



Clear answers for real benefits.



2012 Consolidated Reports and Accounts





**C**ustomer testimonials are the common thread of this year's annual report to illustrate the concrete solutions we provide every day. These true stories were told first-hand and collected by the colleagues who worked with them to offer real benefits.

Each story lends an authentic voice to how we are having a positive impact on our stakeholders. We are making a difference by recognizing everyday challenges and opportunities, and by contributing to the economic, social and cultural well-being of the communities we serve.

This report's creative concept reflects our commitment by displaying two pieces that fit together. This represents the union between the real-life needs of our clients and the practical solutions that we offer.

Above all, we believe that being a commercial bank means engaging in meaningful dialogue with those with whom we come into contact. This enables us to provide simple, quick and effective responses that perfectly meet customer needs.

Inside you will find some of these stories. We hope the next one will be yours.

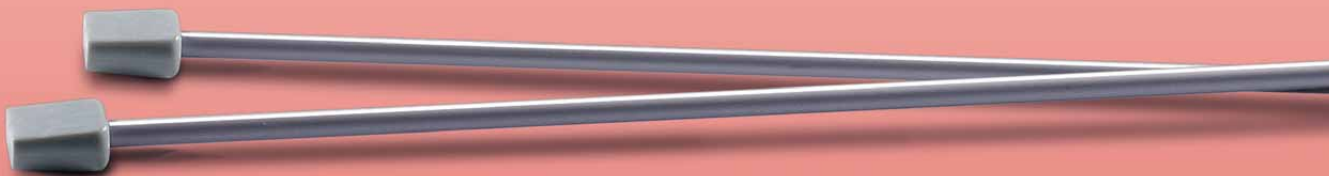
Meeting customers' specific needs with a flat fee

# CUSTOMIZED



**“** Even when it comes to fairly simple banking transactions like payments, we know that UniCredit Bank finds solutions that are mutually beneficial. Their customized payment system, a flat fee, not only helps us to understand and plan our monthly expenses but also saves our accountant's time. **”**

Pauls Ābele, Head of Finance, Accounting and IT Board Member of AS "Latvijas Finieris," customer of UniCredit Bank in the Baltics



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# Financial highlights

(IFRS audited, non-consolidated)

UniCredit Bank Czech Republic, a.s.	2012 MCZK	2011 MCZK
<b>Operating performance</b>		
Net fee and commission income	6,203	6,486
Net income from financial investments	2,056	1,778
General administrative expenses	(4,601)	(4,469)
Profit before income tax	3,694	1,334
Net profit for the year	3,157	1,146
<b>Statement of financial position figures</b>		
Total assets	318,909	288,673
Receivables from clients	184,715	181,780
Deposits from clients	195,120	178,652
Issued capital	8,750	8,750
<b>Information about capital and capital adequacy</b>		
Tier 1	31,563	30,425
Tier 2	531	285
Deductible items	(57)	(42)
Total capital	32,037	30,668
Risk-weighted assets	177,672	176,690
Capital requirement for credit risk under the standardized approach	2,119	1,926
Capital requirement for credit risk under the IRB approach	12,095	12,209
Capital requirement for settlement risk	–	–
Capital requirement for position, foreign exchange and commodity risk	732	455
Capital requirement for operational risk	1,257	1,162
Capital requirement for other instruments in the trading portfolio	–	–
Capital adequacy ratio	15.82%	15.58%
<b>Key ratios</b>		
Return on average assets	1.0%	0.4%
Return on original capital	10.2%	3.9%
Assets per employee	163.4	159.8
Administrative expenses per employee	2,4	2,5
Profit after tax per employee	1,6	0,6
Number of employees at end of period	2,004	1,980
Branch offices	98	93



# Introduction from the Board of Directors



Dear shareholders, ladies and gentlemen,

The year 2012 was one of pursuing new directions. Czech companies sought new destinations to which they could successfully export their goods and services or new ways to direct their production in order to remain competitive. At the same time, their demand for investment lending was constrained. Households, meanwhile, sought new possibilities for growing their idle funds even despite declining market interest rates.

In this economic environment, we developed new and innovative products and services to once again confirm our position as one of the prominent leaders in the Czech banking sector.

During the past year, UniCredit Bank brought its clients not only new personal banking products (the PRIMA Savings Account, a new concept for personal accounts, instruments for optimizing deposits) but especially new distribution and communications channels, including the first banking e-shop and virtual branch on a social network. We also completed another stage last year in developing the franchise distribution network, thus bringing us closer to our clients all across the Czech Republic. Through these steps, we boosted awareness of the UniCredit Bank brand both among residents of smaller cities as well as the continually growing number of internet users.

We strengthened our position in financing small and medium-sized enterprises, which we support even when times are less favourable for them. In corporate banking, among other things, we concluded the largest corporate loan provided to a Czech company, which transaction became known beyond the Central European region and especially caught the attention of professionals in the Czech banking sector. The year 2012 was very successful also in the structured finance area.

These are among the ways we endeavour to support the export-oriented Czech economy and to bring lasting value to our clients, business partners and shareholders.

Bolstered by its clients' confidence in the Bank and a well-tuned business model, UniCredit Bank Czech Republic faced up to the decline in the Czech economy and, after writing off the debts from Greek bonds in 2011, grew its net profit by a significant 175.5% year on year.



Despite a modestly optimistic prognosis for Czech economic development in the second half of 2013, we will continue to focus upon responsible cost management and gradual expansion of the distribution network, including cross-border operations in accordance with the medium-term plan.

UniCredit Bank won a number of prestigious domestic and international awards last year. The trade journal *Euromoney*, and experts from the banking sector in particular, showed appreciation for the work of our private bankers. The jury in this segment highlighted our lending and financing services, commodities investing and the “Art Banking” service, which is unique on the Czech market. We achieved success in the Global Finance Awards competition with our excellent offer for trade financing that is now available in six countries of Central and Eastern Europe, including the Czech Republic. The string of achievements in surveys and competitions may be attributed to our innovative retail products, and in particular the PRESTO Loan, GROUND-BREAKING Mortgage, and Splátkomat loan consolidation tool. These awards provide affirmation for our clients’ confidence in us and our extensive offer of first-rate, custom-tailored services.

UniCredit Bank Czech Republic has been conceptually reinforcing its position as a socially responsible organization through its long and active involvement in a number of important projects. It is focused on various areas of the arts and cultural heritage, as well as on support to sporting activities and educational programmes. We have long been deepening our successful collaboration with Galerie Rudolfinum, the contemporary art fair “Art Prague” and the “Prague Photo” festival. Through the latter, we present the “UniCredit Prague Photo Award” to the best photographer under 35 years of age and the “ART PRAGUE Young Award” intended for talented young artists also under 35. Our long cooperation with the Barriers Account (part of the Charter 77 Foundation) and the Endowment Fund of Livia and Václav Klaus continued last year. Our employees participated in charity projects by supporting selected non-profit organizations through the Gift Matching Programme.

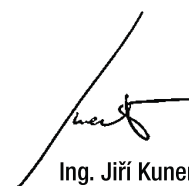
Then, too, UniCredit Bank has long partnered with the Karlovy Vary International Film Festival, which is the most prominent international film festival in Central and Eastern Europe. Well-deserved international attention is directed each year at Karlovy Vary to new films from Central and Eastern Europe, the very region where UniCredit Group has concentrated its operations.

For the entire period of July 2009–June 2015 UniCredit Group is the official bank of the UEFA Champions League, the most prestigious football league in the world. In its sponsorship of sports, UniCredit Bank Czech Republic has long supported domestic tennis events, and in particular the annual UniCredit Czech Open tennis tournament in Prostějov. It also is a partner of the Junior Tennis Championship in Pardubice. The Bank’s commitment to supporting Czech tennis was one of the reasons for its choosing the leading Czech tennis player and Wimbledon champion Petra Kvitová to be the face of UniCredit Bank Czech Republic.

How 2013 is to turn out will once again depend in large measure upon households’ willingness to spend. This is the main prerequisite for the Czech economy’s return to gradual growth. The Czech banking market continues to show strong capital stability and should not be significantly affected by external developments, which we expect to be characterized by stagnation in the euro zone but moderate growth in Germany in the second half of 2013. Financial institutions will continue in seeking opportunities to utilize their surplus liquidity and especially to support the investment objectives of stable and innovative companies focused on manufacturing products with high added value and potential to be competitive on domestic and international markets. Diversification of Czech industry, and thereby of Czech exports, is both necessary and able to protect us in future against a fluctuating global economy.

The year 2012 is now behind us, and we can feel good in looking back upon it. While it was a difficult year, 2012 was crowned with a number of successes in the retail, corporate, investment and private banking areas, owing to which we boosted our clients’ confidence and earned our shareholder’s support. Together with our professional team of employees, I am firmly convinced that the Bank will continue successfully to develop in the years to come.

March 2013



**Ing. Jiří Kunert**  
Chairman of the Board of Directors

# Macroeconomic environment in 2012

The year 2012 was marked by a protracted recession in the Czech economy. Economic output declined quarter on quarter in each quarter of the year. The combined annual contraction in GDP of 1.2% thus ranked the Czech Republic among the least robust of EU countries. On the production side, the deterioration in economic output compared to 2011 was mainly due to lower dynamics in industry in response to weakening demand in Europe. Net exports nevertheless remained the only growing component of demand in the Czech economy, as private and government investment and consumption were all lower year on year. Household consumption fell by a significant 3.5% for the year. A number of hypotheses were proposed regarding the causes of the Czech Republic's lagging behind many other EU countries, but none of these alone could entirely explain the situation. What is absolutely certain, however, is that the state of the banking sector was not one of them, as it remained stable and showed no signs of trouble.

After a two-year hiatus, the Czech National Bank once again began to ease monetary policy. The repo rate was lowered in three steps to a so-called "technical zero" of just 0.05%. The CNB also considered further easing of monetary conditions by weakening the Czech crown through interventions. The central bank's remarks about the crown's exchange rate in the final months of the year clearly pushed the Czech currency toward weaker levels. The crown slipped by an average 2.2% for the year against the euro. In addition to the CNB repo rate, rates along the entire yield curve fell to record lows. As measured against similar German securities, the yield premiums for Czech state bonds reached their lowest values since 2007, thereby confirming investors' strong confidence in the stability of domestic public finances.

Fiscal consolidation has not progressed much in the recessionary environment. According to European Commission estimates, the public finance deficit for 2012 exceeded 5% of GDP. This was significantly influenced, however, by the inclusion of church restitutions, which did not add to the government's borrowing needs. Without this extraordinary effect, the deficit would have ended at a level comparable to that of the previous year. In addition to the aforementioned restitutions, pension reform also may be regarded as a key initiative put through by the government. Preparatory steps that commenced in 2012 will be followed in the next year by establishment of the second pillar, among other measures. The government also prepared another package of tax amendments, but delays in its advancement caused considerable uncertainty in the business environment as well as among consumers before the end of the year.

# Corporate, investment and private banking

The year 2012 was very successful for the Corporate, Investment and Private Banking Division. Despite macroeconomic recession, we maintained year-on-year revenues growth and fulfilled the targets for 2012. We continued in reinforcing our traditionally strong position in the corporate banking area, where we will remain concentrated on providing comprehensive services adapted to our clients' individual needs. We continued in bolstering our leading market position in the large corporations segment. During 2012, we successfully participated in several important club and syndicated transactions, including provision of the largest syndicated loan in the history of the Czech Republic for EPH Group.

We continued in the year to fulfil our medium-term strategy directed to strengthening our market position in the small and medium-sized businesses segment. We expanded our network of sales teams oriented toward small and medium-sized enterprises in order to achieve better geographic proximity to our clients even as we expanded the palette of products offered to this clientele. Meanwhile, we are developing new activities in the agricultural and municipalities sectors. In the primary funding area, we managed during 2012 to grow the volume of deposits by almost CZK 30 billion year on year. On the lending side, despite companies' diminishing borrowing demand connected to the unfavourable macroeconomic situation, we maintained the lending volume at a level comparable to that of 2011.

Despite that the difficult economic situation in the Czech Republic significantly complicated initial growth conditions across all product categories, we recorded very positive development in the area of Global Transaction Banking products. We increased the deposits volume by 38% over the year earlier. Trade and export financing also fared exceptionally well, where the volume of provided loans grew by 42%. The excellent result in trade finance was underscored by recognition from Global Finance magazine for being the Best Trade Finance Provider in the Czech Republic. In the area of payment card acceptance, we followed up on the successful year 2011 and grew the volume of processed transactions by another 24%. Last but not least, we maintained strong growth in the number of payment system transactions, which is related to the high quality of our services as acknowledged by (among others) the *Euromoney* Cash Management Survey 2012 which named our bank Best Domestic Cash Management House in the Czech Republic.

In 2012, UniCredit Bank Czech Republic, a.s. intermediated the payment of subsidies from government budget resources (EU funds and national sources) in the amount of CZK 19.7 billion. These funds were directed to 2,885 successful subsidy applicants for the realization of a total 4,505 projects. It is now 6 years that UniCredit Bank Czech Republic has been dispensing subsidies to applicants on the basis of a contract with the Ministry of Finance. Through the years 2007–2012, UniCredit Bank Czech Republic distributed a total of CZK 122.5 billion in subsidies. For the last

6 years, the Bank has intermediated the payment of subsidies for a total 8,722 successful subsidy applicants to carry out 26,208 projects in all.

In addition to subsidy payments, in the sphere of public support UniCredit Bank also provides its clients with comprehensive subsidy advisory. This involves in particular advisory regarding EU funding in the Czech Republic, but it also concerns other national subsidies at state and regional levels. Again in 2012, the greatest interest was in consultation regarding subsidies and advisory in the area of support to industry and innovation, the environment, science and research, as well as human resources development.

In the area of structured finance and syndicated lending, the Bank confirmed its excellent position on the market during 2012, especially in the area of complex transactions in acquisitions and project financing. Transaction activity in this market segment was exceptionally strong in 2012, and UniCredit Bank (on the basis of client mandates) structured several large transactions which were thereafter successfully placed in the market. The most significant of these was the complete refinancing of EP Energy Group's balance sheet in a value of approximately EUR 1 billion. Among several related recognitions, this transaction was cited by *EuroWeek* newspaper as the best corporate loan in the CEE region for 2012. We expect for 2013 to see a natural decrease in transaction activity in this market segment to a level corresponding to the opportunities existing in the Czech and European economy.

Again in 2012, the Bank's strategy in the area of commercial real estate financing focused on maintaining its market share and the good quality of the credit portfolio. New business cases were executed mainly with existing UniCredit Group clients. Investment activity on the Czech Republic's commercial real estate market recorded a decrease in 2012 compared to the previous year, caused mainly by the influence of economic uncertainty in Europe. The market was affected in part, too, by the more difficult access to financing, as banks naturally preferred real estate with quality tenants and long-term lease contracts. The Bank actively participated in financing several projects of that nature during the past year.

Despite the generally unfavourable economic situation in the Czech Republic, there was a recovery in commercial development activities, particularly in office and industrial real estate (the market being already rather saturated in the retail area). In the area of development financing, the Bank strategically concentrated on high-quality projects at premium locations implemented by experienced and financially strong developers. A rather sluggish market may generally be expected in 2013. While the Czech Republic remains a relatively attractive location in the Central and Eastern European region even for foreign investors, we nevertheless can expect them to take a rather selective approach and to acquire only the very best properties.

## Private Banking

The year 2012 was successful for UniCredit Bank Private Banking, even despite the unfavourable environment of low interest rates. UniCredit Private Banking again last year recorded double-digit percentage growth in the number of clients. Early in 2012, the renowned *Euromoney* trade journal recognized the quality of UniCredit Bank's services by naming it Best Private Bank in the Czech Republic while also awarding it honours in the areas of loan transactions, derivatives and Art Banking.

Through the year, the UniCredit Bank private banking team was reinforced with several experienced private bankers and the offered range of products and services was also expanded. Development of the services offer in the investment area was crucial, and especially relating to the open products architecture. These include, for example, the new Franklin Templeton crown-denominated funds and funds from the renowned Fidelity financial group. In cooperation with UniCredit AG Munich, clients were offered a number of unique investment certificates denominated in Czech crowns and foreign currencies.

Within the comprehensive offer of services to clients, cooperation was significantly enhanced with the traditional Austrian private bank Schoellerbank AG, a member of UniCredit Group which has been serving clients since 1833 and was again acknowledged as among the best private banks in German-speaking countries.

# Retail banking

Despite a very difficult market situation, the Retail Banking Division achieved significant success by producing year-on-year revenues growth of 9% while recording marked gains in deposit and lending volumes. The Retail Banking Division reported 15% growth in deposits while lending volume increased by 16%. The number of new clients surpassed 63,000, and net growth in the client base was 34,000.

UniCredit Bank continues in implementing its medium-term business strategy initiated in the autumn of 2010 and aims to strengthen its market share in the retail banking segment. The main steps in accomplishing this objective are to expand the branch network, build new distribution channels, and bring innovations to the service model. Doing so will ensure better services and a more targeted focus upon freelancers, entrepreneurs, businesses and affluent clients.

Expansion during 2010 and 2011 was reflected in a more than doubling of the points of sale. In 2012, UniCredit Bank opened 5 additional branches and 18 franchise points of sale under the "UniCredit Bank Expres" brand.

In successfully implementing this unique business model based on the franchise principle, UniCredit Bank confirmed its position as a market innovator. This sales channel combines the entrepreneurship of the business partner with the name and resources of our Bank.

The newly renovated flagship branch at Náměstí Republiky in Prague, named Bankovní dům (Banking House), was opened at the end of 2011. UniCredit Bank thus offers an express zone for fast service, the services of personal and commercial bankers, a mortgage centre, a self-service zone with ATMs for withdrawing and depositing cash, and the possibility to use safe deposit boxes in the city centre. A large section directed to corporate banking clients and a special floor designated for private banking clients are also integral parts of Bankovní dům.

All new branches and franchises feature state-of-the-art facilities and are equipped with so-called smart ATMs – the next generation of ATMs. In addition to the usual services, these ATMs make it possible to deposit cash 24 hours a day. Deposits are credited immediately upon their being made and can be instantly verified by means of an account statement directly from the ATM. In addition, the client has the option to select the values of the banknotes in which a withdrawal will be disbursed. Clients also have access to secure, innovative direct banking products for both mobile phones and the internet. Expansion of the sales network will continue also in 2013 with a main focus on franchise points of sale.

In May 2012, UniCredit Bank launched operation of the first banking e-shop on the Czech market – UniCreditShop.cz. This project has clearly confirmed that UniCredit Bank is among the innovators on the Czech market. It has never been easier to open an EXPRES personal account, obtain a PRESTO Loan Consolidation or set up a PRIMA

Savings Account. Through the e-shop, a client can obtain all the aforementioned products with no need physically to visit a branch. As security is a key factor for UniCredit Bank, this platform also fulfils very strict security criteria. Meanwhile, the Bank has completely revamped its website to enhance transparency and user friendliness. The new website also includes the so-called Bank Academy section aimed at increasing clients' financial literacy.

## Loans

The Retail Banking Division continued in reinforcing its position in consumer finance during 2012. We introduced several improvements to the main PRESTO Loan product in order to provide our clients even more benefits and boost the competitiveness of this product, which enjoyed growing client interest even in spite of an unfavourable market situation. In early 2012, UniCredit Bank offered its clients the possibility to obtain this loan under even more advantageous conditions. Moreover, it was made possible to obtain a credit card at the same time through a single approval process. This special offer was connected to the period of after-Christmas discounts. This was followed by the introduction of joint refinancing, which means to consolidate the obligations of both a borrower and co-borrower. This innovation offered considerable savings in monthly payments to families and others, as well as the possibility to obtain additional funds.

In the second half of the year, UniCredit Bank demonstrated its ambition to fortify its position as an innovator in the consumer finance area by introducing the PRESTO Loan with a CZK 3,000 bonus. This concept lets the client receive an immediate bonus credited to his or her current account at UniCredit Bank at the time when he or she opens a PRESTO Loan or PRESTO Loan Consolidation. In addition to immediate savings due to a decrease in monthly payments or additional funds, the client receives another immediately attainable, tangible benefit. This bonus was further increased to CZK 3,500 at the end of the year.

The Bank maintained its strong market position in mortgage lending by virtue of its GROUND-BREAKING Mortgage, which was consistently among the best offers on the market.

## Investments and deposits

In April 2012, UniCredit Bank introduced a revolutionary offer: the PRIMA Savings Account. With its interest rate of 2.5% p.a. for deposits up to CZK 500,000, the account was unparalleled by the offerings of other leading banks and its rate was among the highest even among small internet banks. This campaign was a noteworthy success, bringing a significant increase in deposits and more than 35,000 new clients to the Bank.

UniCredit Bank also continued successfully to sell MAXIM II bonds, which in combination with the PRIMA Savings Account offered conservative clients opportunity to attain attractive, guaranteed returns.

As traditionally, the issuance of structured bonds was strong. In the first half of the year, a large number of clients purchased TIMBI structured bonds, which provided them the opportunity to profit from strengthening of national currencies against the euro along with 100% protection of capital. The structured bond named Five Stars followed in the second half of the year. This unique product provided clients with an opportunity to share in the performance of two important mutual funds boasting the highest rating from the Morning Star rating agency, and it also offered 100% capital protection.

Two investment life insurance products constituted very attractive additions to investors' portfolios. BRIG allowed clients to share in the appreciation potential of the national currencies of Brazil, Russia and India versus the euro and the development of gold prices. Next came MULTIINVEST 2012, which provided an investment diversified across developed markets, developing markets, commodities and the real estate market while ensuring 100% capital protection. Both products provided clients with attractive returns on their deposits plus life insurance free of charge.

Pioneer Funds expanded the product offer of regular investments with Golden Fish, a new programme for children. Exclusively distributed by UniCredit Bank, this programme enabled clients to invest into three model portfolios with various proportions of dynamic and conservative components.

#### **Personal accounts**

In October 2012, UniCredit Bank launched sales of a new line of personal accounts for individual non-entrepreneurs. The new personal accounts concept is built on the possibility for any of the accounts to be maintained free of charge if the client actively uses it. The individual accounts are designed so that every client can find an account corresponding to his or her needs, ranging from just basic banking services to the PREMIUM Account boasting such prestigious benefits as medical assistance and withdrawals from any ATM abroad free of charge.

#### **Direct banking**

Through its collaboration to launch the MOBITO payment service, UniCredit Bank has definitively confirmed that in this area, too, it is one of the top innovators on the market. This new service makes it convenient to use a mobile phone as a payment instrument. MOBITO is based on a secure connection between a current account and a mobile phone, and it is available to clients of all banks. However, only clients of partner banks, including UniCredit Bank, can take advantage of all the benefits that MOBITO provides. UniCredit Bank immediately prepared other special offers and promotions that brought further benefits to UniCredit Bank clients relative to those of its competitors.

#### **Payment cards**

The services provided by UniCredit Bank ATMs were expanded to permit selecting the face value of banknotes dispensed during withdrawal. This innovation allows clients conveniently to obtain precisely the banknote denominations they need. The convenience of using a UniCredit Bank payment card was also enhanced by the possibility newly introduced to change a PIN code by means of an ATM.

Since August, clients could obtain payment cards with a special design as part of the Petra Kvitová limited edition. A picture of the famous Wimbledon champion appeared on both credit and debit cards.

A new possibility to cover unexpected expenses was opened to clients in the second half of the year. The "call and pay" service enabled them to easily transfer funds from a credit card to an account at UniCredit Bank, as well at other banks, with the interest-free grace period of up to 45 days remaining in effect. Starting from 1 October, a new co-branding card issued in cooperation with ENI was added to the credit cards offer. This card provides the client with a bonus in the form of a CZK 2 discount per litre of fuel purchased at ENI petrol stations and other advantages.

#### **Small business**

Since April 2012, UniCredit Bank has offered its clients a product for financing planned investments in the form of a mortgage or investment loan. This product provides the client a pre-approved credit line valid for 6 months. The Bank thus guarantees the client that if the need for financing arises during the given period he or she will easily obtain the necessary funds. In the area of deposit products for the Small Business segment, the Bank introduced a new concept of short-term term deposits connected to the PRIBOR rate. Our clients thereby obtained attractive returns on their deposits and a transparent design of the interest rate.

# Treasury

The past year was very successful for the International Markets Department. We surpassed the annual plan both in trading with end clients and trading in treasury products on the Bank's own account.

We continued consistently to advance our strategy in maximum interconnection of the aforementioned departments with the financial markets as well as with all the other client segments within the Bank. The sphere of trading with corporate clients consists in managing their daily cash flows and hedging against all market risks using derivatives.

The International Markets Department has long focused upon developing new products that are sold successfully not just to corporate customers and financial institutions, but also to retail and private banking clients. That contributes substantially to the growth and strong earnings of the Bank's retail banking. Structured bonds comprise the main pillar in that area. We expanded the offer of structured bonds during 2012 with so-called index-linked products which also include a life insurance component.

These products were distributed both through the banking network and in the sales channels of the insurance partner, whereby we took advantage of our exclusive position as a financial institution with an expanding retail banking business.

Demand for longer-maturity bonds rose with the declining interest rates, especially in the institutional investors segment, where UniCredit Bank is very solidly established. Sale of the Bank's own bonds in an increasing volume significantly helped to improve all liquidity indicators, and especially the structural indicators.

# Sponsoring and charity

UniCredit Bank Czech Republic has for many years been conceptually strengthening its role as a socially responsible organization through its active participation in a number of important projects.

As in previous years, it gave emphasis during 2012 to various areas of art and cultural heritage, while also supporting sporting activities and educational programmes.

## Support for culture and the arts

UniCredit Bank lends support in various spheres, but foremost in culture. The Bank is associated through a long-time partnership with Karlovy Vary International Film Festival, the most prominent international film festival in Central and Eastern Europe. The festival ranks among such other prestigious international film festivals as those in Cannes, Berlin and Venice. Deserved international attention is devoted each year to new films from Central and Eastern Europe, which means to films from the region where UniCredit Group concentrates its operations.

The Bank has long been deepening its successful cooperation with Galerie Rudolfinum, the Moravian Gallery in Brno, the contemporary art fair "Art Prague" and the "Prague Photo" festival. At the latter of these, it presented the "UniCredit Prague Photo Award" to the best photographer under 35 years of age and the "ART PRAGUE Young Award" that is designated for talented young artists also under 35.

UniCredit Bank also helped to organize and became a general partner of the "Artis Pictus" competition for young artists from secondary art schools in the Czech Republic. The largest open-air painting event in the country, it assembled 400 students from 33 art schools who were joined by painting enthusiasts from the general public and celebrities in taking up positions at their easels. The expert jury declared 17-year old Petra Vávrová the winner with her painting *In Harmony*, for which she also received a cash prize from UniCredit Bank.

## Charity and education

The Bank's main initiative in education during the past year was the joint education project "Learn, More". UniCredit Bank Czech Republic participated in this project together with the UniCredit Foundation and the organization People in Need. The project, which ran from January 2011 to December 2012, aims to support children growing up in environments of social exclusion to obtain a secondary education that will enable them successfully to obtain long-term employment.

In the charity area, the Bank cooperates with the BARRIERS Account foundation, the Endowment Fund of Livie and Václav Klaus and art auction houses. Charity auctions have been organized since 1993 in which artists and the general public take an interest. In cooperation with Czech Radio Brno, UniCredit Bank supported blood donation with

the "Give Blood" concert, the goal of which was especially to thank all blood donors and inform the public about the project for donating blood.

We also continued last year in our partnership with Debt Advisory Centre – Counselling in Stringency, whereby we are helping to prevent difficult financial situations and problems with consumer borrowing. The Centre provides free counselling to people in pressing financial situations and, in case of need, can help prepare work-out plans for debt relief. The Bank also supports organizations arranging educational seminars and various non-profit projects.

## Side by side with the UEFA Champions League

UniCredit Group is the official bank of the UEFA Champions League, the most prestigious football league in the world, for the whole period July 2009–June 2015. Sponsoring the UEFA Champions League has helped UniCredit to strengthen its position as one of Europe's leading banks. Through our sponsorship, awareness of the UniCredit brand and its value have grown significantly during the first two seasons since its launch.

Sports sponsorship by UniCredit Bank Czech Republic has long supported tennis events, and in particular the annual UniCredit Czech Open tennis tournament in Prostějov. It is a partner, too, of the Junior Tennis Championship in Pardubice. The Bank's commitment to supporting Czech tennis was one of the reasons for choosing leading Czech tennis player and Wimbledon champion Petra Kvitová as the face of UniCredit Bank in the Czech Republic.

## Employees can decide

Projects in which employee solidarity and activity play a leading role have a special place in the Bank's charity activities. The most important of these is the UniCredit Foundation project known as the Gift Matching Programme, which enables the Bank's employees to support non-profit organizations of their own choosing. The UniCredit Foundation subsequently donates an amount matching that collected among the employees themselves to the selected non-profit organization. The employees need only to create a team of eight people and collect at least EUR 150 among the participating colleagues.

During the last 2 years, employees supported, for example, the Wakitaka Primary School project, the Czech Committee for UNICEF, the organization People in Need, and the CEREBRUM Association (which helps people who have suffered brain injury). In addition to the Gift Matching Programme, our employees also participated in a pre-Christmas collection of needed items for asylum homes and mothers in difficult life situations.



# Report of the Board of Directors

## The Bank's financial results for 2012

UniCredit Bank Czech Republic's net profit after taxes increased from CZK 1,146 million (for 2011) to CZK 3,157 million (for 2012), a rise of 175.5%. The results for 2011 had been impacted by writing down of Greek government bonds in the amount of CZK 2,723 million.

## Statement of comprehensive income

Net interest income declined by 4.4% to CZK 6,203 million, as both the interest expense and interest income components grew year on year.

Net fee and commission income was 15.6% higher, at CZK 2,056 million.

Net income from financial investments improved year on year by CZK 2,841 million to reach CZK 181 million. This improvement reflects the 2011 writing down of Greek government bonds in the amount of CZK 2,723 million.

The Bank's other operating income decreased to CZK 318 million, while other operating expenses declined as well to CZK 420 million. These movements were caused by 2012's lower creation and release of provisions for off-balance sheet items. Other operating income in 2011 had also been influenced by profit from sale of the Bank's own real estate.

General administrative expenses rose by 3.0% in comparison to 2011 to CZK 4,601 million. The Bank continued as planned in opening new branches during 2012, with a special emphasis on completing the franchise sales network in smaller cities under the name UniCredit Bank Express. This was reflected in a planned slight rise in general operating costs.

Impairments for loans and receivables grew year on year by 18%.

