

---

# Annual Report 2015

---

Modrá pyramida  
stavební spořitelna, a.s.

---

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029



**Modrá pyramida**

Váš rádce na finance

Modrá pyramida is a dynamic company which is focused on providing comprehensive financial advisory. The basic principle is a fair approach and development of a long-term relationship between a financial advisor and a client, the base for it being a financial analysis and a financial plan resulting from it.

## Selected Key Indicators

	UNITS	2015	2014	2013	2012	2011
Total assets	CZK´000	89,103,638	82,774,685	82,155,312	82,146,845	80,172,286
Volume of client deposits	CZK´000	67,812,325	71,809,152	71,673,736	71,075,961	70,047,882
Total volume of loans	CZK´000	37,171,614	38,444,951	43,685,807	49,359,889	51,421,748
Volume of assigned loans	CZK´000	4,259,382	4,719,453	5,425,244	6,253,643	6,796,962
Volume of bridging loans	CZK´000	32,912,232	33,725,498	38,260,563	43,106,246	44,624,786
Net profit	CZK´000	915,071	994,683	1,065,526	1,122,736	1,050,659
Dividend designed for the business year	CZK´000	???	994,683	1,065,526	1,122,736	0
ROAE	%	15.80	17.10	17.62	19.92	22.38
Assets per employee	CZK´000	265,981	247,828	242,346	240,195	219,050
Profit per employee (FTE)	CZK´000	2,732	2,978	3,143	3,283	2,871
Capital adequacy	%	19.3	19.8	21.1	20.8	16.3
Headcount (at 31 December)	persons	335	334	339	342	366
Valid contracts	number	571,931	614,239	632,826	669,662	717,842
Active assigned loans	number	44,165	49,550	56,892	66,728	76,501
Active bridging loans	number	46,880	47,539	51,656	57,244	62,902

# Contents

## Total assets (CZK '000)

2011	80,172,286
2012	82,146,845
2013	82,155,312
2014	82,774,685
2015	89,103,638

## Assets per employee (CZK '000)

2011	219,050
2012	240,195
2013	242,346
2014	247,828
2015	265,981

## Contacts

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

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

### Komerční banka, a.s.

Na Příkopě 33  
114 07 Praha 1  
phone: +420 485 262 800  
fax: +420 224 243 020  
e-mail: mojebanka@kb.cz  
internet: www.kb.cz

## Further information

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

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

## STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

2 Statement of the Chairman of the Board of Directors

## MODRÁ PYRAMIDA

3 Profile

## COMPANY BODIES

4 Company Bodies

## REPORT OF THE BOARD OF DIRECTORS

6 Report of the Board Directors

7 Not just financial advisory

7 Real estate services

7 Blue energy

7 Biometric signature

7 Financial advisors

7 Risk management

## ADDITIONAL INFORMATION

8 Employees, Corporate responsibility, Environment

9 Report of the Supervisory Board

## FINANCIAL SECTION

12 Independent Auditor's Report

14 Financial Statements

50 Report on relations between related parties for the 2015 accounting period

64 Data on capital

## Statement of the Chairman of the Board of Directors

Dear shareholder, dear business partners, dear clients,

I have the honour to look back on a successful year of Modrá pyramida, in which apart from the excellent business results we managed to increase the level of our financial advisory focused on housing finance.

In 2015 the Czech economy was in a very good shape. Healthy economic environment and low unemployment rates supported populations' and entrepreneurs' trust which manifested itself in higher investment and consumption spending. At the same time the extremely low interest rates period continued and a competition strengthened mainly in the housing loans providing area.

Despite we achieved excellent business results. For the greatest achievement I consider the year-on-year growth of housing loans volume by 45% driven by 83% growth of building savings loans volume. Last year we provided housing loans in the volume approaching CZK 10 billion. Thus we managed to fulfil our primary mission - to provide complex financial advisory with significant focus on housing finance. We also achieved good results in sales of other financial products of Komerční banka Group. For example sales of day-to-day banking products in year-on-year comparison increased by 25% mainly due to higher sales of current accounts and sales of saving and investment products increased year-on-year by 29%.

Throughout the whole year we focused on development of our business network with the aim to provide accessible and high quality financial advisory, to maintain long-term relationships of our financial advisors with current clients but also to obtain new clients.

We also succeeded in the innovations area, where as the biggest achievement I consider the implementation of biometric signature enabling the financial advisors to solve clients' requests faster and more efficiently and it increases security of signed documentation. The biometric signature implementation was enabled by extensive digitalisation and automation of our processes that is contracts processing, financial advisors support and also connection to other systems of the bank.



**DAVID FORMÁNEK**

Chairman of the Board of Directors

Year 2015 with its results will go down as one of the most successful years in Modrá pyramida's history. Great appreciation and sincere Thank you goes to all colleagues and employees. Our Thank you belongs also to our shareholder, Komerční banka, and mainly to its employees who closely cooperate with Modrá pyramida. It is also their merit that the range of our business offer is this wide and that Modrá pyramida is successfully developing as a significant part of the Komerční banka and Société Générale financial group.

We presume that the positive economic development will continue in 2016 and for some time also the environment of low interest rates and low building construction and material prices will last. We are fully prepared to stand alongside of those who will purchase new or renovate their current home in this year. We want Modrá pyramida to be the partner on a journey to a new or a better home to the largest number of clients. And therefore already now we expand our services to all that is connected with housing issues – be it real estates, energy savings or services of interior designers. Our financial advisors are making efforts to be close to their clients and to offer them the widest range of services so that Modrá pyramida is not only the advisor on finances but also advisor for life.

# Profile

Modrá pyramida is a dynamic company which after completion of its transformation focuses on providing of complex financial advisory with emphasis on housing finance. Financial advisory is based on a fair approach and building of a long-term relationship between financial advisor and a client, the base for it being a financial analysis and a financial plan resulting from it. It is "tailor-made" for every client according to his/her financial situation and future plans. The financial plan provides the client with

a recommendation how to optimize the creation of reserves and cover risks, taking into account his/her income and expenses.

Client services on a professional level are ensured by more than one thousand advisors of Modrá pyramida in 215 advisory centres all over the Czech Republic. Modrá pyramida offers its comprehensive services in the area of housing financing including a wide real estate offer also in its already 8 Hypocentres in the Czech Republic.

## Shareholder Structure

**Company name:**

Komerční banka, a.s.

**Registered office:**

Na Příkopě 33  
Prague 1  
Czech Republic

**Ownership interest:**

100%

**Registered number:**

45317054

## Corporate Information

**Company name:**

Modrá pyramida stavební spořitelna, a.s.

**Legal status:**

joint stock company

**Incorporated:**

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

**Registered office:**

Bělehradská 128, č. p. 222,  
120 21 Prague 2, Czech Republic

**Registered number:**

60192852

**Incorporated:**

9 December 1993

**Share capital:**

CZK 562,500,000

**Shares:**

5,625 registered shares in book entry form with a nominal value per share of CZK 100,000 Modrá pyramida stavební spořitelna, a.s., does not have any organizational units abroad.

# Company Bodies

## As at 31.12.2015

### Board of directors

**David Formánek**

Chairman of the Board of Directors

**Aleš Mašanský**

Member of the Board of Directors

**Ladislav Šilha**

Member of the Board of Directors

### Supervisory Board

**Albert Marie Le Dirac'h**

Chairman of the Supervisory Board

**Peter Palečka**

Vice Chairman  
of the Supervisory Board

**Vladimír Jeřábek**

Member of the Supervisory Board

**Libor Löfler**

Member of the Supervisory Board

**Kristýna Železná**

Member of the Supervisory Board

**Josef Květoň**

Member of the Supervisory Board

### Audit Committee

**Peter Palečka**

Chairman of the Audit Committee

**Petr Špaček**

Vice Chairman of the Audit Committee

**Jiří Příbyl**

Member of the Audit Committee



---

**DAVID FORMÁNEK**

---

Chairman of the Board of Directors

---



---

**ALEŠ MAŠANSKÝ**

---

Member of the Board of Directors

---



---

**LADISLAV ŠILHA**

---

Member of the Board of Directors

---



# Report of the Board of Directors on business activities and assets of the Company for 2015

2015 was a year of continuous revival of the Czech economy. Healthy economic environment and low unemployment rates supported populations' and entrepreneurs' trust which manifested itself in higher investment and consumption spending. Yet it was a difficult year and that primarily with regards to persisting low interest rate environment.

Modrá pyramida reached sound results in 2015. "Comeback" of loans was a great success when we managed to provide and conclude housing financing loans at the amount of almost CZK 10 billion. The 2015 results indisputably confirmed successful transformation of Modrá pyramida's business model from a building savings bank to a provider of comprehensive financial advisory with wide products offer.

In 2015 there were 459 thousand new building savings contracts with a total target amount of CZK 156.2 billion concluded and loans in the volume of CZK 45.8 billion granted on the Czech building savings market. In total the clients' savings deposits amounted to CZK 384.2 billion and loans to CZK 242.7 billion in the balance sheets of building savings banks at the end of 2015.

The building savings continued to be influenced by persisting low interest rate environment and high volume of early repaid loans. Modrá pyramida concluded 93,910 new contracts and target amount increases with a target amount of CZK 23.2 billion in the past year. Measured by the number of concluded contracts, Modrá pyramida's market share reached 20.5%, which signifies decrease by 1.4% and the third place in the ranking of building savings banks.

Modrá pyramida recorded decrease in volume of clients' deposits. Their volume reached CZK 67.8 billion, signifying decrease compared to the previous year by 5.6%. The company's total assets amounted to CZK 89 billion and grew by 7.7% compared to 2014.

The number of valid building savings contracts was 571 931 contracts with the target amount of CZK 197 billion at the end of the past year.

In 2015 Modrá pyramida granted its clients almost 10 thousand loans in the volume of CZK 6.3 billion, signifying year-on-year increase by 83% in volume. Besides building savings loans, Modrá pyramida also concluded mortgages of Komerční banka in the total volume of CZK 3.6 billion. The market share of Modrá pyramida corresponds to 18.8% as measured by the contractual volume of all concluded loans, signifying year-on-year increase by 3.2% and the 2nd place in the building savings market.

The total volume of housing loans decreased by 3.3% in 2015 and reached CZK 37.2 billion, the decrease was driven mainly by early repayments of loans.

Besides the production of building savings and building savings loans itself, Modrá pyramida participated in increasing sales of financial products of the third parties (mainly Komerční banka Group) in 2015. The sales of saving and investment products increased year-on-year by 29%, mainly thanks to higher sales of IKS mutual funds and Komerční pojišťovna products.

The sales of day-to-day banking products increased year-on-year by 25%, mainly due to higher sales of current accounts. Lower sales were only recorded in consumer loans, in year-on-year comparison it was a decrease by 1% and that due to lower sales of ESSOX consumer loans.

The ordinary financial statements for 2015 were prepared with due care and diligence and were reviewed by an independent auditor – the auditing company Deloitte Audit s.r.o., with its registered office Prague 8 – Karlín, Karolínská 654/2, post code 186 00. The auditing company performed the audit in accordance with the regulations applicable in the Czech Republic and has stated that the financial statements give a true and fair view of the financial position of the company Modrá pyramida stavební spořitelna, a.s., as at 31 December 2015 and of the results of its financial performance in accordance with the accounting regulations applicable in the Czech Republic.

Modrá pyramida reached sound financial results with its profit after tax in the amount of CZK 915.1 million in spite of the continuous low interest rate environment.



## Not just financial advisory

Year 2015 was a year when Modrá pyramida strengthened and shaped its services in the area of financial advisory. In course of this year it commenced a pilot cooperation with several entities that shift Modrá pyramida from the exclusive financial advisory to life advisory which is interconnected with Modrá pyramida's mission – to assist with creation of home.

## Real estate services

Due to cooperation with a real estate agency RSH – real estate company a.s., Modrá pyramida's Hypocentres network can now provide to its client not just a favourable financing but also a selection of the most convenient real estate or as the case may be help its clients with a sale of their current real estate.

## Blue energy

Newly Modrá pyramida offered to its clients a service thanks to which it is possible to save money in the energy supply area and to arrange connection to energy suppliers across the whole energy supply market – gas and also electricity.

Thus Modrá pyramida enters the next stage of wider products and services offer to its clients and wants to be helpful not only in purely financial matters.

## Biometric signature

Modrá pyramida successfully launched dynamic biometric signature which enables the financial advisors to solve the clients' requests faster and more efficiently. Security of the signed documentation also increased. Implementation of the biometric signature was enabled by extensive digitalization and automation of processes – processing of contracts, financial advisors support and connection to other bank systems. This digitalization and automation of connected processes significantly reduced the time necessary for concluding of building saving or loan approval.

## Financial advisors

Year 2015 was marked by return to high loan production of small unsecured loans (Rychloúvěř) and mortgage-like loans (Hypoúvěř). In comparison with the year 2014 Modrá pyramida business network managed to increase its production of building saving bridging loans by 83% in volume. Apart from the already mentioned optimization of energy supplies and real estate services, Modrá pyramida extended its services also by operative leasing.

Less emphasis was placed on sales of building saving in 2015. The business network focused mainly on sales of banking, insurance and investment products in order to find appropriate investment opportunities for the client even in the persisting low interest rate environment.

Educational activities within the Financial Planning Academy continued. Through this academy we encourage the financial advisors to provide comprehensive financial advisory to the clients which is built on fair approach and building of a long-term relationship between financial advisor and client, base of which is a financial analysis and related financial plan.

In spite of the many changes and decrease of building saving sales we managed to maintain the stability and income of the business network.

## Risk management

In 2015 Modrá pyramida continued its implementation of risk management advanced methods, enabling to achieve decrease in regulatory capital requirements as well. Since the 2014 the company has been using the advanced method for management of operational risks "AMA" and calculation of regulatory requirement on the capital for operational risks. In the area of credit risks, Modrá pyramida worked intensively on implementation of an advanced approach with the aim of future approval of the company for the "IRBA" method. The approval process was launched in 2015.

In the regulatory area, Modrá pyramida focused on fulfilment of requirements for example in the area of consumer financing protection. The company also responded to the increasing competition pressure in the environment of low interest rates by reviewing and amending "end-to-end" loan process, and reviewing the principles in the area of credit risk management focusing on simplicity, transparency and speed of the approval process. In the collection area a number of tools was successfully implemented with the aim of active support of the clients in distress and their return to the current regime, same as with the aim to minimize the company losses in relevant cases.

In Prague, March 14<sup>th</sup>, 2016

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

# Employees, Corporate responsibility, Environment

## Employees

In 2015 we started another two-year programme „Strategic Talent Management“ that is intended for chosen employees and managers. We support our managers in their development and training in order to have the real leaders in the company, to employees we offer courses focused mainly on development of their professional qualifications and also to reach and maintain their foreign language skills at the level necessary for their jobs.

We work with feedback from our employees. Employees have the possibility to comment on their action in the company within the annual interviews, we organize employees' satisfaction and motivation survey in two-year cycle. The survey called „Employee Barometer“ took place in 2015 and 82% employees of our company participated.

We help our employees to harmonize their working and personal life in form of flexible working hours, the possibility of home office and the possibility to draw three special paid days off per year for handling personal matters. We provide one day off with wage compensation per each calendar quarter to pregnant women, solitary employees taking care of child aged up to 15 years (at disabled children aged up to 26 years) and employees with disabilities or handicap.

We care for the health of our employees. Every year we offer free vaccination against flu and tick-borne encephalitis to all employees.

We have balanced offer of benefits with short-term and long-term reach. We provide contributions to pension and life insurance for ensuring our employees in the future.

Beside sport games called Mopyáda, our employees are involved in Amateur Volleyball League, which Modrá pyramida is a partner of and last year again we actively participated in the action “To work on bikes”

## We are the responsible company

In the long term Modrá pyramida considers as one of its priorities to be a socially responsible company. The emphasis on traditional human values and their support is a natural thing to us. A responsible behaviour of the company will be appreciated not

only by the public, but also by employees and financial advisors. Moreover it brings a long-term sustainable competitive advantage to the company.

Firstly we help those, who need our help the most – disabled or ill people. Since 2006 we have been partners of Modrý klíč o.p.s., a society which looks after people with mental and combined disabilities. Within this partnership, we provide both financial help and organize a variety of events among our employees – for example a sale of products from sheltered workshops. Since 2010 we have helped the society Zdravotní klaun and in the past years we have been a patron of Cirkus Paciento, which helps children to cope better with their serious illness and hospital stays. Last year already for the third time we participated in action “To work on bikes” and again we supported Černé koně, which thanks to our support could buy two hand bikes and one special bike for those sportsmen, who cannot race on normal bike due to their disabilities.

