MPSS, valid until 31/10/2013	SG Equipment Finance Czech Republic s.r.o.,	provision of advantageous conditions	acceptance of advantageous conditions	did not occur
Fixed term deposit from 21/11/2012 until 21/5/2013	PROTOS, uzavřený investiční fond, a.s.	interest payment	deposit	did not occur
Contract on personal data processing in Societé Générale S.A., France of 02/11/ 2011	Société Générale, S.A.	service provision	cooperation at service provision	did not occur
Insurance premiums paid as per contract concluded between Société Générale S.A. and Komerční banka, a.s. for MPSS, from 01/07/2012 till 30/06/2013	Société Générale S.A.	insurance premium payment	service provision	did not occur
Contract on provision of advantageous conditions for the employees of ALD Automotive s.r.o. – participants in the building saving account in MPSS, valid until 31/10/2013	ALD Automotive s.r.o.	provision of advantageous conditions	acceptance of advantageous conditions	did not occur
General agreement of 18/10/2007 – conclusion of contracts on financial leasing	ALD Automotive s.r.o.	provision of cooperation	service provision	did not occur
25 contracts on financial leasing and subsequent purchase of the leased goods 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 instalments	service provision	did not occur

B. Other legal acts performed by the Company in the interest of the controlling person and other Related Parties

2013 dividend	Komerční banka, a.s.	payment of the dividend based on the decision of the only shareholder	acceptance of the dividend	did not occur
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C. Measures adopted or carried out by the Company in the interest of the controlling person and other Related Parties or upon their initiative

In the course of 2013, the Company neither adopted nor carried out any measures in the interest of the controlling person and other Related Parties or upon their initiative.

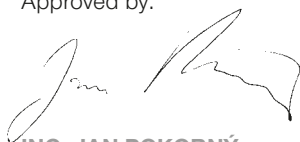
III Conclusion

The Board of Directors of the Company has reviewed all the relations between the Company and the Related Parties in the Accounting Period of 2013 and states that in the Accounting Period no damage occurred to the Company from any of the concluded contracts, agreements, other legal acts or other measures carried out or adopted by the Company.

Prague, on 03/02/2014

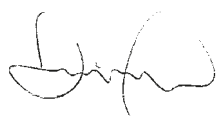
Prepared by: Josef Květoň, Head of Legal Department

Approved by:



ING. JAN POKORNÝ

Chairman of the Board of Directors
and Director



ING. MIROSLAV HIRŠL

Deputy Chairman of the Board of Directors
and 1st Deputy Director

Data on adherence to rules of cautious entrepreneurial activities

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 pieces 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 221 million are deducted on the contrary.

The capital of the Bank only consists of the original capital (Tier 1) and is reduced by insufficiency in coverage of expected credit losses in the amount of CZK 4 million.

CZK thousand	31.12.2013	30.09.2013*	30.06.2013*	31.03.2013*
Total amount of original capital (Tier 1 component)	6,046,458	6,050,288	6,050,364	6,047,123
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	5,217,408	5,217,408	5,217,408	5,217,408
– 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	4,097,770	4,097,770	4,097,770	4,097,770
Total amount of supplementary capital (Tier 2 component)	0	0	0	0
thereof other supplementary capital	0	0	0	0
– subordinated debt A	0	0	0	0
Total amount of capital for coverage of market risk (Tier 3 component)	0	0	0	0
Total amount of deductible items	224,917	220,728	220,426	223,401
there of insufficiency in coverage of expected credit losses in IRB	3,967	3,608	3,382	3,115
Total amount of capital after consideration of deductible items from original and supplementary capital and set limits of capital items	6,042,491	6,046,680	6,046,982	6,044,008

2. Data on capital requirements

CZK thousand	31.12.2013	30.09.2013*	30.06.2013*	31.03.2013*
Amount of capital requirements	2,296,118	2,297,173	2,354,446	2,337,633
a) 1. of credit risk in total	2,067,682	2,068,737	2,126,010	2,121,242
1.1 of credit risk according to standardized approach, therein :	1,492,272	1,533,862	1,592,017	1,631,096
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 exposures	0	0	0	155,549
Cap. requir. at STA in IRB of retail exposures	1,492,272	1,533,862	1,592,017	1,475,547
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	575,410	534,875	533,993	490,146
Cap. requir. of credit risk at IRB of selected exposures in total	512,452	476,281	476,699	433,548
Cap. requir. at IRB of exposures towards central governments and banks	38,833	40,495	42,709	49,456
Cap. requir. at IRB of exposures towards institutions	473,619	435,786	433,990	384,092
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	62,958	58,594	57,294	56,598
b) of settlement risk	0	0	0	0
c) of position, currency and commodity risk	0	0	0	0
d) of operational risk	228,436	228,436	228,436	216,391
e) of engagement risk of business portfolio	0	0	0	0
f) of the other tools of business portfolio	0	0	0	0
g) Transition cap. requir.	0	0	0	0

3. Ratio indicators

	31.12.2013	30.09.2013*	30.06.2013*	31.03.2013*
1. indicator of capital adequacy	21.05	21.06	20.55	20.68
2. return on average assets (ROAA)	1.31	1.39	1.40	1.40
3. return on average equity (ROAE)	17.62	18.71	18.92	19.09
4. assets per 1 employee	240,925	235,520	235,877	241,020
5. administrative costs per 1 employee	1,681	1,532	1,528	1,377
6. profit or loss after taxation per 1 employee	3,125	3,300	3,345	3,384

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