

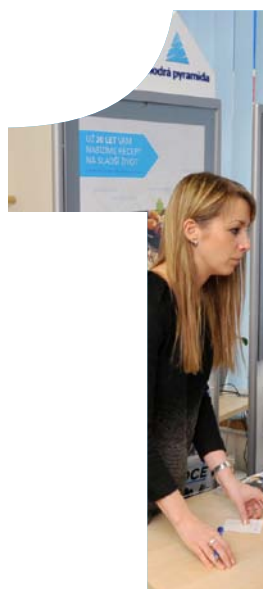


Modrá pyramida

Váš rádce na finance

12

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Annual Report 2014

Modrá pyramida
stavební spořitelna, a.s.

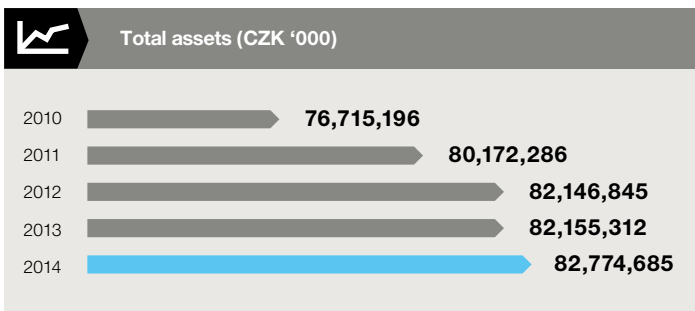
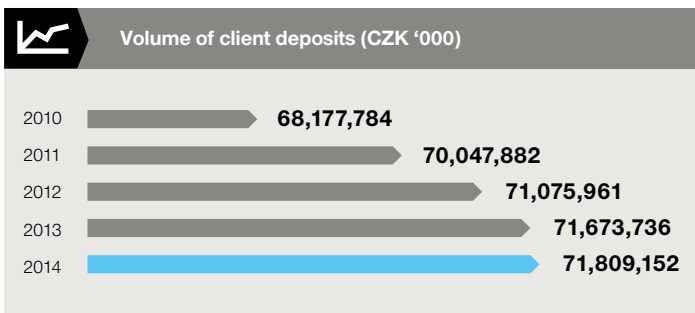
Modrá pyramida is a dynamic company which is focused on providing comprehensive financial advisory. The basic principle is a fair approach and development of a long-term relationship between a financial advisor and a client, the base for it being a financial analysis and a financial plan resulting from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

Selected Key Indicators

	Units	2014	2013	2012	2011	2010
Total assets	CZK'000	82,774,685	82,155,312	82,146,845	80,172,286	76,715,196
Volume of client deposits	CZK'000	71,809,152	71,673,736	71,075,961	70,047,882	68,177,784
Total volume of loans	CZK'000	38,444,951	43,685,807	49,359,889	51,421,748	49,720,446
Volume of assigned loans	CZK'000	4,719,453	5,425,244	6,253,643	6,796,962	7,125,862
Volume of bridging loans	CZK'000	33,725,498	38,260,563	43,106,246	44,624,786	42,594,584
Net profit	CZK'000	994,684	1,065,526	1,122,737	1,050,659	930,141
Dividend designed for the business year	CZK'000	994,684	1,065,526	1,122,737	0	0
ROAE	%	17.10	17.62	19.92	22.38	28.10
Assets per employee	CZK'000	247,828	242,346	240,195	219,050	215,492
Profit per employee (FTE)	CZK'000	2,978	3,143	3,283	2,871	2,613
Capital adequacy	%	19.8	21.1	20.8	16.3	13.4
Headcount (at 31 December)	persons	334	339	342	366	356
Valid contracts	number	614,239	632,826	669,662	717,842	768,204
Active assigned loans	number	49,550	56,892	66,728	76,501	84,922
Active bridging loans	number	47,539	51,656	57,244	62,902	65,490

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Contacts

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

Komerční banka, a.s.
Na Příkopě 33, 114 07 Prague 1,
Czech republic
phone: +420 955 559 550
fax: +420 224 243 020
e-mail: 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.