We are also quite familiar with sports and culture – we support Amateur Volleyball League, which our MOPY team is actively involved in and we are the official partner of the International music festival Concentus Moraviae, of which 10th year took place just in 2015.

## Environment

Modrá pyramida does not breach the environment by its activity in any way. Modrá pyramida leads both its employees and their clients to considerate attitude towards the environment. To our clients we offer loans for housing modernization, building insulation, reduction in energy intensity or using of alternative energy sources.

Modrá pyramida demonstrates its environment consideration also by participation in the “Green Company project”, which concerns handling of waste and also via initiatives focused on reduction of office paper usage. Last year we prepared conditions for launching of dynamic biometric signature, which enables to Modrá pyramida financial advisors to solve the client requirements faster and effectively and it will save office paper and printer cartridges.

# Report of the Supervisory Board of the Company on control activities in 2015

Throughout 2015, the Supervisory Board of the Company supervised the activities of the Board of Directors of Modrá pyramida stavební spořitelna, a.s., (further as "Company") in compliance with the Articles of Association and generally binding legal regulations.

The Supervisory Board performed its control function by discussing in detail the individual issues at three ordinary Supervisory Board sessions held on 1 April, 18 September and 9 December 2015, based on supporting materials prepared by the Board of Directors of the Company. The members of the Board of Directors and invited members of the Company's management participated in meetings of the Supervisory Board. The Supervisory Board reviewed documents and written materials which included information on strategic and business management of the Company.

On its regular meeting on 1 April 2015, the Supervisory Board focused also on reviewing effectiveness and efficiency of the internal management and control system of the Company, including efficiency of the outsourced internal audit services. Based on the discussion of the submitted report on management and control system, the Supervisory Board states that the management and control system of the Company is functioning.

The Supervisory Board reviewed the ordinary financial statements for year 2015, submitted by the Board of Directors, and found them to be prepared based on properly conducted accounting procedures and to be in compliance with the regular reports on the Company's financial position. Furthermore, the Supervisory Board reviewed the submitted proposal of the Board of Directors to allocate the Company's profit after tax as at 31 December 2015 in the amount of CZK 915,070,799.71 and stated that this proposal was in compliance with legal regulations and the Articles of Association of the Company. The Supervisory Board will inform the sole shareholder of the Company, Komerční banka, a.s., on the results of its review performed.

The Supervisory Board recommends the sole shareholder to approve the ordinary financial statements for year 2015. The Supervisory Board also recommends the sole shareholder to approve the proposal of the Board of Directors to allocate the Company's profit after tax as at 31 December 2015 in the amount of CZK 915,070,799.71 as follows:

- 100% dividend pay-out of net profit CZK 915,070,799.71.
- Beyond 100% dividend pay-out, the Supervisory Board also recommends the sole shareholder to approve the proposal of Board of Directors to pay out extra dividend from undistributed profit of previous years in the amount of CZK 1,000,000,000.00.

The Supervisory Board, in compliance with legal regulations, also reviewed the Report on Relations between related parties as at 31 December 2015, prepared by the Board of Directors of the Company. The Supervisory Board states that the Company did not suffer any loss resulting from the relations between the related parties in the accounting period from 1 January 2015 to 31 December 2015.

In Prague, on 30 March 2016

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

# Financial section

---

# Contents

	<b>FINANCIAL STATEMENTS</b>
<b>12</b>	Independent Auditor's Report
<b>14</b>	Balance Sheet as at 31 December 2015
<b>16</b>	Profit and Loss Account for the Year Ended 31 December 2015
<b>17</b>	Off Balance Sheet Accounts
<b>18</b>	Statement of Changes in Equity for the Year Ended 31 December 2015
<b>19</b>	Notes to the Financial Statements for the Year Ended 31 December 2015
	<b>REPORT ON RELATIONS BETWEEN RELATED PARTIES FOR THE 2015 ACCOUNTING PERIOD</b>
<b>50</b>	Report on relations between related parties for the 2015 accounting period
	<b>DATA ON CAPITAL</b>
<b>64</b>	Data on capital and capital requirements

# Independent Auditor's Report



Deloitte Audit s.r.o.  
Nile House  
Karolinská 654/2  
186 00 Prague 8 - Karlín  
Czech Republic

Tel: +420 246 042 500  
Fax: +420 246 042 555  
DeloitteCZ@deloitteCE.com  
www.deloitte.cz

Registered at the Municipal Court in  
Prague, Section C, File 24349  
Id. Nr.: 49620592  
Tax Id. Nr.: CZ49620592

## INDEPENDENT AUDITOR'S REPORT

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

Having its registered office at: Bělehradská 128, č.p. 222, 120 21 Praha 2  
Identification number: 601 92 852

We have audited the accompanying financial statements of Modrá pyramida stavební spořitelna, a.s. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2015, the profit and loss account and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by 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 about 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Modrá pyramida stavební spořitelna, a.s. as at 31 December 2015, and of its financial performance for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

### Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/cz/about](http://www.deloitte.com/cz/about) for a more detailed description of DTTL and its member firms.



Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 31 March 2016

Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

David Batal  
registration no. 2147



## Balance Sheet as at 31 December 2015

ASSETS NO. CZK '000	ROW NO.	2015			2014
		GROSS	CORRECTIONS	NET	NET
<b>1</b>		<b>12,079,209</b>	<b>0</b>	<b>12,079,209</b>	<b>673,943</b>
<b>Cash in hand and balances with central banks</b>	1				
<b>2</b>		<b>7,043,454</b>	<b>0</b>	<b>7,043,454</b>	<b>8,359,261</b>
<b>State zero-coupon bonds and other securities eligible for refinancing with the central bank</b>	2				
Of which: a) Issued by Government institutions	3	7,043,454	0	7,043,454	8,359,261
b) Other	4	0	0	0	0
<b>5</b>		<b>31,141,791</b>	<b>0</b>	<b>31,141,791</b>	<b>33,356,557</b>
<b>Amounts due from banks and savings associations</b>	5				
Of which: a) Repayable on demand	6	1,306	0	1,306	847
b) Other receivables	7	31,140,485	0	31,140,485	33,355,710
<b>4</b>		<b>37,227,359</b>	<b>974,059</b>	<b>36,253,300</b>	<b>37,504,024</b>
<b>Amounts due from clients - members of savings associations</b>	8				
Of which: a) Repayable on demand	9	0	0	0	0
b) Other receivables	10	37,227,359	974,059	36,253,300	37,504,024
<b>5</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>259,640</b>
<b>Debt securities</b>	11				
Of which: a) Issued by Government institutions	12	0	0	0	0
b) Issued by other entities	13	0	0	0	259,640
<b>6</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shares, share certificates and other equity investments</b>	14				
<b>7</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity investments in associates</b>	15				
Of which: In banks	16	0	0	0	0
<b>8</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity investments in subsidiaries</b>	18				
Of which: In banks	19	0	0	0	0
<b>9</b>		<b>505,888</b>	<b>293,329</b>	<b>212,559</b>	<b>215,025</b>
<b>Intangible fixed assets</b>	21				
Of which: a) Start-up costs	22	0	0	0	0
b) Goodwill	23	0	0	0	0
<b>10</b>		<b>740,923</b>	<b>392,354</b>	<b>348,569</b>	<b>363,350</b>
<b>Tangible fixed assets</b>	25				
Of which: Land and buildings for operating activities	26	525,995	197,958	328,037	338,345
<b>11</b>		<b>1,431,991</b>	<b>6,501</b>	<b>1,425,490</b>	<b>1,562,115</b>
<b>Other assets</b>	28				
<b>12</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subscribed capital unpaid</b>	29				
<b>13</b>		<b>599,266</b>	<b>0</b>	<b>599,266</b>	<b>480,770</b>
<b>Deferred expenses and accrued income</b>	30				
<b>Total assets</b>	31	<b>90,769,881</b>	<b>1,666,243</b>	<b>89,103,638</b>	<b>82,774,685</b>

LIABILITIES	ROW	2015	2014
NO. CZK '000	NO.		
<b>1 Amounts owed to banks and savings associations</b>	31	<b>11,500,128</b>	<b>0</b>
Of which: a) Repayable on demand	32	0	0
b) Other payables	33	11,500,128	0
<b>2 Amounts owed to clients - members of savings associations</b>	34	<b>69,432,212</b>	<b>74,137,784</b>
Of which: a) Repayable on demand	35	433,501	134,305
b) Other payables	37	68,998,711	74,003,479
<b>3 Payables from debt securities</b>	42	<b>0</b>	<b>0</b>
Of which: a) Issued debt securities	43	0	0
b) Other payables from debt securities	44	0	0
<b>4 Other liabilities</b>	45	<b>451,896</b>	<b>585,367</b>
<b>5 Deferred income and accrued expenses</b>	46	<b>357,587</b>	<b>433,752</b>
<b>6 Reserves</b>	47	<b>4,314</b>	<b>6,427</b>
Of which: a) For pensions and similar liabilities	48	0	0
b) For taxes	49	0	0
c) Other charges	50	4,314	6,427
<b>7 Subordinated liabilities</b>	51	<b>0</b>	<b>0</b>
<b>8 Share capital</b>	52	<b>562,500</b>	<b>562,500</b>
Of which: a) Share capital paid up	53	562,500	562,500
b) Treasury shares	54	0	0
<b>9 Share premium</b>	55	<b>487,500</b>	<b>487,500</b>
<b>10 Reserve funds and other funds from profit</b>	56	<b>1,119,638</b>	<b>1,119,638</b>
Of which: a) Mandatory reserve funds and risk funds	57	112,500	112,500
b) Other reserve funds	59	1,007,138	1,007,138
c) Other funds from profit	60	0	0
<b>11 Revaluation reserve</b>	62	<b>0</b>	<b>0</b>
<b>12 Capital funds</b>	63	<b>0</b>	<b>0</b>
<b>13 Gains or losses from the revaluation of</b>	64	<b>175,022</b>	<b>349,263</b>
Of which: a) Assets and liabilities	65	175,022	349,263
b) Hedging derivatives	66	0	0
c) The retranslation of equity holdings	67	0	0
<b>14 Retained earnings or accumulated losses brought forward</b>	68	<b>4,097,770</b>	<b>4,097,770</b>
<b>15 Profit or loss for the period</b>	69	<b>915,071</b>	<b>994,684</b>
<b>Total liabilities</b>	70	<b>89,103,638</b>	<b>82,774,685</b>

## Profit and Loss Account for the Year Ended 31 December 2015

NO.	CZK '000	ROW NO.	2015	2014
<b>1</b>	<b>Interest income and similar income</b>	1	<b>3,111,355</b>	<b>3,304,440</b>
	Of which: Interest income from debt securities	2	283,916	316,726
<b>2</b>	<b>Interest expense and similar expense</b>	3	<b>(1,679,433)</b>	<b>(1,739,439)</b>
	Of which: Interest expense from debt securities	4	0	0
<b>3</b>	<b>Income from shares and equity investments</b>	5	<b>0</b>	<b>0</b>
	Of which: a) Income from equity investments in associates	6	0	0
	b) Income from equity investments in subsidiaries	7	0	0
	c) Other income from shares and equity investments	8	0	0
<b>4</b>	<b>Commission and fee income</b>	9	<b>452,123</b>	<b>509,359</b>
<b>5</b>	<b>Commission and fee expense</b>	10	<b>(300,276)</b>	<b>(291,948)</b>
<b>6</b>	<b>Net profit or loss on financial operations</b>	11	<b>0</b>	<b>0</b>
<b>7</b>	<b>Other operating income</b>	12	<b>9,897</b>	<b>8,602</b>
<b>8</b>	<b>Other operating expenses</b>	13	<b>(54,719)</b>	<b>(55,425)</b>
<b>9</b>	<b>Administrative expenses</b>	14	<b>(556,474)</b>	<b>(559,636)</b>
	Of which:	15		
	a) Staff costs	16	(293,731)	(296,432)
	Of which: aa) Social security and health insurance	18	(65,882)	(66,938)
	b) Other administrative expenses	19	(262,743)	(263,204)
<b>10</b>	<b>Release of reserves and provisions for tangible and intangible fixed assets</b>	20	<b>0</b>	<b>0</b>
<b>11</b>	<b>Depreciation, charge for and use of reserves and provisions for tangible and intangible fixed assets</b>	24	<b>(53,334)</b>	<b>(51,423)</b>
<b>12</b>	<b>Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off</b>	30	<b>272,391</b>	<b>142,620</b>
<b>13</b>	<b>Write-offs, charge for and use of provisions and reserves for receivables and guarantees</b>	34	<b>(240,014)</b>	<b>(221,757)</b>
<b>14</b>	<b>Release of provisions for equity investments in associates and subsidiaries</b>	38	<b>0</b>	<b>0</b>
<b>15</b>	<b>Losses on the transfer of equity investments in associates and subsidiaries, charge for and use of provisions for equity investments in associates and subsidiaries</b>	39	<b>0</b>	<b>0</b>
<b>16</b>	<b>Release of other reserves</b>	40	<b>5,060</b>	<b>516</b>
<b>17</b>	<b>Charge for and use of other reserves</b>	41	<b>(2,948)</b>	<b>(312)</b>
<b>18</b>	<b>Share of profits or losses of subsidiaries and associates</b>	42	<b>0</b>	<b>0</b>
<b>19</b>	<b>Profit or loss for the period from ordinary activities before taxes</b>	44	<b>963,628</b>	<b>1,045,597</b>
<b>20</b>	<b>Extraordinary income</b>	45	<b>0</b>	<b>0</b>
<b>21</b>	<b>Extraordinary expenses</b>	46	<b>0</b>	<b>0</b>
<b>22</b>	<b>Profit or loss for the period from extraordinary activities before taxes</b>	47	<b>0</b>	<b>0</b>
<b>23</b>	<b>Income tax</b>	48	<b>(48,556)</b>	<b>(50,913)</b>
<b>24</b>	<b>Net profit or loss for the period after taxes</b>	51	<b>915,071</b>	<b>994,684</b>

## Off Balance Sheet Accounts

NO.	CZK '000	ROW NO.	2015	2014
1	Issued commitments and guarantees	1	2,686,045	1,208,552
2	Provided collateral	2	123,562	126,843
3	Amounts due from spot transactions	3	0	0
4	Amounts due from term transactions	4	18,550,000	19,050,000
5	Amounts due from option transactions	5	0	0
6	Receivables written off	6	191,550	182,735
7	Assets provided into custody, administration and safe-keeping	7	0	0
8	Assets provided for management	8	0	0
9	Accepted commitments and guarantees	9	2,423,656	3,048,669
10	Received collateral	10	57,485,168	60,790,685
11	Amounts owed from spot transactions	11	0	0
12	Amounts owed from term transactions	12	18,550,000	19,050,000
13	Amounts owed from option transactions	13	0	0
14	Assets received into custody, administration and safe-keeping	14	0	0
15	Assets received for management	15	0	0

## Statement of Changes in Equity for the Year Ended 31 December 2015

	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	RESERVE FUNDS	RETAINED EARNINGS/ ACCUMULATED LOSSES OF PRIOR PERIODS	VALUATION GAINS OR LOSSES	PROFIT OR LOSS	TOTAL
<b>Balance at 1 January 2014</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>4,097,770</b>	<b>484,692</b>	<b>1,065,526</b>	<b>7,817,626</b>
Change of accounting policies								
Corrections of significant errors								
FX differences and valuation differences not included in profit or loss						(135,429)		(135,429)
Net profit or loss for the period							994,684	994,684
Dividends							(1,065,526)	(1,065,526)
Directors' fees								
Allocation to funds								
Allocation to retained earnings								
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes								
<b>Balance at 31 December 2014</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>4,097,770</b>	<b>349,263</b>	<b>994,684</b>	<b>7,611,355</b>
<b>Balance at 1 January 2015</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>4,097,770</b>	<b>349,263</b>	<b>994,684</b>	<b>7,611,355</b>
Change of accounting policies								
Corrections of significant errors								
FX differences and valuation differences not included in profit or loss						(174,241)		(174,241)
Net profit or loss for the period							915,071	915,071
Dividends							(994,684)	(994,684)
Directors' fees								
Allocations to funds								
Allocation to retained earnings								
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes								
<b>Balance at 31 December 2015</b>	<b>562,500</b>	<b>0</b>	<b>487,500</b>	<b>1,119,638</b>	<b>4,097,770</b>	<b>175,022</b>	<b>915,071</b>	<b>7,357,501</b>



## Notes to the Financial Statements for the Year Ended 31 December 2015

### CONTENTS

1.	General information	3
2.	Basis of preparation	4
3.	Net interest income	11
4.	Net fees and commissions	11
5.	Net profit or loss on financial operations	11
6.	Staff costs	11
7.	General operating costs	12
8.	Depreciation	12
9.	Write-offs, charge for, use and release of provisions for receivables and recoveries of receivables written off	13
10.	Income tax	14
11.	Allocation of profit	14
12.	Cash in hand and deposits at the Czech national bank	14
13.	Amounts due from banks	14
14.	Amounts due from clients	15
15.	Securities available for sale	16
16.	Securities held to maturity	16
17.	Deferred expenses, accrued income and other assets	17
18.	Intangible assets	17
19.	Tangible assets	18
20.	Equity investments	18
21.	Amounts owed to banks	19
22.	Amounts owed to clients	19
23.	Accrued expenses and deferred income and other liabilities	19
24.	Reserves	20
25.	Deferred tax	21
26.	Equity	21
27.	Contingent assets, liabilities and loan commitments	21
28.	Related party transactions	22
29.	Risk management	23
30.	Post balance sheet events	31

## 1. General information

### 1.1. Incorporation and Description of the Business

Modrá pyramida stavební spořitelna, a.s., corporate ID: 60192852, registered at Bělehradská 128/222, 120 21 Prague 2, was formed by a Deed of Foundation on 10 June 1993 and was incorporated following its registration in the Register of Companies held at the Municipal Court in Prague, Volume B, File 2281, on 9 December 1993.