## Statement of financial position

At the close of 2012, the Bank's assets totalled CZK 318 billion, thereby growing by 10.5% in comparison with the end of 2011.

Receivables from banks expanded year on year by 34.0%. This increase was especially in term deposits at other banks, but it was due also in part to receivables from reverse repo operations.

In 2012, receivables from clients grew by 1.6% to total CZK 185 billion, especially because of growth in mortgages as well as in consumer and corporate loans. This confirmed clients' interest in residential financing and the good order coverage of companies oriented primarily towards export.

The proportion of classified loans in total loans was 7.8% at the end of 2012 (down by 0.9 percentage points), while the proportion of loans in default was 5.3% (a decrease of 0.3 percentage points for 2012).

Financial investments rose by 56.5% compared with the end of 2011. This gain was caused primarily by an increase in securities within the portfolio of available-for-sale securities.

Deposits from banks grew by 5.5% year on year. There was a shift in the structure of deposits from banks, as liabilities from repo operations and current accounts increased but this was nearly compensated by a drop in term deposits.

Clients' deposits expanded by 9.2% year on year to total CZK 195 billion, due especially to an attractive offer of saving and investment products and corporate deposits.

Bonds issued rose by 15.3% in comparison with the close of 2011 to CZK 36 billion. The Bank continued successfully during 2012 in issuing bonds intended for individual investors.

As at the end of 2012, shareholders' equity totalled CZK 39 billion, which represents year-on-year growth of 17.7%.

Capital adequacy stood at 15.82% at the close of 2012 (15.58% for 2011).

In the demanding economic environment of 2012, we launched new and innovative products and services and once again confirmed our position as one of the important leaders in the Czech banking sector. We introduced a number of innovations in personal banking, including the PRIMA Savings Account and banking e-shop, while continuing in the planned expansion of the distribution network. The Bank reinforced its position in the small and medium-sized enterprises segment and also closed several important corporate loans, including the country's largest-ever corporate loan (the significance of which was recognized by professionals in the Czech banking sector). Due to the trust of its clients and well-tuned business model, UniCredit Bank Czech Republic ably faced up to the declining Czech economy, and, following the write-off of debts from Greek bonds in 2011, increased its net profit by a significant 175.5% year on year.

The Bank continues to fulfil the objectives of its medium-term business strategy, which is positively reflected in its results. Operating income was driven by year-on-year growth in the volume of client loans, including especially mortgages, consumer loans, and lending to small and medium-sized businesses and corporations.

UniCredit Bank was presented the prestigious *Euromoney* award in the private banking category, the Global Finance award as the best bank in the Central and Eastern European region, and four Zlatá koruna (Golden Crown) awards, including the top honour for its GROUND-BREAKING Mortgage.

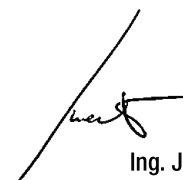
## Expected economic and financial situation of UniCredit Bank in 2013

Merger with UniCredit Bank Slovakia a.s. will be the predominating project for 2013. Despite the costs associated with integrating the two banks, the Bank has the ambition to maintain its operating profit and profit after tax at the 2012 levels, mainly with the contribution from business growth in the corporate and retail divisions while limiting the rise in operating costs. An excellent liquidity position creates room for further lending without the need to depend on external funding sources. Risk costs will grow in proportion to development of the loan portfolio. Because of the Bank's strategy founded on expanding its client base and the penetration of its products and services to existing clients, the Bank will maintain a healthy performance also in 2013 even despite the difficult macroeconomic situation in connection with extremely low interest rates and stagnating economic growth.

## Statement by the persons responsible for the annual report

While exercising all due care and to the best of my knowledge, the data contained in the annual report are correct and no facts that could change the implications of the annual report have been withheld.

In Prague on 30 April 2013



**Ing. Jiří Kunert**  
Chairman of the Board of Directors



**Mag. Gregor Hofstaetter-Pobst**  
Member of the Board of Directors

# Report of the Supervisory Board

The Supervisory Board of UniCredit Bank Czech Republic, a.s. was regularly informed as to the progress of the Bank's business activities during the period 1 January to 31 December 2012 through meetings and discussions with the Board of Directors, and it has performed all of its tasks as set forth by Czech law and the Bank's Articles of Association.

The financial statements as at 31 December 2012 and the annual report, which are hereby presented, have been examined by the Supervisory Board and deemed to be correct. The financial statements and annual report were audited by the Bank's auditor, KPMG Česká republika Audit, s.r.o.

The Supervisory Board endorses the findings of the auditor's report on the financial statements as at 31 December 2012.

The Supervisory Board would like to thank the members of the Board of Directors and all the staff of UniCredit Bank Czech Republic, a.s. for their contributions to the results achieved by the Bank in its 2012 business year.

## **Basis for calculating the contribution to the Guarantee Fund**

### **Pursuant to Section 129 of Act No. 256/2004 Coll., on Capital Market Undertakings**

The basis for calculating the contribution to the Guarantee Fund pursuant to Section 129 of Act No. 256/2004 Coll., on Capital Market Undertakings, consists of fees and commissions received for providing investment services.

The basis for calculating the contribution to the Guarantee Fund in 2012 was CZK 269,157,594. The contribution to the Guarantee Fund is 2% of this amount, and thus was CZK 5,383,152.

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# FREEDOM

*“The Pekao24Mobile app is user-friendly, quick and efficient. It's particularly handy when it comes to managing my account, such as checking my balance, following specific transactions and managing transfers or deposits. And its wheel-type interface is modern, eye-catching and very functional. I would say the app meets all my needs.”*

Daniel Lipski, customer of Bank Pekao in Poland



# Non-consolidated financial statements

## Statement of comprehensive income for the period ended 31 December 2012

	Note	2012 MCZK	2011 MCZK
Interest income and similar income	5	8,891	8,826
Interest expense and similar charges	5	(2,688)	(2,340)
<b>Net interest income and similar income</b>		<b>6,203</b>	<b>6,486</b>
Dividend income	6	52	61
Fee and commission income	7	2,740	2,298
Fee and commission expenses	7	(684)	(520)
<b>Net fee and commission income</b>		<b>2,056</b>	<b>1,778</b>
Net trading income	8	1,378	1,390
Net income from financial investments	11	181	(2,660)
Other operating income	10	318	663
General administrative expenses	9	(4,601)	(4,469)
Impairment of loans and receivables	15	(1,473)	(1,248)
Other operating expenses	10	(420)	(667)
<b>Profit before income tax</b>		<b>3,694</b>	<b>1,334</b>
Current income tax expense	28	(661)	(218)
Deferred income tax expense	28	124	30
<b>Profit for the period</b>		<b>3,157</b>	<b>1,146</b>
<b>Other comprehensive income</b>			
Cash flow hedges:		748	858
Effective portion of changes in fair value		801	858
Net amount transferred to profit and loss		(53)	-
Fair value reserve (AFS financial assets):		1,943	1,283
Net change in fair value		2,028	570
Net amount transferred to profit and loss		(85)	713
<b>Other comprehensive income for the period, net of income tax</b>		<b>2,691</b>	<b>2,141</b>
<b>Total comprehensive income for the period</b>		<b>5,848</b>	<b>3,287</b>

## Statement of financial position as at 31 December 2012

	Note	31.12.2012 MCZK	31.12.2011 MCZK
<b>ASSETS</b>			
Cash in hand and balances with central banks	12	6,130	5,079
Financial assets held for trading	13	7,684	20,648
Receivables from banks	14	32,173	24,013
Receivables from clients	15	184,715	181,780
Financial investments	16	80,120	51,191
Property and equipment	17	1,085	1,127
Intangible assets	18	2	–
Deferred tax asset	28	385	261
Other assets	19	6,597	4,488
Non-current assets held for sale	21	18	86
<b>Total assets</b>		<b>318,909</b>	<b>288,673</b>
<b>LIABILITIES</b>			
Deposits from banks	22	34,230	32,436
Deposits from clients	23	195,120	178,652
Debt securities issued	24	36,194	31,395
Financial liabilities held for trading	25	5,956	5,489
Provisions	26	1,027	1,129
Deferred tax liability	28	970	394
Other liabilities	27	6,475	6,084
<b>Total liabilities</b>		<b>279,972</b>	<b>255,579</b>
<b>SHAREHOLDER'S EQUITY</b>			
Issued capital	29	8,750	8,750
Share premium	29	3,481	3,481
Reserve funds	31	3,057	2,999
Reserves from revaluation of financial instruments		4,178	1,487
Retained earnings	31	19,471	16,377
<b>Total shareholder's equity</b>		<b>38,937</b>	<b>33,094</b>
<b>Total liabilities and shareholder's equity</b>		<b>318,909</b>	<b>288,673</b>

## Statement of cash flows for the period ended 31 December 2012

	Note	2012 MCZK	2011 MCZK
<b>Net profit for the period</b>		<b>3,157</b>	<b>1,146</b>
<b>Adjustments for non-cash items:</b>			
Impairment of loans and receivables	20	1,473	1,248
Impairment of property, plant and equipment and intangible assets	20	4	(42)
Impairment of other assets	20	(4)	5
Impairment of participation interests		–	–
Impairment of financial investment		(86)	2,723
Creation and release of other provisions	26	(102)	421
Depreciation of property, plant and equipment and intangible fixed assets	17, 18	137	128
Profit (loss) from property, plant and equipment sold		(32)	378
Deferred tax	28	(124)	(30)
<b>Operating profit before change in operating assets and liabilities</b>		<b>4,423</b>	<b>5,977</b>
Financial assets held for trading		12,964	(5,788)
Loans and receivables from banks		(8,160)	9,142
Loans and receivables from clients		(4,408)	(11,063)
Other assets		(1,117)	(1,898)
Deposits from banks		1,794	1,055
Deposits from clients		16,468	4,361
Financial liabilities held for trading		467	1,400
Other liabilities		386	2,138
<b>Net cash flows from operating activities</b>		<b>22,817</b>	<b>5,324</b>
Changes in financial investments		(26,395)	(8,791)
Acquisition of subsidiaries		(105)	–
Gains from sale of property, plant and equipment and intangible assets		124	883
Acquisition of property, plant and equipment and intangible assets		(189)	(702)
<b>Net cash flows from investment activities</b>		<b>(26,565)</b>	<b>(8,610)</b>
Increase of registered capital		–	1,425
Dividends paid		–	(2,851)
Debt securities issued		4,799	6,938
Subordinated liabilities repaid		–	–
<b>Net cash flows from financial activities</b>		<b>4,799</b>	<b>5,512</b>
<b>Cash and other highly liquid funds at 1 January</b>	12	<b>5,079</b>	<b>2,853</b>
Net cash flows from operating activities		22,817	5,324
Net cash flows from investing activities		(26,565)	(8,610)
Net cash flows from financing activities		4,799	5,512
<b>Cash and other highly liquid funds at 31 December</b>	12	<b>6,130</b>	<b>5,079</b>
Income tax paid		(411)	(421)
Interest received		8,848	8,634
Interest paid		(2,506)	(2,132)
Dividends received		52	61

## Statement of changes in equity for the period ended 31 December 2012

MCZK	Issued capital	Share premium	Reserve funds		Reserves from revaluation of hedging instruments available-for-sale securities		Retained earnings	Equity
			Statutory	Other				
<b>Balance at 31 December 2009</b>	<b>7,325</b>	<b>3,481</b>	<b>1,025</b>	<b>1,824</b>	<b>30</b>	<b>(684)</b>	<b>18,232</b>	<b>31,233</b>
<b>Total comprehensive income for the period</b>								
Profit for 2011							1,146	1,146
<b>Other comprehensive income</b>								
Effective portion of changes in fair value on available-for-sale financial assets						570		570
Net amount of available-for-sale revaluation transferred to profit or loss						713		713
Effective portion of changes in fair value on cash flow hedge					858			858
Net amount of cash flow hedge transferred to profit or loss								–
<b>Total comprehensive income for the period</b>					<b>858</b>	<b>1,283</b>	<b>1,146</b>	<b>3,287</b>
<b>Transactions with owners, contribution and distribution to owners</b>								
Dividend paid							(2,851)	(2,851)
Allocation to statutory reserve fund			150				(150)	–
Increase of issued capital	1,425							1,425
<b>Balance at 31 December 2011</b>	<b>8,750</b>	<b>3,481</b>	<b>1,175</b>	<b>1,824</b>	<b>888</b>	<b>599</b>	<b>16,377</b>	<b>33,094</b>
<b>Total comprehensive income for the period</b>								
Profit for 2012							3,157	3,157
<b>Other comprehensive income</b>								
Effective portion of changes in fair value on available-for-sale financial assets						2,028		2,028
Net amount of available-for-sale revaluation transferred to profit or loss						(85)		(85)
Effective portion of changes in fair value on cash flow hedge					801			801
Net amount of cash flow hedge transferred to profit or loss					(53)			(53)
<b>Total comprehensive income for the period</b>					<b>748</b>	<b>1,943</b>	<b>3,157</b>	<b>5,848</b>
<b>Transactions with owners, contribution and distribution to owners</b>								
Dividend paid								–
Allocation to statutory reserve fund			58				(58)	–
Increase of issued capital								–
Impact of merger with UniCredit CAIB Czech Republic, a.s.							(5)	(5)
<b>Balance at 31 December 2012</b>	<b>8,750</b>	<b>3,481</b>	<b>1,233</b>	<b>1,824</b>	<b>1,636</b>	<b>2,542</b>	<b>19,471</b>	<b>38,937</b>



# Notes to the separate financial statements

## 1. Background

UniCredit Bank Czech Republic, a.s. ("the Bank") was established through the merger of HVB Bank Czech Republic a.s. and Živnostenská banka, a.s. on 1 October 2006. All rights and obligations of the dissolved company Živnostenská banka, a.s. were assumed by the continuing company, HVB Bank Czech Republic a.s. In 2008 the Bank acquired HVB Reality CZ, s.r.o. In 2009, the Bank prepared a merger project with UniCredit Factoring, s.r.o. UniCredit Factoring, s.r.o. was the dissolved company and the successor company was the Bank. In 2012, the Bank prepared a merger project with UniCredit CAIB Czech Republic a.s. UniCredit CAIB Czech Republic a.s. was the dissolved company and the successor company was the Bank. The changes in name and other changes connected with the merger were recorded in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3608, on 30 November 2012. The sole shareholder of the Bank is UniCredit Bank Austria AG, Vienna. The ultimate parent company of the whole UniCredit Group is UniCredit S.p.A, Milano.

*Registered office of the Bank:*  
Želetavská 1525/1  
140 92 Prague 4 – Michle

The Bank is a universal bank providing retail, commercial and investment banking services in Czech and foreign currencies for domestic and foreign clients, mainly in the Czech Republic but also in other European Union countries.

The Bank's main activities are as follow:

- receiving deposits from the public;
- providing loans;
- investing in securities on its own behalf;
- operating a system of payments and clearing;
- issuing payment products;
- providing guarantees;
- opening letters of credit (export financing);

- administering cash collection;
- trading on its own behalf or on behalf of clients:
  1. in foreign exchange currency products,
  2. in forward and option contracts including foreign currency and interest rate contracts,
  3. in transferable securities;
- participating in share subscriptions and providing related services;
- issuing of mortgage bonds;
- conducting financial brokerage;
- managing securities, including portfolio management on behalf of clients;
- providing depository services and administration of securities;
- providing depository services for investment funds;
- conducting foreign currency exchange activities;
- providing banking information;
- renting safe-deposit boxes;
- conducting activities directly connected with the activities stated above.

## 2. Basis For Preparation

In 2012, the Bank purchased and subsequently merged with UniCredit CAIB Czech Republic a.s. The purchase of UniCredit CAIB Czech Republic a.s. was a transaction under common control, and the Bank recognized this transaction based on the accounting values. The decisive date of the merger was determined to be 1 January 2012. The opening balance of the Bank for statutory purposes was prepared as at this date. These separate financial statements have been prepared for the accounting period from 1 January 2012 to 31 December 2012. Although the aforementioned merger was taken into account when preparing the preliminary statement of financial position as at 1 January 2012, in these financial statements the Bank decided to adjust the comparative information in the statement of financial position as at 31 December 2011 in order to reflect the impact of the merger.

The following table shows the impact which the merger had on the comparative information presented in these financial statements:

MCZK	Non-consolidated information as at 31 December 2011	Merger adjustment	Comparative data as at 31 December 2011
<b>Assets</b>			
Receivables from banks	24,106	(93)	24,013
Property and equipment	1,122	5	1,127
Other assets	4,471	17	4,488
<b>Liabilities</b>			
Deposits from clients	178,734	(82)	178,652
Other liabilities	6,073	11	6,084

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

All presented amounts are in millions of Czech crowns (MCZK), unless stated otherwise. The Czech crown, or "koruna", is the functional currency in these financial statements. Numbers in brackets represent negative amounts.

These financial statements are separate financial statements prepared in accordance with the Act on Accounting No. 563/1991 Coll. The ultimate parent company of the Bank is UniCredit S.p.A, Milano, which carries out the consolidation of the whole group in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial statements have been prepared based on the fair value principle, including for financial derivatives, financial assets and liabilities measured at fair value through profit and loss and available-for-sale financial assets, except those whose fair value cannot be reliably determined. The methods for determining fair value are presented in Note 3(b), part (iv). Recognized assets and liabilities that are hedged against the risk of changes in fair value are stated at fair value by virtue of hedged risk. Other financial assets and liabilities and non-financial assets and liabilities are valued at amortized cost or historical cost.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

#### (a) Foreign currency

Transactions in foreign currencies are stated in the domestic currency translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are not stated at fair value are translated at the closing foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss as "Net trading income".

#### (b) Financial instruments

##### (i) Classification

*Financial assets and financial liabilities at fair value through profit and loss* include instruments classified as held for trading and instruments designated by the Bank as at fair value through profit and loss upon initial recognition.

Trading instruments are those held by the Bank principally for the purpose of short-term profit taking. These include investments in debt instruments and shares, certain purchased loans and derivative

contracts that are not designated hedging instruments. These instruments are reported as "Financial assets held for trading" or as "Financial liabilities held for trading".

Financial assets designated by the Bank upon initial recognition as at fair value through profit and loss are included within "Financial investments".

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments which are not quoted on markets. Loans and receivables are mainly those created by the Bank providing money to a borrower other than those created for the purpose of short-term profit taking. Loans and receivables comprise loans and advances to banks and non-bank customers and unquoted bonds purchased upon primary issue.

*Held-to-maturity assets* are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain quoted bonds purchased upon primary issue and purchased debt securities. Held-to-maturity assets are included in "Financial investments".

*Available-for-sale assets* are financial assets that are not classified as financial assets recognized at fair value through profit and loss, loans and receivables, or held to maturity. Available-for-sale instruments include debt and equity investments and certain quoted bonds purchased upon primary issue. Available-for-sale assets are included in "Financial investments".

##### (ii) Recognition

Financial assets at fair value through profit and loss are recognized on the settlement date. Any gains or losses arising from changes in the fair value of the assets are recognized in the Bank's profit or loss on the trade date.

Available-for-sale financial assets are recognized on the settlement date. Any gains or losses arising from changes in the fair value of the assets are recognized in other comprehensive income from the trade date.

Held-to-maturity assets are recognized on the settlement date. The Bank initially recognizes loans and receivables on their origination dates.

##### (iii) Measurement

Financial instruments are measured initially at fair value, including (in the case of financial assets not at fair value through profit and loss) transaction costs.

Subsequent to initial recognition all financial assets and liabilities at fair value through profit and loss and all available-for-sale assets are measured at fair value, with the exception of any instrument that does not have a quoted market price on an active market and whose fair value cannot be reliably measured, which is stated at cost, including transaction costs, less impairment losses.

All loans and receivables and held-to-maturity assets are measured at amortized cost including the aliquot part of discount or share premiums less impairment losses. Share premiums and discounts, including relevant initial transaction costs, are included in the carrying

amount of the related instrument and amortized based on the effective interest rate of the instrument.

**(iv) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is based on the market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market rates at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties. In connection with the situation on the financial markets during the years 2011 and 2012, the Bank paid increased attention to monitoring the development of market factors and prices having an impact on the valuations of all the instruments in the Bank's portfolio.

The valuation of bonds in the Bank's portfolio is carried out on a daily basis using available market rates quoted by market participants by means of Bloomberg services. A group of contributors, who provide reliable and regular bond valuation, is selected for each of the bonds. The credit spread of the bond is calculated from particular contributions and discount curves.

If there are sufficient current market prices of contributions available, the valuation is calculated as an average value. To prevent possible errors of particular contributions, a comparison of daily changes is made at the same time.

If there is no market price available as a source of valuation or the number of actual contributions is not sufficient, the Bank will carry out the valuation on the basis of a risk-free swap rate, to which the last verified credit spread is applied. The Bank continues to apply this method until:

- market quotations are again available;
- the credit spread of a particular bond is adjusted based on a comparison of credit spreads of similar bonds;
- the Bank receives other information about a change of the spread applied;
- the issuer's credit rating changes (change of internal and/or external rating, evidence from the market that creditworthiness is worsening);
- the liquidity of the specific securities has deteriorated significantly.

Subsequently the Bank will carry out the valuation comprising new aspects of the market price including assessment of possible impairment losses (see Note 3g(ii)).

Another model is used for Value at Risk (VaR) calculation (see Note 35) in the system for market risk management which assists to determine the volatility of the credit interest spread between given securities and the risk-free interest rate of an interest rate swap.

This model divides the calculated risk into credit (spread VaR) and interest (VaR IR) portions. This spread VaR is calculated based on the volatility of the credit spread between securities and the risk-free interest rate. For this purpose the yield curves of particular issuers, industries, or groups of issuers with an identical rating are downloaded into the system for market risk management. Specific securities are matched with these yield curves, and the volatility of the credit spread is calculated. In connection with the situation on financial markets and the development of credit spreads for securities that the Bank holds in its portfolio, the securities were rematched in the system for market risk management during 2011 so that the calculated spread VaR reflects more accurately the behaviour of the specific securities. This does not, however, have any impact on the method used for the securities portfolio valuation. The Bank's management believes that the fair value of the assets and liabilities presented within the financial statements can be measured reliably.

**(v) Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of financial assets held for trading are recognized directly in profit or loss as "Net trading income". Interest income from financial assets held for trading is recognized in profit and loss as "Interest and similar income".

Gains and losses arising from a change in the fair value of other financial assets and liabilities designated upon initial recognition at fair value through profit and loss are recognized directly in profit or loss as "Net income from financial investments".

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized in other comprehensive income and become the equity item "Change in revaluation of available-for-sale securities". When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to profit or loss as "Net income from financial investments". Interest income from available-for-sale debt securities is recognized in the income statement as "Interest income and similar income". The accounting for impairment of available-for-sale assets is described in Note 3(g).

Gains and losses arising from financial assets and liabilities carried at amortized cost are recognized in profit or loss when the financial asset or liability is derecognized or impaired (see Note 3(g)), and through the amortization process.

**(vi) Derecognition**

A financial asset is derecognized when the Bank loses the contractual rights to the cash flow from an asset or the Bank transfers the financial asset and the transfer qualifies for derecognition. This occurs when the rights are realized, expire or are surrendered.

A financial liability is derecognized when it is settled.

Available-for-sale assets and assets recognized at fair value through profit and loss that are sold are derecognized and the corresponding receivables from the buyer are recognized as at the settlement date. The Bank uses accounting methods to determine the gain or loss on derecognition.

Held-to-maturity instruments and loans and receivables are derecognized on the maturity date, on the day they are transferred to another portfolio or on the day of sale.

### **(c) Participation interest**

Controlling interest means a participation interest where the Bank factually or legally executes direct or indirect controlling interest on governance of the company (that means the Bank's ability to participate in the financial and operational management of the company and to gain benefits from the activities). This participation interest results from a share of the registered capital or from contract or statutes without regard to the total size of the participation interest. Substantial interest means a participation interest where the Bank factually or legally executes direct or indirect substantial interest on the company's governance and operations (that means the Bank's ability to participate in financial and operational guidance of the company but without exercising controlling interest). This participation interest results from a share of the registered capital (more than 20%) or from contract or statutes without regard to the total size of the participation interest.

Controlling and substantial interests are valued at acquisition price less losses arising from impairment of these participation interests. Participation interests are shown within "Financial investments".

### **(d) Derivatives**

#### **(i) Hedging derivatives**

Hedging derivatives are carried at fair value. The method of recognizing fair value depends on the model of hedge accounting applied.

Hedge accounting can be applied if:

- the hedge is in line with the Bank's risk management strategy;
- the hedge relationship is formally documented at the inception of the hedge;
- it is expected that the hedge relationship will be highly effective throughout its life;
- the effectiveness of the hedge relationship can be objectively measured;
- the hedge relationship is highly effective throughout the accounting period;
- in the case of hedging future expected transactions, it is highly probable that the transaction will occur.

If a derivative hedges an exposure to changes in the fair value of recorded assets and liabilities or of legally enforceable commitments, the hedged item attributable to the risk being hedged is also carried

at fair value. Gains (losses) on re-measurement of the interest-bearing hedged item and hedging derivative are recognized in profit or loss in "Interest income and similar income" or "Interest expense and similar charges".

If the derivative hedges an exposure to the variability of cash flows related to recognized assets and liabilities or expected transactions, the effective part of the hedge (fair value of the hedging derivative) is recognized in other comprehensive income and becomes the equity item "Reserve from revaluation of hedging instruments".

The ineffective part of the hedge is recognized in profit or loss.

If the hedging of expected transactions results in the recording of an asset or liability, the cumulative gains or losses from revaluation of the hedging derivative previously recognized in other comprehensive income are transferred to profit or loss at the same time as the hedged item affects the net profit or loss.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognized in other comprehensive income remains in equity and is recognized in accordance with the aforementioned policy.

If the hedged transaction is no longer expected to occur, the cumulative gain or loss previously recognized in other comprehensive income is immediately recognized in profit or loss.

#### **(ii) Embedded derivatives**

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative must be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not measured at fair value with changes in fair value recognized in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognized in other comprehensive income.

#### **(e) Borrowing and lending of securities**

Financial assets lent under securities lending arrangements or sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for such financial assets as appropriate.

As a result of the cash collateral received in respect of securities lent/sold under repurchase agreements, the Bank recognizes a liability to either banks or customers.

Financial assets borrowed under securities borrowing agreements or purchased subject to commitments to resell them at future dates are not recognized in the statement of financial position.

As a result of the cash collateral provided in respect of securities borrowed/purchased under resale agreements, the Bank recognizes loans and advances to either banks or customers. The receivables are recorded as collateralized by the underlying security. Income and expenses arising from the borrowing and lending of securities, as well as the difference between the sale and repurchase considerations are recognized on an accrual basis over the period of the transactions and are recognized in profit or loss in "Interest income and similar income" or "Interest expense and similar charges".

#### (f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the statement of financial position on a net basis.

#### (g) Impairment

Assets are assessed at each balance sheet date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and the impairment of the asset is recognized in the profit or loss.

#### (i) Loans and receivables and held-to-maturity assets

Loans and receivables and held-to-maturity assets are presented net of impairment losses for uncollectibility.

Specific impairment losses are made against the carrying amount of loans and receivables and held-to-maturity assets that are identified as being individually impaired based on regular reviews of the outstanding balances in order to reduce these assets to their recoverable amounts. The recoverable amount of loans and receivables and held-to-maturity assets is calculated as the present value of the estimated future cash flows, discounted at the instrument's original effective interest rate.

Collective impairment losses of portfolios of standard loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on historical loss experience and considering the credit rating of the underlying customers, late payments of interest or penalties and other qualitative factors. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio as at the balance sheet date. When a loan is known to be uncollectible, all the necessary legal steps have been taken and the final loss has been determined, the loan is written off directly and any previously unrecognized loss

is recognized in profit or loss under "Impairment of loans and receivables". Any consideration received in respect of a loan written off is recognized in profit or loss under "Other operating income". If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss, the impairment loss is reversed through profit or loss in "Impairment of loans and receivables".

#### (ii) Available-for-sale financial assets

Where an available-for-sale asset is impaired, and a decline in the fair value was previously recognized in other comprehensive income, the cumulative loss is reclassified to profit or loss and recognized in "Net income from financial investments". Where a debt instrument classified as an available-for-sale asset is impaired, and an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in other comprehensive income is reversed to the extent of the impairment. Any additional impairment loss is recognized in profit or loss. Impairment losses recognized in profit or loss arising from investment in equity instruments classified as available-for-sale are not reversed through profit or loss. For equity instruments the impairment criteria are met once the decline in fair value exceeds 20% compared to the acquisition cost or the decline in fair value lasts for longer than 9 months. For debt instruments the Bank performs comparison of the carrying amount and present value of future cash flows.

#### (h) Property and equipment and intangible fixed assets

Property and equipment and intangible assets are assets which are held in order to pursue banking activities and which may be used for a period of longer than 1 year. Property and equipment and intangible assets are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation periods (over respective estimated useful lives) for individual categories of property and equipment and intangible assets are as follow:

• Buildings	30–50 years
• Technical improvement of buildings protected as cultural heritage	15 years
• Technical improvement of rented premises	10 years or in accordance with the contract
• Air-conditioning equipment	5 years
• Machinery and equipment	4–6 years
• Bank vaults	20 years
• Fixtures and fittings	5–6 years
• Motor vehicles	4 years
• IT equipment	4 years
• Software and intangible assets	2–6 years or in accordance with the contract
• Low value tangible assets	2–3 years

Both tangible and intangible assets are assessed for potential impairment or a reduction in useful life. The gains and losses

on disposal are determined based on the net book value and are included into other operating income or expenses. The costs of repair, maintenance and technical improvement are expensed as they are incurred. Technical improvements exceeding the legal limits are capitalized. Property and equipment, which the Bank intends to sell within 12 months, is classified as "Non-current assets held for sale". Such property and equipment is reclassified at the lower of its carrying amount or its fair value less disposal costs.

#### **(i) Leasing**

The Bank concluded mainly operational leasing contracts. Total payments related to these contracts are booked to "General administrative expenses" evenly over the period of the leasing contract. In the case of contract cancellation before the end of the leasing contract, all required penalty payments are booked as a period cost at the time of cancelling the lease.

#### **(j) Provisions**

Provisions relate to a probable outflow of an uncertain amount over an uncertain period of time. Provisions are recognized when:

- there is an obligation (legal or constructive) as a result of a past event,
- it is probable that an outflow of resources will be required to settle the obligation (probable means the probability exceeds 50%), and
- the amount of the obligation can be reliably estimated.