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

Interview with the Chairman of the Board of Directors



DAVID FORMÁNEK
Chairman of the Board of Directors

For the Czech Republic, year 2014 was a year of stabilization of the political situation and a gradual economic growth, but also a year of low inflation and very low interest rates on the intra-banking market.

Mr. Chairman, how do you evaluate year 2014?

In the past year the political situation calmed down and thanks to that discussions about the future of the building savings were not held any longer. We could even notice certain optimism in people's behaviour thanks to the improving economic situation. Even though situation on the labour market remained difficult, the unemployment rate began decreasing and above all new job positions were created. News such as this leads to a "good mood" and influences positively clients' behaviour. And this was also reflected in Modrá pyramida's business results. For example in comparison with the previous year, we reached 15% increase in number of granted housing loans. Apart from the building savings loans, our financial advisors intermediated KB mortgages at total volume of CZK 3. 4 billion.

Transformation from a building savings bank to a financial advisory provider has been completed – where do you see its greatest significance? How do you evaluate it from the market development point of view and from the point of view of Modrá pyramida?

I consider the completion of transformation the most significant change in Modrá pyramida's history. It is good that we could finish the transformation in quieter times when we could fully focus on the development of financial advisory and implementation of our priorities. Broader specialization enables more efficient usage of our distribution network's potential. We are getting better at convincing clients to use our services more thanks to the increasing professional level of our financial advisors. Mainly thanks to a comprehensibly communicated financial plan, the clients get better at understanding the significance of professional advice in the area of income and property protection and also a need to be secured for the old age.

What was the most difficult task of year 2014 and how did Modrá pyramida handle it?

Definitely, that was and is focus on business. Within the transformation, we completed our product offer, implemented new or changed some processes, changed our communication towards the public but we also had to make good use of that everything in business results. We dealt with it thanks to a high commitment of our distribution network and I consider the business results for year 2014 to be very good.

Financial advisory is not of the best reputation in the Czech Republic, how do your financial advisors do in this area?

Modrá pyramida has got an advantage in this area because it does not really belong among the classic companies providing financial advisory in a way the public perceives them. We can benefit from more than twenty years of tradition of building relationships with clients and from experience of our advisors. We never try to "sell" one product to a client but we always try to explain the connections and offer the best solution based on his/her financial situation and future plans. Our priority here is continuous education of our financial advisors through a unique Financial Planning Academy.

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

Apart from the already mentioned twenty years of tradition, those are definitely highly qualified financial advisors, developed educational system but also quality products, transparent approach and comprehensible communication. And of course, what no other financial advisory company in the Czech Republic has – and that is the brand and strong background of Komerční banka Group with Sociétés Générale.

What is ahead of Modrá pyramida in year 2015?

Given the positive economic development, low interest rates and prices of construction work and material, we expect the mentioned to be reflected in people's interest in purchasing new housing or reconstructing the current one. Here we would like to make use of the fact that housing financing is a basis of our financial advisory. After all, purchase of a flat or a family house is usually the greatest financial transaction of every family and there we do not want to be missing. But on the other hand, we also see the other side of a coin and those are low interest rates on the intra-banking market, which is significantly reflected in the financial balance sheet. Also this year will be in a sign of stabilization of what we have achieved within the transformation and in a sign of further development of Modrá pyramida – a financial advisor. We have got the best prerequisites for that – both background of the whole Group and highly loyal employees and financial advisors.



1



2



We have prepared a game called Financial Freedom in order to enhance the financial literacy of the general public. When one learns to cope with this important part of life, he/she will have more freedom. Within the game it is possible to experience thirty years of “financial life” during three hours and thus we clearly explain the rules of an efficient family finance management, how to protect our income and property, but also how to be prepared for a carefree old age.