Modrá pyramida stavební spořitelna, a.s. (hereinafter the "Bank" or the "Company") is a specialised bank and its activities and operations are defined in Building Savings and Building Savings State Support Act 96/1993 Coll., as subsequently amended (the "Building Savings Act"). The Bank operates a building savings scheme involving the acceptance of deposits from, and the issuance of loans to, participants in the building savings scheme, the acceptance of deposits from financial institutions, the provision of guarantees in Czech crowns for loans issued from the building savings, for loans provided pursuant to Section 5 (5) of the Building Savings Act and for loans defined in Section 9 (1) (a) of the Building Savings Act, brokering the sale of financial products of companies belonging to the KB financial group, proprietary trading with mortgage bonds and bonds, execution of the payment and settlement system in connection with the operation of the Bank, and conclusion of trading for the purpose of hedging the currency and interest rate risks. The Bank only conducts its business in the territory of the Czech Republic.

During 2015, no changes were made to the shareholder structure. The sole shareholder of the Bank is Komerční banka, a.s., corporate ID: 453 17 054, with its registered office at Na Příkopě 33, Prague 1, entered in the Register of Companies maintained by the Municipal Court in Prague, Volume B, File 1360 (hereinafter "KB").

### 1.2. Board of Directors and Supervisory Board

#### Changes in the Composition of the Bank's Board of Directors in 2015

There were no changes in the Bank's Board of Directors in 2015.

#### Changes in the Composition of the Bank's Supervisory Board in 2015

With effect from 19 February 2015, Mr Peter Palečka was again elected as a member of the Supervisory Board. A record into the Register of Companies was made on 4 May 2015.

With effect from 23 March 2015, Ms Kristýna Železná was again elected as a member of the Supervisory Board. A record into the Register of Companies was made on 4 May 2015.

With effect from 23 March 2015, Mr Josef Květoň was again elected as a member of the Supervisory Board. A record into the Register of Companies was made on 4 May 2015.

With effect from 1 April 2015, Mr Libor Löfler was elected as a member of the Supervisory Board. A record into the Register of Companies was made on 4 May 2015.

The composition of the Board of Directors and the Supervisory Board as at 31 December 2015

	POSITION	NAME
<b>Board of Directors</b>		
	Chairman	David Formánek
	Member	Aleš Mašanský
	Member	Ladislav Šilha
<b>Supervisory Board</b>		
	Chairman	Albert Marie Le Dirac 'h
	Vice-Chairman	Peter Palečka
	Member	Vladimír Jeřábek
	Member	Josef Květoň
	Member	Kristýna Železná
	Member	Libor Löfler

### 1.3. Events in the Year 2015

Since September 2015, the Bank has implemented a biometric signature for selected documents. This allows for a significant acceleration of most of the business-operational processes and created preconditions for future cost savings by eliminating paper documentation.

The sector was affected by the continuing low interest rates environment/negative interest rates environment. During 2015, the Bank did not enter into any deal with a negative interest rate and no deal with a negative interest rate is recognised in the balance sheet.

## 2. Basis of preparation

### (a) Accounting Principles

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

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

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

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

**(b) Transaction Recognition Date**

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

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

**(c) Foreign Currency Translation**

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

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

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

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

Receivables are reviewed for recoverability. Based on such reviews, provisions are created for individual receivables. The level of provisioning is established in accordance with CNB Regulation 163/2014, as amended, stipulating rules for the assessment of receivables arising from financial activities and the creation of provisions and reserves, and rules for the acquisition of certain classes of assets. In case of credit exposures in categories Substandard, Doubtful or Loss, the provisions are created on an individual basis. Loans classified as Standard are included in the collective assessment of impairment and impaired for incurred but not reported losses, because impairment to Standard is not identified on an individual basis. Provisions for Standard loans have been created since 2015. The guidance used in recognising provisions for the period is set out in Note 29 (a) of these financial statements. Provisions charged against expenses are presented in 'Write-offs, charge for and use of provisions and reserves for receivables and guarantees'.

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

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

**(e) Securities**

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

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

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

### Securities Available for Sale

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

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

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

### Securities held to maturity

Securities held to maturity are initially recognised at cost, which includes direct transaction costs. Valuation of the security from the purchase settlement to maturity/sale settlement will gradually increase to reflect accrued interest income. If the security is sold the difference between the amortised cost and the selling price at the time of the sale is taken to income or expense as profit or loss from sale of security. The difference between the purchase price and the nominal value (discount or premium) is amortised to maturity by EIR and reported in 'Interest income and similar income' or 'Interest expense and similar expense' in the profit and loss account.

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

Upon initial recognition, publicly non-tradable debt securities acquired in primary placements are carried at the acquisition cost which includes direct transaction costs. The valuation from the purchase settlement date to maturity or the sale settlement date is gradually increased (decreased) to reflect accrued interest income (expenses). If debt securities acquired in primary placements not held for trading are sold, the difference between the accrued amount not adjusted for provisions and the selling price at the sale/sale settlement date is recognised in income or expenses as profit or loss from the sale of securities.

### Transfers between portfolios

The transfers between portfolios of the securities are possible if original intentions are changed, except as follows:

- The transfer from/to the portfolio of the securities at fair value on expense or income account is not allowed.
- In case of a sale or transfer of more than an insignificant part of securities held to maturity the Bank has to transfer the rest of the portfolio of securities held to maturity to available-for-sale securities and cannot assign any securities to the securities held to maturity for the following two accounting periods. Exceptions to this rule are allowed in case of a sale within three months before maturity, in case of a significant deterioration of an issuer's riskiness or changes in tax legislation, legislative or regulatory requirements.

### Repo transactions

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

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

## (f) Financial Derivatives and Hedging

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

Hedging derivatives fulfil simultaneously the following conditions:

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

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

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

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

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

The fair values of derivatives classified as hedges are set out in Notes 17 and 23.

## (g) The equity

The registered capital of the Bank is stated at the amount recorded in the Register of Companies of the Municipal Court. Contributions in excess of share capital are recorded as share premium. Capital funds are created by monetary or non-monetary contributions in excess of capital, donations into tangible assets etc. Allocation to the reserve fund is made in accordance with the Articles of Association.

## (h) Tangible and Intangible Fixed Assets

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

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

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



## Terms for depreciation of tangible and intangible assets

	DEPRECIATION PERIOD FOR ACCOUNTING PURPOSES
Buildings	40 years
Machinery and equipment	12 years
Energy machines	20 years
Furniture and fixtures	6 years
Office equipment	5 years
Software	5 years or based on the estimated useful life, as appropriate

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

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

Assets held under finance leases are depreciated by the lessor.

### (i) Reserves

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

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

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

### (j) Provisioning

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

### (k) Recognition of Income and Expense

Interest income and expense are recognised with the exception of interest on late payment on an accrual basis, i.e. they are recognised in the periods in which the actual flow of the related services occurs, regardless of when the related monetary flow arises. Accrued interest income and expenses related to assets and liabilities are accounted for together with these assets and liabilities.

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

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

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

Default interest is recognised when collected (default interest payments are disclosed in Note 3).

#### **(l) Use of Estimates**

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

The management of the Bank has determined these estimates and assumptions by reference to the relevant information available to it.

The Bank recognises an estimated receivable, also reported as a payable to clients, as equal to the amount of the estimated state subsidy which will be added to the deposit accounts of clients in the following year.

#### **(k) Finance Lease**

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

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

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

#### **(n) Income Taxes**

The income tax base is calculated using the profit for the period adjusted by adding tax non-deductible expenses and deducting non-taxable income. The income tax base is additionally adjusted to reflect tax relief and tax credits, if any. Taxation is calculated at the period-end in accordance with the Income Taxes Act 586/1992 Coll., as subsequently amended. The currently enacted tax rate is 19% for 2015.

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

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

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

### (o) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognised in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date occurred between the balance sheet date and the date of the financial statements preparation, the consequences of these events are disclosed in the notes to the financial statements but not recognised in the financial statements.

## 3. Net interest Income

CZK '000	2015	2014
<b>Total interest income</b>	<b>3,111,355</b>	<b>3,304,440</b>
On deposits (deposits with financial institutions, interbank transactions including repurchase transactions)	953,557	907,630
On loans	1,565,537	1,904,848
On securities (including premium and discount amortisation)	283,916	316,726
On interest rate swap	308,345	175,236
<b>Total interest expense</b>	<b>1,679,433</b>	<b>1,739,439</b>
On client deposits	1,468,819	1,648,708
On interest rate swap	210,187	90,040
Other	427	691
<b>Net interest income</b>	<b>1,431,922</b>	<b>1,565,001</b>

In 2015, net interest income on loans and client deposits is CZK 96,718 thousand (2014: CZK 256,140 thousand). The decrease is mainly due to a year-on-year decline in the market interest rate.

In 2015, net interest income from hedging interest rate derivatives is CZK 98,158 thousand. (2014: CZK 85,196 thousand). The increase was mainly caused by the higher average volume of derivatives. Hedging interest rate derivatives are used to hedge the change in the fair value. The fair value of interest rate derivatives is disclosed in Notes 17 and 23.

During the year ended 31 December 2015, the Bank collected default interest of CZK 24,017 thousand (2014: CZK 36,039 thousand).

#### 4. Net fees and commissions

CZK '000	2015	2014
<b>Commission and fee income</b>		
on client transactions including commission from the KB financial group and other companies	452,123	509,359
<b>Total</b>	<b>452,123</b>	<b>509,359</b>
<b>Commission and fee expenses</b>		
on transactions with securities	1,471	1,463
on client transactions including commission to the KB financial group	243,807	245,612
Other	54,998	44,873
<b>Total</b>	<b>300,276</b>	<b>291,948</b>
<b>Net fees and commissions</b>	<b>151,847</b>	<b>217,411</b>

#### 5. Net profit or loss on financial operations

In 2015, the Bank realised no sales of securities.

#### 6. Staff costs

CZK '000	2015	2014
<b>Staff costs</b>		
Staff salaries and bonuses	210,641	212,463
Social security and health insurance	65,882	66,938
Other social costs	17,208	17,031
<b>Total</b>	<b>293,731</b>	<b>296,432</b>

Average Headcount

	2015	2014
Staff	330	339

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

## 7. General operating costs

### Administrative Costs

CZK '000	2015	2014
Rent and other services relating to rent	50,474	50,292
Low-value assets	1,609	1,016
Costs of technical equipment	44,152	43,752
Consumed material	8,444	9,209
Audit, advisory	10,740	5,263
Taxes and fees	3,523	3,385
Consumed energy	10,682	11,541
Repairs and maintenance	7,230	7,187
Postage, transportation and telecommunication	19,222	16,590
Sales promotion	15,966	15,915
Public relations, advertising	69,831	76,992
Other	20,870	22,062
<b>Total administrative costs</b>	<b>262,743</b>	<b>263,204</b>

### Other Operating Income

CZK '000	2015	2014
Other	9,396	8,424
Income from the transfer of assets	501	178
<b>Total</b>	<b>9,897</b>	<b>8,602</b>

### Other Operating Expenses

CZK '000	2015	2014
Annual contribution to the Deposit Insurance Fund	50,679	51,729
State support covered from internal funding	161	147
Other	3,879	3,549
<b>Total</b>	<b>54,719</b>	<b>55,425</b>

In accordance with the Banking Act, the contribution to the Deposit Insurance Fund amounted to 0.02% of the average amount of insured deposit claims for the relevant calendar quarter.

## 8. Depreciation

CZK '000	2015	2014
Depreciation of tangible and intangible fixed assets	53,334	51,423
<b>Total</b>	<b>53,334</b>	<b>51,423</b>

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

### Provisions for Loans Receivables

CZK '000	
<b>Provisions for loans receivables</b>	
<b>Balance at 1 January 2014</b>	<b>1,042,435</b>
<b>Charge during the year</b>	<b>219,501</b>
Standard loans	0
Monitored loans	27,073
Substandard loans	51,874
Doubtful loans	19,148
Loss loans	121,406
<b>Use and release during the year</b>	<b>(263,865)</b>
Write-off of loans	(124,006)
Release of redundant provisions	(139,859)
<b>Balance of provisions at 31 December 2014</b>	<b>998,071</b>
<b>Balance at 1 January 2015</b>	<b>998,071</b>
<b>Charge during the year</b>	<b>228,465</b>
Standard loans	26,224
Monitored loans	29,120
Substandard loans	55,692
Doubtful loans	14,208
Loss loans	103,221
<b>Use during the year</b>	<b>(267,381)</b>
Write-off of loans	(4,431)
Release of redundant provisions	(262,950)
<b>Balance of provisions at 31 December 2015</b>	<b>959,155</b>

In 2015, the Bank created non-tax deductible provisions for receivables' accessories amounting to CZK 603 thousand (2014: CZK 815 thousand).

The non-tax deductible provisions for Standard loans have been created since 2015.

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

CZK '000	2015	2014
Release of provisions against loans receivables	262,950	139,859
Release of provision against other receivables	5,690	861
Recoveries of receivables previously written off	3,751	1,900
<b>Release of provisions and reserve against receivables and guarantees, recoveries of receivables previously written off</b>	<b>272,391</b>	<b>142,620</b>



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

CZK '000	2015	2014
Recognition of provisions against loans receivables	(228,465)	(219,501)
Recognition of provisions against other receivables	(7,346)	(1,765)
Write-off of receivables	(8,572)	(128,039)
Assignment of receivables from clients	(365)	0
Use of provisions against written-off receivables	4,431	124,006
Use of provisions against other receivables	303	3,542
<b>Write-offs, recognition and use of provisions and reserves against receivables and guarantees</b>	<b>(240,014)</b>	<b>(221,757)</b>

**10. Income tax**

CZK '000	2015	2014
Pre-tax profit or loss for the period	963,628	1,045,597
Non-taxable income	(773,746)	(836,473)
Non-tax deductible expenses	85,307	56,518
Other items (tax and accounting depreciation charges)	22,807	13,490
Sponsorship	(350)	(400)
<b>Tax liability (19 percent)</b>	<b>56,553</b>	<b>52,959</b>
Used tax relief and deductions	(120)	(180)
<b>Income tax charge</b>	<b>56,433</b>	<b>52,779</b>
Deferred tax credit/charge (Note 25)	(8,443)	(3,277)
Tax refunds and arrears	566	1,411
<b>Total income taxation</b>	<b>48,556</b>	<b>50,913</b>

As at 31 December 2015, refunds and arrears of taxes mainly represent a payment of the corporate income tax for 2014.

**11. Allocation of profit**

The Bank's profit for the year ended 31 December 2015 amounted to CZK 915,071 thousand. A profit distribution proposal for the year 2015 was not available at the date of preparation of the annual financial statements. The Bank's profit for the year ended 31 December 2014 amounted to CZK 994,684 thousand and the General Meeting approved a dividend payment to the sole shareholder, KB, on 16 April 2015.

**12. Cash in hand and deposits at the Czech national bank**

CZK '000	2015	2014
Deposits at the Czech National Bank	12,079,209	673,943
<b>Total</b>	<b>12,079,209</b>	<b>673,943</b>

Balances with the Czech National Bank represent interest-bearing mandatory minimum reserves and deposit facilities. As at 31 December 2015, the interest rate was 0.05% (31 December 2014: 0.05%).