#### **(k) Interest income and expense**

Interest income and expenses are recognized in profit or loss in the period to which they relate, using the effective interest rate method. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include the amortization of any discount or premium, relevant transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Unless a management decision is made to the contrary, accrued interest income is also recognized in profit or loss for impaired loans and receivables (except for loans and receivables in bankruptcy proceedings). In such cases, the interest income represents a part of the amortized cost which forms a basis for the impairment calculation.

#### **(l) Fee and commission income and expense**

Fee and commission income and expense consist of fees and commissions received/paid by the Bank for providing financial services other than those related to the origination of a financial asset or liability, which form a part of the effective interest income/expense. Fees and commissions arise on financial services provided by the Bank, including payment services, brokerage services, investment advice and financial planning, investment banking services and asset management services. Fee and commission income is recognized when the corresponding service is provided.

#### **(m) Dividend income**

Dividend income is recognized in profit or loss in "Dividend income" on the date that the dividend is declared.

#### **(n) Taxation**

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period to arrive at the taxable income, which is further adjusted by tax allowances and relevant credits. Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the period of the asset recovery or liability settlement. A deferred tax asset is recognized only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilized.

#### **(o) Segment reporting**

*IFRS 8 Operating segments* states that presentation and reporting of operating segments shall be in accordance with performance criteria monitored by the chief operating decision-maker who is responsible for operational decisions. At the Bank, that decision-maker is the Board of Directors.

The Bank's primary segment reporting is broken out by types of clients, which correspond to the Bank's various operations: retail banking, including small and medium-sized businesses; private, corporate and investment banking; and other. The performance of all the segments is monitored monthly by the Board of Directors and other members of the Bank's management. The reporting segments generate income primarily from the provision of loans and other banking products.

*Retail banking, including small and medium-sized businesses* encompasses in particular providing loans, mortgages, payment services (including payment cards), term and saving deposits.

*Private, corporate and investment banking* takes in especially the following products and services: providing banking services to private clients, companies and public institutions, including loans, bank guarantees, account maintenance, payment services, opening documentary letters of credit, term deposits, derivative and foreign currency operations, and capital market activities inclusive of securities underwriting for clients, investment advisory, and consulting on mergers and acquisitions.

*Other* includes banking activities that are not included within the aforementioned segments.

#### **(p) Impact of standards that are not yet effective**

The Bank has evaluated the impact of standards, interpretations and amendments to valid standards which are not yet in force and were not used in preparing these financial statements but which are already approved and will have an impact in future on the Bank's financial statements. The Bank plans to implement these standards as at the date they become effective.

Amendments to *IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after

1 January 2013) contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

*IFRS 10 Consolidated Financial Statements* and *IAS 27 (2011) Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early) provide a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 also introduces new requirements for assessing control which are different from the existing requirements in IAS 27 (2008). The new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008). *IFRS 12 Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014; retrospective and earlier application is permitted) requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or joint venture as well as interests in subsidiaries, joint arrangements, and associates and unconsolidated structured entities.

*IFRS 13 Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013; earlier application is permitted) replaces the fair value measurement instructions contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The standard does not introduce new requirements for measuring assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

Amendments to *IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012; retrospective and earlier application is permitted) require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The title of the *Statement of Comprehensive Income* has been changed to *Statement of Profit or Loss and Other Comprehensive Income*. However, other titles also may be used.

Amendments to *IAS 12 Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2013; retrospective and earlier application is permitted) introduce a rebuttable presumption that the carrying value of property investments measured using the fair value model would be recovered entirely upon sale. The intention of management would not be relevant unless the property investment is depreciable and held under

a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. *IAS 28 (2011) Investments in Associates and Joint Ventures* (amendments effective for annual periods beginning on or after 1 January 2014; retrospective and earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.) There are limited amendments made to IAS 28 (2008):

- *Associates and joint ventures held for sale.* *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- *Changes in interests held in associates and joint ventures.* Previously, *IAS 28 (2008)* and *IAS 31* specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not re-measured.

Amendments to *IAS 32 Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014, to be applied retrospectively; earlier application is permitted, however the additional disclosures required by Amendments to *IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities* must also be made) introduce no new rules for offsetting financial assets and liabilities but rather clarify the offsetting criteria to address ambiguities regarding when an entity has the legally enforceable right to offset, provided such right is:

- independent of future events;
- enforceable both as part of standard undertakings and in case of default, insolvency or bankruptcy of the entity and all counterparties.

The Bank's management regards the effect of these standards to be immaterial.

## 4. Critical accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (see Note 35).

### (a) Key sources of estimation uncertainty

#### (i) Impairment

Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy 3(b)(iii).

The specific counterparty component of the impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realizable value of any underlying collateral. Collectively assessed impairment covers credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims but the individual impaired items cannot yet be identified. In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations of credit risk, and other economic factors. In order to estimate the required impairment, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters based upon historical experience and current economic conditions. The accuracy in quantifying the impairment depends upon how well the Bank is able to estimate these future cash flows for specific counterparties and the quality in establishing the models' parameters.

#### **(ii) Determining fair values**

The determination of fair value for financial assets and liabilities for which there are no observable market prices requires the use of valuation techniques as described in accounting policy 3(b)(iv). For financial instruments that trade infrequently and have low price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

#### **(b) Critical accounting judgements in applying the Bank's accounting policies**

##### **(i) Financial asset and liability classification**

The Bank's accounting policies provide scope for assets and liabilities

to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Bank has determined that these meet the description of trading assets and liabilities set out in accounting policy 3(b)(i).
- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that these have met at least one of the criteria for this designation set out in accounting policy 3(b)(i). Details of the Bank's classification of financial assets and liabilities are given in Note 3 (b)(i).

##### **(ii) Qualifying hedge relationships**

In designating financial instruments as qualifying hedge relationships, the Bank has determined that it expects a hedge to be highly effective over the life of the hedging instrument.

In accounting for derivatives as cash flow hedges, the Bank has determined that the hedged cash flow exposure relates to highly probable future cash flows.

##### **(iii) Change in accounting policy**

There were no changes in accounting policies during the years 2012 and 2011.

##### **(iv) Effect of the changes in accounting standards in these financial statements**

In 2012 and 2011 the Bank did not identify any changes of financial reporting standards that would significantly affect the Bank's financial statements.

Despite the fact that in both years significant changes occurred on financial markets, the Bank has been able to obtain relevant sources for the financial investments' revaluation to market value (quoted market prices). Therefore the Bank has not transferred financial investments between categories based on the quality of the input data for revaluation (see Note 37).

## 5. Net interest income and similar income

MCZK	2012	2011
Interest income and similar income		
Balances with central banks	47	33
Receivables from banks	166	204
Loans and receivables from clients	6,981	7,016
Financial investments	1,697	1,573
<b>Interest income and similar income</b>	<b>8,891</b>	<b>8,826</b>
Interest expense and similar charges		
Repo loans with central banks	–	(26)
Deposits from banks	(297)	(265)
Deposits from clients	(1,357)	(1,147)
Debt securities issued	(1,034)	(902)
<b>Interest expense and similar charges</b>	<b>(2,688)</b>	<b>(2,340)</b>
<b>Net interest income and similar income</b>	<b>6,203</b>	<b>6,486</b>



## 6. Dividend income

MCZK	2012	2011
Dividend income		
From investment certificates classified as securities designated at fair value upon initial recognition through profit and loss	52	61
<b>Total dividend income</b>	<b>52</b>	<b>61</b>

## 7. Net fee and commission income

MCZK	2012	2011
Fee and commission income from		
Securities transactions	36	36
Management, administration, deposit and custody services	278	210
Loans	442	375
Payment services	926	894
Foreign exchange (FX) transactions	–	–
Payment cards	668	564
Other	390	219
<b>Fee and commission income</b>	<b>2,740</b>	<b>2,298</b>
Fee and commission expense from		
Securities transactions	(40)	(15)
Management, administration, deposit and custody services	(57)	(51)
Loans	(20)	(17)
Payment services	(9)	(8)
Payment cards	(451)	(361)
Other	(107)	(68)
<b>Fee and commission expense</b>	<b>(684)</b>	<b>(520)</b>
<b>Net fee and commission income</b>	<b>2,056</b>	<b>1,778</b>

Until 2011, the Bank presented the profit resulting from foreign exchange conversions with non-bank clients in “Fee and commission income” (from commissions on foreign exchange transactions). These earnings are inherently part of foreign exchange differences, and, in compliance with group accounting policies, the Bank changed their reporting to the item “Net trading income” in 2012. Such fees also were reclassified in the data for the end of 2011 to ensure comparability. The amount of the stated reclassification in 2012 is MCZK 1,226 (2011: MCZK 1,011).

## 8. Net trading income

MCZK	2012	2011
Net realized and unrealized gain/(loss) from securities held for trading	53	(6)
Net realized and unrealized gain/(loss) from derivatives held for trading	490	394
Net realized and unrealized gain/(loss) from spot FX transactions and from revaluation of receivables and liabilities denominated in FX	835	1,002
<b>Net trading income</b>	<b>1,378</b>	<b>1,390</b>

## 9. General administrative expenses

MCZK	2012	2011
Personnel expenses		
Wages and salaries paid to employees	(1,511)	(1,421)
Social and health insurance	(618)	(632)
	<b>(2,129)</b>	<b>(2,053)</b>
Including wages and salaries paid to:		
Members of the Board of Directors	(59)	(52)
Other executives	(98)	(105)
	(157)	(157)
Other administrative expenses		
Rent and building maintenance	(439)	(404)
Information technologies	(710)	(742)
Promotion and marketing	(286)	(328)
Consumables used	(34)	(51)
Audit, legal and advisory services	(127)	(117)
Payments services	(243)	(251)
Services	(458)	(370)
Other	(20)	(13)
	<b>(2,317)</b>	<b>(2,276)</b>
Depreciation of property and equipment	(137)	(127)
Amortization of intangible fixed assets	–	(1)
Impairment loss from property, equipment and intangibles	(18)	(26)
Release of impairment loss from tangible and intangible assets	–	14
	<b>(155)</b>	<b>(140)</b>
<b>Total general administrative expenses</b>	<b>(4,601)</b>	<b>(4,469)</b>

“Social and health insurance” includes employees’ pension supplementary insurance paid by the Bank in the amount of MCZK 9 (for 2011: MCZK 10). The Bank moved headquarters in 2011 from its own buildings into a new, rented building. The rental contract was treated as an operating lease. The contract obliges the Bank to make the following lease payments:

MCZK	Paid in 2012	Payable up to 1 year	Payable in 1–5 years	Payable after 5 years
Rent	13	63	418	977

Information about bonuses tied to equity is included in Note 30.

The Bank’s average number of employees (including UCI Group expatriates) was as follows:

	2012	2011
Employees	1,952	1,807
Members of the Board of Directors	6	5
Members of the Supervisory Board	3	3
Other executives	25	25

## 10. Other operating income and expenses

MCZK	2012	2011
Income from written-off and ceded receivables	4	12
Income from rent	21	14
Release of impairment losses on other assets	–	1
Release of other provisions (see note 26(b))	24	–
Use of other provisions (see note 26(b))	67	–
Release of provisions for off-balance sheet items (see note 26(a))	161	238
Income from litigations	1	2
Income from sale of property and equipment	32	378
Other	8	18
<b>Total other operating income</b>	<b>318</b>	<b>663</b>
Deposits and transactions insurance	(238)	(199)
Other receivables written off	(18)	(6)
Creation of impairment losses on other assets	(6)	(5)
Creation of other provisions (see note 26(b))	(1)	(110)
Creation of provisions for off-balance sheet items (see note 26(a))	(131)	(316)
Other	(26)	(31)
<b>Total other operating expenses</b>	<b>(420)</b>	<b>(667)</b>

“Income from sale of property and equipment” in 2012 and 2011 represents the gain from sale of buildings which were reclassified during 2012 and 2011 as held for sale and subsequently sold.

“Creation of other provisions” in 2011 includes in particular creation of provisions related to relocation of the headquarters.

## 11. Net income from financial investments

MCZK	2012	2011
Net gain/(loss) from available-for-sale and held-to-maturity securities	177	(2,643)
Net gain/(loss) from hedging against risk of changes in fair value of available-for-sale securities	(14)	2
Net gain/(loss) from securities designated upon initial recognition at fair value through profit and loss	18	(19)
<b>Net income from financial investments</b>	<b>181</b>	<b>(2,660)</b>

In 2011, “Net loss from available-for-sale securities and held-to-maturity securities” includes an impairment loss from bonds issued by the Greek government of MCZK 2,723 (see Note 16).

## 12. Cash in hand and balances with central banks

MCZK	31/12/2012	31/12/2011
Cash in hand	1,657	2,352
Obligatory minimum reserves	4,468	2,651
Other balances at central banks	5	76
<b>Total cash in hand and balances with central banks</b>	<b>6,130</b>	<b>5,079</b>

“Obligatory minimum reserves” comprise deposits whose average monthly value is determined in accordance with Czech National Bank (CNB) regulations and which are not available for ordinary operations. CNB provides interest on these mandatory deposits based on the official CNB two week repo rate.

Cash in hand, obligatory minimum reserves and balances with central banks are defined as cash and cash equivalents for purposes of the statement of cash flows.

## 13. Financial assets held for trading

MCZK	31/12/2012	31/12/2011
Bonds and other securities with a fixed rate of return held for trading	3,103	15,641
Shares and other securities with a variable rate of return held for trading	4	27
Positive fair value of financial derivatives held for trading	4,577	4,980
<b>Total financial assets held for trading</b>	<b>7,684</b>	<b>20,648</b>

### (a) Analysis of bonds and other securities with a fixed rate of return held for trading

MCZK	31/12/2012	31/12/2011
Issued by financial institutions	–	171
Issued by government sector	3,103	15,470
<b>Total</b>	<b>3,103</b>	<b>15,641</b>

All bonds held for trading are listed on public markets.

### (b) Analysis of shares and other securities with a variable rate of return held for trading

MCZK	31/12/2012	31/12/2011
Issued by financial institutions	–	2
Issued by non-financial institutions	4	25
<b>Total</b>	<b>4</b>	<b>27</b>

All shares held for trading are listed on public markets.

### (c) Analysis of financial derivatives held for trading

MCZK	31/12/2012	31/12/2011
Interest rate contracts	4,158	3,265
Currency contracts	289	1,572
Equity contracts	98	45
Commodity contracts	32	98
<b>Total</b>	<b>4,577</b>	<b>4,980</b>

## 14. Receivables from banks

### (a) Analysis of receivables from banks, by type

MCZK	31/12/2012	31/12/2011
Current accounts at other banks	1,332	1,640
Loans provided to banks	15,349	13,153
Term deposits	15,492	9,220
<b>Total receivables from banks</b>	<b>32,173</b>	<b>24,013</b>
Impairment of receivables from banks	–	–
<b>Net receivables from banks</b>	<b>32,173</b>	<b>24,013</b>

### (b) Subordinated loans due from banks

The Bank granted a subordinated loan to another bank totalling TEUR 7,500 in 2004. The subordinated loan balance as at 31 December 2012 was MCZK 189 (as at 31 December 2011: MCZK 194). The loan has a contractual maturity of 10 years. The interest period can be selected within the range from 1 to 6 months, and the interest rate is based on the relevant EURIBOR rate.

### (c) Analysis of receivables from banks, by geographical sector

MCZK	31/12/2012	31/12/2011
Czech Republic	22,678	14,494
Other countries of the European Union	8,122	8,933
Others	1,373	586
<b>Total receivables from banks</b>	<b>32,173</b>	<b>24,013</b>

## 15. Receivables from clients

### (a) Analysis of receivables from clients, by type

MCZK	31/12/2012	31/12/2011
Loans to clients	192,046	188,099
<b>Total receivables from clients</b>	<b>192,046</b>	<b>188,099</b>
Impairment of receivables from clients	(7,331)	(6,319)
<b>Net receivables from clients</b>	<b>184,715</b>	<b>181,780</b>

The gross amounts shown above include unpaid interest from low-rated loans which are more than 90 days past due in the amount of MCZK 63 (as at 31 December 2011: MCZK 66) and loans that have not been adjusted for interest accruals in the amount of MCZK 1,891 (as at 31 December 2011: MCZK 1,535). Had the accrual principle been applied for interest income on these loans, the Bank would have recognized MCZK 58 as interest income for the year 2012 (for 2011: MCZK 57).

### (b) Classification of receivables from clients

MCZK	31/12/2012	31/12/2011
Receivables not impaired		
Standard	177,023	171,651
<i>Internal rating 1</i>	4,214	2,007
<i>Internal rating 2</i>	9,137	18,425
<i>Internal rating 3</i>	25,894	15,410
<i>Internal rating 4</i>	44,499	41,984
<i>Internal rating 5</i>	46,097	41,264
<i>Internal rating 6</i>	35,312	41,794
<i>Other internal ratings</i>	10,098	8,305
<i>Receivables without internal rating</i>	1,772	2,462
Receivables impaired		
Watched	4,846	5,928
Substandard	4,254	4,346
Doubtful	769	1,494
Loss	5,154	4,680
<b>Total receivables from clients</b>	<b>192,046</b>	<b>188,099</b>

The Bank regularly classifies its receivables from clients. The categories used for classification consider the Bank's analysis as to the probability of repayment and analysis of the borrower's behaviour (number of days payments are past due, financial performance, payment discipline, etc.). The Bank assesses whether there is evidence of impairment of loans and receivables. If such evidence has been identified, the amount of the loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows (including cash flows from realized collateral).

The following table summarizes loan receivables not impaired based on the number of days past due. These standard receivables may also include receivables past due, as the Bank only classifies receivables past due having reached the amount of TCZK 1 per client.

MCZK	31/12/2012	31/12/2011
Receivables not impaired		
Due receivables	176,413	171,199
1–30 days past due	607	499
31–90 days past due	1	1
91–180 days past due	1	1
More than 180 days past due	1	1
<b>Total receivables not impaired</b>	<b>177,023</b>	<b>171,651</b>

**(c) Analysis of receivables from clients, by sector**

MCZK	31/12/2012	31/12/2011
Financial institutions	15,173	18,984
Non-financial institutions	125,332	125,518
Government sector	813	643
Non-profit organizations	275	293
Self-employed	909	1,238
Resident individuals	35,092	29,069
Non-residents	14,452	12,354
<b>Total receivables from clients</b>	<b>192,046</b>	<b>188,099</b>

**(d) Analysis of receivables from clients, by type of collateral provided and classification**

MCZK	Standard	Watched	Substandard	Doubtful	Loss	Total
<b>As at 31 December 2012</b>						
Bank and similar guarantee	11,087	10	305	–	–	11,402
Mortgage	40,484	653	356	108	423	42,024
Corporate guarantee	1,709	–	–	–	–	1,709
Other security	5,694	71	17	105	143	6,030
Unsecured	118,049	4,112	3,576	556	4,588	130,881
<b>Total receivables from clients</b>	<b>177,023</b>	<b>4,846</b>	<b>4,254</b>	<b>769</b>	<b>5,154</b>	<b>192,046</b>
<b>As at 31 December 2011</b>						
Bank and similar guarantee	12,098	150	–	–	–	12,248
Mortgage	36,746	470	443	61	374	38,094
Corporate guarantee	2,096	4	–	–	–	2,100
Other security	5,295	18	1	18	9	5,341
Unsecured	115,416	5,286	3,902	1,415	4,297	130,316
<b>Total receivables from clients</b>	<b>171,651</b>	<b>5,928</b>	<b>4,346</b>	<b>1,494</b>	<b>4,680</b>	<b>188,099</b>

**(e) Analysis of receivables from clients, by business activity**

MCZK	31/12/2012	31/12/2011
Real estate services	55,277	52,812
Financial services	18,244	21,205
Wholesale	12,918	15,367
Household services	36,291	30,278
Retail	3,760	4,584
Leasing	1,105	632
Others	64,451	63,221
<b>Total receivables from clients</b>	<b>192,046</b>	<b>188,099</b>

(f) Analysis of receivables from clients, by region

MCZK	31/12/2012	31/12/2011
Czech Republic	177,594	175,745
Other countries of the European Union	8,084	7,011
Others	6,368	5,343
<b>Total receivables from clients</b>	<b>192,046</b>	<b>188,099</b>

(g) Impairment of receivables from clients

MCZK	31/12/2012	31/12/2011
Impairment of individual receivables from clients	(6,299)	(5,524)
Watched	(390)	(277)
Substandard	(898)	(478)
Doubtful	(495)	(746)
Loss	(4,516)	(4,023)
Impairment of portfolios of standard receivables from clients	(1,032)	(795)
<b>Total impairment of receivables from clients</b>	<b>(7,331)</b>	<b>(6,319)</b>

MCZK		
<b>Balance as at 1 January 2011</b>		<b>(6,230)</b>
Creation during the current year	(2,835)	
Release during the current year	1,587	
Net effect on profit or loss		(1,248)
Receivables written off – use		1,183
FX differences		(24)
<b>Balance of impairment of receivables from clients as at 31 December 2011</b>		<b>(6,319)</b>
<b>Balance as at 1 January 2012</b>		<b>(6,319)</b>
Creation during the current year	(2,368)	
Release during the current year	895	
Net effect on profit or loss		(1,473)
Receivables written off – use		441
FX differences		20
<b>Balance of impairment of receivables from clients as at 31 December 2012</b>		<b>(7,331)</b>

## 16. Financial investments

(a) Classification of financial investments into portfolios based on the Bank's intention

MCZK	31/12/2012	31/12/2011
Available-for-sale securities	73,045	50,022
Financial assets at fair value through profit and loss not held for trading	7,075	1,169
<b>Total financial investments</b>	<b>80,120</b>	<b>51,191</b>

As at the end of 2011, the Bank held Greek state bonds in its available-for-sale portfolio in nominal value of MEUR 120. The Bank has recorded an impairment loss of MCZK 2,723 in net profit from financial investments for 2011 (see Note 11).

In March 2012, the Bank participated in restructuring Greek state bonds as part of an agreement with private creditors and it subsequently sold the new bonds. The Bank has no Italian, Spanish, Irish, Portuguese or Greek state bonds in its portfolios.

**(b) Analysis of available-for-sale securities**

MCZK	31/12/2012	31/12/2011
Bonds and other securities with a fixed rate of return, by type of issuer		
Financial institutions	12,467	12,413
Government sector	52,138	30,005
Other	6,220	5,392
<b>Total</b>	<b>70,825</b>	<b>47,810</b>
Shares and other securities with a variable rate of return, by type of issuer		
Financial institutions	2,200	2,199
Other	20	13
<b>Total</b>	<b>2,220</b>	<b>2,212</b>
<b>Total available-for-sale securities</b>	<b>73,045</b>	<b>50,022</b>
<i>Thereof:</i>		
Listed	70,807	47,788
Unlisted	2,238	2,234

**(c) Analysis of securities designated at fair value through profit and loss at initial recognition not held for trading**

MCZK	31/12/2012	31/12/2011
Bonds and other securities with a fixed rate of return, by type of issuer		
Financial institutions	965	878
Government sector	5,916	108
Other	194	183
<b>Total</b>	<b>7,075</b>	<b>1,169</b>
<b>Total of securities designated at fair value through profit and loss at initial recognition not held for trading</b>	<b>7,075</b>	<b>1,169</b>
<i>Thereof:</i>		
Listed	7,057	1,147
Unlisted	18	22

**(d) Analysis of participation interests**

Name	Registered office	Date of acquisition	Acquisition price	Net book value 2012	Net book value 2011	Share of the Bank	
						31/12/2012	31/12/2011
CBCB – Czech Banking							
Credit Bureau, a.s. (bank register)	Prague	10/10/2001	0.24	0.24	0.24	20%	20%
<b>Total</b>			<b>0.24</b>	<b>0.24</b>	<b>0.24</b>	<b>–</b>	<b>–</b>



## 17. Property and equipment

### Movements in property and equipment

MCZK	Land and buildings	Machinery and equipment	Fixtures and fittings	Other non-oper. property	Fixed assets not yet in use	Total
<b>Acquisition price</b>						
At 1 January 2011	3,288	735	315	2	32	4,372
Additions	156	53	21	–	472	702
Disposals	(1,236)	(208)	(44)	(2)	(458)	(1,948)
Other	–	2	1	–	3	6
At 31 December 2011	2,208	582	293	–	49	3,132
At 1 January 2012	2,208	582	293	–	49	3,132
Additions	80	53	25	–	334	492
Disposals	(129)	(167)	(89)	–	(355)	(740)
At 31 December 2012	2,159	468	229	–	28	2,884
<b>Depreciation</b>						
At 1 January 2011	(1,568)	(629)	(255)	(2)	–	(2,454)
Charge for the year	(82)	(37)	(8)	–	–	(127)
Disposals	643	190	40	2	–	875
Other	–	(1)	–	–	–	(1)
At 31 December 2011	(1,007)	(477)	(223)	–	–	(1,707)
At 1 January 2012	(1,007)	(477)	(223)	–	–	(1,707)
Charge for the year	(76)	(47)	(14)	–	–	(137)
Disposals	99	165	83	–	–	347
At 31 December 2012	(984)	(359)	(154)	–	–	(1,497)
<b>Impairment</b>						
At 1 January 2011	(340)	–	–	–	–	(340)
Release	14	–	–	–	–	14
Other	28	–	–	–	–	28
At 31 December 2011	(298)	–	–	–	–	(298)
At 1 January 2012	(298)	–	–	–	–	(298)
Release	–	–	–	–	–	–
Other	(4)	–	–	–	–	(4)
At 31 December 2012	(302)	–	–	–	–	(302)
<b>Net book value</b>						
At 1 January 2011	1,380	106	60	–	32	1,578
At 31 December 2011	903	105	70	–	49	1,127
At 31 December 2012	873	109	75	–	28	1,085

The impairment of MCZK 302 as at 31 December 2012 (as at 31 December 2011: MCZK 298) represents a decrease in the carrying amount of buildings due to the fair value being lower than net book value.

Disposals in the items of “Acquisition price” and “Depreciation” in 2012 and 2011 consist mainly of disposals due to the sale of buildings in 2012 and 2011 or their reclassification into “Non-current assets held for sale” as at 31 December 2012 and 2011 (see Note 21). These buildings were left by the Bank upon moving to the new headquarters in 2012 and 2011.

## 18. Intangible assets

### Movements in intangible fixed assets

MCZK	Software	Software acquisition	Other	Total
<b>Acquisition price</b>				
At 1 January 2011	5	–	5	10
Additions	–	–	–	–
Disposals	–	–	–	–
At 31 December 2011	5	–	5	10
At 1 January 2012	5	–	5	10
Additions	2	–	–	2
Disposals	–	–	–	–
At 31 December 2012	7	–	5	12
<b>Amortization</b>				
At 1 January 2011	(5)	–	(4)	(9)
Charge for the year	–	–	(1)	(1)
Disposals	–	–	–	–
At 31 December 2011	(5)	–	(5)	(10)
At 1 January 2012	(5)	–	(5)	(10)
Charge for the year	–	–	–	–
Disposals	–	–	–	–
At 31 December 2012	(5)	–	(5)	(10)
<b>Net book value</b>				
At 1 January 2011	–	–	1	1
At 31 December 2011	–	–	–	–
At 31 December 2012	2	–	–	2

## 19. Other assets

MCZK	31/12/2012	31/12/2011
Prepaid expense and accrued income	178	211
Advances relating to ATMs and cash at branches	984	304
Trade receivables	137	103
Positive fair value of hedging derivatives	11	20
Receivables from securities	4,674	3,313
Suspense accounts	625	328
Overpayment from advances for income tax and other tax receivable	–	219
Other	–	6
<b>Total other assets</b>	<b>6,609</b>	<b>4,504</b>
Impairment of other assets	(12)	(16)
<b>Net other assets</b>	<b>6,597</b>	<b>4,488</b>

The increase in the “Advances relating to ATMs and cash at branches” is due to the expansion of services provided by third parties relating to cash at branches of the Bank in 2012.

## Impairment of other assets

MCZK	
Balance as at 1 January 2011	(7)
Creation during the current year	(6)
Release during the current year	1
Write-offs covered by impairment provisions and others	(4)
<b>Balance of impairment of other assets as at 31 December 2011</b>	<b>(16)</b>
Balance as at 1 January 2012	(16)
Creation during the current year	(6)
Release during the current year	–
Write-offs covered by impairment provisions and others	10
<b>Balance of impairment of other assets as at 31 December 2012</b>	<b>(12)</b>

The impairment is presented in profit or loss under “Other operating expenses”.

## 20. Impairment of assets total

MCZK	Receivables from clients (Note 15)	Financial investments (Note 16)	Tangible and intangible assets (Note 17, 18)	Other assets (Note 19)	Total
Balance as at 1 January 2011	(6,230)	(100)	(340)	(7)	(6,677)
Creation during the current year	(2,835)	(2,723)	–	(6)	(5,564)
Release during the current year	1,587	–	14	1	1,602
Write-offs and others	1,159	100	28	(4)	1,283
<b>Impairment loss as at 31 December 2011</b>	<b>(6,319)</b>	<b>(2,723)</b>	<b>(298)</b>	<b>(16)</b>	<b>(9,356)</b>
Balance as at 1 January 2012	(6,319)	(2,723)	(298)	(16)	(9,356)
Creation during the current year	(2,368)	–	–	(6)	(2,374)
Release during the current year	895	–	–	–	895
Write-offs and others	461	2,723	(4)	10	3,190
<b>Impairment loss as at 31 December 2012</b>	<b>(7,331)</b>	<b>–</b>	<b>(302)</b>	<b>(12)</b>	<b>(7,645)</b>

## 21. Non-current assets held for sale

In 2011, the Bank decided to move its headquarters into a new building and to sell the buildings in which it had been located. A portion of the buildings was sold in 2011 and another in 2012. The net gain from sale of the buildings is presented under “Other operating income”. During 2012, the Bank reclassified the buildings at their net book value of MCZK 18 (2011: MCZK 86) from the item “Property and equipment” into the item “Non-current assets held for sale”. The building, which was classified under “Non-current assets held for sale” as at 31 December 2011, was sold in 2012 at MCZK 86. The buildings which are classified under this item as at 31 December 2012 are expected to be sold in 2013.

## 22. Deposits from banks

### Analysis of deposits from banks, by type

MCZK	31/12/2012	31/12/2011
Current accounts	8,466	3,636
Bank loans	20,792	15,915
Term deposits	4,972	12,885
<b>Total deposits from banks</b>	<b>34,230</b>	<b>32,436</b>

## 23. Deposits from clients

### Analysis of deposits from clients, by type

MCZK	31/12/2012	31/12/2011
Current accounts	157,629	111,066
Loans	2,959	16,828
Term deposits	27,086	31,129
Issued depository notes	5,971	16,291
Saving deposits	1,475	3,338
<b>Total deposits from clients</b>	<b>195,120</b>	<b>178,652</b>

Issued depository notes are short-term securities and represent an alternative form of financing from clients. Therefore, the Bank decided to include them in "Deposits from clients" rather than "Debt securities issued".