ALEŠ KOCUR
district manager Frýdek-Místek

1 Ivo Mičulka, family banker

2 Financial board game

3 A seminar for clients in Frýdek-Místek, December 2014



3

Profile

Modrá pyramida is a dynamic company. In 2014 it accomplished its transformation, changed its business model and from “one-product” building savings bank it is a provider of comprehensive financial advisory with a wide range of products now. It puts emphasis on housing financing because it is mainly the biggest financial transaction in a life of every client. The basic principle of financial advisory in Modrá pyramida 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. 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-state 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:

public limited company

Incorporated:

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

Registered office:

Bělehradská 128/222, 120 21 Prague 2, Czech Republic

Registered number:

60192852

Incorporated:

9 December 1993

Share capital:

CZK 562,500,000

Shares:

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

Company Bodies As at 31.12.2014

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

Audit Committee:

PETER PALEČKA

Chairman of the Audit Committee

PETR ŠPAČEK

Vice Chairman of the Audit Committee

JIŘÍ PŘIBYL

Member of the Audit Committee

Supervisory Board:

ALBERT LE DIRAC'H

Chairman of the Supervisory Board

PETER PALEČKA

Vice Chairman of the Supervisory Board

VLADIMÍR JEŘÁBEK

Member of the Supervisory Board

PAVEL ČEJKA

Member of the Supervisory Board

KRISTÝNA ŽELEZNÁ

Member of the Supervisory Board

JOSEF KVĚTOŇ

Member of the Supervisory Board



LADISLAV ŠILHA
Member of the Board
of Directors

DAVID FORMÁNEK
Chairman of the Board
of Directors

ALEŠ MAŠANSKÝ
Member of the Board
of Directors

Report of the Board of Directors on business activities and assets of the company for 2014

2014 was a year of political and economic stabilisation and brought a certain revival of the Czech economy. Yet it was a difficult year and that primarily with regard to persisting low interest rates environment and further lowering of interest rates throughout the year. As for the building savings, the period of uncertainty and several years' lasting political discussions about the system changes finally ended.

Modrá pyramida reached sound results in 2014. It was successful from the point of view of both building savings and further development. The 2014 results 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 2014 there were 613 thousand new building savings contracts with a total target amount of CZK 187.4 billion concluded and loans in the volume of CZK 37.3 billion granted on the Czech building savings market. In total the clients' savings deposits amounted to CZK 413.6 billion and loans to CZK 249.6 billion in the balance sheets of building savings banks at the end of 2014.

The building savings continued to be influenced by persisting low interest rate environment and high volume of early repaid loans. Modrá pyramida concluded 134 427 new contracts and target amount increases with a target amount of CZK 27.9 billion in the past year. Measured by the number of concluded contracts, Modrá pyramida's market share reached 21.9%, which signifies increase by 1.7% and the second place in the ranking of building savings banks.

Modrá pyramida recorded increase in volume of clients' deposits. Their volume reached CZK 71.8 billion, signifying increase compared to the previous year by 0.2%. The company's total assets amounted to CZK 83 billion and grew by 0.8% compared to 2013.

The number of valid building savings contracts was 614 239 contracts with the target amount of CZK 209 billion at the end of the past year.

In 2014 Modrá pyramida granted its clients over 7 thousand loans in the volume of CZK 3.5 billion, signifying year-on-year growth by 15% in number of pieces. Besides building savings loans, Modrá pyramida also concluded mortgages of Komerční banka in the total volume of CZK 3.4 billion. The market share of Modrá pyramida corresponds to 15.7% as measured by the contractual volume of all concluded loans, signifying year-on-year increase by 2% and the 3rd place in the building savings market.

The total volume of granted housing loans decreased by 12% in 2014 and reached CZK 38.4 billion, the decrease was caused mainly by high volume of early repaid loans.

Besides the production itself of building savings and building savings loans, Modrá pyramida participated in increasing sales of financial products of Komerční banka Group in 2014. The sales of saving and investment products increased year-on-year by 6%, mainly thanks to higher sales of Komerční pojišťovna products and IKS mutual funds sales.

The sales of day-to-day banking products decreased year-on-year by 26%, mainly due to lower sales of the children's accounts. Also loan products sales recorded a drop, in year-on-year comparison it was a decrease by 6% and that due to the credit cards.