### 13. Amounts due from banks

CZK '000	2015	2014
Operating account with KB (repayable at call)	1,036	847
Term deposits	0	2,163,777
Mortgage bonds issued by financial institutions	31,140,485	31,191,933
Of which: accrued interest income (including premium and discount)	80,496	131,944
<b>Total amounts due from banks</b>	<b>31,141,791</b>	<b>33,356,557</b>

Mortgage bonds issued by financial institutions are publicly non-tradable debt securities acquired in primary placements consisting of a security in certificate form with and booked fixed interest income in the aggregate amount of CZK 11,830,662 thousand (2014: CZK 11,885,290 thousand) and securities in certificate and booked form with a variable interest rate fixed for determined periods. As at the fixing date, both the investor and the issuer have the possibility to sell/repurchase the securities at an aggregate amount of CZK 19,309,822 thousand (2014: CZK 19,306,642 thousand).

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

### 14. Amounts due from clients

#### Classification of amounts due from clients

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

#### Amounts due from clients

CZK '000	2015	2014
Assigned loans	4,259,382	4,719,453
Bridging loans	32,912,232	33,725,498
<b>Total loans (gross)</b>	<b>37,171,614</b>	<b>38,444,951</b>
Other amounts due from clients	38,104	42,618
Revaluation of the clients loan portfolio hedged – fair value	17,641	29,223
<b>Total amounts due from clients (gross balance)</b>	<b>37,227,359</b>	<b>38,516,792</b>
Provisions against assigned loans	(46,180)	(73,292)
Provisions against bridging loans	(887,359)	(924,779)
Provisions against Standard loans	(25,616)	0
Provisions against other amounts due from clients	(14,904)	(14,697)
<b>Total provisions</b>	<b>(974,059)</b>	<b>(1,012,768)</b>
<b>Total amounts due from clients (net balance)</b>	<b>36,253,300</b>	<b>37,504,024</b>

#### Assigned loans

CZK '000	2015	2014
Standard	4,095,537	4,549,123
Monitored	24,391	41,738
Substandard	60,548	56,531
Doubtful	3,738	1,979
Loss	75,168	70,082
<b>Assigned loans (gross balance)</b>	<b>4,259,382</b>	<b>4,719,453</b>

## Bridging loans

CZK '000	2015	2014
Standard	30,819,408	31,393,556
Monitored	373,849	703,009
Substandard	624,845	577,009
Doubtful	39,376	44,899
Loss	1,054,754	1,007,025
<b>Total bridging loans (gross balance)</b>	<b>32,912,232</b>	<b>33,725,498</b>

## Restructured loans

During 2015, the Bank restructured receivables in the amount of CZK 251,257 thousand (2014: CZK 364,851 thousand). Receivables are considered to be restructured in case the Bank grants relief to a client because it is likely that the Bank would incur losses if it did not do so.

## Analysis of assigned loans and bridging loans to clients by type of collateral

TYPE OF COLLATERAL (CZK '000)	2015	2014
Bank guarantees	221,762	246,958
Real estate	22,594,447	23,848,443
Guarantors	1,082,460	1,369,360
Deposits	5,638,986	5,985,481
Uncollateralised	7,633,959	6,994,709
<b>Total</b>	<b>37,171,614</b>	<b>38,444,951</b>

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

## Carrying value of collaterals in off-balance sheet

TYPE OF COLLATERAL (CZK '000)	2015	2014
Bank guarantees	267,268	285,268
Real estate	51,803,987	54,766,243
Guarantors	2,156,388	2,763,401
Deposits	5,681,181	6,024,442
<b>Total</b>	<b>59,908,824</b>	<b>63,839,354</b>

## Analysis of loans to clients by sector gross balance

CZK '000	2015	2014
Resident individuals	34,608,355	35,840,584
Legal entities, housing associations, etc.	2,563,259	2,604,367
<b>Total (gross amount)</b>	<b>37,171,614</b>	<b>38,444,951</b>

## 15. Securities available for sale

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

CZK '000	2015	2014
<b>Carrying amount of state bonds</b>	<b>963,608</b>	<b>1,024,088</b>
Of which: accrued interest income (including premium and discount)	(104,339)	(82,293)

### Debt securities

CZK '000	2015	2014
<b>Mortgage bonds issued by financial institutions</b>	<b>0</b>	<b>259,640</b>
Of which: accrued interest income (including premium and discount)	0	(11,344)

The amount of valuation differences of securities charged against equity before taking into account the effect of deferred tax amounted to CZK 4,037 thousand (2014: CZK 48,504 thousand) as at 31 December 2015.

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

## 16. Securities held to maturity

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

CZK '000	2015	2014
<b>Carrying amount of state bonds</b>	<b>6,079,846</b>	<b>7,335,173</b>
Of which: accrued interest income (including premium and discount)	(207,031)	100,091

### Fair value of state bonds and other securities eligible for refinancing with the central bank

CZK '000	2015	2014
State bonds at fair value	6,425,430	7,669,211

All securities held to maturity held by the Bank at the balance sheet date are listed on the Prague Stock Exchange.

## 17. Deferred expenses, accrued income and other assets

### Deferred expenses and accrued income

CZK '000	2015	2014
Office material in stock	0	34
Car lease	2,900	3,463
Entrance fees and commissions from building savings and loans	588,379	470,306
Other (rental, meal tickets, newspaper subscriptions, magazines, etc.)	7,987	6,967
<b>Total</b>	<b>599,266</b>	<b>480,770</b>

The Office material has been accounted for directly to expenses since 2015.

## Other assets

CZK '000	2015	2014
Prepayments made to suppliers	20,055	23,345
Estimated receivables for state subsidy	698,044	718,285
Estimated commission, invoices not issued, other	31,984	25,418
Settlement with the State budget	33,848	29,160
Various debtors	12,765	13,889
Positive fair value of interest rate swap	635,295	757,372
<b>Total other assets</b>	<b>1,431,991</b>	<b>1,567,469</b>
Provisions against other receivables	(6,501)	(5,354)
<b>Total other assets</b>	<b>1,425,490</b>	<b>1,562,115</b>

## 18. Intangible assets

### Summary of intangible fixed assets

CZK '000	SOFTWARE	OTHER INTANGIBLE FIXED ASSETS	INVESTMENTS UNDER CONSTRUCTION	TOTAL
<b>Cost</b>				
At 1 January 2014	418,098	13,078	39,968	471,144
Additions	16,995	0	27,401	44,396
Disposals	0	0	(16,995)	(16,995)
<b>At 31 December 2014</b>	<b>435,093</b>	<b>13,078</b>	<b>50,374</b>	<b>498,545</b>
At 1 January 2015	435,093	13,078	50,374	498,545
Additions	24,983	0	33,183	58,166
Disposals	(25,840)	0	(24,983)	(50,823)
<b>At 31 December 2015</b>	<b>434,236</b>	<b>13,078</b>	<b>58,574</b>	<b>505,888</b>
<b>Accumulated amortisation and provisions</b>				
At 1 January 2014	239,011	11,183	0	250,194
Annual charges	32,378	948	0	33,326
Disposals	0	0	0	0
<b>At 31 December 2014</b>	<b>271,389</b>	<b>12,131</b>	<b>0</b>	<b>283,520</b>
At 1 January 2015	271,389	12,131	0	283,520
Annual charges	34,703	947	0	35,650
Disposals	(25,841)	0	0	(25,841)
<b>At 31 December 2015</b>	<b>280,251</b>	<b>13,078</b>	<b>0</b>	<b>293,329</b>
<b>Net book value</b>				
<b>At 31 December 2014</b>	<b>163,704</b>	<b>947</b>	<b>50,374</b>	<b>215,025</b>
<b>At 31 December 2015</b>	<b>153,985</b>	<b>0</b>	<b>58,574</b>	<b>212,559</b>

## 19. Tangible assets

### Summary of tangible assets

CZK '000	LAND AND BUILDINGS	TOOLS, OFFICE EQUIPMENT AND OTHERS	TANGIBLES UNDER CONSTRUCTION	TOTAL
<b>Cost</b>				
At 1 January 2014	525,626	214,054	2,960	742,640
Additions	369	1,624	1,086	3,079
Disposals	0	(2,430)	(1,993)	(4,423)
<b>At 31 December 2014</b>	<b>525,995</b>	<b>213,248</b>	<b>2,053</b>	<b>741,296</b>
At 1 January 2015	525,995	213,248	2,053	741,296
Additions	0	1,341	2,903	4,244
Disposals	0	(3,276)	(1,341)	(4,617)
<b>At 31 December 2015</b>	<b>525,995</b>	<b>211,313</b>	<b>3,615</b>	<b>740,923</b>
<b>Accumulated amortisation and provisions</b>				
At 1 January 2014	177,344	184,932	0	362,276
Annual charges	10,306	7,794	0	18,100
Disposals	0	(2,430)	0	(2,430)
<b>At 31 December 2014</b>	<b>187,650</b>	<b>190,296</b>	<b>0</b>	<b>377,946</b>
At 1 January 2015	187,650	190,296	0	377,946
Annual charges	10,308	7,376	0	17,684
Disposals	0	(3,276)	0	(3,276)
<b>At 31 December 2015</b>	<b>197,958</b>	<b>194,396</b>	<b>0</b>	<b>392,354</b>
<b>Net book value</b>				
<b>At 31 December 2014</b>	<b>338,345</b>	<b>22,952</b>	<b>2,053</b>	<b>363,350</b>
<b>At 31 December 2015</b>	<b>328,037</b>	<b>16,917</b>	<b>3,615</b>	<b>348,569</b>

In addition to the above, at the balance sheet date the Bank reported 23 cars (2014: 25 cars) acquired under a long-term finance lease contract; the acquisition cost of the cars amounts to CZK 10,566 thousand (2014: CZK 13,337 thousand).

In addition to the above, at the balance sheet date the Bank reported 700 PCs (2014: 570 PCs) acquired under a long-term finance lease contract; the acquisition cost of the PCs amounts to CZK 11,779 thousand (2014: CZK 8,103 thousand).

## 20. Equity investments

The Bank held no equity investments in other companies in 2015 and 2014.

## 21. Amounts owed to banks

### Amounts owed to banks and savings associations

CZK '000	2015	2014
Amounts owed to banks and savings associations	11,500,128	0

Amounts owed to banks and savings associations consist of a short term loan to KB. The Bank does not provide other banks with guarantees for loans to its clients and does not accept any bills of exchange.

## 22. Amounts owed to clients

### Total amounts owed to clients

CZK '000	2015	2014
Deposits received from clients under building savings schemes	67,812,330	71,809,152
Revaluation of the clients savings portfolio hedged – fair value	568,152	689,785
Other payables to clients	353,387	90,520
State subsidy claims	698,044	718,285
Received term deposits from other financial institutions	0	830,038
Other accruals	299	4
<b>Total</b>	<b>69,432,212</b>	<b>74,137,784</b>
<b>Of which: Repayable at call</b>	<b>433,501</b>	<b>134,305</b>

The increase of amounts owed to clients repayable at call was mainly due to the settlement of a higher number of saving contracts by the Bank where the funds had not been taken over by the clients as at 31 December 2015 and returned to MPSS.

The level of the state subsidy arising under building savings schemes as at 31 December 2015 and 2014 is estimated on the basis of the client deposit balance at the end of the month. The state subsidy for 2015 will be credited to client accounts after its level is approved by the Czech Finance Ministry during 2016.

## 23. Accrued expenses and deferred income and other liabilities

### Accrued Expenses and Deferred Income

CZK '000	2015	2014
Annual bonuses, overtime hours, outstanding vacation days, fine, social security and health insurance	35,263	36,610
Estimate for advantageous interest	145,947	241,362
Entrance fees and commissions from building savings and loans	176,377	155,780
<b>Total</b>	<b>357,587</b>	<b>433,752</b>

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

### Other liabilities

CZK '000	2015	2014
Estimated payables	125,269	161,135
Of which: Commission for mediating building savings contracts and loan contracts	67,290	97,860
Other (predominantly unbilled supplies)	57,979	63,275
Suppliers	22,431	23,393
Settlement with employees	11,553	10,794
Settlement with the state budget	193,429	220,708
Settlement with social authorities	6,108	5,741
Deferred tax liability (Note 25)	55,389	104,702
Other temporary liabilities	90	1,424
Negative in fair value of interest rate swap	37,627	57,470
<b>Total other liabilities</b>	<b>451,896</b>	<b>585,367</b>

As at 31 December 2015, settlement with the state budget includes a withholding tax liability amounting to CZK 189,693 thousand (2014: CZK 216,696 thousand) from interest income on deposits credited in December 2015.

## 24. Reserves

The development of the reserve and the other tax non-deductible reserves in 2015 and 2014 was as follows:

CZK '000	
<b>Balance at 1 January 2014</b>	<b>6,630</b>
Recognition of a reserve for employee jubilees and loyalty bonuses (net)	9
Recognition of the reserve for legal disputes	266
Release of the reserve for legal disputes	(200)
Use of the reserve for legal disputes	0
Recognition of a reserve for other personnel costs	8,652
Release and use of the reserve for other personnel costs	(8,930)
<b>Balance of tax non-deductible reserves at 31 December 2014</b>	<b>6,427</b>
<b>Balance at 1 January 2015</b>	<b>6,427</b>
Recognition of a reserve for employee jubilees and loyalty bonuses (net)	722
Recognition of the reserve for legal disputes	350
Release of the reserve for legal disputes	(296)
Use of the reserve for legal disputes	(928)
Recognition of a reserve for other personnel costs	623
Release and use of the reserve for other personnel costs	(2,583)
<b>Balance of tax non-deductible reserves at 31 December 2015</b>	<b>4,314</b>

### Balances of reserves:

CZK '000	2015	2 014
Reserve for claims	750	750
Reserve for employee jubilees and loyalty bonuses	2,930	2,208
Reserve for legal disputes with bank advisors	0	508
Reserve for legal disputes with clients	634	1,000
Reserve for social and health insurance in connection with provision of shares to the employees	0	1,961
<b>Total balance of tax non-deductible reserves</b>	<b>4,314</b>	<b>6,427</b>

## 25. Deferred tax

Deferred tax is calculated from temporary differences between the tax base and carrying value using tax rates effective in the period when the use of the temporary tax difference is estimated, i.e. 19% applicable in 2016 and used for 2015 (in 2014: i.e. 19% applicable for 2015).

The deferred income tax for the year ended 31 December 2015 reflects the difference between the accounting and tax net book values of assets, the amount estimated of planned bonuses for managers to be paid in the following year, the costs of social security and health insurance on planned bonuses for managers and an estimate made in respect of outstanding vacation days for 2015 and social and health insurance on unpaid vacation days for 2015 and temporary differences of allowances and reserves. The deferred tax liability with an impact on equity represents a difference on the fair value re-measurement of the portfolio of securities available for sale.



## Deferred tax asset and liability

CZK '000	2015	2014
Intangible and tangible fixed assets – difference between accounting and tax net book values	(143,581)	(166,388)
Planned bonuses to be paid in the following year, estimate of unpaid vacation, social security and health insurance	34,670	36,008
Allowances non-tax	29,081	4,006
Reserves non-tax	4,314	6,427
<b>Total balance of temporary differences</b>	<b>(75,516)</b>	<b>(119,947)</b>
<b>Deferred tax asset with an impact on the profit and loss account at 31 December</b>	<b>(14,348)</b>	<b>(22,790)</b>
Re-measurement of available for sale securities	(216,077)	(431,189)
Change estimate the anniversary bonuses	74	74
<b>Balance of the deferred tax asset charged against equity</b>	<b>(41,041)</b>	<b>(81,912)</b>

## 26. Equity

As at 31 December 2015 and 2014, the Bank's share capital amounts to CZK 562,500 thousand and is composed of 5,625 registered shares that are not tradable with a nominal value of CZK 100 thousand each. The shares are registered in book-entry form. The sole shareholder of the Bank with a 100% equity investment is KB.

As at 31 December 2015 and 2014, the Bank has a reserve fund of CZK 112,500 thousand, a general reserve fund of CZK 1,007,138 thousand, a share premium CZK 487,500 thousand and valuation differences of CZK 175,022 (in the year ended 31 December 2014: CZK 349,263 thousand).

## 27. Contingent assets, liabilities and loan commitments

### Loan Commitments

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

CZK '000	2015	2014
Commitments – assigned loans	50,552	57,704
Commitments – bridging loans	2,635,493	1,150,848
<b>Total loan commitments</b>	<b>2,686,045</b>	<b>1,208,552</b>

### Legal Disputes and Administrative Proceedings

In 2015, the Bank was not involved in any legal disputes, which would have a significant impact on MPSS.