### Analysis of deposits from clients, by sector

MCZK	31/12/2012	31/12/2011
Financial institutions	19,518	11,040
Non-financial institutions	91,607	77,654
Government sector	9,905	22,036
Non-profit organizations	1,353	1,359
Self-employed	14,005	13,506
Resident individuals	47,220	41,054
Non-residents	11,512	12,003
<b>Total deposits from clients</b>	<b>195,120</b>	<b>178,652</b>

## 24. Debt securities issued

### (a) Analysis of payables in respect of debt securities issued

MCZK	31/12/2012	31/12/2011
Mortgage bonds	21,028	21,809
Structured bonds	5,121	4,506
Zero coupon bonds	6,592	4,767
Other issued bonds	3,453	313
<b>Net book value</b>	<b>36,194</b>	<b>31,395</b>

### (b) Analysis of mortgage bonds issued

Issue date	Maturity date	Currency	Interest rate	31/12/2012 MCZK	31/12/2011 MCZK
19 August 2004	19 August 2012	CZK	6.00%	–	1,341
29 September 2005	29 September 2015	CZK	4.00%	1,030	1,038
5 October 2005	5 October 2015	CZK	4.50%	6,199	6,249
23 November 2005	15 November 2025	CZK	5.00%	923	165
15 June 2007	15 June 2012	CZK	5.00%	–	1,017
12 December 2007	15 March 2012	CZK	–*	–	3,825
12 December 2007	15 December 2017	CZK	6.00%	1,092	791
12 December 2007	21 December 2017	CZK	6.60%	9,435	7,383
27 December 2007	28 December 2017	CZK	0.18%	335	–
27 April 2012	27 April 2018	CZK	6.00%	1,370	–
20 November 2012	20 November 2014	CZK	1.01%	502	–
20 November 2012	20 November 2015	CZK	7.00%	3	–
27 November 2012	27 November 2014	CZK	1.84%	139	–
<b>Total of mortgage bonds issued</b>				<b>21,028</b>	<b>21,809</b>

\* discounted mortgage bonds

## 25. Financial liabilities held for trading

MCZK	31/12/2012	31/12/2011
Negative fair values of financial derivatives held for trading		
Interest rate contracts	3,775	2,976
Currency contracts	527	982
Equity contracts	92	43
Commodity contracts	30	96
Liabilities from short sales of securities	1,532	1,392
<b>Total financial liabilities held for trading</b>	<b>5,956</b>	<b>5,489</b>

## 26. Provisions

Provisions include the following items:

MCZK	31/12/2012	31/12/2011
Provisions for off-balance sheet credit items	611	641
Other provisions	416	488
<i>Claims and litigations</i>	57	88
<i>Unclaimed vacation and bonuses</i>	311	293
<i>Other</i>	48	107
<b>Total provisions</b>	<b>1,027</b>	<b>1,129</b>

### (a) Provisions for off-balance sheet credit items

MCZK	
Balance at 1 January 2011	563
Creation during the current year	316
Release during the current year	(238)
<b>Balance of provisions for off-balance sheet credit items at 31 December 2011</b>	<b>641</b>
Balance at 1 January 2012	641
Creation during the current year	131
Release during the current year	(161)
<b>Balance of provisions for off-balance sheet credit items at 31 December 2012</b>	<b>611</b>

### (b) Other provisions

MCZK	Claims and litigations	Unclaimed vacation and bonuses	Other	Total
Balance at 1 January 2011	85	60	–	145
Creation during the current year	3	293	107	403
Use during the current year	–	–	–	–
Release of provisions	–	(60)	–	(60)
<b>Balance of provisions at 31 December 2011</b>	<b>88</b>	<b>293</b>	<b>107</b>	<b>488</b>
Balance at 1 January 2012	88	293	107	488
Creation during the current year	1	310	–	311
Use during the current year	(10)	(287)	(57)	(354)
Release of provisions and other	(22)	(5)	(2)	(29)
<b>Balance of provisions at 31 December 2012</b>	<b>57</b>	<b>311</b>	<b>48</b>	<b>416</b>

Creation of provisions for unclaimed vacation and bonuses is presented in “General administrative expense” in the item “Wages and salaries paid to employees”.

The creation of other provisions in 2011 includes provisions for expenses related to moving the headquarters and preparing the buildings for sale.

## 27. Other liabilities

MCZK	31/12/2012	31/12/2011
Deferred income and accrued expenses	173	138
Trade payables	39	50
Negative fair value of hedging derivatives	2,645	2,513
Income taxes payable	242	–
Other taxes payable	11	34
Estimated payables	428	336
Unsettled securities transactions	2	1
Suspense accounts	2,890	2,973
Other	45	39
<b>Total other liabilities</b>	<b>6,475</b>	<b>6,084</b>

## 28. Income tax

### (a) Tax in profit or loss

MCZK	31/12/2012	31/12/2011
Current year income tax	(654)	(184)
Income tax for previous period (adjustment of estimate)	(7)	(34)
<b>Total current income tax</b>	<b>(661)</b>	<b>(218)</b>
Deferred tax	124	30
<b>Total income tax</b>	<b>(537)</b>	<b>(188)</b>

The Bank's income tax is different from the theoretical income tax, which would be calculated using the tax rate applicable in the Czech Republic, as follows:

MCZK	31/12/2012	31/12/2011
Current year profit (loss) before tax	3,694	1,334
Income tax calculated using tax rate 19%	(702)	(253)
Effect of previous years	4	15
Foreign income tax effect	(1)	19
Non-taxable income	237	223
Tax non-deductible expenses	(198)	(222)
Change in deferred tax	124	30
Other	(1)	–
<b>Total income tax</b>	<b>(537)</b>	<b>(188)</b>

The effective tax rate of the Bank is 14.5% (for 2011: 14.1%).

### (b) Tax in statement of financial position

The Bank made advance payments for income tax of MCZK 411 (for 2011: MCZK 421). When offsetting with the income tax payable, the Bank presents for the accounting period net tax payable of MCZK 242 in the item "Other liabilities" (as at 31 December 2011: net tax receivable of MCZK 213 included in "Other assets").

### (c) Deferred tax asset and liability

Deferred income tax is calculated on all temporary differences using the balance sheet liability method and applying the appropriate tax rate. Deferred income tax assets and liabilities are attributable to the following:

MCZK	31/12/2012		31/12/2011	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Tax non-deductible reserves	64	–	84	–
Social and health insurance from bonuses	15	–	14	–
Impairment of loans	310	–	151	–
Fixed assets net book value differences	–	(7)	12	–
Other	3	–	–	–
Deferred tax liability/asset	392	(7)	261	–
<b>Net deferred tax liability/asset recognized in profit or loss</b>	<b>385</b>	<b>–</b>	<b>261</b>	<b>–</b>
Cash flow hedge revaluation reserves	–	(384)	–	(208)
Revaluation reserve for available-for-sale assets	–	(586)	–	(186)
Deferred tax liability/asset recognized in other comprehensive income	–	(970)	–	(394)
<b>Net deferred tax liability/asset recognized in other comprehensive income</b>	<b>–</b>	<b>(970)</b>	<b>–</b>	<b>(394)</b>
<b>Total deferred tax liability/asset</b>	<b>–</b>	<b>(585)</b>	<b>–</b>	<b>(133)</b>

When calculating the net tax liability/asset, the Bank offsets deferred tax liabilities and deferred tax assets arising from income tax payable to the tax authority within the same tax category. Deferred tax liabilities and assets recognized in other comprehensive income are not offset against deferred tax liabilities and assets recognized in profit or loss.

The Bank's management believes it highly probable that the Bank will fully realize its deferred tax asset as at 31 December 2012 based on the Bank's current and expected future level of taxable profits.

Due to the application of the prudence principle, the Bank does not recognize deferred tax asset attributable to fixed assets' net book value differences in the amount of MCZK 30 (as at 31 December 2011: MCZK 86).

## 29. Issued capital and share premium

The issued capital (registered, subscribed and paid-up) as at 31 December 2012 and 31 December 2011 totalled MCZK 8,750. In 2011, the Bank raised the issued capital by MCZK 1,425 and this increase was recorded in the Commercial Register on 31 May 2011.

### (a) Shareholder

Name	Registered office	Share nominal value (MCZK)	Share premium (MCZK)	Share in equity (%)
<b>As at 31 December 2012</b>				
UniCredit Bank Austria AG, Vienna	Austria	8,750	3,481	100
<b>Total</b>		<b>8,750</b>	<b>3,481</b>	<b>100</b>
<b>As at 31 December 2011</b>				
UniCredit Bank Austria AG, Vienna	Austria	8,750	3,481	100
<b>Total</b>		<b>8,750</b>	<b>3,481</b>	<b>100</b>

### (b) Issued capital analysis

	31/12/2012 Number of shares	31/12/2012 MCZK	31/12/2011 Number of shares	31/12/2011 MCZK
Common share at CZK 16,320,000	100	1,632	100	1,632
Common share at CZK 13,375,000	200	2,675	200	2,675
Common share at CZK 10,000	436,500	4,365	436,500	4,365
Common share at CZK 7,771,600	10	78	10	78
<b>Total of issued capital</b>		<b>8,750</b>		<b>8,750</b>

Shares are transferable with the approval of the General Meeting. The common shares carry the right to participate in the Bank's management and the right to share in the Bank's profits. The Bank did not hold any of its own shares as at 31 December 2012 or 31 December 2011.

## 30. Bonuses tied to equity

The Bank has not implemented any incentive bonus schemes or motivation programme for employees to purchase the Bank's shares or paid any remuneration in the form of options to purchase such shares.

## 31. Reserve funds and retained earnings

Reserve funds are as follows:

MCZK	31/12/2012	31/12/2011
Statutory reserve fund	1,233	1,175
Other reserve funds	1,824	1,824
<b>Reserve funds total</b>	<b>3,057</b>	<b>2,999</b>
<b>Retained earnings</b>	<b>19,471</b>	<b>16,377</b>

The Bank creates, in accordance with the law, a statutory reserve fund (part of the item "Reserve funds"). The statutory reserve fund is created from net profit as at the date of preparing the financial statements for the year in which a profit was achieved for the first time, in the amount of at least 20% of the net profit but not more than 10% of the registered capital. This reserve is added annually by 5% of the net profit up to 20% of the registered capital. The statutory reserve fund can only be used to cover incurred losses and use of the statutory reserve fund is under the control of the Board of Directors.

In accordance with applicable legal provisions, the Board of Directors is entitled to create funds allocated from profit to cover the Bank's specific risks as well as to create other funds in excess of the legally required reserve fund. The Board of Directors likewise decides on the use of these funds.

The Bank intends to distribute the profit for 2012 of MCZK 3,157 as follows:

- allocation to statutory reserve fund of MCZK 158;
- payment of dividends in the amount of MCZK 1,763;
- the remaining part totalling MCZK 1,236 will be transferred to retained earnings.

## 32. Borrowing and lending of securities, repurchase and resale commitments

### (a) Resale commitments

MCZK	31/12/2012	31/12/2011
Receivables from banks	15,028	12,782
Fair value of securities received	14,993	12,578
Receivables from clients	21	7
Fair value of securities received	21	8

### (b) Repurchase commitments

MCZK	31/12/2012	31/12/2011
Deposits from banks	11,759	7,876
Fair value of securities given (Financial assets held for trading)	5,222	5,414
Fair value of securities given (Financial investments)	6,970	2,484
Deposits from clients	2,959	16,828
Fair value of securities given (Financial assets held for trading)	–	11,829
Fair value of securities given (Financial investments)	2,957	5,013



### 33. Contingent liabilities, contingent assets and derivatives

During regular business operations the Bank enters into various financial operations which are not recognized in the balance sheet. These are called off-balance sheet operations. Unless stated otherwise, the following off-balance sheet operations are stated in their nominal amounts.

#### (a) Contingent liabilities

##### *Litigation and claims*

The Bank reviewed all legal disputes affecting the Bank as at 31 December 2012 and created appropriate provisions for litigation and claims (see Note 26). In addition to these litigations there are other claims related to the Bank's business activities. However, the management does not expect the result of such claims to have any significant impact on the Bank's financial situation.

##### *Taxation*

Czech tax legislation has changed significantly over the last few years. Many problematic parts remain unclear and it is also not certain which interpretation the tax authority will choose. The results of this uncertainty cannot be quantified and their resolution will only be possible after legislation will become operational or official interpretation will become available.

##### *Liabilities from guarantees and credit commitments and other contingent liabilities*

Unused credit commitments comprise one of the most significant parts of contingent liabilities. The credit commitments granted by the Bank include issued commitments for loans or guarantees and also unused credit lines and overdraft facilities. The Bank can revoke the revocable credit commitments at any time without stating reasons. Irrevocable credit commitments, on the other hand, represent the Bank's obligation to provide loans or guarantees and the fulfilment of such obligation does not depend on the will of the Bank even though it depends on the client's fulfilment of the terms and conditions.

Liabilities from financial guarantees represent irrevocable commitments that the Bank will realize payments when the conditions defined in guarantee certificates are fulfilled. These commitments bear similar risk as do loans, so the Bank creates reserves for these commitments using a similar algorithm as that used when creating loan loss provisions (see Note 35).

Letters of credit represent the Bank's written irrevocable obligation to provide funds to a third party or to its order (beneficiary, commissioned) if the letter of credit's conditions are fulfilled in a defined period. It is issued on the basis of the customer's (applicant's) request. The Bank creates reserves for these financial instruments using a similar algorithm as that used when creating loan loss provisions (see Note 35).

The Bank has created provisions for off-balance sheet items to cover incurred losses arising from decrease in their value due to credit risk. As at 31 December 2012, the total amount of these provisions was MCZK 611 (as at 31 December 2011: MCZK 641) (see Note 26 (a)).

MCZK	31/12/2012	31/12/2011
Letters of credit and financial guarantees	29,167	28,931
Other contingent liabilities (unused credit commitments)	78,108	75,788
<b>Total</b>	<b>107,275</b>	<b>104,719</b>

#### *Values taken into administration and management*

MCZK	31/12/2012	31/12/2011
Bonds	239,140	202,571
Shares	161,055	180,789
Depository notes	23,442	31,317
<b>Total values taken into administration and management</b>	<b>423,637</b>	<b>414,677</b>

#### (b) Contingent assets

As at 31 December 2012, the Bank had an option to draw a credit line provided by the European Investment Bank (EIB) amounting to MCZK 2,514 (MEUR 100) with the latest maturity of 8 years from the time of drawing. This credit line is specifically for the refinancing of credits that fulfil the conditions of the EIB and it will be drawn during 2013. As at 31 December 2011, the Bank had an option to draw a credit line provided by EIB amounting to MCZK 1,290 (MEUR 50). The credit facility was drawn during 2012.

## (c) Financial derivatives

### Financial derivatives from the interbank market (OTC derivatives)

MCZK	Contractual amounts		Fair value	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
<b>Hedging instruments</b>				
Interest rate swap contracts	91,173	82,457	2,076	1,159
Cross currency swap contracts	31,606	35,646	(47)	(359)
<b>Trading instruments</b>				
Forward rate agreements (FRA)	2,045	–	(4)	–
Interest rate swap contracts	138,228	124,285	205	279
Forward foreign exchange contracts			(69)	217
Purchase	7,480	8,211		
Sale	7,532	7,970		
Option contracts			25	36
Purchase	41,895	53,909		
Sale	41,895	53,909		
Cross currency swap contracts	40,400	33,741	(26)	340

### Listed financial derivatives

MCZK	Contractual amounts		Fair value	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
<b>Trading instruments</b>				
Interest rate futures	1,420	1,226	22	9
Commodity instruments	1,879	2,283	–	2

### Residual maturity of financial derivatives

The nominal values of individual types of derivatives can be divided based on their residual maturity as follows (30/360 basis):

MCZK	Up to 1 month	1–3 months	3 months to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
<b>As at 31 December 2012</b>									
<b>Hedging instruments</b>									
Interest rate swap contracts	1,350	1,200	12,487	10,036	9,346	9,129	4,294	43,331	91,173
Cross currency swap contracts	–	–	5,678	6,048	1,660	2,006	2,459	13,755	31,606
<b>Trading instruments</b>									
Forward rate agreements (FRA)	2,000	–	45	–	–	–	–	–	2,045
Interest rate swap contracts	692	6,332	15,421	25,295	20,553	11,353	9,473	49,109	138,228
Foreign exchange contracts (Purchase)	974	1,702	3,533	883	307	80	1	–	7,480
Foreign exchange contracts (Sale)	967	1,723	3,560	890	309	82	1	–	7,532
Option contracts (Purchase)	4,133	2,771	13,417	5,314	5,168	2,482	2,721	5,889	41,895
Option contracts (Sale)	4,133	2,771	13,417	5,314	5,168	2,482	2,721	5,889	41,895
Interest rate futures	1,420	–	–	–	–	–	–	–	1,420
Commodity instruments	12	18	40	1,226	261	–	322	–	1,879
Cross currency swap contracts	25,483	4,817	730	2,052	128	1,293	–	5,897	40,400
<b>As at 31 December 2011</b>									
<b>Hedging instruments</b>									
Interest rate swap contracts	532	668	12,928	15,187	8,366	7,764	8,841	28,171	82,457
Cross currency swap contracts	1,539	327	861	5,853	5,860	1,660	2,007	17,539	35,646
<b>Trading instruments</b>									
Interest rate swap contracts	800	2,034	12,886	23,857	21,912	21,804	9,722	31,270	124,285
Foreign exchange contracts (Purchase)	763	2,506	3,243	1,589	103	7	–	–	8,211
Foreign exchange contracts (Sale)	756	2,410	3,144	1,551	102	7	–	–	7,970
Option contracts (Purchase)	2,392	9,557	17,410	10,154	3,106	2,834	2,458	5,998	53,909
Option contracts (Sale)	2,392	9,557	17,410	10,154	3,106	2,834	2,458	5,998	53,909
Interest rate futures	1,226	–	–	–	–	–	–	–	1,226
Commodity instruments	40	90	1,148	2	1,003	–	–	–	2,283
Cross currency swap contracts	23,097	6,946	206	507	800	131	–	2,054	33,741

## 34. Segment reporting

The Bank presents the segment information based on performance criteria as stated in Note 3 (o).

### (a) Information on segments based on client categories

MCZK	Retail banking, including small and medium-sized firms	Private, corporate and investment banking	Other	Total
<b>As at 31 December 2012</b>				
Net interest and dividend income	1,661	4,439	155	6,255
Other net income	1,216	2,252	45	3,513
Depreciation of property and equipment and amortization of intangible assets	(104)	(3)	(48)	(155)
Impairment and provisions	(280)	(1,180)	(13)	(1,473)
Segment expenses	(2,465)	(1,913)	(68)	(4,446)
Profit before tax	28	3,595	71	3,694
Income tax	–	–	(537)	(537)
Result of segment	28	3,595	(466)	3,157
Segment assets	40,617	265,932	13,360	318,909
Segment liabilities	72,119	188,327	19,526	279,972
<b>As at 31 December 2011</b>				
Net interest and dividend income	1,657	4,263	627	6,547
Other net income	995	2,233	(2,724)	504
Depreciation of property and equipment and amortization of intangible assets	(90)	(3)	(47)	(140)
Impairment and provisions	(8)	(1,314)	74	(1,248)
Segment expenses	(2,375)	(1,834)	(370)	(4,579)
Profit before tax	179	3,345	(2,190)	1,334
Income tax	–	–	(188)	(188)
Result of segment	179	3,345	(2,378)	1,146
Segment assets	35,145	195,450	58,149	288,744
Segment liabilities	64,566	171,598	19,486	255,650

## 35. Financial risk management

### (a) Introduction

The Bank is exposed to the following types of risk:

- credit risk,
- market risk, and
- operational risk.

The Bank's Board of Directors is responsible for, and approves, the overall strategy of risk management, which is reviewed on a regular basis. The Board has established an Assets and Liabilities Committee (ALCO), Credit Committee and Committee for the Management of Operational Risk in order to monitor and manage particular risks for its specific areas. These Committees report to the Bank's Board on a regular basis.

### (b) Credit risk

The Bank is exposed to credit risks as a result of its trading activities, providing loans, hedging transactions, investment and intermediation activities. Credit risk is managed at two levels: at the level of the individual client (transaction) and at the portfolio level.

The Credit Underwriting, Credit Models & Reporting, and Credit Operations departments are directly responsible for credit risk management. All are organizationally independent of the business divisions and directly accountable to the member of the Board of Directors responsible for risk management.

The Bank defines in its credit policy general principles, methods and instruments used for the purpose of identification, measurement and management of credit risk. The Credit Models & Reporting Department is responsible for setting loan policy, which is revised at least once a year.

The Bank defines in its internal guidelines approval competencies for credit deals, including definition of responsibilities and competencies of the Credit Committee.

#### **(i) Credit risk management at individual client level**

The credit risk at client level is managed by analysing the client's financial standing and setting limits on the credit extended. The analysis is focused on the client's standing in the relevant market, rating of the client's financial statements, prediction of future liquidity, and the like. The result of this analysis is, among other things, to establish a rating that reflects the probability of the client's default and takes into account quantitative, qualitative and behavioural factors. The financial standing analysis is carried out, and a credit limit and rating set, before credit is granted as well as regularly during the course of the credit relationship with the client. The internal rating system comprises 26 rating levels (1 to 10 with the use of "+" and "-" in several rating classes: 1+, 1, 1-, 2+, etc.). This system assesses not only the client's possible delay in making loan payments, but also the client's financial ratios and indicators (such as the structure of, and relationships between, the balance sheet, income statement, and cash flows), quality of management, ownership structure, market position, quality of reporting, production equipment, account-use history and behaviour, and the like. Clients with receivables categorized as substandard, doubtful and loss are always assigned to a rating class for clients in default, i.e. one of 8-, 9 or 10.

If an external rating of the borrower prepared by a reputable rating agency is available, those rating results also are taken into account in assessing the borrower. However, this rating does not take the place of the Bank's internal rating system.

For receivables from individuals, the ability of the client to fulfil his or her obligations is determined using a standardized system of credit scoring based on risk-relevant characteristics (credit application scoring). The Bank likewise sets and regularly updates the probability of client default for individuals using the behavioural scoring method. A client's final rating combines both application and behavioural components.

As an additional source of information for assessing a client's financial standing, the Bank uses information from credit registries, mainly the CBCB—Czech Banking Credit Bureau, a.s., the CNB Central Credit Registry, and the SOLUS association registry.

In accordance with its credit risk management strategy, the Bank requires collateral for all provided credit before the credit is granted (according to the client's financial standing and the nature of the transaction). The Bank considers the following to be acceptable types of collateral: cash, first-class securities, guarantee from another reputable entity (including bank guarantees), pledge in form of real estate. The Bank's appraisal of the net realizable value of the collateral is conservative and an expert appraisal, based in particular on the financial standing of the collateral provider as well as the nominal value of the collateral, is prepared by the Bank's specialist department. The net realizable value of the collateral is determined

using this value and a correction coefficient, which reflects the Bank's ability to realize the collateral if and when necessary.

#### **(ii) Credit risk management at portfolio level**

Credit risk management at this level involves mainly loan portfolio reporting including analyses and monitoring of trends in certain credit sub-portfolios.

The Bank monitors its overall credit risk position by taking into account all on-balance and off-balance sheet exposures and quantifying the expected loss from its credit exposure. The Bank regularly monitors its credit exposure to individual sectors of the economy, countries, or economically connected groups of debtors. The Bank assesses the concentration risk of the loan portfolio on a regular basis and establishes concentration limits as appropriate in relation to specific industries, countries, or economically connected groups of debtors.

#### **(iii) Classification of receivables, impairment and provisions**

The Bank categorizes its receivables arising from financial activities on a monthly basis, in accordance with Decree No. 123/2007 Coll. of the CNB.

The Bank regularly assesses whether any possible permanent decrease in the balance sheet value of receivables has occurred. In case that the Bank identifies such a decrease, it creates provisions for each account receivable or portfolio of receivables, respectively, in accordance with IFRS.

#### Impairment of individual loans

The Bank recognizes the impairment of an individual loan if the loan's carrying amount decreases and the Bank does not write off such amount (or that part of the loan receivable corresponding to the loss from the loan's carrying amount). The Bank assesses impairment of the carrying amount for each watched loan receivable and for all loan receivables with debtors in default. The Bank writes off a receivable when it does not expect any income from that receivable or from realizing collateral related to such receivable.

The Bank calculates an individual impairment loss as the difference between the carrying amount (reduced by the materially acceptable value of collateral) and the discounted value of estimated future cash flows from the unsecured part of the loan.

#### Impairment of loan portfolios

The Bank recognizes impairment losses of the standard loans portfolio if it identifies a decrease in the portfolio's carrying amount as a result of events indicating a decrease of expected future cash flows from this portfolio. Provisions are assigned to individual portfolios, not to individual loan cases.

The Bank uses the concept of "incurred loss" when identifying portfolio impairment, considering the time delay between an impairment event's occurrence and the time the Bank obtains information on the impairment event (i.e. when the receivable is removed from the portfolio of standard receivables and the decrease

in the value is considered in accordance with the common practice used for individual receivables; that is, when the loss in value of the individual receivable is recognized). The method currently used is in accordance with the UCI Group methodology used for incurred loss determination.

#### Provisions for off-balance sheet items

- (i) Provisions for off-balance sheet items at the Bank's clients for whom there is currently recorded a particular balance sheet receivable fulfilling the conditions for ranking into the watched loan category or a loan with debtor's default category and the Bank creates the provisions for such loans.  
Note: The Bank does not create such provisions for undrawn credit lines for credit cards issued.
- (ii) Provisions for selected off-balance sheet items at the Bank's clients for whom the Bank records no balance sheet receivable in a given period, even though, in a case that such receivable would exist, the conditions for ranking it into watched loan or loan with debtor's default category would be fulfilled.
- (iii) Provisions for selected off-balance sheet items that are ranked into portfolios. The Bank recognizes such provisions in the same way as used in creating impairment of loan portfolios.

#### **(iv) Recovery of receivables**

The Bank has established a Credit Workout & Restructuring Unit to deal with the recovery of loans in respect of receivables considered to be at risk. This unit aims to achieve one or more of the following goals:

- a) "revitalization" of the credit relationship, restructuring and subsequent reclassification to standard receivables;
- b) full repayment of the loan;
- c) minimization of the loss from the loan (realization of collateral, sale of receivable with a discount, etc.);
- d) prevention of further losses from the loan (comparison of future income versus expenses).

#### **(c) Market risk**

##### **(i) Trading**

The Bank holds trading positions in certain financial instruments, including financial derivatives. The majority of the Bank's business activities are conducted according to the requirements of its customers. Depending on the estimated demand of its customers, the Bank holds a certain supply of financial instruments and maintains access to the financial markets through the quoting of bid and offer prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets. The Bank's business strategy is thus affected by speculation and market making and its goal is to maximize the net income from trading.

The Bank manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are limits on volumes applicable to individual transactions, limits

for portfolio sensitivity (basis point value, or BPV), stop loss limits and Value at Risk (VaR) limits. The quantitative methods applied to risk management are included in the following section "Market risk management". The majority of derivatives are negotiated on the OTC market due to the non-existence of a public market for financial derivatives in the Czech Republic.

##### **(ii) Market risk management**

Below are described selected risks to which the Bank is exposed through its trading activities, principles of managing positions resulting from these activities, and also management of these risks. The procedures that the Bank uses to measure and manage these risks are described in detail in the following paragraphs.

The Bank is exposed to market risks which flow from its open positions in interest rate, equity and foreign currency instruments that are sensitive to changes in financial market conditions.

The Bank's risk management concentrates on management of the total net exposure resulting from the Bank's structure of assets and liabilities. The Bank monitors interest rate risks by observing the sensitivity of particular assets or liabilities in individual time periods, which is expressed by change in the present values of assets and liabilities if interest rates increase by 1 basis point (BPV). For hedge accounting purposes the Bank identifies specific assets/liabilities causing this incongruity in a way to meet the accounting criteria for the application of hedge accounting.

##### Value at Risk

Value at Risk represents the main method for managing the market risks arising from the Bank's activities. Value at Risk represents the potential loss from an unfavourable movement on the market within a certain time period at a certain confidence level. The Bank determines the Value at Risk through the stochastic simulation of a wide range of potential scenarios on the financial markets. Value at Risk is measured based on a 1-day holding period and a confidence level of 99%.

The assumptions upon which the Value at Risk model is based have the following limitations:

- The 1-day holding period supposes that all the positions can be closed during a single day. This assumption need not always apply on less liquid markets.
- The 99% confidence level does not reflect all possible losses that can occur at this confidence level.
- VaR is calculated from the positions at the end of the trading day and does not consider the positions which can be opened "intra-day".
- Using historical data as a basic determinant of possible future development does not necessarily cover all of the possible future scenarios, especially crisis scenarios.

The Bank uses VaR to measure interest rate risk, foreign currency risk, equity risk and other types of risk connected with negative movements in the prices of market factors (spread risk, option risk, etc.). The structure of VaR limits is approved by the Assets

and Liabilities Committee (ALCO), and at least once a year the structure and the amount of limits are revised in accordance with the Bank's needs and developments on the financial markets. The results of VaR calculation are published daily for selected users (Board of Directors, plus selected employees of the Financial Markets Department, Market Risk Department, Assets & Liabilities Management Unit, and the MARS of the parent bank and sub-holding).

The following are the Bank's Values at Risk:

MCZK	As at	Average	As at	Average
	31/12/2012	1/1/2012–31/12/2012	31/12/2011	1/1/2011–31/12/2011
VaR of interest rate instruments	227.7	203	178.1	142.3
VaR of currency instruments	0.79	1.96	2.0	1.7
VaR of equity instruments	0.12	0.79	0.57	0.96

#### Interest rate risk

The Bank is exposed to interest rate risk as a result of the fact that interest-bearing assets and liabilities have different maturities or interest rate re-pricing periods and different volumes during these periods. In the event of a change in interest rates, the Bank is exposed to a risk as a result of the different mechanism or timing of adjustments to particular types of interest rates (such as PRIBOR), declared interest rates on deposits, etc. The activities in the area of interest risk management are focused on optimizing the Bank's net interest revenue in accordance with the strategy approved by the Board of Directors. The Bank's overall interest rate position as at 31 December is characterized by greater interest rate sensitivity on the assets side. This is seen in the negative overall BPV, whereby in the case of a simultaneous rise in interest rates for individual currencies there could occur a modest decline in market valuation. The Bank's interest rate position is diversified into individual time bands and several currencies, whereby the divergent interest rate risks of individual currencies are compensated with regard to the overall portfolio of assets and liabilities. The major sensitivity is connected to the CZK and EUR. The Bank's overall position is approximately balanced.