The ordinary financial statements for 2014 were prepared with due care and diligence and were reviewed by an independent auditor – the auditing company Ernst & Young Audit, s.r.o. with its registered office Prague 1 – Nové Město, Na Florenci 2116/15, post code 110 00. The auditing company performed the audit in accordance with the regulations applicable in the Czech Republic and has stated that the financial statements give a true and fair view of the financial position of the company Modrá pyramida stavební spořitelna, a.s., as at 31 December 2014 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 994.7 million in spite of the continuous low interest rates environment and large volume of early repaid building savings loans.

Financial advisory

Year 2014 was another year following the successful completion of Modrá pyramida's transformation to a provider of comprehensive financial advisory.

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

The marketing communication was focused on strengthening Modrá pyramida's image as a provider of comprehensive financial advisory. In 2014 we introduced a new communication concept which brought us closer to this target yet again.

It is already a standard that Modrá pyramida communicates with its clients and non-clients on social networks and through its own client magazine Finanční rádce (Financial Advisor) too.

New tariff, amendment of loan process

At the beginning of 2014 Modrá pyramida, in connection with the new Civil Code, implemented product and process changes, mainly in the loan area with the aim to simplify and speed up the approval process.

In April 2014 in connection with the approved deposit strategy, Modrá pyramida implemented a new building savings tariff "Optimal", which apart from the basic deposit rate offers the clients also an interest bonus option in case of regular saving. Then for loans the new tariff allows a competitive interest rates offer to the clients.

Modrá pyramida's reaction to the trend of decreasing market interest rates was continuous and strengthened number of measures influencing active and passive side of the balance sheet.

Financial advisors

In 2014 Modrá pyramida stabilized its distribution network including enhancement of its expertise qualities. Thus it managed to keep the number of financial advisors at the amount above 600 (core financial advisors).

Educational activities within the Financial Planning Academy continued. This academy encourages the financial advisors to be able to identify the clients' needs and to find the right solution for them, including a sale of suitable products.

A particular attention was paid to the sales of loans in 2014, mainly small unsecured loans (Rychloúvěr), mortgage-like loans (Hypoúvěr) and also Komerční banka's mortgages. Another priority of 2014 was an extension of retention activities due to increase in number of refinanced and early repaid loans.

Quality

In the past year monitoring of clients' satisfaction by ISM tool (instant satisfaction measurement of clients) enabled again effective monitoring and assessment of our clients' feedback and that not only on products offered by Modrá pyramida, but also on the expertise, behaviour and professionalism of the financial advisors. In 2014 we successfully implemented quality assessment within Modrá pyramida's distribution network and for the first time we gave the Quality Cup award to the most successful districts.

Modrá pyramida permanently devotes its attention to the clients' complaints handling system and the clients' submissions are continuously evaluated.

Risk Management

In 2014 Modrá pyramida continued its implementation of risk management advanced methods, enabling to achieve decrease in regulatory capital requirements as well. The area of operational risk management was consolidated and the company had passed successfully in 2013 the approval process from the side of the Czech National Bank. During 2014 Modrá pyramida worked on fulfilment of additional CNB requirements, mainly in the area of the Information assets management. 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 and the ECB requirement on review of quality of the loan portfolio. 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 18th, 2015

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



Humour is an essential part of our lives and ill children or elderly people need it even more, because laughter, joy and peace are the best medicine. That is why we support a non-profit organization Zdravotní klaun, especially the Cirkus Paciento project which brings circus tents to the hospitals and with them the joy to children.



HANA VANĚČKOVÁ
Communication director

1 Kateřina Kubešová,
Director, Zdravotní klaun o.s.

2 Cirkus Paciento,
Chrusterice, June 2014

3 Zdravotní klaun in hospital



Employees and Environment

Employees

Modrá pyramida is considered as an attractive employer and not only thanks to its offer of accountable and interesting jobs in the banking sector, but also thanks to the care for its employees. Employees are considered as a key pillar for fulfilment of the company strategy. The care for employees, their development and satisfaction belong to the company priorities.

Employees have the opportunity to attend particular courses, workshops and professional conferences. They can improve themselves also through development programmes, within which the programme Strategic talent management, designed for current and future managers, holds the biggest significance.