## 28. Related party transactions

### Transactions with the KB financial group

CZK '000	2015	2014
<b>ASSETS</b>		
Operating accounts with KB	1,305	846
Term deposits with KB	0	2,163,778
KB mortgage bonds available for sale	0	258,494
KB mortgage bonds – non-current financial investment	31,140,485	31,191,933
Estimate of the commission of the KB financial group (sale of products)	27,273	21,332
Of which KB	23,272	15,736
Other assets (deferred expenses, operating receivables, rebilling)	48,213	42,923
Of which KB	45,378	42,724
Positive fair value of interest rate swap with KB	635,295	757,372
Nominal value of interest rate swap with KB in off-balance sheet	18,550,000	19,050,000
<b>Total</b>	<b>50,402,571</b>	<b>53,486,678</b>

CZK '000	2015	2014
<b>LIABILITIES</b>		
Received term deposit from Protos	0	830,038
Short term loan to KB	11,500,128	0
Other payables to KB	3,400	1,697
Estimated payables – services and commissions to KB financial group	28,968	19,789
Of which KB	9,355	19,789
Change fair value of securities KB	0	4,887
Negative fair value of interest rate swap incl. off-balance sheet	37,627	57,471
Nominal value of interest rate swap with KB in off-balance sheet	18,550,000	19,050,000
<b>Total</b>	<b>30,120,123</b>	<b>19,963,881</b>

CZK '000	2015	2014
<b>EXPENSES</b>		
Commissions and fees (KB)	115,772	12,109
Interest (KB)	210,358	90,041
Interest (Protos)	255	690
Loss on fair value of interest rate swap	110,051	582
Net expenses for securities transactions (KB)	1,401	1,395
Other operating expenses (KB)	20,336	21,911
<b>Total</b>	<b>458,173</b>	<b>126,728</b>

CZK '000	2015	2014
<b>INCOME</b>		
Interest KB (term deposit, IRS)	309,494	177,107
Earnings on fair value of interest rate swap	2,996	885,987
Income from mortgage bonds of KB	959,389	914,606
Other operating income (KB)	104	118
Commission to the KB financial group (sale of products)	107,524	93,170
<b>Total</b>	<b>1,379,507</b>	<b>2,070,988</b>

Regulatory value of derivatives with KB as of the end of quarters was in 2015 (in thousands of CZK):

31 MARCH 2015	30 JUNE 2015	30 SEPTEMBER 2015	31 DECEMBER 2015
1,022,249	603,345	850,733	770,725

Regulatory value of derivatives with KB as of the end of quarters was in 2014 (in thousands of CZK):

31 MARCH 2014	30 JUNE 2014	30 SEPTEMBER 2014	31 DECEMBER 2014
64,500	480,983	637,840	883,231

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

CZK '000	2015	2014
<b>Salaries and bonuses</b>		
to members of the Board of Directors	13,800	14,580
to members of the Supervisory Board	30	30
<b>Total</b>	<b>13,830</b>	<b>14,610</b>
Number of members of the Board of Directors at 31 December	3	3
<b>Number of members of the Supervisory Board at 31 December</b>	<b>6</b>	<b>6</b>

In the case of the Board of Directors, the assumption of an annual bonus for 2015 was included (to be paid in March 2016). The salaries of the members of the Supervisory Board elected by the Bank's employees have not been reflected in the above table.

As at 31 December 2015, a receivable was registered from loans provided to members of the Board of Directors in the amount of CZK 250 thousand (2014: CZK 250 thousand) and the members of the Supervisory Board in the amount of CZK 1,650 thousand (2014: CZK 1,650 thousand).

## 29. Risk management

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

### Capital Management

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

The Bank uses the Internal Rating Based Advanced Approach for the credit risk capital requirement calculation in respect of amounts due from banks, central banks and central governments. The Bank uses the model elaborated by **Société Générale**. The Bank uses the Standardised Approach for the credit risk capital requirement calculation in respect of other exposures.

The Bank uses the Advanced Approach (AMA) for the operational risk capital requirement calculation.

## (a) Credit Risk

### **Credit Risk Arising from Building Savings (bridging and assigned loan)**

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

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

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

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

### **Individuals ('fyzicke osoby')**

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

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

Internal rules set out requirements for loan collateral. The Bank uses primarily the following forms of collateral: collateral by real estate, by deposits and by guarantors. In the assessment of the risks associated with the real estate collateral the Bank uses synergies with the parent company. Uncollateralised loans are provided only to clients with a history with the KB Group or with using the application scoring. Synergies within the KB Group have been reflected in the area of provided loans where the Bank uses the scoring models developed by KB.

### **Legal Entities ('pravnicke osoby')**

Loans to legal entities are provided specifically to associations of owners and housing cooperatives. Loans provided to legal entities are assessed with reference to the financial position, debt service and payment health of the client at regular intervals. For synergies within the KB Group the Bank uses the scoring model developed by KB.

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

The loan recovery process has three phases involving the pre-collection, the out-of-court recovery phase and the court recovery phase. Classified loan receivables are recovered by the Loan Debt Collection Department and each overdue loan transaction is assessed on an individual basis.

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

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

### **Credit Risk Monitoring**

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

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

### **Loan Portfolio Quality**

During 2015, the proportion of classified loans decreased from 6.51% as at 31 December 2014 to 6.07% as at 31 December 2015. As part of this category, the proportion of monitored loans decreased from 1.94% to 1.07%. The proportion of distressed loans increased from 4.57% to 5.00%.

In cases where the classification was purely based on the observed number of days after the maturity of individual loans, the share of classified loans in the Bank would be at the end of individual years: 2008: 2.84%, 2009: 2.85%, 2010: 2.63%, 2011: 2.76%, 2012: 2.97%, 2013: 3.38%, 2014: 3.34%, 2015: 3.24%.

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

### **Loan Categorisation**

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

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

The classification of the receivable may also be impacted by 'default contagions', i.e., downgrading in circumstances where the debtor or co-debtor in the assessed loan participates in another classified loan at the Bank either as a debtor, co-debtor or guarantor. The default contagion is also applied to mutual clients of the Bank and KB.

Loan categorisation is further influenced by the following factors: information about a client's bankruptcy, termination of the loan contract, worsening of a client's financial position.

### **Provisioning**

The provisions are recognised for individual classified receivables and also on the portfolio level for homogenous individually unimpaired receivables. Loans are categorised into individual classification grades in accordance with Czech National Bank Regulation 163/2014 Coll. The Bank categorises its loans into standard exposures and classified exposures (watch, substandard, doubtful and loss). The substandard, doubtful and loss exposures are collectively referred to as defaulted loans. The Bank performed monthly provisioning following the classification. Provisions are made at the same level in respect of both the principal and receivables' accessories.

For provisioning purposes the amount and quality of collateral is also taken into account; this is done by one of the following methods:

- Reducing the risk/receivables – the discounted collateral amount is deducted from the total receivable and the provisions are calculated from the adjusted receivable. This approach is used in respect of deposit collateral and bank guarantee.
- Classification to the pool – this approach is used, for example, in respect of real estate collateral. Clients with a higher amount of collateral are included in the less risky pool (and a lower provisioning rate is applied to them), than clients with low or no collateral.

### **Provisioning loans to individuals**

In determining coefficients the Bank uses the statistical model. Within this model, the loans receivables are classified to different pools according to risk. The model consist of two parameters, namely probability of default (PD) and loss given default (LGD). The calculation of these parameters is at the level of individual pools, but applied on an individual basis, so each loan is assigned individual provision.

### **Provisioning loans to Legal Entities**

Due to the smaller number of loans to legal entities and the absence of the defaults for these clients, it is not possible to determine the coefficients in this portfolio, based on a statistical model, such as loans for individuals. In determining coefficients to arrive at provisioning for individual classification grades, the Bank reflects the mandated coefficient ranges applicable to individual classification grades according to the CNB Regulation. The settings of the coefficients in the Bank are almost at the maximum level as set in Regulation 163/2014 Coll.

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

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

## **(b) Market Risks**

Given that the Bank complies with Building Savings Act 96/1993 Coll. as amended, the possibility of using financial instruments are limited. In 2015, in addition to bridging loans and building savings loans, the Bank used the following financial instruments: depository transactions on the interbank market, investment in government bonds, and mortgage bonds, and hedging transactions. The Bank does not include any of these instruments in the trading book. The Bank performs these financial operations to assess available funds and to decrease the exposure to the interest rate risk. The Bank additionally carries no open currency, commodity or other positions that would depend on the development of market prices.

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

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

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

Given the structure of assets and liabilities which show a timing mismatch and have different maturities or repricing dates, the Bank is exposed to interest rate risk. The bulk of liabilities consist of client deposits bearing a fixed interest rate throughout the entire life of the building savings contract.

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

### **Interest Rate Risk Management**

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

### Interest Rate Risk Measurement Techniques

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

In measuring interest rate risk, the Bank uses the polo-dynamic model which reflects both the existing balance sheet amounts and the future increase in the volume of deposits and loans, but only in respect of the existing loan and building savings contracts.

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

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

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

CZK MILLION	UP TO 1 YEAR	1 YEAR TO 5 YEARS	5 YEARS TO 10 YEARS	10 YEARS TO 15 YEARS	OVER 15 YEARS	UNDEFI- NED	TOTAL NET BALANCE
<b>At 31 December 2015</b>							
<b>Total assets</b>	<b>22,701</b>	<b>35,788</b>	<b>24,578</b>	<b>4,124</b>	<b>7</b>	<b>1,906</b>	<b>89,104</b>
Cash in hand and balances with central banks	12,079	0	0	0	0	0	12,079
State zero-coupon bonds and other securities eligible for refinancing with the central bank	4,395	0	2,649	0	0	0	7,043
Amounts due from banks and savings associations	377	12,393	14,271	4,101	0	0	31,142
Amounts due from clients – members of savings associations	5,153	23,395	7,658	23	7	18	36,253
Debt securities	0	0	0	0	0	0	0
Intangible fixed assets	0	0	0	0	0	213	213
Tangible fixed assets	0	0	0	0	0	349	349
Other assets	698	0	0	0	0	728	1,426
Expenses and income of the next period	0	0	0	0	0	599	599
<b>Total liabilities and equity</b>	<b>52,673</b>	<b>25,364</b>	<b>2,473</b>	<b>0</b>	<b>0</b>	<b>8,594</b>	<b>89,104</b>
Amounts owed to banks and savings associations	11,500	0	0	0	0	0	11,500
Amounts owed to clients – members of savings associations	41,027	25,364	2,473	0	0	568	69,432
Other liabilities	0	0	0	0	0	452	452
Deferred income and accrued expenses	146	0	0	0	0	212	358
Reserves	0	0	0	0	0	4	4
Total equity	0	0	0	0	0	7,358	7,358
<b>Off balance sheet assets – risk of the interest rate</b>	<b>7,400</b>	<b>2,300</b>	<b>6,850</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>18,550</b>
Interest rate swap	7,400	2,300	6,850	2,000	0	0	18,550
<b>Off balance sheet liabilities – risk of the interest rate</b>	<b>14,100</b>	<b>3,150</b>	<b>1,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,550</b>
Interest rate swap	14,100	3,150	1,300	0	0	0	18,550
<b>Gap</b>	<b>(36,672)</b>	<b>9,574</b>	<b>27,656</b>	<b>6,124</b>	<b>7</b>	<b>(6,688)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(36,672)</b>	<b>(27,098)</b>	<b>557</b>	<b>6,681</b>	<b>6,688</b>	<b>0</b>	<b>0</b>

CZK MILLION	UP TO 1 YEAR	1 YEAR TO 5 YEARS	5 YEARS TO 10 YEARS	10 YEARS TO 15 YEARS	OVER 15 YEARS	UNDEFI- NED	TOTAL NET BALANCE
<b>At 31 December 2014</b>							
<b>Total assets</b>	<b>12,320</b>	<b>36,278</b>	<b>27,223</b>	<b>5,011</b>	<b>11</b>	<b>1,932</b>	<b>82,775</b>
Cash in hand and balances with central banks	674	0	0	0	0	0	674
State zero-coupon bonds and other securities eligible for refinancing with the central bank	1,300	4,358	2,702	0	0	0	8,360
Amounts due from banks and savings associations	2,540	7,620	18,212	4,984	0	0	33,356
Amounts due from clients – members of savings associations	6,828	24,300	6,309	27	11	29	37,504
Debt securities	260	0	0	0	0	0	260
Intangible fixed assets	0	0	0	0	0	215	215
Tangible fixed assets	0	0	0	0	0	363	363
Other assets	718	0	0	0	0	844	1,562
Expenses and income of the next period	0	0	0	0	0	481	481
<b>Total liabilities and equity</b>	<b>42,329</b>	<b>27,680</b>	<b>3,681</b>	<b>0</b>	<b>0</b>	<b>9,085</b>	<b>82,775</b>
Amounts owed to clients – members of savings associations	42,087	27,680	3,681	0	0	692	74,139
Other liabilities	1	0	0	0	0	584	585
Deferred income and accrued expenses	241	0	0	0	0	192	434
Reserves	0	0	0	0	0	6	6
Total equity	0	0	0	0	0	7,611	7,611
<b>Off balance sheet assets – risk of the interest rate</b>	<b>8,400</b>	<b>800</b>	<b>7,350</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>19,050</b>
Interest rate swap	8,400	800	7,350	2,500	0	0	19,050
<b>Off balance sheet liabilities – risk of the interest rate</b>	<b>13,250</b>	<b>4,700</b>	<b>1,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,050</b>
Interest rate swap	13,250	4,700	1,100	0	0	0	19,050
<b>Gap</b>	<b>(34,859)</b>	<b>4,698</b>	<b>29,792</b>	<b>7,511</b>	<b>11</b>	<b>(7,153)</b>	<b>0</b>
<b>Cumulative Gap</b>	<b>(34,859)</b>	<b>(30,161)</b>	<b>(369)</b>	<b>7,142</b>	<b>7,153</b>	<b>0</b>	<b>0</b>

### Assets and Liabilities Management – Liquidity Risk

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

In 2015, the Bank meets the reporting obligation under Regulation of the European Parliament and Council of EU no. 575/2013 and performed regular monitoring and reporting of required indicators LCR and NSFR. The Bank is also part of the calibration process of regulatory indicators mentioned above, which is managed by the European Banking Authority (EBA).

#### Liquidity management can be divided into two areas:

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

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

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

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

As a part of its risk management strategy, the Bank maintains a proportion of its assets in highly liquid instruments such as interbank market deposits with maturity of less than three months, reverse repo transactions by ČNB, treasury bills, and securities related to repo



guarantee. For measurement purposes, the Bank uses, inter alia, the quick assets ratio which represents the proportion of highly liquid assets net of loan commitments to total assets and to the amount of deposits where the blocking period has expired.

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

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

The table below shows the allocation of balances to individual time buckets as at the balance sheet date (using a static model which does not reflect the increase in balances of the existing contracts and which serves only as a liquidity risk measurement supporting tool).