Interest rate derivatives are generally used to manage the incongruity between the interest sensitivity of assets and liabilities. These transactions are carried out in accordance with the Bank's strategy for managing the assets and liabilities approved by the Board of Directors. Part of the Bank's income is generated by the intentional incongruity between the interest rate sensitive assets and liabilities.

The Bank applies a "Basis Point Value (BPV)" approach for measuring interest sensitivity of assets and liabilities. BPV represents the change

#### Back-testing – Value at Risk

The results of this model are back-tested and compared with the results of the actual changes in interest rates on the financial markets on a daily basis. If the Bank identifies any inaccuracies, the model is adjusted to be in line with the current development on the financial markets.

in the present value of cash flows derived from individual instruments if interest rates increase by 1 basis point (0.01%), i.e. it represents the sensitivity of instruments to interest rate risks. The Bank set up the interest rate risk limits to restrict oscillation of net interest income resulting from changes of interest rates by 0.01% (the "BPV limit").

#### Stress testing of interest rate risk

The Bank carries out weekly stress testing of interest rate sensitivity by applying historical scenarios of significant movements on financial markets, internally defined improbable scenarios, and group macro scenarios and simulates their impact on the Bank's financial results. Due to the fact that the Bank enters into derivatives transactions in order to hedge the interest rate risk for the entire interest rate-sensitive part of the balance sheet, the stress tests are not performed separately for trading and investment portfolios but on an aggregated basis.

The standard stress scenario corresponds to a parallel shift in the yield curve by 200 basis points for major currencies (CZK, EUR, USD), and the main alternative scenario (money market stress test) corresponds to a parallel shift in the short tail of the yield curve for major currencies (CZK, EUR, USD), with a maturity of up to 2 years, by 250 basis points. The following table shows the impact on the Bank's profit from a parallel shift of the yield curve. The Bank uses the euro as the base currency for stress testing. The values as at year ends and maximum and minimum values are translated to CZK by the CNB FX rate as at 31 December of the particular year (2012: 25.14 CZK/EUR; 2011: 25.80 CZK/EUR). Average values are translated to CZK by the average value of daily FX rates for the particular year (average 2012: 25.145 CZK/EUR; average 2011: 24.586 CZK/EUR).

MCZK	Basic stress test		MM stress test
	-200bp	+200bp	+250bp
Value as at 31 December 2012	(112)	265	129
Average for the year	(130)	161	(52)
Maximum value	10	383	129
Minimum value	(349)	(58)	(195)
Value as at 31 December 2011	54	(124)	(254)
Average for the year	(115)	124	(43)
Maximum value	452	539	103
Minimum value	(364)	(333)	(254)

The following table includes interest rate sensitivity of the Bank's assets and liabilities as well as effective interest rates (EIR).

MCZK	% EIR	Up to 1 month	1-3 months	3 months to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspecified	Total
<b>As at 31 December 2012</b>											
Cash in hand and balances with central banks	-	4,473	-	-	-	-	-	-	-	1,657	6,130
Financial assets held for trading	2.96	746	-	2,379	-	-	-	-	-	4,559	7,684
Receivables from banks	0.33	27,621	3,959	593	-	-	-	-	-	-	32,173
Receivables from clients	3.07	50,499	93,452	18,069	7,604	6,862	1,769	2,133	4,327	-	184,715
Financial investments	3.81	3,784	10,257	63,859	-	-	-	-	-	2,220	80,120
Deposits from banks	0.66	18,689	10,563	1,374	-	3,604	-	-	-	-	34,230
Deposits from clients	0.85	177,780	6,252	6,568	3,735	384	268	106	27	-	195,120
Debt securities issued	4.76	2,019	6,430	27,745	-	-	-	-	-	-	36,194
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	5,956	5,956

MCZK	% EIR	Up to 1 month	1-3 months	3 months to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspecified	Total
<b>As at 31 December 2011</b>											
Cash in hand and balances with central banks	-	2,727	-	-	-	-	-	-	-	2,352	5,079
Financial assets held for trading	3.67	-	153	15,496	-	-	-	-	-	4,999	20,648
Receivables from banks	0.98	19,262	4,224	620	-	-	-	-	-	-	24,106
Receivables from clients	3.72	45,520	61,130	45,984	11,002	7,664	3,991	2,601	3,888	-	181,780
Financial investments	4.07	4,371	3,989	40,619	-	-	-	-	-	2,212	51,191
Deposits from banks	1.19	19,237	11,529	1,670	-	-	-	-	-	-	32,436
Deposits from clients	0.87	162,873	4,759	6,399	3,171	1,017	225	266	24	-	178,734
Debt securities issued	5.34	495	5,708	25,026	119	47	-	-	-	-	31,395
Financial liabilities held for trading	-	-	-	-	-	-	-	-	-	5,489	5,489

#### Hedge accounting

As part of its market risk management strategy, the Bank hedges against interest rate risk. The Bank's hedge strategy uses both fair value hedges and cash flow hedges.

#### Fair value hedging

Hedged instruments can be financial assets and liabilities recognized at their carrying amounts (except securities held to maturity) and available-for-sale securities recognized at their fair values, with changes in fair value recognized in equity. Hedging instruments are derivatives (most commonly interest rate swaps and cross currency swaps).

The Bank performs a fair value hedge effectiveness test on the basis of future cash flows of hedged and hedging instruments and of expected interest rates movements (a so-called "prospective test"). On the basis of real interest rate developments, the test of effectiveness is carried out at the last day of each month. The Bank has chosen the monthly frequency of effectiveness testing to be able to detect possible non-effectiveness of hedge relationships.

For particular hedged items and hedging trades (loans, deposits, securities, interest rate swaps, etc.), the amounts of cash flows and dates are determined from the beginning of a hedged relationship until the maturity of the hedged instrument, or until the end of the hedge relationship.

The present values of particular cash flows for the relevant date (date of effectiveness measurement) are determined on the basis of discount factors for specific currencies. The fair value of the trade is the total of discounted cash flows from the relevant trade at the given time. The cumulative change of the fair value is determined by comparing the fair value in the given time with the first revaluation. These cumulative changes are further netted for realized cash flows by subtracting or adding them back.

The hedge is considered as effective if the proportion of cumulative fair value changes of hedged and hedging instruments is between 80% and 125%.

The following table shows the contractual amounts and fair values of derivatives designated as fair value hedging instruments.

MCZK	Contractual amount		Fair value	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Interest rate swaps	11,267	14,364	(208)	(144)
Hedged instruments				
Available-for-sale securities			567	443
Receivables from clients			(183)	(201)
Debt securities issued			562	493
The remaining part of formerly hedged financial instruments				
Available-for-sale securities			–	–
Receivables from clients			–	–

In line with a change in group strategy in the area of hedge accounting, the Bank discontinued fair value hedge accounting for selected financial instruments in December 2003. In connection with this change, the Bank still reports the remaining fair value of those instruments, which is amortized until maturity.

#### Cash flow hedging

The Bank uses the concept of cash flow hedging to eliminate interest rate risk on an aggregate basis. The hedged instruments are future forecasted transactions in the form of interest income and interest expense sensitive to changes in market interest rates. Future anticipated transactions ensue from contracts actually concluded as well as from future transactions established on the basis of replication models. The hedging instruments are derivatives (most commonly interest rate swaps and cross currency swaps). The effectiveness of a cash flow hedge is determined in accordance with BA Group standards, which are contained in an approved methodology. First, the nominal values (divided into assets

and liabilities) of external trades for which the interest cash flow (established on the basis of refinancing the “funding” rate) may be considered as variable are identified for specific currencies (hedged cash flows). Second, for these same currencies the nominal interest cash flows of variable hedging instrument parts are identified and are monitored on a net basis (i.e. cash in net of cash out). The Bank compares the absolute value of future variable interest cash flows from hedged deals for specific time periods with the absolute value (having the opposite sign, plus or minus) of net variable cash flows from hedging derivatives. The time periods are defined as follows: up to 1 month, 1–2 months, 2–3 months, 3–6 months, 6–9 months, 9–12 months, 12–18 months, 18 months to 2 years, and thereafter for individual years, 10–15 years, and greater than 15 years. The hedge is judged effective if the absolute volume of variable interest cash flows from hedged deals is greater in each of the time periods, and this is measured separately for each monitored currency.

The following table shows the contractual and fair values of derivatives designated as cash flow hedging instruments.

MCZK	Contractual amount		Fair value	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Interest rate swaps	79,906	68,093	2,284	1,303
Cross currency swaps	31,606	35,646	(47)	(359)

#### Currency risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, comprise the Bank’s exposure to currency risks. Both realized and unrealized foreign exchange gains and losses are reported directly in the income statement.

The Bank has established a system of currency risk limits based on its net currency exposure in individual currencies. The Bank has determined a currency risk limit of MEUR 30 with respect to the total net currency exposure and to individual main currencies (CZK, EUR) and of MEUR 20 to the USD. For remaining currencies valid limits range from MEUR 0.2 to MEUR 5 according to the risk profile of a particular currency.



The Bank's position in foreign currencies is as follows:

MCZK	CZK	EUR	USD	CHF	HUF	Others	Total
<b>As at 31 December 2012</b>							
Cash in hand and balances with central banks	5,779	242	72	15	–	22	6,130
Financial assets held for trading	7,386	298	–	–	–	–	7,684
Receivables from banks	22,488	7,962	829	162	90	642	32,173
Receivables from clients	130,677	51,851	1,513	583	21	70	184,715
Financial investments	61,513	18,607	–	–	–	–	80,120
Property and equipment	1,085	–	–	–	–	–	1,085
Intangible assets	2	–	–	–	–	–	2
Deferred tax asset	385	–	–	–	–	–	385
Other assets	5,920	342	269	22	–	44	6,597
Non-current assets for sale	18	–	–	–	–	–	18
Deposits from banks	17,828	16,110	292	–	–	–	34,230
Deposits from clients	153,466	34,919	5,435	421	41	838	195,120
Debt securities issued	35,927	758	139	–	–	–	36,824
Financial liabilities held for trading	5,956	–	–	–	–	–	5,956
Provisions	979	48	–	–	–	–	1,027
Deferred tax liability	970	–	–	–	–	–	970
Other liabilities	4,935	1,347	161	2	1	29	6,475
Equity	38,545	391	–	1	–	–	38,937
<b>As at 31 December 2011</b>							
Cash in hand and balances with central banks	4,206	572	189	39	–	73	5,079
Financial assets held for trading	20,227	421	–	–	–	–	20,648
Receivables from banks	13,731	9,819	4	140	12	307	24,013
Receivables from clients	127,601	51,763	1,603	735	13	65	181,780
Financial investments	37,273	13,867	–	–	51	–	51,191
Property and equipment	1,127	–	–	–	–	–	1,127
Intangible assets	–	–	–	–	–	–	–
Deferred tax asset	261	–	–	–	–	–	261
Other assets	4,142	249	96	–	–	1	4,488
Non-current assets for sale	86	–	–	–	–	–	86
Deposits from banks	13,096	17,961	1,143	–	–	236	32,436
Deposits from clients	145,072	27,751	4,749	412	19	649	178,652
Debt securities issued	30,313	843	239	–	–	–	31,395
Financial liabilities held for trading	5,458	31	–	–	–	–	5,489
Provisions	1,037	92	–	–	–	–	1,129
Deferred tax liability	394	–	–	–	–	–	394
Other liabilities	5,198	652	222	4	–	8	6,084
Equity	33,308	(216)	–	2	–	–	33,094

#### Equity risk

Equity risk is the risk of movement in the prices of equity instruments held in the Bank's portfolio and of financial derivatives derived from these instruments. The main source of this risk is trading in equity instruments, although some equity risk also arises as a result of the Bank's non-trading activities. The risks associated with equity instruments are managed through trading limits. The methods used to manage these risks are described above.

#### Liquidity risk

Liquidity risk arises as a result of the manner of financing the Bank's activities and managing its positions. It includes both the risk that

the Bank would be unable to finance its assets using instruments with appropriate maturity and the risk that the Bank would be unable to dispose of its assets for an appropriate price within the necessary time period.

The Bank has access to diverse sources of funds, which comprise deposits and other savings, securities issued, loans taken (including subordinated loans) and its own equity capital. This diversification makes the Bank flexible and limits its dependency on any single funding source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of funding and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Board of Directors.

The Bank also holds, as part of its liquidity risk management strategy, a proportion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Liquidity risk is evaluated regularly by the Bank using the analysis of differences between the residual maturity of assets and liabilities. Two approaches are used: short-term and long-term (structural). In the short-term approach, the Bank monitors daily and in detail with a view to the next several weeks the difference between liquidity inflows and outflows. Limits are set for cumulative inflows and outflows. If limits are breached, the Bank takes action to reduce the liquidity risk. In the long-term perspective, the Bank monitors the difference between the maturity of assets and liabilities in periods longer than 1 year. For products with a non-specified maturity (i.e. current accounts) the Bank has developed a model for their

expected residual maturity. The Bank again sets limits, and appropriate action is taken if they are breached (e.g. by acquiring long-term sources of refinancing).

The Bank has drawn up a contingency plan for the possible case of a liquidity crisis. This plan defines roles, responsibilities and the process of managing a crisis. It also defines the possible measures which should be considered if there is a crisis situation.

Stress tests of short-term liquidity are performed by the Bank on a monthly basis. The stress tests verify the Bank's ability to overcome extreme situations such as systemic interruption of the inter-bank money market, a decrease in the Bank's credit rating, IT system breakdowns, and reputation risk to the Bank. The stress scenarios' results are presented to the ALCO.

Residual maturity of the Bank's assets and liabilities:

MCZK	Up to 1 month	1–3 months	3 months to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Unspe- cified	Total
<b>As at 31 December 2012</b>										
Cash in hand and balances with central banks	4,473	–	–	–	–	–	–	–	1,657	6,130
Financial assets held for trading	121	122	730	817	732	355	2,232	2,556	19	7,684
Receivables from banks	26,112	3,959	91	629	–	–	1,257	–	125	32,173
Receivables from clients	19,388	13,309	26,264	24,589	18,797	17,114	13,426	48,586	3,242	184,715
Financial investments	2,707	8,598	16,445	2,320	–	–	29,590	20,460	–	80,120
Property and equipment	–	–	–	–	–	–	–	–	1,085	1,085
Intangible assets	–	–	–	–	–	–	–	–	2	2
Deferred tax asset	–	–	–	–	–	–	–	–	385	385
Other assets	54	24	151	251	548	652	519	2,508	1,890	6,597
Non-current assets held for sale	–	–	18	–	–	–	–	–	–	18
<b>Total</b>	<b>52,855</b>	<b>26,012</b>	<b>43,699</b>	<b>28,606</b>	<b>20,077</b>	<b>18,121</b>	<b>47,024</b>	<b>74,110</b>	<b>8,405</b>	<b>318,909</b>
Deposits from banks	17,642	3,958	4	10	3,604	–	1,429	7,583	–	34,230
Deposits from clients	172,344	7,791	8,316	3,766	389	268	106	32	2,108	195,120
Debt securities issued	1,160	235	2,858	5,730	–	–	22,682	3,006	523	36,194
Financial liabilities held for trading	112	167	421	761	927	457	189	2,922	–	5,956
Provisions	–	–	–	–	–	–	–	–	1,027	1,027
Deferred tax liability	–	–	–	–	–	–	–	–	970	970
Other liabilities	185	–	160	89	460	143	–	1,864	3,574	6,475
Equity	–	–	–	–	–	–	–	–	38,937	38,937
<b>Total</b>	<b>191,443</b>	<b>12,151</b>	<b>11,759</b>	<b>10,356</b>	<b>5,380</b>	<b>868</b>	<b>24,406</b>	<b>15,407</b>	<b>47,139</b>	<b>318,909</b>
<b>Gap</b>	<b>(138,588)</b>	<b>13,861</b>	<b>31,940</b>	<b>18,250</b>	<b>14,697</b>	<b>17,253</b>	<b>22,618</b>	<b>58,703</b>	<b>(38,734)</b>	<b>–</b>
<b>Cumulative gap</b>	<b>(138,588)</b>	<b>(124,727)</b>	<b>(92,787)</b>	<b>(74,537)</b>	<b>(59,840)</b>	<b>(42,587)</b>	<b>(19,969)</b>	<b>38,734</b>	<b>–</b>	<b>–</b>

MCZK	Up to 1 month	1-3 months	3 months to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspe- cified	Total
<b>As at 31 December 2011</b>										
Cash in hand and balances with central banks	2,727	-	-	-	-	-	-	-	2,352	5,079
Financial assets held for trading	212	736	13,288	1,487	1,081	899	291	2,613	41	20,648
Receivables from banks	15,815	4,224	1,523	645	645	645	516	-	-	24,013
Receivables from clients	15,718	9,496	28,705	21,544	16,297	12,012	28,557	49,451	-	181,780
Financial investments	3,204	1,471	7,828	2,469	1,283	13,595	3,523	17,818	-	51,191
Property and equipment	-	-	-	-	-	-	-	-	1,127	1,127
Intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-	261	261
Other assets	40	19	103	316	173	356	388	1,923	1,170	4,488
Non-current assets held for sale	-	86	-	-	-	-	-	-	-	86
<b>Total</b>	<b>37,716</b>	<b>16,032</b>	<b>51,447</b>	<b>26,461</b>	<b>19,479</b>	<b>27,507</b>	<b>33,275</b>	<b>71,805</b>	<b>4,951</b>	<b>288,673</b>
Deposits from banks	18,149	6,111	169	3	10	7	1,432	6,555	-	32,436
Deposits from clients	151,022	12,353	8,594	3,232	1,027	225	266	29	1,904	178,652
Debt securities issued	-	3,943	5,045	3,851	1,265	8,007	446	8,393	445	31,395
Financial liabilities held for trading	257	206	468	704	613	690	300	2,251	-	5,489
Provisions	-	-	-	-	-	-	-	-	1,129	1,129
Deferred tax liability	-	-	-	-	-	-	-	-	394	394
Other liabilities	51	-	124	252	280	222	219	1,408	3,528	6,084
Equity	-	-	-	-	-	-	-	-	33,094	33,094
<b>Total</b>	<b>169,479</b>	<b>22,613</b>	<b>14,400</b>	<b>8,042</b>	<b>3,195</b>	<b>9,151</b>	<b>2,663</b>	<b>18,636</b>	<b>40,494</b>	<b>288,673</b>
<b>Gap</b>	<b>(131,763)</b>	<b>(6,581)</b>	<b>37,047</b>	<b>18,419</b>	<b>16,284</b>	<b>18,356</b>	<b>30,612</b>	<b>53,169</b>	<b>(35,543)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(131,763)</b>	<b>(138,344)</b>	<b>(101,297)</b>	<b>(82,878)</b>	<b>(66,594)</b>	<b>(48,238)</b>	<b>(17,626)</b>	<b>35,543</b>	<b>-</b>	<b>-</b>

The following table shows the undiscounted cash flows for the Bank's non-derivative financial liabilities, including issued guarantees and undrawn loan commitments. These financial instruments are split into time baskets on the basis of residual maturity of loan commitments. The Bank's expected cash flows for the stated instruments differ significantly from those shown in the table. For example, demand deposits from clients are expected to maintain a stable or increasing balance (as they will be replaced over time) and undrawn loan commitments are not all expected to be drawn.

The gross nominal inflows/(outflows) in the following table represent the contractual undiscounted cash flows relating to derivative financial liabilities. The values represent actually known nominal cash flows and also future nominal cash flows determined on the basis of FRA rates calculated from yield curves as at 31 December 2012.

Remaining maturity of the Bank's non-derivative financial liabilities:

MCZK	Book value	Net cash flow to/(from)	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Unspe- cified
<b>As at 31 December 2012</b>								
Deposits from banks	34,230	(34,243)	(7,322)	(3,958)	(4)	(5,043)	(7,589)	(10,327)
Deposits from clients	195,120	(195,151)	(16,844)	(7,794)	(8,335)	(4,530)	(34)	(157,614)
Debt securities issued	36,194	(36,272)	(1,160)	(235)	(2,858)	(28,412)	(3,006)	(601)
Financial liabilities held for trading	1,532	(1,532)	(1,532)	-	-	-	-	-
<b>Total</b>	<b>267,076</b>	<b>(267,198)</b>	<b>(26,858)</b>	<b>(11,987)</b>	<b>(11,197)</b>	<b>(37,985)</b>	<b>(10,629)</b>	<b>(168,542)</b>
Unused credit commitments	78,108	(78,108)	(2,536)	(8,622)	(28,864)	(20,461)	(15,564)	(2,061)
Letters of credit and bank guarantees	29,167	(29,167)	(466)	(2,863)	(8,500)	(16,203)	(1,116)	(19)
<b>As at 31 December 2011</b>								
Deposits from banks	32,436	(34,373)	(14,519)	(6,105)	(172)	(2,002)	(7,939)	(3,636)
Deposits from clients	178,652	(179,035)	(44,419)	(10,040)	(8,502)	(4,957)	(40)	(111,077)
Debt securities issued	31,395	(36,462)	-	(4,480)	(4,656)	(15,075)	(12,251)	-
Financial liabilities held for trading	1,392	(1,392)	(1,392)	-	-	-	-	-
<b>Total</b>	<b>243,915</b>	<b>(251,262)</b>	<b>(60,330)</b>	<b>(20,625)</b>	<b>(13,330)</b>	<b>(22,034)</b>	<b>(20,230)</b>	<b>(114,713)</b>
Unused credit commitments	75,788	(75,789)	(4,227)	(4,812)	(24,185)	(22,345)	(20,220)	-
Letters of credit and bank guarantees	28,931	(28,931)	(1,086)	(1,903)	(9,386)	(14,314)	(2,242)	-

Remaining maturity of the Bank's derivative financial liabilities:

MCZK	Book value	Net cash flow						Unspecified
		to/(from)	Up to 1 month	1–3 months	3 months to 1 year	1–5 years	Over 5 years	
<b>As at 31 December 2012</b>								
Trading derivatives	4,424	–	–	–	–	–	–	–
Inflows	–	32,192	15,883	3,254	2,566	4,592	5,897	–
Outflows	–	(32,309)	(15,916)	(3,208)	(2,523)	(4,657)	(6,005)	–
Derivatives used for hedging	2,645	–	–	–	–	–	–	–
Inflows	–	31,812	–	–	5,826	12,194	13,792	–
Outflows	–	(32,482)	(257)	(1)	(5,735)	(12,494)	(13,995)	–
<b>Total</b>	<b>7,069</b>	<b>(787)</b>	<b>(290)</b>	<b>45</b>	<b>134</b>	<b>(365)</b>	<b>(311)</b>	<b>–</b>
<b>As at 31 December 2011</b>								
Trading derivatives	4,097	–	–	–	–	–	–	–
Inflows	–	26,946	14,373	7,924	588	2,007	2,054	–
Outflows	–	(25,879)	(14,150)	(7,062)	(565)	(2,019)	(2,083)	–
Derivatives used for hedging	2,513	–	–	–	–	–	–	–
Inflows	–	46,892	1,551	330	634	27,093	17,284	–
Outflows	–	(47,285)	(1,727)	(330)	(643)	(27,219)	(17,366)	–
<b>Total</b>	<b>6,610</b>	<b>674</b>	<b>47</b>	<b>862</b>	<b>14</b>	<b>(138)</b>	<b>(111)</b>	<b>–</b>

#### (d) Operational risk

Operational risk constitutes the risk of a loss due to the absence, violation or exceedance of rules, or failure to uphold these rules, and to damages caused by failure of internal processes, human or system error, or external events. Strategic risk, business risk and reputation risk differ from operational risk while legal risk and compliance risk are included into the definition of operational risk. The Bank's organizational structure and its internal rules fully respect the segregation of incompatible duties and prevent any conflict of interests. Internal rules unambiguously define rights and obligations of employees, including management, and regulate the working processes and control activities. The Operational Risk Management Committee is the main control and decision body regarding operational risk. All members of the Board of Directors are permanent members of the committee. The Operational Risk Department is an independent body reporting directly to the member of the Board of Directors responsible for risk management. The Operational Risk Department is entrusted with ensuring unified and coordinated operational risk management in accordance with the applicable regulations and the standards of the parent company. The operational risk management and monitoring themselves are performed by the designated employees of the individual departments. The Internal Audit Department identifies extraordinary trends and breach of or non-compliance with directives and it assesses the control and management system's functionality. In 2012, the Bank continued developing and setting up a comprehensive system for identifying, monitoring and managing operational risk.

To ensure effective collection of operational risk events and data, the Bank uses an online information system developed by UniCredit Group. The system complies with the requirements for capital adequacy management, in accordance with the new Basel II

regulation. The data acquired through the system are taken into account when calculating the capital requirement as well as in managing operational risk and form one of the bases for designing processes that will lead to a reduced number of particular events and the mitigation of their consequences (e.g. in preparing a strategic insurance plan for the Bank). The data are also used for rechecking the reliability of proposed measures for operational risk mitigation. Data are collected continuously in cooperation with the Bank's departments. All significant events are reported and resolved immediately. Based on the collected data, a quarterly consolidated report is prepared, which is presented to the Operational Risk Management Committee and distributed within the Bank. The Board of Directors, Internal Audit Department and the parent company are informed about the most significant cases of operational risk on a weekly basis, or immediately if necessary. The data are regularly reconciled with the accounting and other sources in order to ensure their completeness and accuracy.

In 2012, the Bank also performed a scenario analysis and a risk indicators and risk limits configuration. The continuity of operations management (emergency planning, crisis management) constitutes another important part of operational risk management. The Bank has updated and tested the recovery plans (for crisis situations) in order to ensure their full usefulness and effectiveness under current conditions. The Operational Risk Department also is increasing the overall awareness of operational risk within the Bank and is training the Bank's staff by means of e-learning, among other training methods. Based on consent obtained from the regulatory body in 2008, the Bank calculates the capital requirement for operational risk under the AMA advanced approach. It uses the Group's model in calculating capital adequacy for operational risk, which is based on internal and external data, results of scenarios analysis, and risk indicators data.

### (e) Capital management

The banking market regulator, the Czech National Bank (CNB), establishes rules for calculating capital requirements and monitors their development. Since 1 January 2008, the Bank has met its requirements in accordance with Basel II. These were implemented by CNB Decree No. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms.

The Bank's regulatory capital consists of:

- original capital (Tier 1), which comprises paid up registered capital, share premium, reserve funds, retained earnings, audited profit for the previous period after tax; minus intangible assets;
- deductible items, which comprise capital investments over 10% in banks and other financial institutions, and significant prudential adjustments as part of a market appraisal or an appraisal using a model.

The following table shows the Bank's regulatory capital:

MCZK	31/12/2012	31/12/2011
Tier 1 capital		
Paid up registered capital	8,750	8,750
Share premium	3,481	3,481
Reserve funds	3,057	2,999
Retained earnings	19,434	16,340
Planned dividends	(1,785)	–
Intangible assets	(2)	–
Total Tier 1	32,935	31,570
Tier 2		
IRB provision excess over expected loss	531	285
Total Tier 2	531	285
Deductible items		
Subordinated debt – granted	–	–
Significant prudential adjustments	(57)	(42)
Total deductible items	(57)	(42)
<b>Total regulatory capital</b>	<b>33,409</b>	<b>31,813</b>

Capital funds amounting to MCZK 37 are not included in Tier 1. Management monitors development of the Bank's capital adequacy and its capital position. The Bank's capital adequacy fulfils the minimum requirement of 8% set by the CNB and Basel II. Management believes that potentially stricter capital adequacy rules that could become effective in 2013 – although that is uncertain as at the date of these financial statements – will not materially affect the Bank's situation.

### (f) Market development in 2012

The year 2012 was characterized by recession in the main global economies and by continuing nervousness regarding the debt crisis in Europe. A significant driving force on financial markets throughout the year was the effort to find solutions to overcome the financial crisis in Europe as well as in the United States. Positive sentiment at the start of the year was replaced by mostly negative information which shaped developments on interbank markets especially in the second half of the year. The uncertainty related to resolving the European debt crisis continued. The situation in Greece culminated at the beginning of the year in the form of a technical default which led to restructuring of the state debt. Spain, Portugal and Italy were also under close surveillance.

Interest rates continued to decrease throughout the year. The Czech National Bank lowered its main interest rate three times during 2012. The last decrease in November 2012 reduced the repo rate to a "technical zero" of 0.05%, which is its lowest level ever. The Bank continued to invest excess liquidity particularly into Czech state bonds, which, in the context of price developments for bonds of other EU countries, have remained the main investment opportunity despite the fact that the credit spread narrowed markedly during 2012. Liquidity also was invested to a limited extent into state bonds issued by neighbouring countries, and in particular Polish and Slovak bonds. For these bonds, however, the condition of maximum liquidity was maintained (i.e. the possibility to use these bonds as collateral for repo operations with central banks in order to ensure a high level of liquidity and other sources of financing in case of sudden need). During 2012, the Bank continued improving its systems and processes of financial risk management in the following ways:

- (i) In the credit risk area:
  - Correction of specific credit policies for clients in selected sectors (financing of commercial real estate, power supply, automotive

- industry, construction industry, machinery, chemical industry and transportation).
- Change of selected product parameters for credit products in retail banking.
  - Improvement of the credit fraud identification process.
  - Strengthening the credit portfolio monitoring process (timely identification of warning signals) and the loan receivables recovery process.
  - Preparation for usage of an advanced (A-IRB) approach to calculate capital requirements on credit risk for the entire banking portfolio (primarily improvement of the Bank's own estimation of LGD and EAD).
  - Continuous improvement of the Bank's rating models.

(ii) In the market risk area:

- During 2012, the Bank worked on preparations for internal VaR model implementation to calculate capital requirements on the

market risk of the trading portfolio, together with improving the control procedure in the market risk process. The Bank has now implemented risk measurement of the regulatory trading book (IRC – Incremental Risk Charge) in compliance with the Basel II requirement.

(iii) In the liquidity area:

- The Bank improved measurement and analysis of its short-term liquidity with a view to creating sufficient reserves of highly liquid assets. The status of short-term liquidity is regularly examined by stress tests. By using stress scenarios, the Bank regularly tests its ability to successfully face unexpected developments on financial markets. Scenarios are presented at each ALCO meeting.
- In view of the upcoming implementation of Basel II requirements, the Bank has begun measuring its liquidity particularly based on calculation and improvement of LCR and NSFR indicators.