The company also provides employees with the opportunity to attend language education, being in compliance with requirements of the particular working position.

A developed benefits system provides employees with an equal approach to employee benefits and offers them the opportunity of a free choice. Among the most often chosen benefits there belongs the contribution to pension insurance or life insurance and employees also appreciate one additional week of vacation.

Modrá pyramida respects its employees and tries to support them in all situations and life phases. It offers differently focused workshops mainly from the area of care for health or focused on healthy life style. At the same time it provides contribution to personal or professional jubilees, contributions in a difficult life situation or at retirement leave.

Corporate responsibility

Modrá pyramida considers as an honour and a prestige commitment to be a socially responsible company. The emphasis on traditional human values and their support are one of the priorities for us, representing values of our company. A responsible behaviour of the company will be appreciated not only by the public, but also by employees. Moreover it brings a long-term sustainable competitive advantage to the company.

We help those who need our help the most – disabled or ill people. Since 2006 we have been partners with Modrý klíč o.p.s., a society which looks after people with mental and combined disabilities. Within this partnership, we provide both financial help and organize a variety of events among our employees – for example a sale of products from sheltered workshops. Since 2010 we have helped the society Zdravotní klaun and last year we - as a patron of Cirkus Paciento, which helps children to cope better with their serious illness and hospital stays - helped to organize 6 these events. Last year we helped to buy two hand bikes and one special bike for the society Černí koně by participating in the action “To work on bikes”.

However, we are also interested in sports and culture – we support Amateur Volleyball League, which also our MOPY team is actively involved in and we are the official partner of the International music festival Concentus Moraviae.

Environment

Modrá pyramida demonstrates its environment consideration by its long-term participation in the „Green Company project“, which concerns handling of waste and also activities focused on reduction of office paper usage, envelopes and printer cartridges.

Modrá pyramida does not disrupt the environment by its activity. It leads its employees and also its clients to a considerate attitude towards the environment. Employees regularly attend in large number in the action “To work on bikes“, when many colleagues change cars for bikes not only during the month of May. We offer our clients loans for housing modernization, insulation of buildings, reducing energy consumption or using alternative energy resources.

Report of the Supervisory Board of the Company on control activities in 2014

Throughout 2014, 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 3 April, 17 September and 10 December 2014, based on supporting materials prepared by the Board of Directors of the Company. The members of the Board of Directors as well as other invited members of the Company's management participated in meetings of the Supervisory Board. The Supervisory Board reviewed documents and written materials which included information on strategic and business management of the Company.

On its regular meeting on 3 April 2014, the Supervisory Board focused also on reviewing effectiveness and efficiency of the internal management and control system of the Company, including efficiency of the outsourced internal audit services. Based on the discussion of the submitted report on management and control system, the Supervisory Board states that the management and control system of the Company is functioning and resistant.

The Supervisory Board reviewed the ordinary financial statements for year 2014, 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 2014 in the amount of CZK 994,683,431.21 and stated that this proposal was in compliance with legal regulations and the Articles of Association of the Company. The Supervisory Board will inform the sole shareholder of the Company, Komerční banka, a.s., on the results of its review performed.

The Supervisory Board noted the report for 2014 of 17 March 2015 prepared by the independent auditor, the company Ernst & Young Audit, s.r.o. with its registered office 110 00 Prague 1 – Nové Město, Na Florenci 2116/15, Corporate ID 26704153. The Supervisory Board understood from this report that the independent audit of the ordinary financial statements for 2014 had been performed in accordance with the relevant legal regulations and with the applicable auditing standards. The independent auditor expressed its opinion on the ordinary financial statements as at 31 December 2014 concluding that the financial statements give in all substantial aspects a true and fair view of the assets, liabilities and financial situation of the Company and that the results of its financial performance for the period from 1 January 2014 to 31 December 2014 are in accordance with the accounting regulations applicable in the Czech Republic.