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

CZK MILLION	UP TO 7 DAYS	7 DAYS TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 6 MONTHS	6 MONTHS TO 1 YEAR	1 YEAR TO 2 YEARS	2 YEARS TO 5 YEARS	OVER 5 YEARS	MATURITY UNDEFI- NED	TOTAL FOR REMAINING MATURITY
<b>At 31 December 2015</b>										
<b>Total assets</b>	<b>12,093</b>	<b>4,511</b>	<b>520</b>	<b>1,264</b>	<b>981</b>	<b>2,810</b>	<b>15,765</b>	<b>47,971</b>	<b>3,189</b>	<b>89,104</b>
Cash in hand and balances with central banks	12,079	0	0	0	0	0	0	0	0	12,079
State zero-coupon bonds and other securities eligible for refinancing with the central bank	0	4,347	0	32	15	0	0	2,649	0	7,043
Amounts due from banks and savings associations	1	0	184	37	155	1,327	11,065	18,372	0	31,142
Amounts due from clients – members of savings associations	12	164	336	496	811	1,483	4,700	26,950	1,301	36,253
Debt securities	0	0	0	0	0	0	0	0	0	0
Intangible fixed assets	0	0	0	0	0	0	0	0	213	213
Tangible fixed assets	0	0	0	0	0	0	0	0	349	349
Other assets	0	0	0	698	0	0	0	0	728	1,426
Expenses and income of the next period	0	0	0	0	0	0	0	0	599	599
<b>Total liabilities and equity</b>	<b>11,980</b>	<b>985</b>	<b>30,953</b>	<b>3,071</b>	<b>5,685</b>	<b>9,085</b>	<b>16,279</b>	<b>2,473</b>	<b>8,594</b>	<b>89,104</b>
Amounts owed to banks and savings associations	11,500	0	0	0	0	0	0	0	0	11,500
Amounts owed to clients – members of savings associations	480	984	30,807	3,071	5,685	9,085	16,279	2,473	568	69,432
Other liabilities	0	0	0	0	0	0	0	0	452	452
Deferred income and accrued expenses	0	0	146	0	0	0	0	0	212	358
Reserves	0	0	0	0	0	0	0	0	4	4
Total equity	0	0	0	0	0	0	0	0	7,358	7,358
<b>Gap</b>	<b>113</b>	<b>3,526</b>	<b>(30,434)</b>	<b>(1,807)</b>	<b>(4,704)</b>	<b>(6,275)</b>	<b>(513)</b>	<b>45,498</b>	<b>(5,405)</b>	<b>0</b>
<b>Cumulative gap</b>	<b>113</b>	<b>3,639</b>	<b>(26,794)</b>	<b>(28,601)</b>	<b>(33,305)</b>	<b>(39,580)</b>	<b>(40,094)</b>	<b>5,405</b>	<b>0</b>	<b>0</b>

CZK MILLION	UP TO	7 DAYS TO	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR TO	2 YEARS	2 YEARS	OVER	MATURITY	TOTAL FOR REMAINING MATURITY
	7 DAYS	1 MONTH	3 MONTHS	6 MONTHS	TO 1 YEAR	2 YEARS	TO 5 YEARS	5 YEARS	UNDEFI- NED		
<b>At 31 December 2014</b>											
<b>Total assets</b>	<b>2,531</b>	<b>427</b>	<b>1,176</b>	<b>2,047</b>	<b>1,303</b>	<b>6,000</b>	<b>12,334</b>	<b>53,534</b>	<b>3,423</b>		<b>82,775</b>
Cash in hand and balances with central banks	674	0	0	0	0	0	0	0	0	0	674
State zero-coupon bonds and other securities eligible for refinancing with the central bank	0	263	0	1,021	15	4,358	0	2,702	0	0	8,359
Amounts due from banks and savings associations	1,335	22	992	37	155	0	7,620	23,196	0	0	33,357
Amounts due from clients – members of savings associations	522	142	184	271	873	1,642	4,714	27,636	1,520	0	37,504
Debt securities	0	0	0	0	260	0	0	0	0	0	260
Intangible fixed assets	0	0	0	0	0	0	0	0	0	215	215
Tangible fixed assets	0	0	0	0	0	0	0	0	0	363	363
Other assets	0	0	0	718	0	0	0	0	0	844	1,562
Expenses and income of the next period	0	0	0	0	0	0	0	0	0	481	481
<b>Total liabilities and equity</b>	<b>197</b>	<b>460</b>	<b>29,730</b>	<b>2,005</b>	<b>9,936</b>	<b>10,501</b>	<b>17,180</b>	<b>3,681</b>	<b>9,085</b>		<b>82,775</b>
Amounts owed to banks and savings associations											
Amounts owed to clients – members of savings associations	197	459	29,489	2,005	9,936	10,501	17,180	3,681	692	0	74,140
Other liabilities	0	1	0	0	0	0	0	0	584	0	585
Deferred income and accrued expenses	0	0	241	0	0	0	0	0	192	0	433
Reserves	0	0	0	0	0	0	0	0	6	0	6
Total equity	0	0	0	0	0	0	0	0	7,611	0	7,611
<b>Gap</b>	<b>2,334</b>	<b>(33)</b>	<b>(28,554)</b>	<b>42</b>	<b>(8,633)</b>	<b>(4,501)</b>	<b>(4,846)</b>	<b>49,853</b>	<b>(5,662)</b>		<b>0</b>
<b>Cumulative gap</b>	<b>2,334</b>	<b>2,301</b>	<b>(26,253)</b>	<b>(26,211)</b>	<b>(34,844)</b>	<b>(39,345)</b>	<b>(44,191)</b>	<b>5,662</b>	<b>0</b>		<b>0</b>

### (c) Operational Risk

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems, from human error, and the risk of loss resulting from external events. Legal and reputational risks are part of operational risk.

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

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

During 2015, the Bank continued in the implementation of operational risk advanced approach instruments for risk management and continuous modification. Currently, as part of Operational risk management the Bank uses, besides collecting data on operational risk events, also key risk indicators monitoring, risk and control environment (RCSA), self assessment, scenarios analysis and formalised first level controls. When defining particular instruments the Bank very closely cooperates with KB, which represents the coordinator of operational risk management for the Group.

The Bank's internal regulations define practices and procedures to be followed in recovering IT systems in disaster situations (disaster recovery planning) and IT security management principles. In 2015, the Bank carried out five tests of business continuity: alternative external workspace test recovery of backup server applications test, functionality of backup IT data centre test, crisis communication test and crisis staff meeting in alternative external workspace test, evacuation test.

### 30. Post balance sheet events

There were no significant events after the financial statements as at 31 December 2015.

# Report on relations between related parties for the 2015 accounting period

(hereinafter the "**Relations Report**")

Modrá pyramida stavební spořitelna, a.s., with the registered office at Bělehradská 128, indication No. 222, Company ID 60192852, incorporated in the Companies Register, kept with the Municipal Court in Prague, Section B, Insert 2281, (hereinafter the "**Company**"), is a member of the business group (concern) where the following relationships between the Company and its controlling entity and also relationships between the Company and other entities controlled by the same controlling entity (hereinafter the "**Business Group**") exist.

This Report on relations has been drawn up in compliance with the provision of Article 82 a(9) of Act No. 90/2012, on Commercial Companies and Cooperatives (Business Corporations Act), for the accounting period of 2014, i.e. from 01/01/2015 till 31/12/2015 (hereinafter the "Accounting Period").

## I. Introduction

### Structure of relationships between members of the Business Group

In the period from 1 January 2015 to 31 December 2015, the Company was a member of the group - Komerční banka, a.s., with the registered office at Na Příkopě 33, 114 07 Prague 1, Company ID 45317054, incorporated in the Companies Register kept with the Municipal Court in Prague, Section B, Insert 1360 (hereinafter "KB").

KB is a part of Société Générale S.A., se sídlem 29, BLD Hausmann, 75009 Paris, France, registration number in the French companies register: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter "SG" or "SG Paris"). The structure of the relationships between members of the concern is given in the organigram, being an integral part hereof as Annex No. 1 hereto.

In the 2015 Accounting Period, the Company was in relations with the following parties that are members of the group: <sup>1)</sup>

COMPANY	REGISTERED OFFICE	THE SG'S SHARE IN VOTING RIGHTS OF THE COMPANY
Komerční banka, a.s.	Na Příkopě 33, postcode 114 07 Prague 1	60.735%
ALD Automotive s.r.o.	U Stavoservisu 527/1, postcode 100 40 Prague 10	100%
ESSOX s.r.o.	Senovážné náměstí 231/7, postcode 370 21 České Budějovice	100%
Factoring KB, a.s.	náměstí Junkových 1, postcode 155 00 Prague 5	100%
Komerční pojišťovna, a.s.	Karolinská 1/650, postcode 186 00 Prague 8	100%
KB Penzijní společnost, a.s.	náměstí Junkových 1, postcode 155 00 Prague 5	100%
Protos, uzavřený investiční fond, a.s.	Dlouhá 34, postcode 110 15 Prague 1	100%
SG Equipment Finance Czech Republic s.r.o.	náměstí Junkových 1, postcode 155 00 Prague 5	100%
Société Générale S.A.	29, BLD Hausmann, 75009 Paris, France	0%

1) These are companies controlled by SG Paris, both directly or indirectly within the meaning of Section 74 (1) of the Business Corporations Act.

### The purpose of the Company in the group:

The Company is a fully-owned subsidiary of KB, which is a member of the international financial group Société Générale (hereinafter the "SG Group"). The company provides specialized building savings services pursuant to Act No. 96/1993 Sb. on Building Savings, as amended, financial brokerage services and brokers the conclusion of contractual relationships with KB, other subsidiaries of KB Group, subsidiaries of international financial group SG and other entities in the Czech Republic with a wide array of products in the field of retail and investment banking, other specialized services, including but not limited to pension savings plans, leasing, factoring, consumer finance and insurance, through a network of financial consultants of the Company. Since 2011 the internal audit has been outsourced to KB. In KB Group, KB provides the Company with some other services in the area of information technologies and data processing, consulting in the field of HR management, Compliance, and risk management including credit financial and operational risks. In addition, some IT infrastructure as well as knowledge in the field of banking and provision of financial services, development of financial products, instruments and services, operation of information technologies and data processing, risk management, regulation of financial markets, trading and business management are shared in SG Group. The building savings products are sold through KB distribution network.

As part of management and controlling systems, KB obtains data related to the controlling and management system of the Company and at the same time, provides this data, including KB data to Société Générale /These are mostly data for compiling consolidated financial statements and consolidated reporting to regulators or for disclosures, budgets, business plans, business continuity plans, anti money laundering measures)/.

The Company participates in the design of group-wide policies in the Czech Republic through KB.

The KB products are offered through the Company distribution network.

### Methods and means of control

KB is a sole shareholder of the Company and exercises its influence over its activities through decisions of a sole shareholder that substitute activities of the general meeting. In 2015, KB had four representatives in the supervisory board of the Company composed of six members and two representatives in the audit committee consisting of three members. KB, on the basis of its decision, and following consultations with the Company management, take some positions in the Company by its employees who continue to work as Company employees in its management structures. In return, selected employees of the Company work on some positions in KB.

Within the meaning of Section 79 of the Business Corporations Act, KB is a controlling entity in relation to the Company, and the management is conducted formally by implementation of KB methodologies into internal regulations of the Company, particularly in the area of risk management and capital adequacy ratio. In addition, the management is conducted informally through consultations in each field of the Company's activity.

## II. Relationships in the business group

### A. Significant dealings in the accounting period made at impulse or in the interest of the controlling person or persons controlled by it and related to asset exceeding 10% of equity

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
2015 dividend	Komerční banka, a.s.	27/04/2015

## B. Overview of mutua contracts between the controlled and controlling person or between controlled persons

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
Contract on opening and maintaining a current account including amendments – settlement of interest and fees under the contract, including the Agreement on the Setting of Individual Prices	Komerční banka, a.s.	27 June 1995, the Agreement on the Setting of Individual Prices as of 31 August 2012
Contract on issuing and using a payment card for a current account, VISA card Gold Card – Card VISA Gold Cardpayment card for current account	Komerční banka, a.s.	27/11/2007
Contract on issuing and using a payment card for a current account, VISA card Business Silver Card – Business Silver Card payment card for current account	Komerční banka, a.s.	12/05/2010
Contract on issuing and using a payment card for a current account, MasterCard card – MasterCard payment card for current account	Komerční banka, a.s.	17/06/2014
Contract on issuing and using a payment card for a current account, MasterCard card – MasterCard payment card for current account	Komerční banka, a.s.	30/09/2014
Contract on issuing and using a payment card for a current account, MasterCard card – MasterCard payment card for current account	Komerční banka, a.s.	30/09/2014
Contract on issuing and using a payment card for a current account, MasterCard card – MasterCard payment card for current account	Komerční banka, a.s.	11/12/2014
Contract on providing direct banking services (internet banking for a current account), including Amendment as of 22 October 2012, Amendment as of 20 October 2013 – internet banking service	Komerční banka, a.s.	17 June 2009, Amendment as of 22 October 2012, Amendment as of 20 December 2013, change of the order for administration as of 29 December 2015
Contract for the Brokerage of Purchase or Sale of Securities – purchases/sales of securities	Komerční banka, a.s.	03/04/1996
Contract on providing services on the Short-term Bond Market, incl. Amendment No. 1 – services provided by agent – Komerční banka, a.s.	Komerční banka, a.s.	22/06/1999, Amendment No. 1 of 07/12/2000
Outsourcing Agreement – treasury – service provision	Komerční banka, a.s.	07/02/2008
General contract on financial market trading of 2010 – trades – trading on the financial market	Komerční banka, a.s.	06/01/2010
Contract on custody services provided by KB of 2010 – service as per agreement	Komerční banka, a.s.	07/07/2010
General contract on financial market trading of 2015 – trades trading on the financial market	Komerční banka, a.s.	18/11/2015
Contract (no. 494) on using a safe deposit box of Komerční banka, a.s., No. 833 – use of safe box	Komerční banka, a.s.	28/08/2003
Contract (no. 863) on using a safe deposit box of Komerční banka, a.s., No. 723 – use of safe box	Komerční banka, a.s.	19/07/2004
Contract (no. 867) on using a safe deposit box of Komerční banka, a.s., No. 921 – use of safe box	Komerční banka, a.s.	01/11/2004
Universal contract on transfer of cash in packages – use of cash delivery service in containers	Komerční banka, a.s.	15/05/2011
Contract on installation of a cash dispenser No. 2004/2011/9526 – ATM services at Kounicova 29, Brno	Komerční banka, a.s.	03/10/2011
Contract on installation of a cash dispenser No. 20076/0000 – ATM services at Jindřišská ul. 17, indication No. 889, Prague 1	Komerční banka, a.s.	27/02/2012
Contract on installation of a cash dispenser No. 20162/0000 ATM services at Bělěhradská 128, indication No. 222, Prague2	Komerční banka, a.s.	02/04/2012
Contract on cooperation within the Group according to Article 5a of Act No. 235/2004, as amended, on value added tax, including Amendment No. 1, Amendment No. 2 – provision of assistance and representation fee	Komerční banka, a.s.	27/11/2008, Amendment No. 1 of 22/10/2009, Amendment No. 2 of 22/08/2014

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
Service Level Agreement – cooperation in the field of accounting and reporting, accounting and additional information for the needs of KB Group consolidate reports	Komerční banka, a.s.	10 December 2014, with effect from 1 January 2015 01/03/2005, Amendment No. 1 of 12/06/2009, Amendment No. 2 of 30/09/2010, Amendment No. 3 of 01/10/2011, Amendment No. 4 of 30/04/2014, and Amendment No. 5 of 30/01/2015
Contract on using KB sales network (incl. Amendment No. 1, 2, 3 and 4) – brokerage of transactions – building savings contracts	Komerční banka, a.s.	11/08/2006
Confidentiality Agreement – quadripartite agreement	BHW Holding AG and Česká pojišťovna, a.s.	31/08/2007
Cooperation Agreement – Clients Scoring – client scoring service	Komerční banka, a.s.	30/05/2009
General agreement on personal data processing (KB – administrator, MPSS – processing party) of 30/05/2009 – personal data processing	Komerční banka, a.s.	30/05/2009, Amendment No. 1 of 12/09/2011
General agreement on personal data processing (MPSS – administrator, KB – processing party) of 30/05/2009, incl. Amendment No. 1 of 12/09/2011 – personal data processing	Komerční banka, a.s.	01/01/2010 01/04/2011, Amendment No. 1 of 31/03/2013, Amendment No. 2 of 21/01/2014, Amendment No. 3 of 29/05/2014
Call Centre Services Agreement (Agreement on KB call centre services) of 1 January 2010, incl. re-invoicing of costs from KB to MPSS in 2015 – Services of KB Call Centre for MPSS, including re-invoicing of marketing costs in 2015 from KB to MPSS	Komerční banka, a.s.	Amendment No. 3 of 29/05/2014 01/04/2011, Amendment No. 1 of 27/04/2012, Amendment No. 2 of 31/01/2013, Amendment No. 3 of 29/05/2014, Amendment No. 4 of 29/05/2014, Amendment No. 5 of 21/10/2014, Amendment No. 6 of 01/11/2015 and
Individual distribution agreement (Perfect Loan) of 01/04/2011, incl. Amendment No. 1, No. 2 and No. 3 – loan brokerage as per agreement	Komerční banka, a.s.	Amendment No. 7 of 30/11/2015 01/04/2011, Amendment No. 1 of 31/01/2013, Amendment No. 2 of 21/01/2014, Amendment No. 3 of 29/05/2014 and Amendment No. 4 of 10/11/2015
Individual distribution agreement (MůjÚčet, G2.2) of 01/04/2011, incl. Amendment No. 1, No. 2, No. 3, No. 4 and No. 5 – arrangement of service as per agreement	Komerční banka, a.s.	Amendment No. 1 of 31/01/2013, Amendment No. 2 of 21/01/2014, Amendment No. 3 of 29/05/2014 and Amendment No. 4 of 10/11/2015
Individual distribution agreement (A Card, Lady Card, VISA Elektron Credit Card) of 01/04/2011, including Amendment No. 1, No. 2 and No. 3 – arrangement of service as per agreement	Komerční banka, a.s.	10/11/2015