## 36. Related party transactions

Entities are considered to be related entities if one entity is able to control the activities of the other or is able to exercise significant influence over the financial or operational policy of the other entity. In its normal course of business, the Bank enters into transactions with related entities. These transactions comprise mainly loans, deposits and other types of transactions and are concluded under normal trade conditions and at normal market prices so that there is no injury to any of the contracting parties.

As related parties were identified namely affiliated companies within the UCI/HVB/BACA Group, subsidiaries and associated companies, Board members and other executives of the Bank.

MCZK	31/12/2012	31/12/2011
<b>Assets</b>		
Receivables from banks	7,176	6,745
<i>thereof:</i>		
UniCredit Bank Austria AG	5,380	6,062
Bank Pekao SA	–	117
UniCredit Bank AG	1,060	315
UniCredit Bank Serbia Jsc	189	195
UniCredit Bank Hungary Zrt.	470	12
UniCredit S.p.A.	–	6
Receivables from clients	3,567	4,250
<i>thereof:</i>		
UniCredit Leasing GmbH	3,344	4,163
Board of Directors	9	6
Other executives	77	81
Financial investments	2,535	2,643
UniCredit Bank Austria AG	2,535	2,592
UniCredit Jelzalogbank Zrt	–	51
<b>Total</b>	<b>13,278</b>	<b>13,638</b>

MCZK	31/12/2012	31/12/2011
<b>Liabilities</b>		
Deposits from banks	7,591	8,251
<i>thereof:</i>		
UniCredit Bank Austria AG	7,141	6,154
UniCredit Luxembourg S.A.	51	28
UniCredit Bank AG	247	1,841
UniCredit Bank Slovakia a.s.	1	1
UniCredit Bank Hungary Zrt.	49	5
UniCredit S.p.A.	98	220
Deposits from clients	1,351	1,135
<i>thereof:</i>		
UniCredit Leasing Group	133	232
Pioneer Asset Management	357	318
Pioneer Investment Company	149	139
UniCredit Business Integrated Solutions S.p.A.	490	92
Board of Directors	41	40
Other executives	60	68
<b>Total</b>	<b>8,942</b>	<b>9,386</b>

MCZK	2012	2011
<b>Revenues</b>		
Interest income and similar income	267	371
<i>thereof:</i>		
UniCredit Bank Austria AG	130	195
UniCredit Bank AG	10	–
UniCredit Leasing Group	115	131
UniCredit Jelzagogbank Zrt.	–	24
Fee and commission income	13	8
<i>thereof:</i>		
UniCredit Bank AG	4	2
UniCredit Bank Austria AG	2	3
UniCredit Leasing Group	4	3
<b>Total</b>	<b>280</b>	<b>381</b>

MCZK	2012	2011
<b>Expenses</b>		
Interest expense and similar charges	(69)	(68)
<i>thereof:</i>		
UniCredit S.p.A.	–	(1)
UniCredit Bank Slovakia a.s.	–	(5)
UniCredit Bank Austria AG	(63)	(46)
UniCredit Bank Hungary Zrt.	(1)	(1)
UniCredit Bank AG	(1)	(11)
Fee and commission expense	–	(1)
<i>thereof:</i>		
UniCredit S.p.A.	–	(1)
General administrative expenses	(896)	(862)
<i>thereof:</i>		
UniCredit Business Integrated Solutions S.p.A.	(852)	(821)
<b>Total</b>	<b>(965)</b>	<b>(980)</b>

## 37. Fair value of financial assets and financial liabilities

The estimate of fair values (see Note 3(b)) is made on the basis of actual market prices, if available. In many cases, however, the market prices of various financial instruments are not available. In such circumstances, the fair values are based on management estimates, discounted cash flow models or other commonly used

valuation methods. The discount factors used for discounting cash flows are derived from yield curves quoted on the market using the standard mathematical approach for discounting. Many of the methods mentioned above are characterized by certain levels of uncertainty, and the fair value estimates cannot always be considered as market values, and, in many cases, these would not necessarily be achieved in selling a certain financial instrument. Changes of initial assumptions used for establishing fair value could have significant impact on this value determination.

The following table analyses the carrying values and fair values of financial assets and liabilities which are not presented in the consolidated balance sheet at their fair values:

MCZK	31/12/2012		31/12/2011	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Receivables from banks	32,173	32,235	24,013	24,119
Receivables from clients	184,715	184,826	181,780	182,625
<b>Financial liabilities</b>				
Deposits from banks	34,230	35,825	32,436	34,279
Deposits from clients	195,120	195,251	178,652	178,906
Debt securities issued	36,194	33,539	31,395	31,411

The following table analyses financial assets and liabilities recognized at fair value based on the quality of the input data used for valuation. The fair value levels are defined as follow:

- Level 1 – prices of the same assets or liabilities quoted on active markets (not corrected);
- Level 2 – input data which do not belong to the first level but are objectively observable in a market, either directly (from price) or indirectly (derived from price);
- Level 3 – input data which do not arise from objectively observable market data (objectively unobservable input data).

MCZK	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2012</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss				
Securities held for trading	2,601	506	–	3,107
Derivatives held for trading	22	4,554	1	4,577
Securities not held for trading	1,532	5,543	–	7,075
Hedging derivatives with positive FV	–	4,674	–	4,674
Available-for-sale securities	19,873	52,917	255	73,045
<b>Financial liabilities</b>				
Financial assets at fair value through profit and loss				
Securities held for trading	1,063	469	–	1,532
Derivatives held for trading	–	4,417	7	4,424
Hedging derivatives with negative FV	–	2,645	–	2,645
<b>As at 31 December 2011</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss				
Securities held for trading	3,709	11,959	–	15,668
Derivatives held for trading	9	4,971	–	4,980
Securities not held for trading	86	1,083	–	1,169
Hedging derivatives with positive FV	–	3,313	–	3,313
Available-for-sale securities	14,969	34,461	592	50,022
<b>Financial liabilities</b>				
Financial assets at fair value through profit and loss				
Securities held for trading	1,272	120	–	1,392
Derivatives held for trading	–	4,097	–	4,097
Hedging derivatives with negative FV	–	2,513	–	2,513



The following table states the transfers of financial assets reported at fair value between levels 1 and 2.

MCZK	Financial assets at fair value through profit and loss			Available-for-sale securities	Hedging derivatives	Total
	Securities for trading	Derivatives for trading	Securities not for trading			
<b>Financial assets reported at fair value which were transferred between levels 1 and 2:</b>						
<b>31 December 2012</b>						
Transfers from Level 1 to Level 2	–	–	–	–	–	–
Transfers from Level 2 to Level 1	–	–	–	–	–	–
<b>31 December 2011</b>						
Transfers from Level 1 to Level 2	–	–	–	–	–	–
Transfers from Level 2 to Level 1	–	–	–	(2,012)	–	(2,012)

There were no transfers of financial liabilities reported at fair value between levels 1 and 2 in 2012 or 2011.

The following tables state the transfers of financial assets and liabilities reported at fair value to and from Level 3.

MCZK	Financial assets at fair value through profit and loss			Available-for-sale securities	Hedging derivatives	Total
	Securities for trading	Derivatives for trading	Securities not for trading			
<b>Financial assets reported at fair value which were transferred from and to Level 3:</b>						
<b>Balance as at 1/1/2011</b>						
Profit and loss from revaluation		2	3	629	–	634
In profit or loss	–	–	–	–	–	–
In other comprehensive income	–	–	–	–	–	–
Purchases	–	–	–	23	–	23
Sales/maturity	–	(2)	(3)	(60)	–	(65)
Transfers into Level 3	–	–	–	–	–	–
Transfers from Level 3 to Level 2	–	–	–	–	–	–
<b>Balance as at 31/12/2011</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>592</b>	<b>–</b>	<b>592</b>
Total gains or losses included in profit and loss for the period:						
<i>Thereof:</i> Total gains or losses for the period included in profit or loss for assets held at the end of reporting period						
<b>Balance as at 1/1/2012</b>						
Profit and loss from revaluation	–	–	–	592	–	592
In profit or loss	–	–	–	–	–	–
In other comprehensive income	–	–	–	–	–	–
Purchases	–	1	–	48	–	49
Sales/maturity	–	–	–	(385)	–	(385)
Transfers into Level 3	–	–	–	–	–	–
Transfers from Level 3 to Level 2	–	–	–	–	–	–
<b>Balance as at 31/12/2012</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>255</b>	<b>–</b>	<b>256</b>
Total gains or losses included in profit and loss for the period:						
<i>Thereof:</i> Total gains or losses for the period included in profit or loss for assets held at the end of reporting period						

Financial liabilities reported at fair value which were transferred from Level 3:

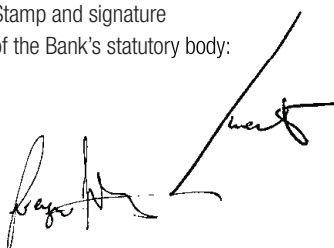


MCZK	Financial liabilities at fair value through profit and loss			Hedging derivatives	Total
	Securities for trading	Derivatives for trading	Securities not for trading		
<b>Balance as at 1/1/2011</b>	–	2	–	–	2
Profit and loss from revaluation					
In profit or loss	–	–	–	–	–
In equity	–	–	–	–	–
Purchases	–	1	–	–	1
Sales/maturity	–	(3)	–	–	(3)
Transfers into Level 3	–	–	–	–	–
Transfers from Level 3	–	–	–	–	–
<b>Balance as at 31/12/2011</b>	–	–	–	–	–
Total gains or losses included in profit and loss for the period:					
<i>Thereof:</i> Total gains or losses for the period included in profit or loss for liabilities held at the end of reporting period					
<b>Balance as at 1/1/2012</b>	–	–	–	–	–
Profit and loss from revaluation					
In profit or loss	–	–	–	–	–
In equity	–	–	–	–	–
Purchases	–	7	–	–	7
Sales/maturity	–	–	–	–	–
Transfers into Level 3	–	–	–	–	–
Transfers from Level 3	–	–	–	–	–
<b>Balance as at 31/12/2012</b>	–	7	–	–	7
Total gains or losses included in profit and loss for the period:					
<i>Thereof:</i> Total gains or losses for the period included in profit or loss for liabilities held at the end of reporting period					

## 38. Other significant events

In implementing its strategic plan, UniCredit Group prepared an integration project for the merger of its subsidiaries in Slovakia and the Czech Republic. By creating a single strong bank operating in both countries the Group intends to achieve significant benefits, especially in regard to revenues and costs. The integration is expected to be completed by the end of 2013.

## 39. Subsequent events

The Bank's management is aware of no events that have occurred since the balance sheet date that would have a significant impact on the Bank's financial statements.

Date of approval:  27 February 2013	Stamp and signature of the Bank's statutory body: 	Person responsible for the accounting (name, signature):  Ing. Jiří Kupec	Person responsible for the financial statements (name, signature):  Mgr. Michaela Mrštková
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KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/1a  
186 00 Praha 8  
Česká republika

Telephone +420 222 123 111  
Fax +420 222 123 100  
Internet www.kpmg.cz

## Independent Auditor's Report to the Shareholder of UniCredit Bank Czech Republic, a.s.

### Financial statements

On the basis of our audit, on 27 February 2013 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of UniCredit Bank Czech Republic, a.s., which comprise the statement of financial position as of 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

### *Statutory Body's Responsibility for the Financial Statements*

The statutory body of UniCredit Bank Czech Republic, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are 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 and the relevant 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 the 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 controls 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 controls. 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený  
Městským soudem v Praze  
oddíl C, vložka 24185.

IČ 49619187  
DIČ CZ699001996



### *Opinion*

In our opinion, the financial statements give a true and fair view of the assets and liabilities of UniCredit Bank Czech Republic, a.s. as of 31 December 2012, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.”

### **Report on relations between related parties**

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of UniCredit Bank Czech Republic, a.s. for the year ended 31 December 2012. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company’s personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of UniCredit Bank Czech Republic, a.s. for the year ended 31 December 2012 contains material factual misstatements.


### **Annual report**


We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company’s statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague  
30 April 2013

  
KPMG Česká republika Audit, s.r.o.  
Licence number 71

  
Jindřich Vašina  
Partner  
Licence number 2059

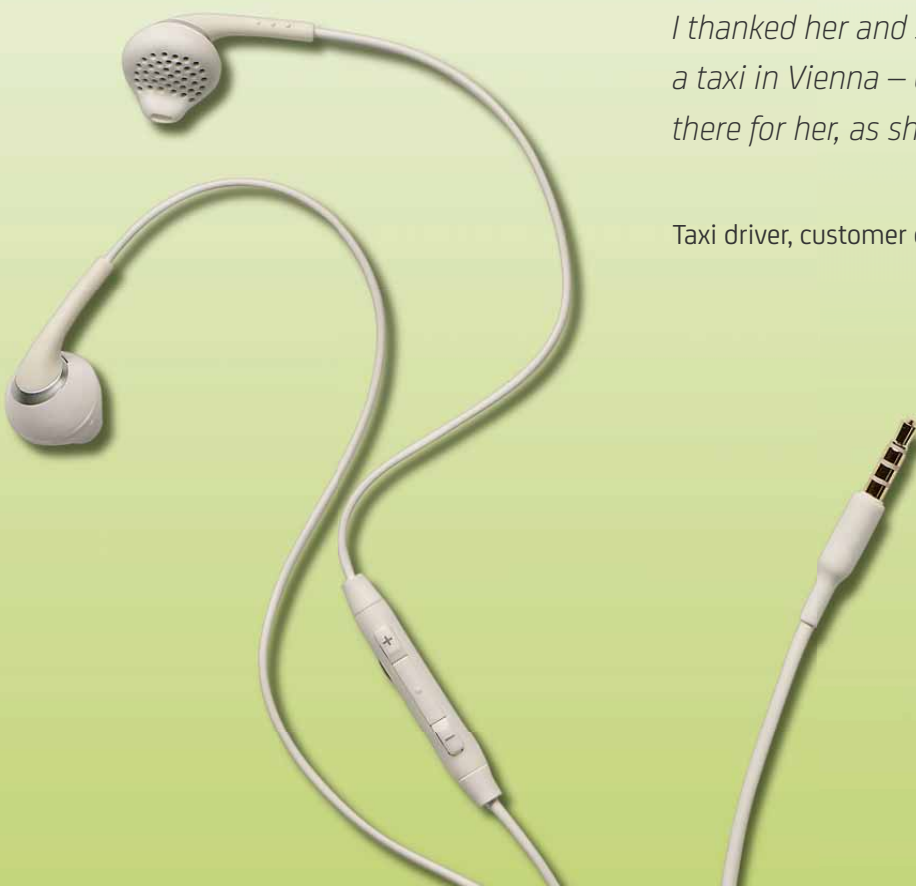
# LISTENING



**Making a difference from anywhere, even in a taxi**

“*One day while driving my taxi, I struck up a conversation with my passengers and found out they worked at UniCredit. I told them that I was one of their customers and that I owned a fleet of taxis. I also explained that I was trying to expand my business and had asked for a loan, but had yet to learn if my request was successful. The next day one of them called me to follow up with the information I needed. She cared about helping me solve my problem, and I could not have been more satisfied with her support. I thanked her and said that if she ever needed a taxi in Vienna – even to Milan – I would be there for her, as she was for me.*”

Taxi driver, customer of UniCredit Bank in Vienna



# PARTNERSHIP

**A new, versatile and flexible, investment concept**

*HVB Private Banking Vermögensportfolio Flex Select is a new kind of joint investment with a long-term investment horizon. It is based on the idea that the customer and the Bank invest together in an investment fund ("Private Banking Vermögensportfolio Flex Select 70 PI"; launched by the capital investment company, Pioneer Investments KAG mbH, Munich). The Bank has injected €20 million of its own capital into the fund and through the joint investment both the Bank and its customers participate in the performance of the respective unit classes.*



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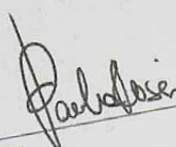
## D CONSENT TO THE

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pecchi 10, Rome 00186 – Italy and that the  
40127 Bologna - Tel.: +39 051.6407285;

  
SIGNATURE

\*Only the sales prospectus is binding, as well as the Key Investor Document, which you can receive free of charge in German from UniCredit Bank AG, Arabellastrasse 12, Munich.

# Resolution of the Sole Shareholder

of UniCredit Bank Czech Republic, a.s.

**UniCredit Bank Austria AG**, with its registered office at Schottengasse 6–8, 1010 Vienna (Court File Number FN 150714 p), represented by Mag. Peter Frank and Mag. Karl Gössler, **as the sole shareholder of** the commercial company **Unicredit Bank Czech Republic, a.s.** (hereinafter referred to as the “Bank”), with the registered office at Prague 4, Želetavská 1525/1, Postcode: 140 92, Czech Republic, company identification number 64948242,

**adopts hereby** in exercising the powers of the general meeting of the Bank pursuant to Section 190, para. 1 of Act No. 513/1991 Coll., as amended **the following**

## Resolution

1) The Bank reported the following main non-consolidated financial results for the year 2012:

Total assets:	318,909 MCZK
Profit before tax:	3,694 MCZK
Profit after tax:	3,157 MCZK

2) The sole shareholder approves the non-consolidated financial statements under point 1) of this Resolution, which were audited by the company KPMG Česká republika Audit, s.r.o., Pobřežní 648/1a, Prague 8 (Licence number 71) and by the auditor Jindřich Vašina (Licence number 2059).

In Vienna on 26 April 2013

UniCredit Bank Austria AG



Mag. Peter Frank



Mag. Karl Gössler




# PEACE OF MIND

## How to save a customer's holiday

**“** *When I lost my Visa card while on vacation abroad, UniCredit Bank's emergency cash disbursement service saved me from what could have been a disastrous situation. I used the service twice while visiting Paris and Moscow and it exceeded my expectations, allowing me to pay for my hotel, entertainment and other expenses. I was impressed by the service's quality and speed – I was able to have cash in-hand in less than an hour. This experience taught me that my bank is 100 percent prepared to support me at anytime, even in the most difficult of situations. I know now that I can count on UniCredit's professional advice and real solutions for whatever I need.* **”**

Yurov Valeriy Anatolievich,  
customer of UniCredit Bank in Ukraine





# Supplementary information

published pursuant to Section 118 of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended

## 1. Basic data

Business name:	UniCredit Bank Czech Republic, a.s.
Registered office:	Želetavská 1525/1, 140 95 Prague 4, Czech Republic
Company identification no.:	64948242
Commercial register:	entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 3608
Tax identification no.:	CZ699001820
Date of incorporation:	1 January 1996, for an indefinite period
Legal form:	joint-stock company
Internet address:	www.unicreditbank.cz
Email:	info@unicreditgroup.cz
Telephone:	+420 955 911 111
Fax:	+420 221 112 132

UniCredit Bank Czech Republic, a.s. ("UniCredit Bank") is a joint-stock company incorporated according to Czech law.

UniCredit Bank fulfils all of its obligations in a due and timely manner. No changes have occurred that could be of material significance in evaluating the issuer's solvency.

In carrying out its activities, UniCredit Bank is governed by Czech legal regulations, in particular the Banking Act, Commercial Code and regulations governing operations on the banking and capital markets.

## 2. Person and entity responsible for the audit of the financial statements

Responsible person:	Ing. Jindřich Vašina
Licence no.:	2059
Domicile:	Volutová 2522/16, 158 00 Prague 5
Auditor:	KPMG Česká republika Audit, s.r.o.
Licence no.:	071
Registered office:	Pobřežní 648/1a, 186 00 Prague 8

## 3. Information about UniCredit Bank as an issuer of registered securities

### 3.1 History and development of the issuer

UniCredit Bank Czech Republic, a.s. launched its activities in the Czech market on 5 November 2007. It was established through the merger of HVB Bank Czech Republic a.s. and Živnostenská banka, a.s.

The assets of the dissolved company Živnostenská banka, a.s., having its registered office in Prague 1, Na Příkopě 858/20, Postcode 113 80, Company ID: 000 01 368, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 1350, were assumed by the continuing company, HVB Bank Czech Republic a.s., as a result of the merger.

HVB Bank Czech Republic a.s. was established by the merger of HypoVereinsbank CZ a.s. and Bank Austria Creditanstalt Czech Republic, a.s., without liquidation, on 1 October 2001. All rights and obligations of the dissolved company Bank Austria Creditanstalt Czech Republic, a.s. were assumed by HVB Bank Czech Republic a.s. The change of name, amount of issued capital and other facts connected with the merger were recorded on 1 October 2001 in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 3608.

Živnostenská banka was established in 1868 as a bank oriented toward financing small and medium-sized Czech enterprises. It was the first bank founded in Austria-Hungary exclusively with Czech capital. In 1945, it was nationalized, as were other banks. From 1950 to 1956, it still existed as a legal entity but its activities were significantly restricted. Some of Živnostenská banka's asset ratios were adjusted by Decree No. 36/1956 Coll., and its legal continuity was subsequently confirmed by Section 27 of Act No. 158/1989 Coll., on Banks and Savings Banks. On the day of its entry in the Commercial Register maintained by the Municipal Court in Prague in Section B, file 1350, i.e. on 1 March 1992, Živnostenská banka assumed authorization to operate as a bank on the basis of Banking Act No. 21/1992 Coll., further to Act No. 92/1991 Coll. and Government Resolution No. 1 from 9 January 1992, by which the privatization of Živnostenská banka was approved. In February 2003, the bank UniCredito Italiano SpA completed the acquisition of an 85.16% share in the issued capital of Živnostenská banka, a.s. from Bankgesellschaft Berlin AG, and thus the oldest Czech bank became part of the UniCredito Italiano Group.

UniCredit Bank Czech Republic, a.s. is a strong and rapidly developing bank offering a wide range of quality products to both corporate and private clients. It is one of the market's strongest banks in the area of project, structured and syndicated corporate finance. The Bank has also built an extraordinarily strong position in acquisition financing and ranks first in financing commercial real estate.

Among other services, UniCredit Bank's clients can utilize services to obtain project financing from the EU structural funds offered through UniCredit Bank's European Competence Centre.

In the sphere of services for private clients, UniCredit Bank plays a significant role on the market for private banking, securities, credit cards and mortgages, and it is doing very well in serving clients in the freelance professions (doctors, judges, attorneys-at-law,

notaries, and others). The Bank's Competence Centre for Freelance Professions is devoted to these clients.

UniCredit Bank Czech Republic, a.s. operates in all regional cities and currently has 98 branches and 186 ATMs. The Bank's branch network is now nearing consolidation aimed at increasing UniCredit Bank's accessibility for clients in individual regions as much as possible. Thus, 6 new branches and 20 franchise points of sale were opened in the last year in a number of larger cities as well as smaller towns.

The Bank holds a nearly 7% share of the market with total assets exceeding CZK 318 billion and is the fourth-largest bank in the Czech Republic.

The Bank provides retail, commercial and investment banking services, in Czech crowns and foreign currencies for domestic and foreign clients, mainly in the Czech Republic but also in other European Union countries.

### 3.2 Issuer's share capital

The Bank has share capital of CZK 8,749,716,000 divided as follows:

- (a) 100 registered shares, each with a nominal value of CZK 16,320,000;
- (b) 200 registered shares, each with a nominal value of CZK 13,375,000;
- (c) 436,500 registered shares, each with a nominal value of CZK 10,000; and
- (d) 10 registered shares, each with a nominal value of CZK 7,771,600.

All the aforementioned shares are registered to the issuer's account maintained by Central Securities Depository Prague (Centrální depozitář cenných papírů, a.s.).

UniCredit Bank's share capital has been fully paid up.

In accordance with the Commercial Code and the Bank's Articles of Association, UniCredit Bank shares entitle the shareholder to participate in the company's management and to share in its profit as well as in its liquidation balance upon dissolution of the company.

UniCredit Bank has issued no shares giving their holders the right to exchange such shares for other shares or the right to priority subscription of other shares. UniCredit Bank does not hold any of its own participating securities nor does any entity in which UniCredit Bank has a direct or indirect ownership interest exceeding 50% of that entity's share capital or voting rights hold any such securities.

To transfer shares of UniCredit Bank, prior approval of the Supervisory Board is required. Voting rights pertaining to these shares are in no way limited.

The sole shareholder of UniCredit Bank with a 100% ownership interest in its share capital is UniCredit Bank Austria AG, having its registered office at Schottengasse 6-8, 1010 Vienna, Austria.

In accordance with UniCredit Bank's Articles of Association, the sole shareholder may only influence the Bank's activities using the weight of its votes. The company uses standard statutory mechanisms to prevent the shareholder's potential misuse of its position. UniCredit Bank is not a party to a controlling contract or a contract for transfer of profit. The character of the control by the controlling entity, which is Bank Austria AG, results from the directly owned portion of the issuer's shares. UniCredit S.p.A., having its registered office at Via Specchi 16, Rome, Italy, which is the main shareholder of UniCredit Bank Austria AG with a 99.996% share, is an indirect controlling entity. To prevent misuse of the control and controlling influence of the controlling entity, UniCredit Bank uses the statutory instrument of the report on relations between the controlling and controlled entities and the report on relations between the controlled entity and other entities controlled by the same controlling entity (report on relations between the related entities). No agreements that could lead to a change of control over the issuer are known.

### 3.3 Additional information

In accordance with the Bank's Articles of Association, the members of the Board of Directors are elected and dismissed by the Supervisory Board. UniCredit Bank has no special rules for changing the Articles of Association.

Currently there exist no authorizations or special powers of the Board of Directors in the sense of Section 118, para. 5h) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended. UniCredit Bank has concluded no agreements with members of the Board of Directors or its employees that would oblige the Bank to their fulfilment in the case of termination of their functions or employment in relation to a takeover bid.

There are no programmes in UniCredit Bank that allow the Bank's employees or members of the Board of Directors to acquire participating securities of the Bank, options for such securities, or other rights thereto under advantageous conditions.

UniCredit Bank has concluded no significant contracts that will take effect, change or expire in case of a change in the control of the issuer as a result of a takeover bid.

## 4. Summary of business activities

### 4.1 Scope of business activities

The company's business activities include banking transactions and provision of financial services fully in accordance with Banking Act No. 21/1992 Coll., as amended, and Act No. 219/1995 Coll., the Foreign Exchange Act, as amended, and including the following:

- a) receiving deposits from the public;
- b) granting loans;

- c) investing in securities on its own behalf;
- d) operating a system of payments and clearing;
- e) issuing and administering payment products;
- f) granting guarantees;
- g) opening letters of credit;
- h) administering cash collection;
- i) providing investment services:
  - main investment service pursuant to Section 8, para. 2a) of Act No. 591/1992 Coll., on Securities, as amended (hereinafter “the Securities Act”), taking receipt of and conveying instructions related to investment instruments on the customer’s account, with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act;
  - main investment service pursuant to Section 8, para. 2b) of the Securities Act, executing instructions related to investment instruments on the account of another party, with respect to investment instruments pursuant to Section 8a, para. 1a) and 1g) of the Securities Act;
  - main investment service pursuant to Section 8, para. 2c) of the Securities Act, trading in investment instruments on the trader’s own account, with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act;
  - main investment service pursuant to Section 8, para. 2d) of the Securities Act, management of individual portfolios at its own discretion within the terms of a contractual covenant with the client, if investment instruments form a part of such portfolio and with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act;
  - main investment service pursuant to Section 8, para. 2e) of the Securities Act, underwriting or placing issues of investment instruments, with respect to investment instruments pursuant to Section 8a, para. 1a)–1b) of the Securities Act;
  - supplementary investment service pursuant to Section 8, para. 3a) of the Securities Act, custody and management of one or more investment instruments, with respect to investment instruments pursuant to Section 8a, para. 1a)–1c) of the Securities Act;
  - supplementary investment service pursuant to Section 8, para. 3c) of the Securities Act, provision of credits or loans to the customer for the purpose of executing a transaction with investment instruments, if the provider of the loan or credit is a participant in this transaction, with respect to investment instruments pursuant to Section 8a, para. 1a)–1d) and 1g) of the Securities Act;
  - supplementary investment service pursuant to Section 8, para. 3d) of the Securities Act, consulting services related to the capital structure, industry strategy and related issues, and the provision of advice and services related to mergers and acquisitions of companies;
  - supplementary investment service pursuant to Section 8, para. 3e) of the Securities Act, services related to underwriting of issues pursuant to Section 8, para. 2e) of the Securities Act, with respect to investment instruments pursuant to Section 8a, para. 1a)–1b) of the Securities Act;
  - supplementary investment service pursuant to Section 8, para. 3f) of the Securities Act, consulting services related to investment into investment instruments, with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act; and
  - supplementary investment service pursuant to Section 8, para. 3g) of the Securities Act, executing of foreign currency operations related to provision of investment services;
  - j) issuing mortgage bonds;
  - k) engaging in financial brokerage;
  - l) providing depository services;
  - m) providing foreign currency exchange services (purchase of foreign currencies);
  - n) providing banking information;
  - o) trading foreign currencies and gold on its own behalf or on behalf of clients;
  - p) renting safe-deposit boxes; and
  - q) other activities directly related to the activities specified above.

## 4.2 Key activities

### Corporate, investment and private banking

- Credit transactions
- Financing commercial real estate
- Project financing and structured financing
- Trade and export financing
- Documentary transactions
- Treasury & custody services
- Asset management
- EU funds
- Maintaining accounts and deposits
- Payment systems
- Electronic banking
- Direct banking
- SWIFT services
- Cash pooling
- Payment cards
- Card acquiring
- Trading on the Prague Energy Exchange and in Leipzig
- Comprehensive offer of banking products for private clients
- Comprehensive management of client assets, including portfolio management
- Global Investment Strategy – strategic advisory for capital market investments
- Providing investment products on open architecture basis
- Art Banking

### Retail banking

- Personal accounts and packages – EXPRESNÍ konto and AKTIVNÍ konto for standard needs, PERFEKTNÍ konto and Konto PREMIUM for demanding customers, as well as DĚTSKÉ konto and Cool konto PRO MLADÉ

- Business accounts and packages – BUSINESS konto, Konto DOMOV (an account for housing co-operatives and owners associations), Konto PROFESE, Freelancer Professions Account
- Mortgages, consumer loans including the PRESTO Loan, and overdrafts for private clientele
- Operating capital, investment and mortgage loans for business clientele
- Payment cards including insurance (debit, credit and partner cards)
- Deposit, savings and investment products (the Bank's own or in co-operation with Pioneer Investments)
- Internet, telephone and mobile banking
- Cash and money changing operations and supporting services

### Launching new products and activities

During 2012, the Bank introduced a number of innovations for its successful consumer financing product – the PRESTO Loan. Now, in addition to the original benefits (pay less & borrow more), the Bank has provided clients with an immediate reward of up to CZK 3,500, which clients receive on their accounts at UniCredit Bank.