The Supervisory Board recommends the sole shareholder to approve the ordinary financial statements for year 2014. 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 2014 in the amount of CZK 994,683,431.21 as follows:

– 100% dividend pay-out of net profit CZK 994,683,431.21.

The Supervisory Board, in compliance with legal regulations, also reviewed the Report on Relations between related parties as at 31 December 2014, 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 2014 to 31 December 2014.

In Prague, on 1 April 2015

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

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Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

- I. We have audited the financial statements of Modrá pyramida stavební spořitelna, a.s. ("the Company") as at 31 December 2014 presented in the annual report of the Company on pages 16 - 48 and our audit report dated 17 March 2015 stated the following:

"We have audited the accompanying financial statements of Modrá pyramida stavební spořitelna, a.s., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Modrá pyramida stavební spořitelna, a.s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Modrá pyramida stavební spořitelna, a.s. as at 31 December 2014, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."



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

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1 - 13 and 49 - 66 is consistent with that contained in the audited financial statements as at 31 December 2014. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

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

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

Michaela Kubyová, Auditor
License No. 1810

29 April 2015
Prague, Czech Republic

Balance Sheet as at 31 December 2014

ASSETS No. CZK ,000	Row no.	2014			2013
		Gross	Corrections	Net	Net
1 Cash in hand and balances with central banks	1	673,943	0	673,943	573,238
2 State zero-coupon bonds and other securities eligible for refinancing with the central bank	2	8,359,261	0	8,359,261	8,640,022
Of which: a) Issued by Government institutions	3	8,359,261	0	8,359,261	8,640,022
b) Other	4	0	0	0	0
Amounts due from banks and savings associations	5	33,356,557	0	33,356,557	28,268,705
Of which: a) Repayable on demand	6	847	0	847	1,145
b) Other receivables	7	33,355,710	0	33,355,710	28,267,560
4 Amounts due from clients - members of savings associations	8	38,516,792	1,012,768	37,504,024	42,682,207
Of which: a) Repayable on demand	9	0	0	0	0
b) Other receivables	10	38,516,792	1,012,768	37,504,024	42,682,207
5 Debt securities	11	259,640	0	259,640	267,140
Of which: a) Issued by Government institutions	12	0	0	0	0
b) Issued by other entities	13	259,640	0	259,640	267,140
6 Shares, share certificates and other equity investments	14	0	0	0	0
7 Equity investments in associates	15	0	0	0	0
Of which: In banks	16	0	0	0	0
8 Equity investments in subsidiaries	18	0	0	0	0
Of which: In banks	19	0	0	0	0
9 Intangible fixed assets	21	498,545	283,520	215,025	220,950
Of which: a) Start-up costs	22	0	0	0	0
b) Goodwill	23	0	0	0	0
10 Tangible fixed assets	25	741,296	377,946	363,350	380,364
Of which: Land and buildings for operating activities	26	525,995	187,650	338,345	348,282
11 Other assets	28	1,567,469	5,354	1,562,115	789,118
12 Subscribed capital unpaid	29	0	0	0	0
13 Deferred expenses and accrued income	30	480,770	0	480,770	333,568
Total assets	31	84,454,273	1,679,588	82,774,685	82,155,312

LIABILITIES	Row	2014	2013
No. CZK ,000	no.		
1 Amounts owed to banks and savings associations	31	0	0
Of which: a) Repayable on demand	32	0	0
b) Other payables	33	0	0
2 Amounts owed to clients – members of savings associations	34	74,137,784	73,074,281
Of which: a) Repayable on demand	35	134,305	145,439
b) Other payables	37	74,003,479	72,928,842
3 Payables from debt securities	42	0	0
Of which: a) Issued debt securities	43	0	0
b) Other payables from debt securities	44	0	0
4 Other liabilities	45	585,367	809,600
5 Deferred income and accrued expenses	46	433,752	447,175
6 Reserves	47	6,427	6,630
Of which: a) For pensions and similar liabilities	48	0	0
b) For taxes	49	0	0
c) Other charges	50	6,427	6,630
7 Subordinated liabilities	51	0	0
8 Share capital	52	562,500	562,500
Of which: a) Share capital paid up	53	562,500	562,500
b) Treasury shares	54	0	0
9 Share premium	55	487,500	487,500
10 Reserve funds and other funds from profit	56	1,119,638	1,119,638
Of which: a) Mandatory reserve funds and risk funds	57	112,500	112,500
b) Other reserve funds	59	1,007,138	1,007,138
c) Other funds from profit	60	0	0
11 Revaluation reserve	62	0	0
12 Capital funds	63	0	0
13 Gains or losses from the revaluation of	64	349,263	484,692
Of which: a) Assets and liabilities	65	349,263	484,692
b) Hedging derivatives	66	0	0
c) The retranslation of equity holdings	67	0	0
14 Retained earnings or accumulated losses brought forward	68	4,097,770	4,097,770
15 Profit or loss for the period	69	994,684	1,065,526
Total liabilities	70	82,774,685	82,155,312