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
Individual distribution agreement (Mortgage Loan, Pre-Mortgage Loan of 09/09/2011, including Amendment No. 1 and Amendment No. 2 – loan brokerage as per agreement	Komerční banka, a.s.	09/09/2011, Amendment No. 1 of 19/12/2011, Amendment No. 2 of 31/01/2013 and Amendment No. 3 of 10/11/2015
Agreement on cooperation at performance of the Contract on Group risk insurance for employees No. 3280000000, as amended by Amendment No. 1 of 29/06/2012 – HR-Accession to insurance policy taken out by Komerční pojišťovna, a.s.(the Insurer) and Komerční banka, a.s. (the Insured). Effective of 01/02/2012, the insurance also covers employees of MPSS. Death of an employee is the insured risk.	Komerční banka, a.s., Komerční pojišťovna, a.s.	10/09/2012
General contract on providing advantageous conditions for the employees of KB and Société Générale Group – participants in the building saving account in MPSS – providing favourable conditions to employees of KB and Société Générale Group – participants in the building saving account in MPSS	Komerční banka, a.s.	01/11/2013
Cooperation agreement, including Amendment No. 1 and incl. re-invoicing of marketing costs in 2015 from MPSS to KB and from KB to MPSS – mutual cooperation in the specified areas, including re-invoicing of marketing costs from KB to MPSS and from MPSS to KB	Komerční banka, a.s.	31/01/2013, Amendment No. 1 of 16/05/2015
Distribution agreement for products "Úvěry pro bytová družstva a společenství vlastníků bytových jednotek" ("Loans for housing cooperatives and homeowners partnerships"), including Amendment No. 1 – arrangement of service as per agreement	Komerční banka, a.s.	01/11/2013, Amendment No. 1 of 10/11/2015
Distribution agreement concerning the product "Spotřebitelský úvěr" – arrangement of service as per agreement	Komerční banka, a.s.	18/12/2014
General agreement on employees' secondment, including Amendment No. 1 – settlement of costs for temporary employee assignment	Komerční banka, a.s.	01/12/2006, Amendment No. 1 of 31/07/2007
Contract on mutual cooperation of 31/08/2007, incl. Amendment No. 1 – benefits for MPSS employees in KB	Komerční banka, a.s.	01/08/2007, Amendment No. 1 of 01/07/2010
Lease contract – garage parking, incl. Amendment No. 1 – lease service provision	Komerční banka, a.s.	31/01/2007, Amendment No. 1 of 30/04/2013
Confidentiality Agreement related to "Agreement on using the HP OV DS licence" – maintenance of information confidentiality	Komerční banka, a.s.	09/02/2009 28/05/2009, Amendment No. 1 of 11/02/2010, validity extended verbally for 2013 (a written amendment must be entered into)
Agreement on paying costs of licence use (replaced the 2007 verbal agreement on paying costs of licence use), incl. Amendment No. 1 – payment for the service price and provision of cooperation	Komerční banka, a.s.	
Contract on lease of non-residential space and payment of services related to its use (Uherský Brod) – lease of non-residential space	Komerční banka, a.s.	20/11/2008
Confidentiality Agreement related to "Contract on service provision – outsourcing (HR services)" – maintenance of information confidentiality	Komerční banka, a.s.	27/04/2010
Contract on provision of services – outsourcing (HR services), incl. Amendment No. 1 – provision of services as per agreement	Komerční banka, a.s.	30/11/2010, Amendment No. 1 of 20/12/2013
Confidentiality Agreement related to "Contract on cooperation in the fields of outsourcing and purchasing" – HR services – maintenance of information confidentiality	Komerční banka, a.s.	09/07/2010
Adoption of the rules for cooperation of KB and FS members in the fields of outsourcing and purchasing of 16/09/2010 – provision of services as per agreement	Komerční banka, a.s.	16/09/2010
Agreement on the Organisation of Periodic Control of 17/12/2010, including Amendment No. 1 – provision of services as per agreement	Komerční banka, a.s. and Société Générale S.A.	17/12/2010, Amendment of 17/10/2012
General Agreement on provision of services of 24/01/2011, including Amendment No. 1 – provision of services as per agreement	Komerční banka, a.s.	24/01/2011, Amendment No. 1 of 11/10/2011



CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
		30/06/2011, Amendment No. 1 of 15/10/2011, Amendment No. 2 of 13/05/2013, Amendment No. 3 of 31/12/2013, Amendment No. 4 of 03/11/2014
Contract on provision of services – outsourcing – data warehouse of 30/06/2011, including Amendment No. 1, No. 2, No. 3 and No. 4 – provision of services as per agreement	Komerční banka, a.s.	
Sub-Contract No. 2 of 31/10/2011 according to the General Agreement on Supply of IT Services of 24/01/2011 – provision of services as per agreement	Komerční banka, a.s.	31/10/2011
Sub-Contract No. 3 of 31/10/2011 according to the General Agreement on Supply of IT Services of 24/01/2011 – provision of services as per agreement	Komerční banka, a.s.	31/10/2011
Sub-Contract No. 4 of 31/10/2011 according to the General Agreement on Supply of IT Services of 24/01/2011, including Amendment No. 1 of 05/10/2012 – provision of services as per agreement	Komerční banka, a.s.	31/10/2011, Amendment No. 1 of 05/10/2012
		31/11/2011, Amendment No. 1 of 05/10/2012 and of Amendment No. 2 of 01/01/2014 – provision of services as per agreement
Sub-Contract No. 1 of 31/11/2011 according to the General Agreement on Supply of IT Services of 24/01/2011, including Amendment No. 1 of 05/10/2012 of Amendment No. 2 of 01/01/2014 – provision of services as per agreement	Komerční banka, a.s.	01/01/2014
Contract on provision of services – outsourcing, Assessment of risks related to the immovable pledge for MPSS in the KB system – provision of services as per agreement	Komerční banka, a.s.	20/12/2011
Sub-Contract No. 5 to the General Agreement on Supply of IT Services – Notification services (SMS gate)	Komerční banka, a.s.	29/06/2012
Memorandum of Understanding, incl. SLA – MPSS retail – cooperation in the field of credit risk management, substituted by Agreement of Risk Management Cooperation of 31 March 2014 and individual SLA (8 pcs)	Komerční banka, a.s.	11/10/2012, SLA- MPSS retail of 19/04/2013
Agreement on Framework Insurance Contract No.7720802024 – insurance policy entered into by KB (the Insurer) for the benefit of MPSS – address asset-related risk	Komerční banka, a.s.	10/02/2014
Agreement on KBxMPSS Risk Management Cooperation and related SLA (8 pcs) – mutual cooperation in the field of risk management – general principles	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Scoring Calculator for MPSS – Scoring Calculator	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Pre-Scoring of Clients and Negative Information Delivery – Pre-Scoring	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Scoring Model for HC and AO – scoring model for BD/SVJ	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Delivery of Inputs for Real Estate Revaluation – Inputs for Real Estate Revaluation	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Exchange of Fraud Lists – cooperation regarding the exchange of fraud lists	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Cooperation on IRBA Implementation in MPSS – cooperation on IRBA implementation	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Data Administration and delivery for Collecte Reporting – cooperation regarding claim reporting	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Risk Services Remuneration – prices for individual Risk Management Cooperation services	Komerční banka, a.s.	31/03/2014
Agreement on Framework Insurance Contract No. 770802024, contract entered into by KB (the Insurer) for the benefit of MPSS – addresses asset-related risks	Komerční banka, a.s.	2015
		04/08/2014, terminated by notice of termination as of 30/09/2015
Contract on lease of non-residential space and payment of services related to its use (Vimperk)	Komerční banka, a.s.	
Contract for future sublease of non-residential space and settlement of services related to its use – Contract for the future sublease of non-residential space and settlement of services related to its use for backup workplace in Prague 5 - Stodůlky building	Komerční banka, a.s.	01/09/2014
Contract for sublease of non-residential space and settlement of services related to its use – Contract for the sublease of non-residential space and settlement of services related to its use for backup workplace in Prague 5 - Stodůlky building	Komerční banka, a.s.	01/09/2014

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
Contract on lease of non-residential space and payment of services related to its use (Antala Staška 2059, Prague 4) – lease of non-residential space	Komerční banka, a.s.	01/12/2014
Agreement - Services PD/LGD Models for RWA calculation – provision of service – models for provision of MPSS loans	Komerční banka, a.s.	18/12/2014
Payment under Group Insurance Agreement of works-related accident and occupational disease insurance for members of board of directors of the financial group of Komerční banka/Société Générale N 333000000	Komerční banka, a.s.	29/12/2014
Borrowing Agreement	Komerční banka, a.s.	21/08/2015
Contract for sublease of non-residential space and settlement of services related to its use (Kyjov)	Komerční banka, a.s.	27/07/2015
Agreement on sharing negative information in FS KB/SG in the Czech Republic (verbal)	Komerční banka, a.s.	19/11/2015
Agreement of re-invoicing of costs from KB to MPSS including accrued expenses	Komerční banka, a.s.	for 2015 05/12/1995 (terminated as of 30/06/2007, effective from 01/01/2008, individual cases are still being settled under the agreement)
Agreement on collective co-insurance of VSSKB clients in case of death to secure the loan No. 37-9861 – arrangement of client's insurance	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	05/12/1995 (terminated as of 30/06/2007, effective from 01/01/2008, individual cases are still being settled under the agreement)
Operational contract to provide collective co-insurance of VSSKB clients, Česká pojišťovna, a.s., Komerční pojišťovna, a.s. – arrangement of client's insurance	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	05/12/1995 (terminated as of 30/06/2007, effective from 01/01/2008, individual cases are still being settled under the agreement)
General Cooperation Agreement No. 3010000246 (PROGRAM SPEKTRUM) – provision of service to the MPSS employees	Komerční pojišťovna, a.s.	09/04/2008
GENERAL DISTRIBUTION AGREEMENT (Všeobecná distribuční smlouva), incl. Amendment No. 1, including re-invoicing of marketing costs from MPSS to KP and from KP to MPSS – framework agreement for the sale of products of Komerční pojišťovna, a.s. in MPSS distribution network	Komerční pojišťovna, a.s.	15/10/2012, Amendment No. 1 of 15/11/2012 15/10/2012, Amendment No.1 of 19/12/2012, Amendment No.2 of 11/2/2013 (Record of commission reduction for 2015 of 20/01/2015
Partial distribution agreement for "VITAL INVEST", including Amendment No. 1, Amendment No. 2 (+ Record of commission reduction) – brokerage of "VITAL INVEST" in MPSS distribution network	Komerční pojišťovna, a.s.	15/10/2012, Amendment No. 1 of 19/12/2012
Partial distribution agreement for "PYRAMIDA RISK LIFE INSURANCE", incl. Amendment No. 1 – brokerage of "PYRAMIDA RISK LIFE INSURANCE" in MPSS distribution network	Komerční pojišťovna, a.s.	15/10/2012, Amendment No. 1 of 19/12/2012
Partial distribution agreement for "MOUDRÉ POJIŠTĚNÍ RISK LIFE INSURANCE", incl. Amendment No. 1 – brokerage of "MOUDRÉ POJIŠTĚNÍ RISK LIFE INSURANCE" in MPSS distribution network	Komerční pojišťovna, a.s.	15/10/2012, Amendment No. 1 of 19/12/2012
Partial distribution agreement "Risk Life Insurance Pojištění penze" – brokerage of "RISK LIFE INSURANCE Pojištění penze" in MPSS distribution network	Komerční pojišťovna, a.s.	21/12/2012
Contract on providing favourable conditions for the employees of KP – participants in the building saving account in MPSS – provision of advantageous conditions	Komerční pojišťovna, a.s.	01/11/2013
Agreement of commission bonus – payment of one-off commission bonus	Komerční pojišťovna, a.s.	01/04/2015
Agreement on cooperation in the field of supplementary pension insurance with a state contribution – brokerage of trading	KB Penzijní společnost, a.s.	06/05/2005 04/01/2013, Amendment of 27/11/2013 and re- invoicing of marketing costs from MPSS to KBPS for 2015
Contract on commercial representation, incl. Amendment – brokerage of trading	KB Penzijní společnost, a.s.	KBPS for 2015

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
Contract on providing favourable conditions for the employees of KP – participants in the building saving account in MPSS – provision of advantageous conditions	KB Penzijní společnost, a.s.	01/11/2013
Cooperation Agreement (including Procedural rules for cooperation and Financial conditions of cooperation) of 16/05/2007 – credit brokerage	ESSOX s.r.o.	16/05/2007
General agreement on personal data processing (MPSS – administrator, ESSOX – processing party) of 16/05/2007 – personal data processing	ESSOX s.r.o.	16/05/2007
Contract on commercial representation of 18/07/2012 – brokerage of the sale of Bezpečná půjčka loan, including re-invoicing of costs for marketing services from MPSS to ESSOX	ESSOX s.r.o.	18/07/2012
Contract on providing favourable conditions for the employees of ESSOX – participants in the building saving account in MPSS – provision of advantageous conditions	ESSOX s.r.o.	01/11/2013
Contract on providing favourable conditions for the employees of SG Equipment Finance Czech Republic – participants in the building saving account in MPSS – provision of advantageous conditions	SG Equipment Finance Czech Republic s.r.o.	01/11/2013
Financial Leasing Agreement – Financial Leasing Agreement No. 11004573/13 with an option to purchase the subject-matter of leasing	SG Equipment Finance Czech Republic s.r.o.	12/04/2013
Financial Leasing Agreement – Financial Leasing Agreement No. 11005040/13 with an option to purchase the subject-matter of leasing	SG Equipment Finance Czech Republic s.r.o.	02/09/2013
Financial Leasing Agreement, incl. Amendment No. 1 – Financial Leasing Agreement No. 11005857/14 with an option to purchase the subject-matter of leasing, including the consent of MPSS with purchase agreement for the subject-matter of leasing entered into by and between SGEF and HAWLETT-PACKARD s.r.o., Company ID: 17048851 of 23/04/2014	SG Equipment Finance Czech Republic s.r.o.	23/04/2014, Amendment No. 1 of 23/04/2014
Financial Leasing Agreement No. 11006861/15 with an option to purchase the subject-matter of leasing, including Amendment No. 1	SG Equipment Finance Czech Republic s.r.o.	29/01/2015, Amendment No. 1 of 29/01/2015
Contract on providing advantageous conditions for the employees of Factoring KB – participants in the building saving account in MPSS – provision of advantageous conditions	Factoring KB, a.s.	01/11/2013
Fixed term deposit – deposits in 2015	PROTOS, uzavřený investiční fond, a.s.	2015
Contract on personal data processing in Société Générale S.A., France – processing of personal of MPSS employees	Société Générale, S.A.	02/11/2011
Insurance premiums paid as per contract concluded between Sociéte Générale S.A. and Komerční banka, a.s. for MPSS – Insurance premiums paid as per contract concluded between Sociéte Générale S.A. and Komerční banka, a.s. based on the invoices of Sociéte Générale S.A., premiums from 01/07/2014 to 30/06/ 2015 and premiums from 1 July 2015 to 30 June 2016	Société Générale, S.A.	2015
Contract on provision of advantageous conditions for the employees of ALD Automotive s.r.o. – participants of the building savings in MPSS – provision of advantageous conditions	ALD Automotive s.r.o.	01/11/2013
General agreement of 18/10/2007 – conclusion of contracts on financial leasing – setting of leasing terms for MPSS	ALD Automotive s.r.o.	18/10/2007
Contract on financial leasing and subsequent purchase of the leased goods No. 310040492 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	29/05/2008
Contract on financial leasing and subsequent purchase of the leased goods No. 310045803 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310045804 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310044806 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/02/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310045799 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310045800 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310045801 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310045802 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310044803 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	25/05/2010