A new product for financing future investments enables clients from the Small Business segment to ensure that they will have a credit line preapproved for 6 months from when the product is established and which they can easily use when a need for financing arises.

UniCredit Bank also launched the MOBITO service for its clients.

This service allows them to make payments via a mobile phone using a simple connection with either a bank account or payment card. With MOBITO people may securely pay and send money between telephones immediately and at any time.

In the corporate banking area, UniCredit Bank announced that it will now allow its clients to trade on the Prague and Leipzig stock exchange with a single account. This is made possible because the Bank has obtained a licence to enter the Leipzig Energy Exchange, where it now operates as one of the clearing banks for European Commodity Clearing (ECC). This will benefit mainly those clients operating on multiple markets, as they will save both time and money.

### Investments and deposits

Two new issues of structured bonds were made in 2012. The first structured bond, called TIMBI, provided clients the opportunity to invest in the potential strengthening of the national currencies of Turkey, India, Mexico, Brazil and Indonesia against the euro. The performance of the second structured bond, called Five Stars, is tied to the development of two famous mutual funds: Carmignac Patrimoine (A) and Ethna – Aktiv E. Both funds have received the highest possible rating (5\*) from the agency Morning Star. In addition to possible attractive returns, both structured bonds offer clients 100% capital protection. Other investment opportunities were presented by two investment life insurance products. The first one was BRIG, which offered the opportunity to profit from the strengthening of the national currencies of Brazil, Russia and India against the euro and, at the same time, from possible growth in the price of gold. MULTIINVEST 2018 was introduced later and represented

an opportunity for a diversified investment among developed markets, developing markets, commodities and the real estate market.

The offer of regular investments from Pioneer funds was expanded with a programme intended for children, the so-called Golden Fish. Under this programme, the investor may select three model portfolios with various ratios of the dynamic and conservative components.

The second issue of bonds called MAXIM II was introduced in 2012 and followed up on the success of the previous issue, offering clients a secure investment with attractive returns.

The PRIMA Savings Account presented in April offers a ground-breaking rate of 2.5% p.a. with no fees or other conditions. With this product, UniCredit Bank's offer was elevated to the top of the market.

Development in the offer of investment services in private banking also was important, and in particular in relation to open product architecture. The offer was expanded to include new CZK-denominated funds from Franklin Templeton Investments and funds from the renowned Fidelity financial group. In cooperation with UniCredit AG München, clients were offered a number of unique investment certificates denominated in Czech crowns and foreign currencies.

### Personal accounts

In October 2012, UniCredit Bank presented a new line of personal accounts for individual non-entrepreneurs (EXPRESNÍ, AKTIVNÍ, PERFECTNÍ, PREMIUM, Cool konto PRO MLADÉ, DĚTSKÉ konto). The key idea behind this innovative concept is that each of these accounts can be maintained with no fees if it is actively used.

### Direct banking

During 2012, UniCredit Bank participated in launching the MOBITO service. This highly innovative service makes possible the convenience of using a mobile phone as a payment instrument on the basis of a secure connection between a mobile phone and a current account.

### Payment cards

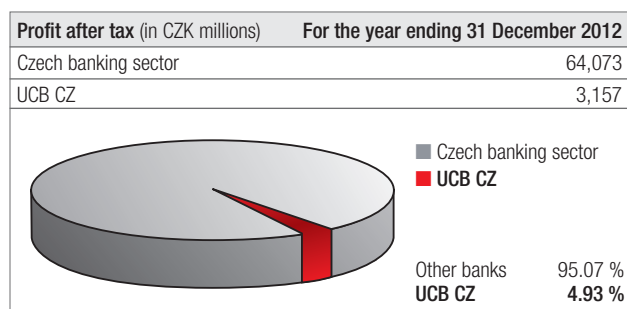
As from 1 October 2012, our credit cards offer was expanded to include a new co-branded card issued in cooperation with ENI. This card provides clients the benefit of a discount of as much as CZK 2 per litre of fuel bought at ENI petrol stations.

### Branch network

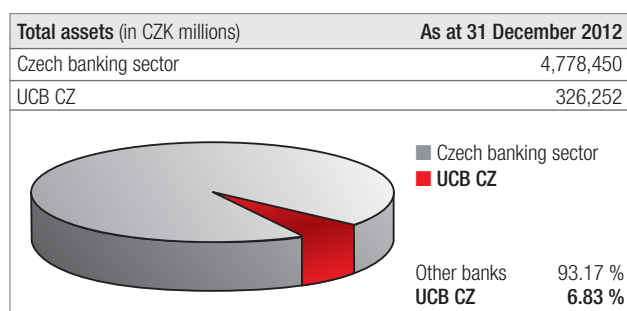
Starting in autumn 2010, UniCredit Bank had begun implementing its medium-term business strategy which endeavours to strengthen the Bank's market share in the retail banking segment. The Bank continued rolling out this new model in 2012, as 5 new UniCredit Bank branches and 18 franchise points of sale under the name UniCredit Bank Express were opened. Significant expansion of the franchise sales network will also continue in 2013, and a new concept for points of sale in cooperation with the company Partners will be added.

### 4.3 Competitive position of the issuer

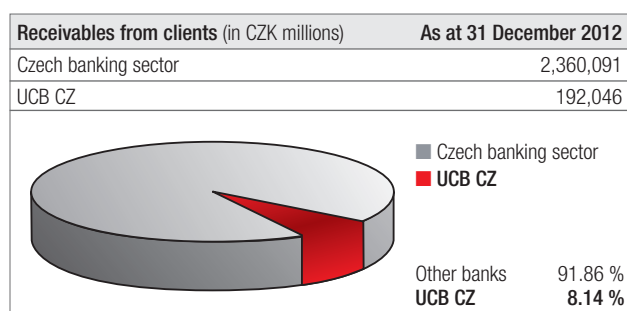
#### i. Profit after tax



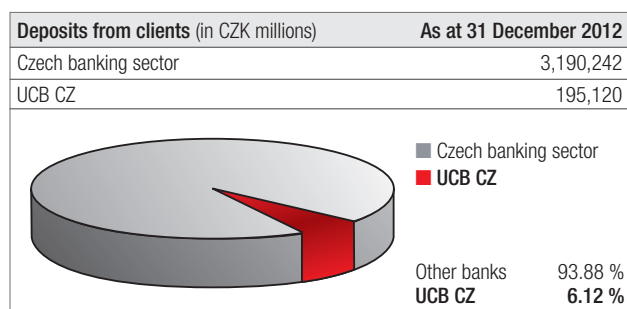
#### ii. Total gross assets



#### iii. Gross receivables from clients



#### iv. Deposits from clients



## 5. Organizational structure

The Bank is part of the UniCredit Banking Group (hereinafter referred to as the "Group"). As a member of the Group, the Bank must comply, subject to applicable law, with directives issued by UniCredit Bank Austria AG, as the Group's sub-holding (hereinafter the "Sub-holding Company"). The Sub-holding Company shall monitor the proper implementation and observation of the directives (hereinafter the "Holding Guidelines") issued by UniCredit S.p.A. (hereinafter the "Holding Company") in the Bank.

The Holding Guidelines are rules that define the management, organizational structure and managerial responsibilities within key processes in the Group. The Holding Company issues the Holding Guidelines in exercising its powers to supervise and co-ordinate the Group in accordance with the instructions issued by the Bank of Italy aimed at maintaining the Group's stability.

#### History of the Group

While the banking group's history dates back as far as 1473, in which year Rolo Banca was created, the contemporary history of UniCredit Group begins from a merger of nine leading Italian banks, the subsequent integration with the German HVB Group and, most recently, with the Italian Capitalia. In 1999, acquisition of Bank Pekao of Poland launched the Group's expansion (at that time, under the name UniCredito Italiano) into Central and Eastern Europe (CEE).

Growth continued over the next few years with purchase of the Pioneer Investments group, the subsequent formation of Pioneer Global Asset Management, and then further strategic acquisitions gradually carried out in Bulgaria, Slovakia, Croatia, Romania, the Czech Republic and Turkey.

In 2005, UniCredit merged with the German group HVB, which had itself been formed in 1998 by the joining of two Bavarian banks: Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank. The result was a single, major European bank. Integration with the HVB Group – reinforced by its own merger in 2000 with Bank Austria Creditanstalt, which was strongly represented in many areas of post-communist "new" Europe – creates a basis for UniCredit Group to continue strengthening its European focus.

By merging in 2007 with Capitalia, the third-largest Italian banking group, UniCredit Group further consolidated and strengthened its position in one of its most important markets, Italy. Capitalia had been established in 2002 from the integration of two previously independent entities, the Bancaroma group (itself the result of a merger between some of the oldest Roman banks: Banco di Santo Spirito, Cassa di Risparmio di Roma and Banco di Roma) and the Bipop-Carire Group.

With total assets of nearly EUR 930 billion and ranking among the largest financial groups in Europe, UniCredit operates in 22 countries, with approximately 9,300 branches and more than 156,000 employees. In the CEE region, UniCredit Group operates the largest international banking network with around 4,000 branches and outlets. The Group operates in the following countries: Austria, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Germany, Hungary, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

### Main shareholders of UniCredit Bank Austria AG

UniCredit Bank Austria AG shareholders	Share in %
UniCredit S.p.A.	99.996%

## 6. Information on trends

Since the date of presenting the last financial statements, no substantial negative changes have occurred to the issuer's outlook.

## 7. Competence of UniCredit Bank's bodies, composition of the Board of Directors, Supervisory Board and Audit Committee, and description of their decision-making procedures

### 7.1 General Meeting

The General Meeting of Shareholders is the supreme body of the Bank. It decides on all matters of the Bank falling within its competence by law or under the Bank's Articles of Association. The powers of the Bank's General Meeting are exercised by the sole shareholder, UniCredit Bank Austria AG.

The following activities fall within the General Meeting's exclusive competence:

- a) deciding on changes in the Articles of Association if these are not changes resulting from an increase in share capital by the Board of Directors pursuant to Section 210 of the Commercial Code or on changes occurring on the basis of other legal facts;
- b) deciding on any increase or decrease of the share capital, or on authorizing the Board of Directors pursuant to Section 210 of the Commercial Code, or on the possibility of setting off financial claims due to the Bank against a claim for payment of an issuance price;

- c) deciding about a decrease of the share capital and about issuing bonds pursuant to Section 160 of the Commercial Code;
- d) electing and dismissing members of the Supervisory Board and other bodies established by the Articles of Association, with the exception of members of the Supervisory Board elected and dismissed pursuant to Section 200 of the Commercial Code;
- e) approving the regular or extraordinary financial statements and consolidated financial statements, and, in cases established under law, interim financial statements; deciding on distributing profits or settling losses and setting of directors fees;
- f) deciding on remunerating members of the Supervisory Board;
- g) deciding on the listing of the Bank's participating securities under special legal regulations and about their withdrawal from trading on an official market;
- h) deciding on winding up the Bank with liquidation, appointing and dismissing a liquidator, including to establish the level of the liquidator's remuneration, and approving the proposal for distributing the liquidation balance;
- i) deciding on a merger, transfer of the assets to a single shareholder, or on division or a change of legal form;
- j) approving contracts cited in Section 67a of the Commercial Code;
- k) approving negotiations carried out in the name of the Bank before its incorporation pursuant to Section 64 of the Commercial Code;
- l) approving controlling contracts (Section 190b of the Commercial Code), contracts on the transfer of profit (Section 190a of the Commercial Code), and contracts on silent partnerships and their changes;
- m) appointing auditors of the Bank at the recommendation of the Audit Committee;
- n) deciding on the establishment of non-compulsory funds of the Bank and on procedures for their creation and utilization; and
- o) deciding on other issues that the Commercial Code or Articles of Association entrust to the competence of the General Meeting.

## 7.2 Board of Directors of UniCredit Bank

The Board of Directors is the statutory body of the Bank, and as at 31 December 2012 it had six members. The members of the Board of Directors exercise their functions personally and are elected by the Supervisory Board for the period of 3 years. The Supervisory Board may at any time dismiss any of the members of the Board of Directors, irrespective of their term of office. Only persons meeting the relevant legal requirements may be appointed members of the Board of Directors. The Board of Directors makes decisions by resolutions usually adopted at its meetings. The Board of Directors shall have a quorum if an absolute majority of all its members is present. The approval of an absolute majority of the Board members present is required for a resolution to be valid. In the event of a parity of votes, the presiding member of the meeting shall cast the deciding vote. If all members so agree, the Board of Directors may adopt resolutions at the company's registered office or elsewhere by any means of communication that enables all its members simultaneously to see and hear one another during the meeting (i.e. via videoconference) or in writing without holding a meeting (per rollam). Those voting shall be regarded as present in such case.

The competence of the Board of Directors includes especially the following:

- a) to organize the Bank's day-to-day activities and direct its business activities;
- b) to convene the General Meeting and implement its decisions;
- c) to submit to the General Meeting
  - at least once a year, a report on business activities, the state of the Bank's property and its business policy; such report forms a part of the Bank's annual report;
  - regular, extraordinary, consolidated or interim financial statements along with a proposal for distributing profits or settling losses, and to process these documents;
- d) to enable shareholders to acquaint themselves with the main data in the annual financial statements at least 30 days before the date of the annual General Meeting by publishing such data in the manner stipulated in Section 26 of the Articles of Association;
- e) to decide on opening and closing regional branches and appointing their directors and to open and close the Bank's branches;
- f) to appoint and dismiss the Bank's managers;
- g) to exercise the rights of an employer;
- h) to issue, if it deems fit, rules of procedure for the Board of Directors, which may not contradict the Articles of Association; any rules of procedure for the Board of Directors is subject to the prior approval of the Supervisory Board;
- i) to grant and withdraw authorizations to act on behalf of the Bank and the powers of attorney of the Bank's representatives;
- j) to establish the compulsory funds of the Bank in accordance with generally binding legal regulations and to determine, together with the Supervisory Board, how such funds are to be created and used;
- k) to conclude an agreement on the statutory audit with the auditor appointed by the General Meeting;
- l) to establish committees of the Bank and define their tasks;
- m) to appoint and dismiss the Bank's company secretaries with the prior approval of the Supervisory Board; and
- n) to fulfil other obligations stipulated by law or the Articles of Association.

### Ing. JIŘÍ KUNERT

Chairman of the Board of Directors and Chief Executive Officer responsible for the Bank's overall results and for managing the Chief Operating Officer and the Director of the Risk Management Division. He also is responsible to the Bank's Board of Directors for the management of the finance, human resources and legal areas.  
Work address: Želetavská 1521/1, Prague 4  
Domicile: Jihovýchodní III 789/60, Prague 4 – Záběhlce  
Born: 31 January 1953

### PAOLO IANNONE

Vice-Chairman of the Board of Directors and Chief Operating Officer responsible for managing and supervising the Bank's business activities and co-ordinating the activities of the Bank's other departments so that they contribute to achieving the Bank's business results to as great an extent as possible, whether directly or indirectly.  
Work address: Želetavská 1521/1, Prague 4  
Domicile: Baarova 1540/48, Prague 4 – Michle  
Born: 15 December 1960

### Ing. ALEŠ BARABAS

Member of the Board of Directors and Director of the Risk Management Division responsible for preparing the Bank's credit policy, maintaining the quality of the loan portfolio, managing all activities in the area of credit risks and adhering to the limits set by banking regulations, as well as for managing activities in the area of market and operational risks.  
Work address: Želetavská 1521/1, Prague 4  
Domicile: U Dubu 1371, Prague 4  
Born: 28 March 1959

### Mgr. JAKUB DUSÍLEK, MBA

Member of the Board of Directors and Director of the Global Banking Services Division responsible for activities aimed at optimizing costs and internal processes in order to guarantee the best possible synergies and success throughout the Bank as well as for the quality of services provided to third parties.  
Work address: Želetavská 1521/1, Prague 4  
Domicile: Měsíční 1366/10, Prague 10 – Uhřetěves  
Born: 17 December 1974

### Ing. DAVID GRUND

Member of the Board of Directors and Director of the Corporate, Investment and Private Banking Division responsible for managing and supervising the Bank's business activities in the relevant business segment.

Work address: Želetavská 1521/1, Prague 4  
Domicile: K Lukám 702, Šestajovice  
Born: 24 February 1955

#### **GREGOR PETER HOFSTAETTER-POBST**

Member of the Board of Directors and Director of the Finance Division  
Work address: Želetavská 1521/1, Prague 4  
Domicile: K Vinicím 698b, Prague 6 – Nebušice  
Born: 15 April 1972

As at 1 October 2012, Domenico Pignata resigned from his membership in the Board of Directors. As at the same date, he was replaced by Mgr. Jakub Dusílek, MBA.

#### **7.3 Supervisory Board of UniCredit Bank**

The Supervisory Board has nine members of which six are elected and dismissed by the General Meeting and three are elected and dismissed by the company's employees in accordance with the Commercial Code. Members of the Supervisory Board exercise their functions personally. Members of the Supervisory Board are elected for the period of 3 years and may be re-elected. The Supervisory Board shall have a quorum if an absolute majority of all its members is present. The approval of an absolute majority of all members of the Supervisory Board is required for a resolution to be valid. In the event of a parity of votes, the Chairman shall cast the deciding vote. If the Chairman is not present, the Vice-Chairman shall cast the deciding vote in the event of a parity of votes. If all members so agree, the Supervisory Board may adopt resolutions at the company's registered office or elsewhere by any means of communication that enables all its members simultaneously to see and hear one another during the meeting (i.e. via videoconference) or in writing without holding a meeting (per rollam). Those voting shall be regarded as present in such case. The Supervisory Board established the Remuneration Committee, which consists of two members of the Supervisory Board (Francesco Giordano, Heinz Meidlinger). Each year, the Remuneration Committee approves the principles for remuneration to members of the Board of Directors and the respective amounts.

#### **The Supervisory Board shall:**

- a) review the specific directions of the Bank's activities and business policy and supervise its implementation;
- b) be entitled to verify any action concerning the Bank's affairs;
- c) review the regular, extraordinary and consolidated financial statements, and, as the case may be, the interim financial statements, as well as the proposal for distributing profits or settling losses and submit its opinion to the General Meeting;
- d) be entitled to examine all documents and records as to the Bank's activities through any of its members;
- e) monitor whether accounting records are properly maintained in accordance with the facts and whether the Bank's business activities are conducted in accordance with legal regulations, the Articles of Association and the instructions of the General Meeting;
- f) convene the General Meeting if the Bank's interests so require and propose requisite measures to the General Meeting;
- g) appoint one of its members to represent the Bank in proceedings held before courts and other bodies against a member of the Board of Directors;
- h) issue, if it deems appropriate, rules of procedure for the Supervisory Board, which may not contradict the Articles of Association;
- i) approve any potential rules of procedure for the Board of Directors;
- j) elect and dismiss the members of the Board of Directors; it shall elect new members of the Board of Directors from a group of candidates, who may be nominated by any member of the Supervisory Board and decide on dismissing members of the Board of Directors, also at the proposal of any of its members;
- k) nominate candidates for Chairman and Vice-Chairman of the Board of Directors;
- l) stipulate general terms and conditions for the Bank's activities as well as terms and conditions for maintaining its credit risk exposure in accordance with decrees of the Czech National Bank and legal norms published in the Collection of Laws of the Czech Republic;
- m) decide on the establishment and dissolution of the Bank's subsidiaries and on their transfer to other entities;
- n) approve management agreements concluded between the Bank and members of its Board of Directors and any payments to be made by the Bank to the members of its Board of Directors pursuant to Section 66, paras. 2 and 3 of the Commercial Code;
- o) decide on remunerating members of the Board of Directors and stipulate rules for remunerating the Director of the Internal Audit Department;
- p) establish committees of the Supervisory Board and define their tasks;
- q) oversee the effectiveness and efficiency of the Bank's management and control system;
- r) give prior approval to the appointment and dismissal of the Bank's company secretaries;
- s) be able to request the Chairman of the Audit Committee to convene a meeting of the Audit Committee; and
- t) fulfil other obligations stipulated by law, the Articles of Association and the Group's rules.

#### **FRANCESCO GIORDANO**

Chairman of the Supervisory Board  
Born: 13 October 1966  
Domicile: Vienna, Morzinplatz 1, 1010 Austria

#### **GIORGIO EBREO**

Vice-Chairman of the Supervisory Board  
Born: 4 November 1948  
Domicile: Milan, Via Cervignano 16, Italy

#### **GERHARD DESCHKAN**

Born: 20 February 1967  
Domicile: Vienna, Matzingerstraße 11/11, A-1140 Austria

#### **GIANFRANCO BISAGNI**

Born: 11 September 1958  
Domicile: Ilfov, Pipera Tun., Oxford Gard. 5, Romania



**MAURO MASCHIO**

Born: 8 May 1969

Domicile: Kiev, Anri Barbyusa Str. 5, 03150 Ukraine

**HEINZ MEIDLINGER**

Born: 6 September 1955

Domicile: Vienna, Kalmusweg 46/Haus 107, 1220 Austria

**Ing. MILAN ŘÍHA**

Born: 19 May 1966

Domicile: Prague 9, Kyje, Splavná 1489

**JUDr. IVANA BUREŠOVÁ**

Born: 11 October 1953

Domicile: Prague 1, Staré Město, Dlouhá 714/36

**EVA MIKULKOVÁ**

Born: 29 January 1957

Domicile: Kladno, Kročehlavy, Dlouhá 512

No member of the Supervisory Board is conducting any other business activity in the Czech Republic or any business activity that might be relevant for the purpose of appraising the issuer other than his or her activities for the issuer as stated above.

**7.4 Audit Committee**

The Audit Committee is an independent committee with the task to oversee, monitor and advise in matters of concern regarding accounting and financial reporting, the internal control, audit and risk management, the external audit, and monitoring compliance with laws, the Bank's regulations and the Code of Conduct. The Audit Committee consists of three members appointed and dismissed by the General Meeting for a term of 3 (three) years from among the Supervisory Board members or third persons. At least one member of the Audit Committee must be independent from the Bank and must have at least 3 years of practical experience in accounting or statutory auditing. Meetings of the Audit Committee shall have a quorum if attended in person or via videoconference by the majority of its members. Decisions are passed by a simple majority vote of the attending members, with the exception of "per rollam" resolutions, which must be approved by all Audit Committee members. Without prejudice to the responsibilities of the Board of Directors and Supervisory Board members, the Audit Committee in particular shall:

- a) monitor the procedure for preparing the financial statements and consolidated financial statements;
- b) assess the effectiveness and efficiency of the Bank's internal control system, internal audit and risk management system;
- c) monitor the statutory audit process for the financial statements and consolidated financial statements;
- d) assess the independence of the statutory auditor and audit company and especially the provision of supplementary services to the Bank which fall outside the scope of the annual audit; and
- e) recommend an auditor to be appointed by the General Meeting.

**STEFANO COTINI**

Chairman of the Audit Committee

Born: 31 March 1951

Domicile: Viale Zugna 6, 38068 Rovereto Tn, Italy

**GIORGIO EBREO**

Born: 4 November 1948

Domicile: Milan, Via Cervignano 16, Italy

**HEINZ MEIDLINGER**

Born: 6 September 1955

Domicile: Kalmusweg 46/Haus 107, 1220 Vienna Austria

**7.5 Conflicts of interest at the level of administrative, management and supervisory bodies:**

The issuer is not aware of any possible conflicts of interest between the duties to the issuer of the aforementioned persons and their private interests or other duties. UniCredit Bank has prepared an Ethics Code that stipulates how to proceed in case of a conflict of interest.

**7.6 Information on company management and administration codes**

The Bank adopted no company management and administration code. The Bank complies with the rules of conduct established by UniCredit Group.

## 8. Judicial and arbitration proceedings

The Bank has reviewed all legal disputes affecting the Bank as at 31 December 2012 and created appropriate provisions for litigation and claims. In addition to these litigations, there exist other claims related to the Bank's business activities. The Bank is not, and during the past 12 months was not, involved in any judicial, administrative or arbitration proceedings that, in its opinion, could have, or in the past 12 months had, a significant impact on the Bank's financial situation or profitability.

## 9. Significant change in the issuer's financial situation

Since the date of presenting the audited financial statements for the year ended 31 December 2012, no significant change has occurred in the financial situation of the issuer.

## 10. Loans outstanding and other liabilities

<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 54,392,000
Interest rate:	4.699%
Loan origination date:	16 June 2008
Maturity date:	15 June 2016
Collateral:	No collateral*
<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 25,000,000
Interest rate:	3M EURIBOR + 0.43%
Loan origination date:	25 June 2010
Maturity date:	25 June 2020
Collateral:	Collateralized by bonds
<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 40,000,000
Interest rate:	3M EURIBOR + 0.31%
Loan origination date:	13 October 2010
Maturity date:	13 October 2020
Collateral:	Collateralized by bonds
<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 35,000,000
Interest rate:	3M EURIBOR + 0.285%
Loan origination date:	10 December 2010
Maturity date:	10 December 2020
Collateral:	Collateralized by bonds
<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 100,000,000
Interest rate:	3M EURIBOR + 0.561%
Loan origination date:	9 August 2011
Maturity date:	9 August 2023
Collateral:	Collateralized by bonds
<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 50,000,000
Interest rate:	3M EURIBOR + 0.663%
Loan origination date:	30 November 2011
Maturity date:	30 November 2019
Collateral:	Collateralized by bonds
<b>Creditor:</b>	<b>European Investment Bank, Luxembourg</b>
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 50,000,000
Interest rate:	3M EURIBOR + 1.087%
Loan origination date:	21 February 2012
Maturity date:	21 February 2018
Collateral:	Collateralized by bonds
*) The loan is guaranteed by UniCredit Bank Austria AG, Vienna.	
<b>Total amount of loans as at 31 December 2012 (in CZK 000)</b>	<b>8,909,416</b>

## 11. Significant contracts

UniCredit Bank has concluded no contracts that could cause an obligation or a claim to arise for any member of the Group that would be material as to the Bank's ability to fulfil its obligations to securities holders on the basis of the securities issued.

## 12. Third parties information and experts' declarations and declarations on any interests

The annual report does not include any declaration or report of an entity acting as an expert. Moreover, no information comes from a third party, unless expressly stated otherwise.

## 13. List of bond issues outstanding

The total volume of outstanding bond issues, including EUR and USD bonds converted at the CNB's exchange rate valid as at 31 December 2012: CZK 36,194,215,387.

### 13.1 Information on the number of shares issued by the issuer and which are under the ownership of the issuer's managers, including persons close to these persons

The number of shares issued by the issuer under the ownership of managers or persons close to these persons is zero, because all shares issued by the issuer are held by the sole shareholder, UniCredit Bank Austria AG, Vienna. There are no options or comparable investment instruments the values of which relate to shares or similar securities representing an ownership interest in the issuer.

## 14. Principles of remunerating the issuer's managers

### Remuneration policy

The remuneration policy for managers is established in accordance with UniCredit Group's Remuneration Policy and with Decree No. 123/2007 Coll. and consists of the basic salaries policy, the Group Executive Variable Compensation System, and the benefits system. The key pillars of the remuneration policy include clearly organized and transparent company management and administration, compliance with the requirements of regulations and ethical rules, constant monitoring of market trends and practices, providing sustainable wages supported by sustainable performance, and motivation and stabilization of all employees oriented especially

toward promising staff members and those who are pivotal for the company in order to fulfil its mission.

### Board of Directors

The Remuneration Committee of the Supervisory Board of UniCredit Bank Czech Republic, a.s. (hereinafter the "Remuneration Committee") always approves the remuneration for each calendar year for members of the Board of Directors on the basis of the supporting materials submitted by the Human Resources Department and prepared in co-operation with the Personnel Department of the Central and Eastern Europe division of UniCredit Group. The Remuneration Committee in 2012 consisted of Francesco Giordano and Heinz Meidlinger.

The remuneration to members of the Board of Directors is set as a fixed amount that is paid monthly. In accordance with the Banking Act, the members of the Board of Directors are also executive managers of the Bank who manage particular divisions on the basis of an employment contract in accordance with the Labour Code. According to this contract, they are entitled to monthly payment of a basic contractual salary, salary compensations and an annual variable bonus, and they are granted certain additional benefits. The bonus to members of the Board of Directors amounts to 50% of the contractual salary established in the employment contract of the respective executive manager. Foreign members of the Board of Directors are not entitled to remuneration for executing their offices.

### Contractual salaries of the Bank's executive managers

The contractual salaries are defined on the basis of the value of a job position within the classification system of top managing positions in UniCredit Group (Global Job Model), the key abilities of the executive manager, and a market comparison with other entities on the financial and banking markets in the Czech Republic, within UniCredit Group, and in Central and Eastern Europe.

The particular amounts of the contractual salaries of the Bank's individual executive managers are approved by the Remuneration Committee each year on the basis of the supporting materials submitted by the Human Resources Department and prepared in co-operation with the Personnel Department of the Central and Eastern Europe division of UniCredit Group.

Remuneration to the Bank's foreign executive managers is provided by the parent company. These remuneration costs are accounted for by the parent company and included in the remuneration summary.

### Variable bonuses of the Bank's executive managers

The target variable bonus of the Bank's executive managers is approved by the Remuneration Committee on the basis of the supporting materials submitted by the Human Resources Department and prepared in co-operation with the Personnel Department of the Central and Eastern Europe division of UniCredit Group. The target variable bonus of each executive manager is determined individually and comprises 40–100% of his or her annual contractual salary.

UniCredit Group's "2012 Group Incentive System" (hereinafter the "System") was approved by the Supervisory Board of UniCredit Bank Czech Republic, a.s. as a binding regulation for the variable bonuses of executive managers. The variable bonus, amount thereof and method of payment are established in accordance with the System using the following conditions:

1. **Performance Screen;**
2. **Group Gate and Zero Factor;**
3. **Compliance Assessment and Continuous Employment Condition.**

#### Ad 1.

The **Performance Screen** is a table of the executive managers' individual performance objectives set each year by the Remuneration Committee of the Bank's Supervisory Board. The performance objectives are closely related to the Bank's strategic plan.

The Remuneration Committee approves the level of their fulfilment on a scale of 0–150% based on the proposal of the executive managers' direct superiors for each calendar year and each executive manager separately.

The Performance Screen table is divided into two parts: the Operational Matrix and the Sustainability Matrix. The Operational Matrix contributes 30–50% to the evaluation of the individual performance objectives within the Performance Screen, while the contribution of the Sustainability Matrix can be set between 50–70%.