Profit and Loss Account for the Year Ended 31 December 2014

No. CZK ,000	Row no.	2014	2013
1 Interest income and similar income	1	3,304,440	3,464,773
Of which: Interest income from debt securities	2	316,726	366,228
2 Interest expense and similar expense	3	(1,739,439)	(1,831,437)
Of which: Interest expense from debt securities	4	0	0
3 Income from shares and equity investments	5	0	0
Of which: a) Income from equity investments in associates	6	0	0
b) Income from equity investments in subsidiaries	7	0	0
c) Other income from shares and equity investments	8	0	0
4 Commission and fee income	9	509,359	533,711
5 Commission and fee expense	10	(291,948)	(236,663)
6 Net profit or loss on financial operations	11	0	0
7 Other operating income	12	8,602	7,798
8 Other operating expenses	13	(55,425)	(55,445)
9 Administrative expenses	14	(559,636)	(573,665)
Of which:	15		
a) Staff costs	16	(296,432)	(292,423)
Of which: aa) Social security and health insurance	18	(66,938)	(66,844)
b) Other administrative expenses	19	(263,204)	(281,242)
10 Release of reserves and provisions for tangible and intangible fixed assets	20	0	0
11 Depreciation, charge for and use of reserves and provisions for tangible and intangible fixed assets	24	(51,423)	(50,691)
12 Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off	30	142,620	127,715
13 Write-offs, charge for and use of provisions and reserves for receivables and guarantees	34	(221,757)	(249,574)
14 Release of provisions for equity investments in associates and subsidiaries	38	0	0
15 Losses on the transfer of equity investments in associates and subsidiaries, charge for and use of provisions for equity investments in associates and subsidiaries	39	0	0
16 Release of other reserves	40	516	955
17 Charge for and use of other reserves	41	(312)	(2,295)
18 Share of profits or losses of subsidiaries and associates	42	0	0
19 Profit or loss for the period from ordinary activities before taxes	44	1,045,597	1,135,182
20 Extraordinary income	45	0	0
21 Extraordinary expenses	46	0	0
22 Profit or loss for the period from extraordinary activities before taxes	47	0	0
23 Income tax	48	(50,913)	(69,656)
24 Net profit or loss for the period after taxes	51	994,684	1,065,526

Off Balance Sheet Accounts

No. CZK ,000	Row no.	2014	2013
1 Issued commitments and guarantees	1	1,208,552	1,097,999
2 Provided collateral	2	126,843	125,603
3 Amounts due from spot transactions	3	0	0
4 Amounts due from term transactions	4	19,050,000	12,450,000
5 Amounts due from option transactions	5	0	0
6 Receivables written off	6	182,735	34,533
7 Assets provided into custody, administration and safe-keeping	7	0	0
8 Assets provided for management	8	0	0
9 Accepted commitments and guarantees	9	3,048,669	3,819,280
10 Received collateral	10	60,790,685	67,934,585
11 Amounts owed from spot transactions	11	0	0
12 Amounts owed from term transactions	12	19,050,000	12,450,000
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 2014