CONTRACT TYPE <sup>1)</sup> (OR THE SUBJECT OF THE CONTRACT – UNLESS INDICATED BY THE NAME)	CONTRACTING PARTY <sup>2)</sup>	CONTRACT CONCLUSION DATE
Contract on financial leasing and subsequent purchase of the leased goods No. 310047131 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	30/09/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310047132 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	30/09/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310047133 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	30/09/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310047279 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	15/10/2010
Contract on financial leasing and subsequent purchase of the leased goods No. 310050680 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	05/09/2011
Contract on financial leasing and subsequent purchase of the leased goods No. 310050822 – Contract on financial leasing and subsequent purchase of the leased goods (advance payment made in February 2012)	ALD Automotive s.r.o.	05/11/2011
Contract on financial leasing and subsequent purchase of the leased goods No. 310056190 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	15/02/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310056191 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	15/02/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310056192 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	15/02/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310056193 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	15/02/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310056194 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	15/02/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310058390 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	29/07/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310058392 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	29/07/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310058393 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	29/07/2013
Contract on financial leasing and subsequent purchase of the leased goods No. 310050225 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	04/02/2014
Contract on financial leasing and subsequent purchase of the leased goods No. 310052017 – Contract on financial leasing and subsequent purchase of the leased goods	ALD Automotive s.r.o.	21/07/2014
Contract for Provision of Services No. 150062313 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract for Provision of Services No. 150062314 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract for Provision of Services No. 150062315 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract for Provision of Services No. 150062316 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract for Provision of Services No. 310067397 – provision of services as per agreement	ALD Automotive s.r.o.	17/07/2015
Contract for Provision of Services No. 310067398 – provision of services as per agreement	ALD Automotive s.r.o.	17/07/2015
Contract for Provision of Services No. 310067399 – provision of services as per agreement	ALD Automotive s.r.o.	17/07/2015
Contract for Provision of Services No. 310067400 – provision of services as per agreement	ALD Automotive s.r.o.	17/07/2015
Contract for Provision of Services No. 310067401 – provision of services as per agreement	ALD Automotive s.r.o.	17/07/2015
Contract for Provision of Services No. 310067402 – provision of services as per agreement	ALD Automotive s.r.o.	17/07/2015
		30/07/2015, Amendment of
Contract for the lease of movable asset – means of transport, including Amendment	ALD Automotive s.r.o.	18/08/2015
Contract for Provision of Services No. 310070289 – provision of services as per agreement	ALD Automotive s.r.o.	21/12/2015
Contract for Provision of Services No. 310070290 – provision of services as per agreement	ALD Automotive s.r.o.	21/12/2015
Contract for Provision of Services No. 310070291 – provision of services as per agreement	ALD Automotive s.r.o.	21/12/2015

## C. Evaluation of benefits and disadvantages arising from relationships in the business group and assessment of harm

### Benefits and disadvantages arising from relationships in the business group

KB Group provides universal banking services both in the Czech Republic and abroad. The whole group makes use of mutual synergies including sharing of projects, strong international brand and know-how of SG. In the business area, the Company benefits from the membership in KB Group. Thanks to KB Group, the Company may use a network of KB branches in the entire territory of the Czech Republic that also offer products of the Company, which means a significant competitive on the Czech banking market. To sell its products, KB uses distribution network of the Company. In the area of management of financial, credit and operational risks, the procedures and tools developed in SG Group represent advanced solutions in global comparison allowing KB and the Company to effectively anticipate and respond to changes in the market and regulatory environment. The benefits of the integration of the Company in KB Group and SG Group respectively, contribute to the positive economic result of the Company.

### Assessment of harm

The Company board of directors reviewed any and all relationships between the Company and companies that are members of the business group for the accounting period of 2015 and notes that as a result of any concluded contracts, agreements, other legal acts made or accepted by the Company or any under other asserted influence by KB, no harm was incurred by the Company.

Prague, on 10 February 2016

**Ing. David Formánek, in his own hand**

Chairman of the Board of Directors

**Mgr. Ladislav Šilha, in his own hand**

Member of the Board of Directors

## Annex No. 1 to the Report on Relations between Related Parties for the Year 2015

SOCIÉTÉ GÉNÉRALE GROUP*			
RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
<b>FRANCE</b>			
<ul style="list-style-type: none"> <li>▶ Société Générale*</li> <li>▶ Compagnie Générale d'Affacturage 100%</li> <li>▶ Généfim 100%</li> <li>▶ Généfimmo Holding 100%</li> <li>▶ Group Boursorama 100%</li> <li>▶ Groupe Crédit du Nord 100%</li> <li>▶ Group Franfinance 99.99%</li> <li>▶ La Banque Postale Financement 35%</li> <li>▶ Sogébaill 100%</li> <li>▶ Sogéfimur 100%</li> <li>▶ Sogéfinancement 100%</li> <li>▶ Sogelease France 100%</li> <li>▶ Sogéprom 100%</li> <li>▶ SG Capital Développement 100%</li> <li>▶ SG Capital Partenaries 100%</li> <li>▶ SG Services 100%</li> <li>▶ SGPI Société Générale de Participations Industrielles 100%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Banque Française Commerciale Océan Indien 50%</li> <li>▶ Banque de Polynésie 72.1%</li> <li>▶ Société Générale Calédonienne de Banque 90.1%</li> <li>▶ Group CGL 100%</li> <li>▶ Sogécap Group 100%</li> <li>▶ SG de Banque aux Antilles 100%</li> <li>▶ Temsys 100%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Société Générale*</li> <li>▶ Amundi Group 20%</li> <li>▶ CALIF 100%</li> <li>▶ Inter Europe Conseil (IEC) 100%</li> <li>▶ Lyxor Asset Management 100%</li> <li>▶ Lyxor International Asset Management 100%</li> <li>▶ Newedge Group 50%</li> <li>▶ Parel 100%</li> <li>▶ Sogefinerg 100%</li> <li>▶ Société Générale Securities Services France 100%</li> <li>▶ SG Option Europe 100%</li> <li>▶ SG Securities (Paris) SAS 100%</li> </ul>	

SOCIÉTÉ GÉNÉRALE GROUP*				
RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP	
EUROPE				
			Companies with KB's qualified interest	Companies controlled by KB
<ul style="list-style-type: none"> <li>▶ SG Factoring SPA Italy 100%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Bank Republic Georgia 93.64%</li> <li>▶ Banka Société Générale Albania 88.64%</li> <li>▶ BRD – Groupe SG Romania 60.17%</li> <li>▶ Eurobank Pologne 99.5%</li> <li>▶ Groupe ALD International 100%</li> <li>▶ Groupe Fiditalia Spa Italy 100%</li> <li>▶ Groupe GEFA Bank Germany 100%</li> <li>▶ Groupe Rosbank Russia 99.49%</li> <li>▶ SG Equipment Finance Group 99.99%</li> <li>▶ Hanseatic Bank Germany 75%</li> <li>▶ ALD Lease Finanz 100%</li> <li>▶ Mobiasbanca Moldavia 87.9%</li> <li>▶ Ohridska Banka AD Skopje Macedonia 71.85%</li> <li>▶ SKB Banka Slovenia 99.73%</li> <li>▶ SG Banka SRBIJA Serbie 100%</li> <li>▶ SG Express Bank Bulgarie 99.74%</li> <li>▶ SG-Splitska Banka Croatie 100%</li> <li>▶ Société Générale Banka Monténégro 90.56%</li> <li>▶ Komerční banka. a.s., Czech Republic 60.35%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Société Générale Newedge UK Ltd United Kingdom 100%</li> <li>▶ Lyxor Asset Management UK LLP 100%</li> <li>▶ SG Hambros Limited United Kingdom 100%</li> <li>▶ SG Immobil Belgium 100%</li> <li>▶ SG Investments (U.K.) Ltd United Kingdom 100%</li> <li>▶ SG Issuer Luxemburg 100%</li> <li>▶ SG Private Banking Belgium 100%</li> <li>▶ SG Private Banking (Monaco) 100%</li> <li>▶ SG Private Banking (Suisse SA) 100%</li> <li>▶ SGCMF 100%</li> <li>▶ SGSS Deutschland Kapitalanlagegesellschaft Germany 100%</li> <li>▶ SGSS Spa Italy 100%</li> <li>▶ Société Générale Bank &amp; Trust Luxembourg 100%</li> <li>▶ Société Générale branches in: Frankfurt, Germany; Dublin, Ireland; London, United Kingdom; Madrid, Spain; Milan, Italy Zurich, Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>▶ Komerční pojištovna, a.s., 48.96%</li> <li>▶ CBCB – Czech Banking Credit Bureau, a.s., 20%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Modrá pyramida stavební spořitelna, a.s., 100%</li> <li>▶ Bastion European Investments S.A. 99.98%</li> <li>▶ Protos, uzavřený investiční fond, a.s., 100%</li> <li>▶ KB Penzijní společnost, a.s., 100%</li> <li>▶ Factoring KB, a.s., 100%</li> <li>▶ ESSOX s.r.o. 50.9%</li> <li>▶ SG Equipment Finance Czech Republic s.r.o. 50.1%</li> <li>▶ KB Real Estate, s.r.o. 100%</li> <li>▶ VN 42, s.r.o. 100%</li> <li>▶ NP 33, s.r.o. 100%</li> <li>▶ Cataps, s.r.o. 100%</li> </ul>

## SOCIÉTÉ GÉNÉRALE GROUP\*

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
---	--	----------------------

RETAIL BANKING FRANCE

## AFRICA – MIDDLE EAST

- ▶ BFV SG Madagascar 70%
- ▶ Eqdom Morocco 53.72%
- ▶ SG Algérie 100%
- ▶ SG de Banques au Bénin 83.85%
- ▶ SG de Banques au Cameroun 58.1%
- ▶ SG de Banques en Côte d'Ivoire 73.25%
- ▶ SG de Banque en Guinée 57.94%
- ▶ SG de Banque en Guinée Equatoriale 57.23%
- ▶ SG de Banque au Liban 16.8%
- ▶ SG de Banques au Sénégal 64.87%
- ▶ SG Congo 87%
- ▶ SG Marocaine de Banques 57.01%
- ▶ SG Tchad 66.16%
- ▶ Société Générale Burkina Faso 52.61%
- ▶ Société Générale Ghana Limited 52.24%
- ▶ Société Générale Mauritanie 91.0%
- ▶ Union Internationale de Banques Tunisia 52.34%

## AMERICA

- ▶ Banco Cacique S.A. Brazil 100%
- ▶ Banco Pecunia Brazil 100%
- ▶ Banco SG Brazil SA 100%
- ▶ Lyxor Asset Management Inc USA 100%
- ▶ Société Générale Capital Canada Inc 100%
- ▶ SG Americas, Inc. USA 100%
- ▶ SG Americas Securities, LLC USA 100%
- ▶ Société Générale\* branches in: New York, United States; Montréal, Canada



SOCIÉTÉ GÉNÉRALE GROUP*			
RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
<b>ASIA + AUSTRALIA</b>			
	<ul style="list-style-type: none"> <li>▶ SG Leasing and Renting Co Ltd China 100%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Fortune SG Fund Management China 49%</li> <li>▶ Lyxor Asset Management Japan Co Ltd 100%</li> <li>▶ Newedge Japan Inc 100%</li> <li>▶ Newedge Group branch Hong Kong 100%</li> <li>▶ SG Asia Ltd (Hong-Kong) 100%</li> <li>▶ SG Securities Asia International Holdings Ltd (Hong Kong) 100%</li> <li>▶ SG Securities Korea Co. 100%</li> <li>▶ SG Securities North Pacific, Tokyo Branch Japan 100%</li> <li>▶ Société Générale (China) Ltd 100%</li> <li>▶ Société Générale branches in: Singapore; Tokyo Japan; Seoul South Korea; Hong Kong; Taipei Taiwan; Mumbai India;</li> </ul>	

\* Source: 2015 REGISTRATION DOCUMENT SG, Simplified organisational chart as of 30 June 2015 and CONSOLIDATED FINANCIAL STATEMENTS as of 31 December 2015

# Data on capital

<b>DATA ON CAPITAL AND CAPITAL REQUIREMENTS</b>		<b>PUBLIC NOTICE NO. 163/2014 COLL., APPENDIX 14</b>	
<b>INFORMATION VALID AS OF</b>		<b>(31/12/2015)</b>	
Data on capital and capital requirements are published according to the article 438 letters c) to f) regulation 575/2013 EU		Item 1 letter b)	
In the case of institutions, which calculate a volume of risk-weighted exposures according to the third title III of the chapter 2.8% of volume of risk-weighted exposures for each exposure category stated in the article 112 regulation 2013/575/EU	Exposures towards central governments and central banks		
	Exposures towards regional governments or local authorities		
	Exposures towards subjects of public sector		
	Exposures towards international development banks		
	Exposures towards international organizations		
	Exposures towards institutions		
	Exposures towards corporations		
	Retail exposures	8,856,368	
	Exposures secured by real estates	6,577,276	Article 438 letter c)
	Exposures in failure	888,194	regulation 575/2013 EU
	Exposures connected with especially high risk		
	Exposures in covered bonds		
	Items presenting securitized positions		
	Exposures towards institutions and corporations with short-term loan assessment		
	Exposures in the form of share units or shares in the subjects of collective investment		
Share exposures			
Other items			
Capital requirements calculated according to the article 92 section 3 letter b) and c) regulation 2013/575/EU	Of position risk		
	For large exposures exceeding limits stated in articles 395 to 401, if it is allowed to exceed these limits to institution.		Article 438 letter e)
	Of currency risk		regulation 575/2013 EU
	Of settlement risk		
	Of commodity risk		
Capital requirements calculated according to the part of the third title III of the chapters 2, 3 and 4 regulation 2013/575/EU and accessed separately	Capital requirement according to the title III of the chapter 2 Regulation 2013/575/EU		
	Capital requirement according to the title III of the chapter 3 Regulation 2013/575/EU		Article 438 letter f)
	Capital requirement according to the title III of the chapter 4 Regulation 2013/575/EU	2,105,188	regulation 575/2013 EU

			PUBLIC NOTICE NO. 163/2014 COLL., APPENDIX 14
<b>DATA ON CAPITAL AND CAPITAL REQUIREMENTS</b>			
<b>INFORMATION VALID AS OF</b>		<b>(31/12/2015)</b>	
In case of institutions, which calculate the volume of risk-weighted exposures according to the third title II of the chapter 3.8% of volume of risk-weighted exposures for each exposure category stated in the article 147. In the case of retail exposure category, this requirement will be used for each exposure category, to which respond different correlation according to the article 154 sections 1 to 4 regulation 2013/575/EU	Exposures towards central governments or central banks	805,943	
	Exposures towards institution	9,643,204	
	Exposures towards corporations		
	Retail exposures		
	Share exposures		
	Items presenting securitized positions		
	Other assets do not have a nature of loan commitment	1,020,119	Article 438 letter d) regulation 575/2013 EU
In the case of share exposure category this requirement will be used for	Share exposures traded on regulated markets		
	Share exposures not traded on regulated markets in enough diversified portfolio and other exposures		
	Exposures which in the area of the capital requirements subordinate to the transition control rules		
	Exposures which in the area of the capital requirements subordinate to the assignment on conservation of legal effects		
	Each from approaches stated in the article 155 regulation 2013/575/EU		

			PUBLIC NOTICE NO. 163/2014 COLL., APPENDIX 14
<b>CAPITAL RATIO</b>			
<b>INFORMATION VALID AS OF</b>		<b>(31/12/2015)</b>	
		<b>To the end of the reported period</b>	
<b>in %</b>			
Capital ratio of liable entity	Capital ratio for equity capital tier 1	19.32	
	Capital ratio for capital tier 1	19.32	Item 2 letter a)
	Capital ratio for total capital	19.32	
Capital ratio of bank branch from other than a member state	Capital ratio for capital tier 1		
	Capital ratio for total capital		Item 2 letter b)

## RATIO INDICATORS

INFORMATION VALID AS OF

(31/12/2015)

To the end of  
the reported  
period

in %			
Ratio indicators of the liable entity, which is bank or savings and loan cooperative	Return on average assets (ROAA)	1.12	
	Return on average equity tier 1 (ROAE)	15.80	
	Assets per 1 employee	265,357	Item 3 letter a)
	Administrative costs per 1 employee	1,806	
	Profit or loss after taxation per 1 employee	2,723	
Ratio indicators of the liable entity, which is businessman with securities	Indebtedness I (total debt without clients estate/assets without clients property)		
	Indebtedness II (total debt without clients property/own capital)		
	Return on average assets (ROAA, assets without clients property)		Item 3 letter b)
	Return on average equity tier 1 (ROAE)		
	Return of sales revenues (profit after taxation/revenues from investment services)		
Ratio indicators of the bank branch from other than a member state	Administrative costs per 1 employee		
	Return on average assets (ROAA)		
	Return on average equity tier 1 (ROAE)		
	Assets per 1 employee		Item 3 letter c)
	Administrative costs per 1 employee		
	Profit or loss after taxation per 1 employee		

© 2016

Modrá pyramida stavební spořitelna, a.s.

Consulting of content, design and production: ENTRE s.r.o.

---

[www.modrapyramida.cz](http://www.modrapyramida.cz)

---



**Modrá pyramida**

Váš rádce na finance