#### Performance Screen parameters approved by the Remuneration Committee for executive managers for 2012

##### Operational Matrix

The Operational Matrix parameters for the CEO and COO were set at 50%. These included:

- economic profit on the principle of the Economic Value Added (EVA) indicator, and
- the ratio of net operating profit to total risk-weighted assets (NOP/Total RWA).

The Operational Matrix parameters for other members of the Board of Directors were set at 30%. These included:

- economic profit on the principle of the Economic Value Added (EVA) indicator,
- the ratio of net operating profit to total risk-weighted assets (does not apply for the directors of the Risk Management and Finance divisions),
- 2012 Strategic Plan – objectives for capital and liquidity: risk-weighted assets (RWA) and loans-to-deposits ratio (applies only for the Director of the Finance Division), and
- improvement of the division's operational efficiency (applies only for the Director of the Risk Management Division).

##### Sustainability Matrix

The Sustainability Matrix parameters were quantitative and qualitative and differed for each individual executive manager depending on the priorities of the segment for which the particular executive manager

is responsible. They were set at 50% for the CEO and COO and at 70% for the other members of the Board of Directors. These included, for example:

- the ratio of loans to deposits (including own issues);
- the TRIM\*Index, which indicates the satisfaction of the Bank's clients in the segment for which the executive manager is responsible;
- group risk parameters (risk appetite, loss absorption capacity, available financial resources, liquidity ratios, retail cost of risk, corporate cost of risk);
- conclusion of all internal/external audit findings in accordance with the implementation plan;
- total non-personnel expenditures; and
- stakeholder value: TRIM External + Reputation.

#### Ad 2.

Application of the **Group Gate** and **Zero Factor** parameters affirms, reduces or entirely terminates an executive manager's bonus payment. Group Gate affects the bonus in the first year, while Zero Factor influences the bonus in the following years to which the bonus is deferred.

Group Gate and Zero Factor are designed by UniCredit Group's Board of Directors and approved by the Remuneration Committee of the Supervisory Board of UniCredit Bank Czech Republic, a.s.

In 2012, **Group Gate** was defined using the following parameters:

- return on tangible equity (ROTE);
- cost of capital;
- capital adequacy indicator (Core Tier 1 Ratio);
- net profit; and
- short-term liquidity indicator, i.e. cash horizon.

According to the level of fulfilling these parameters, Group Gate adjusts the bonus payment from 75% to 100%.

**Zero Factor** is applied in years to which the bonus is deferred.

Zero Factor was evaluated within the System in 2012 according to the following parameters:

- net profit,
- Core Tier 1 Ratio, and
- cash horizon

Zero Factor confirms or entirely cancels payment of deferred portions of the bonus. The Remuneration Committee approves the level of fulfilment of the Zero Factor parameters each year and the release or cancellation of deferred bonus payment based on a proposal from UniCredit Group's Board of Directors.

#### Ad 3.

Any payment of the variable component of remuneration for an executive manager is subject to the **Compliance Assessment**, which confirms, reduces or entirely cancels the payment to which an employee is entitled in each year of deferred remuneration. An executive manager's direct superior shall assess whether the executive manager acted during the evaluated period in accordance

with the principles of UniCredit Group's Integrity Charter; whether he or she committed serious errors, including errors which could have a tangible impact on banking risk or the balance sheet; as well as whether or not he or she breached legal norms, UniCredit Group's rules or UniCredit Bank's internal regulations, regardless of whether a disciplinary hearing is taking place or other disciplinary sanctions have already been imposed. The Remuneration Committee shall approve this evaluation.

As with the evaluation of individual performance objectives, this assessment may reduce or entirely cancel (depending on the gravity of the violation) the potential variable remuneration.

The **Continuous Employment Condition** stipulates that an employee is entitled to payment of the variable remuneration component or its deferred part only if he or she is an employee of the Bank or another company within UniCredit Group at the time of payment.

#### **Bonus Opportunity Plan**

Payment of the bonus for the give period (2012) is spread out over a several-year period:

##### Senior Vice-Presidents

- The first part (2013) is payable in cash and comprises 40% of the bonus established for the given period. It is adjusted using the Group Gate and Zero Factor parameters (valid for the first year of the accrual period).
- The second part (2014) is payable in cash and comprises 20% of the bonus established for the given period. It is adjusted using the Zero Factor valid for the second year of the accrual period.
- The third (2015) and fourth (2016) parts will be paid in UniCredit Group shares, and each comprises 20% of the bonus established for the given period. These payments also are adjusted using the Zero Factor valid for the third and fourth years of the accrual period.

##### Executive Vice-Presidents

- The first part (2013) is payable in cash and comprises 20% of the bonus established for the given period. It is adjusted using the Group Gate and Zero Factor parameters (valid for the first year of the accrual period).
- The second part (2014) is payable in cash and comprises 20% of the bonus established for the given period. It is adjusted using the Zero Factor valid for the second year of the accrual period.
- The third part (2015) will be paid in UniCredit Group shares and comprises 20% of the bonus established for the given period. This payment also is adjusted using the Zero Factor valid for the third year of the accrual period.
- The fourth part (2016) will be paid in cash and in UniCredit Group shares. The cash portion comprises 10% of the bonus established for the given period, while the portion paid in shares comprises 20% of the bonus established for the given period. These payments also are adjusted using the Zero Factor valid for the fourth year of the accrual period.

- The fifth part (2017) will be paid in UniCredit Group shares and comprises 10% of the bonus established for the given period. This payment also is adjusted using the Zero Factor valid for the fifth year of the accrual period.

In each year to which the bonus is deferred, payment of the given portion of the bonus is conditioned for both categories of executive managers by completion of the Compliance Assessment, which confirms, reduces or entirely cancels the payment. The Remuneration Committee approves the fulfilment of the conditions for payment in each year and the release of the deferred bonus payment on the bases of a proposal from UniCredit Group's Board of Directors.

#### **Benefits of the Bank's executive managers**

Benefits are defined in accordance with the priorities of UniCredit Group's human resource strategy and the classification of the manager's position into a pre-defined employee benefits category.

- The following employee benefits are provided to executive managers by virtue of their employment with the Bank: employer's contribution to supplementary pension insurance, employer's contribution to capital life insurance, compensation for child's education costs.
- By virtue of their managerial position, executive managers are provided a company car for business as well as private purposes and a contribution toward purchasing employee shares in UniCredit Group.
- In accordance with the standards for relocating top managers in UniCredit Group to a foreign country, and by virtue of their temporary relocation to the Czech Republic from other companies within UniCredit Group, foreign executive managers draw contractual fulfilment associated with their long-term stays abroad.

The aforementioned benefits are provided in the form of non-monetary fulfilment, and their aggregate amount is included in the remuneration summary.

#### **Supervisory Board**

The Supervisory Board consists of nine persons, of which three are employed by the issuer and receive a salary for activities performed for the issuer on the basis of an employment contract in accordance with the Labour Code. Members of the Supervisory Board, if they are at the same time employed by any company of UniCredit Group (including the issuer), are not entitled to remuneration for executing their offices.

Fixed contractual remuneration may only be agreed with those members of the Supervisory Board who at the same time do not hold executive positions within UniCredit Group by virtue of an employment contract. The remuneration is valid for the entire period of office of the Supervisory Board member, and it is proposed and approved by the sole shareholder, UniCredit Bank Austria AG, Vienna.

The remuneration to members of the Supervisory Board stated in the remuneration summary comprises the incomes received by three members of the Supervisory Board who are employed with the Bank and who received the payments by virtue of their employment contracts

in accordance with the Labour Code and by one foreign member of the Supervisory Board with whom the shareholder agreed fixed contractual remuneration based on the aforementioned regulations. The remaining members of the Supervisory Board are not remunerated by the issuer.

The remuneration policy in the case of Supervisory Board members who are employed with UniCredit Bank Czech Republic, a.s. is approved by the Bank's Board of Directors at the proposal of the Bank's Human Resources Department, and the benefits are provided in accordance with the valid Collective Agreement concluded between the Bank and its trade union.

The principles of remuneration to members of the Supervisory Board and the components of their remuneration, which are paid to them by virtue of their employment contracts, are identical to the principles of remuneration to members of the Board of Directors, with the exception of variable remuneration, which is defined by the Bank's Wages Regulation. The variable annual bonus payment is determined for employees as a percentage of the target variable annual bonus (0–150%) on the basis of fulfilling quantitative and qualitative performance indicators which are defined in the Goal Card, which is part of the system of variable remuneration of the Bank's employees

based on an evaluation of individual and team targets. The performance parameters in the Goal Card of Supervisory Board members who are employed with the issuer are dependent on the job positions they perform by virtue of their employment contracts in accordance with the Labour Code and in no way relate to execution of the office of Supervisory Board member. The amounts of the final annual variable bonuses paid to members of the Supervisory Board who are employed with the issuer are proposed and approved by their direct superiors according to the issuer's organizational structure.

#### Audit Committee

The Audit Committee consists of three persons, none of whom are employed by the issuer.

Fixed contractual remuneration may be agreed for executing the office of Audit Committee member. The remuneration is valid for the entire period of office of the Audit Committee member, and it is proposed and approved by the sole shareholder, UniCredit Bank Austria AG, Vienna. In 2012, the aforementioned fixed contractual remuneration was agreed with two members of the Audit Committee, and the total amount thereof is stated in the remuneration summary. The remaining member of the Audit Committee is not remunerated by the issuer.

## 15. Information on remuneration to auditors recognized in the reporting period

(In CZK 000)	Tax advisory	Other advisory/attestation	Audit	Total
KPMG Česká republika Audit, s.r.o.	–	–	13,104	13,104
Deloitte Advisory s.r.o.	2,157	3,223	–	5,380
PricewaterhouseCoopers Česká republika, s.r.o.	168	–	–	168
Ernst & Young, s.r.o.	523	–	–	523
<b>Total</b>	<b>2,848</b>	<b>3,223</b>	<b>13,104</b>	<b>19,175</b>

## 16. Information on all monetary and in-kind incomes accepted by managers and members of the Supervisory Board and the Audit Committee from the issuer

Members of the Board of Directors				
Total incomes	Remuneration as member s of the Board of Director		Remuneration for management positions	
	Salaries and remuneration	Variable annual bonuses	Non-monetary remuneration	
68,509,980	8,452,200	39,760,364	16,085,907	4,211,509
Members of the Supervisory Board and the Audit Committee				
Total incomes	Remuneration as member of the Supervisory Board/Audit Committee		Variable annual bonuses	Non-monetary remuneration
	Salaries and remuneration			
7,815,446	879,900	5,381,790	1,502,756	51,000

## 17. Major future investments other than financial investments (planned for 2013)

Other investments (other than financial investments)	CZK 216,882,700
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Investments in 2013 will be mainly connected to expanding the sales network, and in particular franchise points of sale, and renovating current locations. Investments into information technologies (IT) are not reported by the Bank directly. IT services are purchased on an outsourcing basis, and their extent and parameters are specified by contract and included into operating costs.

## 18. Guarantees provided by the issuer

(In CZK 000)	31 December 2012	31 December 2011
Guarantees provided	28,358,139	28,372,591
Guarantees provided under L/Cs	808,885	558,561
<b>Total</b>	<b>29,167,024</b>	<b>28,931,152</b>

## 19. Issuer's direct and indirect participation interests exceeding 10%

<b>Company:</b>	<b>CBCB – Czech Banking Credit Bureau, a.s.</b>
Registered office:	Na Vítězné pláni 1719/4, Prague 4
Company identification no.:	26199696
Subject of business:	– Provision of software – Consultancy regarding hardware and software – Automatic data processing – Database services – Administration of computer networks
Subscribed share capital:	CZK 1,200,000
Amounts and types of provisions as at 31 Dec 2012:	Other provisions of CZK 6,000,000
Net profit for 2012:	CZK 2,815,000
UCB's ownership in the company's share capital:	20% (fully paid up)
Income in 2012 from the ownership interest:	CZK 609,000
<b>Company:</b>	<b>MOPET CZ a.s.</b>
Registered office:	Hvězdova 1716/2b, Prague 4 – Nusle
Company identification no.:	24759023
Subject of business:	– Development and operation of a mobile payments system
Subscribed share capital:	CZK 104,000,000
Amounts and types of provisions as at 31 Dec 2012:	Other provisions of CZK 1,670,000
Net profit for 2012:	CZK –57,435,000
UCB's ownership in the company's share capital:	12.5% (fully paid up)
Income in 2012 from the ownership interest:	CZK 0

## 20. Internal audit policy and procedures and rules for the issuer's approach to risks connected with the financial reporting process

All processes in the Bank that influence or may influence the Bank's financial reporting have been described, including the risks connected with these processes. Controls with varying periodicity have been set up in order to eliminate these risks. All processes are evaluated and updated twice a year, and the controls set up to eliminate the described risks are inspected.

The goal of the aforementioned was to establish corresponding internal controls that guarantee the accuracy of the financial reporting, achieve broader awareness of the risks connected with creating financial reports, and keep these risks under control and at an acceptable level. The entire process is in accordance with the Italian act no. 262/2005 and legal regulation no. 303/2006, which were inspired by the American Sarbanes-Oxley Act.

The Bank has prepared internal regulations relating to particular areas of its activities that influence the Bank's accounting. The procedures for valuing statement of financial position and statement of comprehensive income items are described in the notes to the financial statements, which form a part of this annual report. The Bank shall submit the financial statements to the auditor for review and, twice per year (mid-year and at the end of the given year), financial data intended for consolidation of the parent company for the auditor's verification.

## 21. Risk factors

Risk factors are described in detail in the notes to the non-consolidated financial statements.

## 22. Licences and trademarks

UniCredit Bank makes use of several dozen trademarks for designating and protecting its products in the banking market. These have been registered as owned by the Bank at the Industrial Property Office of the Czech Republic.



# PLANNING

**State-subsidized home loans made easy**



*“ Zagrebačka Banka helped me to resolve my personal and professional financing challenges. I previously worked in Zagreb, where I lived in a rented apartment. When I found another job in my hometown of Split, the bank helped me to secure a state-subsidized loan that allowed me to move back and buy a house. My personal banker was highly skilled and engaged, and my loan application was processed quickly and approved immediately. ”*

Goran Dlaka, customer of Zagrebačka Banka in Croatia



# Report on relations

between the controlling and controlled entities and on relations between the controlled entities and other entities controlled by the same controlling entity

In accordance with Section 66a, para. 9 of Act No. 513/1991 Coll., the Commercial Code, as subsequently amended, the Board of Directors of **UniCredit Bank Czech Republic, a.s.**, having its registered address at Prague 4, Želetavská 1525/1, company identification no. 64948242, entered into the Commercial Register administered by the Municipal Court in Prague, Section B, file 3608 ("UniCredit Bank"), has compiled this **report on relations** for the **accounting period from 1 January 2012 to 31 December 2012** (hereinafter the "period").

Throughout the aforementioned accounting period, UniCredit Bank was controlled directly by its sole shareholder, **UniCredit Bank Austria AG**, having its registered address at Schottengasse 6–8, 1010 Vienna, Republic of Austria.

Throughout the aforementioned accounting period, UniCredit Bank was controlled indirectly by **UniCredit, S.p.A.**, having its registered address at Via Specchi 16, Rome, Italy.

Given the fact that the Controlling Entity is the sole shareholder of the Controlled Entity, no review of this Report has been performed by the Supervisory Board of the Company in accordance with Section 66a, para. 16 of the Commercial Code.

The Board of Directors of UniCredit Bank declares that UniCredit Bank and the connected entities known to the Bank concluded the contractual relationships listed below during the accounting period from 1 January 2012 to 31 December 2012.

1.1. The following contracts were concluded between UniCredit Bank and **UniCredit Business Partner s.r.o.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Service Level Agreement – Amendment no. 9	Update of annexes to services in the area of payment operations and account maintenance: Description of provided services	1 Jan 2012	None
Service Level Agreement – Amendment no. 6	Update of annexes regarding Treasury services: Description of provided services	3 Sep 2012	None
Service Level Agreement – Amendment no. 6	Update of annexes to services in the area of cards processing: Description of provided services, Amendment on prices, Contact persons	1 Jan 2012	None
Service Level Agreement – Amendment no. 7	Update of annexes to services in the area of cards processing: Amendment on prices	1 May 2012	None
Service Level Agreement – Amendment no. 5	Update of annexes in the area of providing an information system for GPP payment operations: Amendment on prices	1 Jan 2012	None
Coordination Agreement – Amendment no. 7	Replaces the original Coordination Agreement from 5 November 2007	2 Apr 2012	None
Coordination Agreement – Amendment no. 8	Update of Annex 3 – Specimen signatures and seals of individuals authorized to act on behalf of the Bank	24 Sep 2012	None
Sublease Agreement	Lease of areas in building no. 1525, Želetavská 1, Prague 4	29 Jun 2012	None

1.2. The following contracts were concluded between UniCredit Bank and **Pioneer investiční společnost, a.s.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Mandate agreement on settlement of security trades from 15 Sep 2008 – Amendment no. 6	Modification of contractual terms and conditions	27 Mar 2012	None
Contract on PIC current account – dynamic no. 2106988378 in PLN + Amendment	Current account contract	9 Jul 2012	None
Contract on PIC current account – dynamic no. 2106988386 in HUF + Amendment	Current account contract	9 Jul 2012	None
Contract on PIC current account – dynamic no. 2106988351 in TRY	Current account contract	9 Jul 2012	None
Current account contract for Premium fund 3 no. 2107957709 in CZK with UCB	Current account contract	25 Sep 2012	None
Mandate agreement on settlement of security trades from 15 Sep 2008 – Amendment no. 7	Modification of contractual terms and conditions	24 Oct 2012	None
Contract on custody and administration of securities from 15 Sep 2008 with UCB – Amendment no. 6	Current account contract	24 Oct 2012	None
Mandate agreement on settlement of security trades from 15 Sep 2008 – Amendment no. 8	Current account contract	30 Oct 2012	None
Current account contract no. 2108344971 in USD at UCB for Premium fund 2	Current account contract	5 Nov 2012	None

1.3. The following contracts were concluded between UniCredit Bank and **Pioneer Asset Management, a.s.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Contract on conveying, receiving and executing instructions related to securities and collective investments and custody – Amendment no. 1	Modification of contractual terms and conditions	1 Jun 2012	None
Master agreement on financial market trading	Master agreement on financial market trading	2 Jul 2012	None
Current account contract no. 210698960/2700 in USD with UCB	Current account contract	22 Aug 2012	None
Rental contract for commercial premises	Lease of premises in building no. 2090, Na Poříčí 2, Prague 1	31 Aug 2012	None
Distribution contract for the Rentier Invest and Golden Fish products with UCB	Replaces the contract from 10 Mar 2009	22 Nov 2012	None
Settlement agreement	Agreement for settling invoices	26 Nov 2012	None
Agreement on termination of the contract on custody of bulk investment certificates	Contract termination	13 Dec 2012	None

1.4. The following contracts were concluded between UniCredit Bank and **UniCredit Business Integrated Solutions S.C.p.A.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Mandate agreement	Sharing of the provision of services following suppliers of the Bank in the extent according to: contract no. 11000207 (with OKIN Group, a.s.), contract no. 11000208 (with PaN servis s.r.o.), contracts no. 11000212 and no. 11000213 (both with Colsys, s.r.o.)	1 Jan 2012	None
Agreement for outsourcing Czech Republic – Annex B	Amendment to SLA with UBIS Czech Republic, defining method and amounts of consideration for ICT services provision	29 Nov 2012	None
Agreement for outsourcing ITA – Annex B	Amendment to SLA with UBIS ITA, defining method and amounts of consideration for ICT services provision	29 Nov 2012	None
Amendment agreement to the agreement for outsourcing Czech Republic	Modification of SLA with UBIS Czech Republic including extension of ICT services with ATM support services and defining the price for these additional services	30 Nov 2012	None
Amendment agreement to fleet management agreement	Modification of SLA on fleet management including ATM delivery	30 Nov 2012	None
Service Level Agreement – Amendment no. 10	Update of annexes to services in the area of payment operations and account maintenance: Description of provided services Amendment on prices	1 Nov 2012	None
Service Level Agreement – Amendment no. 7	Update to annexes regarding Treasury services: Description of provided services Amendment on prices	1 Nov 2012	None
Agreement on termination of the contract on sublease of commercial premises	Termination of sublease of premises in building no. 724, Revoluční 7, Prague 1	20 Dec 2012	None

1.5. The following contracts were concluded between UniCredit Bank and **UniCredit Leasing a.s.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Mandate agreement	Sharing of the provision of services of the following suppliers of the Bank in the extent according to: contracts no. 11000212 and no. 11000213 (both with Colsys, s.r.o.)	2 Apr 2012	None
Agreement on lease of security devices and camera system	Lease of systems owned by the Bank installed in rented premises of UniCredit Leasing CZ, a.s. in the Filadelfie building	23 Mar 2012	None

1.6. The following contracts were concluded between UniCredit Bank and **UniCredit Credit Management Bank S.p.A.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Sublease agreement	Sublease of premises in building no. 1525, Želetavská 1, Prague 4	1 Apr 2012	None
Agreement on termination of the sublease agreement	Termination of the sublease of premises in building no. 1525, Želetavská 1, Prague 4	29 Jun 2012	None
Sublease agreement*	Sublease of premises in building no. 1525, Želetavská 1, Prague 4	1 Jul 2012	None

\*) Agreement concluded between UniCredit CAIB Czech Republic a.s. and UniCredit Credit Management Bank S.p.A.

1.7. The following contracts were concluded between UniCredit Bank and **UniManagement S.c.r.l.** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Service agreement for the provision of training services and other related activities	Planning, project development, and provision of training	1 Oct 2012	None

1.8. The following contracts were concluded between UniCredit Bank and **Schoellerbank AG** in the accounting period from 1 January 2012 to 31 December 2012:

Contract title	Subject of contract	Date of conclusion	Detriment
Cooperation agreement	Offer of services from Schoellerbank via UCB CZ and based on interest in subsequent intermediation of contact between Schoellerbank and the potential client	23 Nov 2012	None

1.9. In the accounting period from 1 January 2012 to 31 December 2012, in addition to the aforementioned contracts, UniCredit Bank concluded interbank, derivative and other transactions with the connected entities consistent with the arm's length principle.

1.10. Under banking relationships in the normal course of business, certain lending transactions are collateralized using bank guarantees provided by UniCredit Bank Austria AG and UniCredit Bank AG.

**2. Performance in supplying goods or services** in the accounting period from 1 January 2012 to 31 December 2012 by UniCredit Bank to connected entities and **consideration received for these:**

The Board of Directors of UniCredit Bank declares that, in the accounting period from 1 January 2012 to 31 December 2012, all performance in supplying goods or services and consideration received for these between UniCredit Bank and its connected entities were provided in the normal course of business or otherwise consistent with the arm's length principle and no detriment arose from any such performance.

**3. Other legal acts** undertaken by UniCredit Bank in the interest of connected entities: The Board of Directors of UniCredit Bank declares that UniCredit Bank did not, in the accounting period from 1 January 2012 to 31 December 2012, undertake other legal acts in the interest of connected entities outside the usual legal acts carried out in the normal course of business, or, as the case may be, outside the normal legal acts effected by UniCredit Bank within the usual exercise of the rights of UniCredit Bank Austria AG as the sole shareholder of UniCredit Bank.

**4. Other measures** that were adopted or executed by UniCredit Bank in the interest or at the instigation of connected entities, and the benefits and disadvantages of such measures: The Board of Directors of UniCredit Bank declares that UniCredit Bank did not, in the accounting period from 1 January 2012 to 31 December 2012, adopt or execute any measure in the interest or at the instigation of connected entities outside the normal course of business or, as the case may be, outside the usual exercise of the rights of the sole shareholder of UniCredit Bank.

**5. Detriment** to UniCredit Bank ensuing from the contracts concluded and other measures: The Board of Directors of UniCredit Bank declares that no detriment resulted for UniCredit Bank from the contracts concluded and other measures.

In Prague on 18 March 2013

On behalf of the Board of Directors of UniCredit Bank

  
**Ing. Jiří Kunert**  
 Chairman of the Board of Directors

  
**Mag. Gregor Hofstaetter-Pobst**  
 Member of the Board of Directors

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Fax: 221 155 770  
ostrava.poruba@unicreditgroup.cz

**PŘEROV**

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780 01 Šumperk  
Tel.: 955 959 861  
Fax: 221 154 620  
sumperk@unicreditgroup.cz

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nám. Svobody 527  
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Fax: 221 155 130  
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**VALAŠSKÉ MEZIŘÍČÍ**

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valasskemezirici@unicreditgroup.cz

## Points of sale

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tř. Osvobození 154  
765 02 Otrokovice  
Tel.: 955 964 040  
Fax: 221 154 040  
expres.otrokovice@unicreditgroup.cz

**CHRUDIM**

Masarykovo náměstí 32  
537 01 Chrudim  
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ivan.pistora@unicreditgroup.cz

**HLUČÍN**

Ostravská 83/39  
748 01 Hlučín  
Tel.: 955 963 570  
Fax: 221 153 570  
lukas.kiedron@unicreditgroup.cz

**DOBŘICHOVICE**

5. května 348  
252 29 Dobřichovice  
Tel.: 955 964 800  
Fax: 221 154 800  
expres.dobrichovice@unicreditgroup.cz

**BOSKOVICE**

Bezručova 2435/14  
680 01 Boskovice  
Tel.: 955 964 885–886  
Fax: 221 154 835  
expres.boskovice@unicreditgroup.cz

**TURNOV**

Skálova 69  
511 01 Turnov  
Tel.: 955 962 970  
Fax: 221 154 840  
expres.turnov@unicreditgroup.cz

**DVŮR KRÁLOVÉ NAD LABEM**

Tylova 503  
544 01 Dvůr Králové nad Labem  
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Fax: 221 154 825  
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**ČESKÝ TĚŠÍN**

Nádražní 207  
737 01 Český Těšín  
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Fax: 221 154 820  
expres.ceskytesin@unicreditgroup.cz

**LOUNY**

Osvoboditelů 2649  
440 01 Louny  
Tel.: 955 962 975–979  
Fax: 221 154 845  
jiri.cernik@unicreditgroup.cz

**SLANÝ**

Masarykovo nám. 142/17  
274 01 Slaný  
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**ČESKÝ KRUMLOV**

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expres.ceskykrumlov@unicreditgroup.cz

**HRANICE**

třída 1. máje 1260  
753 01 Hranice  
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Fax: 221 154 775  
ticha@iol.cz  
expres.hranice@unicreditgroup.cz

**BRANDÝS NAD LABEM**

Petra Jilemnického 15/4  
250 01 Brandýs nad Labem  
Tel.: 955 962 985–989  
Fax: 221 154 855  
expres.brandysnadlabem@unicreditgroup.cz

**KRALUPY NAD VLTAVOU**

náměstí J. Seiferta 698  
278 01 Kralupy nad Vltavou – Lobeček  
Tel.: 955 962 991  
Fax: 221 154 880  
expres.kralupynadvltavou@unicreditgroup.cz

**BOHUMÍN**

tř. Edvarda Beneše 231  
735 81 Bohumín  
Tel.: 955 963 270  
Fax: 221 154 865  
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**ŘÍČANY**

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Fax: 221 154 780  
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**RUMBURK**

tř. 9. května 30  
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Fax: 221 154 870  
expres.rumburk@unicreditgroup.cz

**KYJOV**

Jungmannova 1310/10  
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Fax: 221 154 860  
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**HODONÍN**

Dolní Vály 3  
695 01 Hodonín  
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Fax: 221 154 810  
expres.hodonin@unicreditgroup.cz



**NYMBURK**

Palackého třída 2553  
288 02 Nymburk  
Tel.: 955 964 790–2  
Fax: 221 154 790  
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**ROUDNICE NAD LABEM**

Karlovo náměstí 24  
413 01 Roudnice nad Labem  
Tel.: 955 963 885  
Fax: 221 154 875  
expres.roudnicenadlabem@unicreditgroup.cz

**PRAGUE – HORNÍ POČERNICE**

Náchodská 444/145  
193 00 Horní Počernice  
Tel.: 955 962 590–2  
Fax: 221 154 895  
expres.hornipocernice@unicreditgroup.cz

**ROŽNOV POD RADHOŠTĚM**

Bayerova 53  
756 61 Rožnov pod Radhoštěm  
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Fax: 221 154 900  
expres.roznov@unicreditgroup.cz

**ROKYCANY**

Palackého 11  
337 01 Rokycany  
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fax: 221 154 895  
expres.rokycany@unicreditgroup.cz

**DOBŘÍŠ**

Plukovníka B. Petroviče 219  
263 01 Dobříš  
Tel.: 955 964 400  
Fax: 221 154 915  
expres.dobris@unicreditgroup.cz

**LYSÁ NAD LABEM**

Husovo náměstí 175  
289 22 Lysá nad Labem  
Tel.: 955 964 195  
Fax: 221 154 910  
expres.lysanadlabem@unicreditgroup.cz

**VSETÍN**

Tyršova 1019  
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Fax: 221 154 885  
expres.vsetin@unicreditgroup.cz

**LITVÍNŮV**

náměstí Míru 186  
436 01 Litvínov  
Tel.: 955 964 520  
Fax: 221 154 915  
expres.litvinov@unicreditgroup.cz

**SUŠICE**

T. G. Masaryka 153  
342 01 Sušice  
Tel.: 955 963 475–479  
Fax: 221 154 920  
expres.susice@unicreditgroup.cz

**ZÁBŘEH NA MORAVĚ**

Valová 2357/8  
789 01 Zábřeh na Moravě  
Tel.: 955 963 995  
Fax: 221 154 930  
expres.zabrehnamorave@unicreditgroup.cz

**LOVOSICE**

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Tel.: 955 964 525  
Fax: 221 154 935  
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**ŠTERNBERK**

Radniční 87/4  
785 01 Šternberk  
Tel.: 955 963 991  
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expres.sternberk@unicreditgroup.cz

**KADAŇ**

Mírové náměstí 46  
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**ČÁSLAV**

Dusíkova 78  
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Fax: 221 154 950  
expres.caslav@unicreditgroup.cz

**PŘELOUČ**

28. října 146  
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Tel.: 955 964 245  
Fax: 221 154 960  
expres.prelouc@unicreditgroup.cz

**VRCHLABÍ**

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543 01 Vrchlabí  
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Fax: 221 154 955  
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**SVITAVY**

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Fax: 221 154 925  
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**KRNOV**

Zámecké nám. 13/1  
794 01 Krnov  
Tel.: 955 964 725–6  
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**PODĚBRADY**

Lázeňská 1458  
290 01 Poděbrady  
Tel.: 955 964 795–6  
Fax: 221 154 890  
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**HOLEŠOV**

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769 01 Holešov  
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**UHERSKÝ BROD**

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