	Share capital	Treasury shares	Share premium	Reserve funds	Retained earnings/ accumulated losses/ of prior periods	Valuation gains or losses	Profit or loss	Total
Balance at 1 January 2013	562,500	0	487,500	1,119,638	4,097,830	780,252	1,122,737	8,170,457
Change of accounting policies								
Corrections of significant errors								
FX differences and valuation differences not included in profit or loss						(295,560)		(295,560)
Net profit or loss for the period							1,065,526	1,065,526
Dividends							(1,122,737)	(1,122,737)
Directors' fees								
Allocation to funds								
Allocation to retained earnings								
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes						(60)		(60)
Balance at 31 December 2013	562,500	0	487,500	1,119,638	4,097,770	484,692	1,065,526	7,817,626
Balance at 1 January 2014	562,500	0	487,500	1,119,638	4,097,770	484,692	1,065,526	7,817,626
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								
Allocations to funds								
Allocation to retained earnings								
Share issues								
Share capital decrease								
Acquisition of treasury shares								
Other changes								
Balance at 31 December 2014	562,500	0	487,500	1,119,638	4,097,770	349,263	994,684	7,611,355

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1. General information

1.1 Incorporation and Description of the Business

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

During 2014, 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 2014

With effect from 31 May 2014, Mr. Jan Pokorný resigned from the member and chairman of the Board of Directors. A record into the Register of Companies was made on 19 June 2014.

With effect from 1 June 2014, Mr. David Formánek was elected as a new member of the Board of Directors and with effect from 2 June 2014 has been chairman of the Board of Directors. A record into the Register of Companies was made on 19 June 2014.

On 27 October 2014, the term of office of member of the Board of Directors Mr. Jiří Votrubec expired. A record into the Register of Companies was made on 18 December 2014.

With effect from 28 October 2014, Mr. Ladislav Šilha was elected as a new member of the Board of Directors. A record into the Register of Companies was made on 18 December 2014.

With effect from 31 October 2014, Mr. Miroslav Hiršl resigned as a member and as vice-chairman of Board of Directors. A record into the Register of Companies was made on 18 December 2014.

With effect from 1 November 2014, Mr. Aleš Mašanský was elected as a new member of the Board of Directors. A record into the Register of Companies was made on 18 December 2014.

Changes in the Composition of the Bank's Supervisory Board in 2014

There were no changes in the Bank's Supervisory Board in 2014.

The composition of the Board of Directors and the Supervisory Board as at 31 December 2014:

	Position	Name
Board of Directors	Chairman	David Formánek
	Member	Aleš Mašanský
	Member	Ladislav Šilha
Supervisory Board	Chairman	Albert Marie Le Dirac'h
	Vice-Chairman	Peter Palečka
	Member	Vladimír Jeřábek
	Member	Josef Květoň
	Member	Kristýna Železná
	Member	Pavel Čejka

1.3 Events in the Year 2014

Implementation of New Civil Code No. 89/2012 Coll was realized on day with effect 1 January 2014.

The Bank is governed by the Articles of Association No. 90/2012 Coll according to §777 odst.5. A record into the Register of Companies was made on 9 July 2014 on the basis of a proposal on 17 June 2014.

2. Basis of preparation

(a) Accounting Principles

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

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

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

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

(b) Transaction Recognition Date

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

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

(c) Foreign Currency Translation

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

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

(d) Provided Loans and Provisions against Loan Losses

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

Receivables are reviewed for recoverability. Based on such reviews, provisions are created for individual receivables. The level of provisioning is established in accordance with CNB Regulation 123/2007, as amended, stipulating rules for the assessment of receivables arising from financial activities and the creation of provisions and reserves, and rules for the acquisition of certain classes of assets. The guidance used in recognizing provisions for the period is set out in Note 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 the Provisioning Act 593/1992 Coll.

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

(e) Securities

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

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

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

Securities Available for Sale

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

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

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

Securities held to maturity

Securities held to maturity are initially recognized at cost, which includes direct transaction costs. Valuation of the security from the purchase settlement to maturity, resp. sale settlement will gradually increase to reflect the accrued interest income. If the security is sold the difference between the amortized cost and the selling price at the time of the sale is traded to income or expense as profit or loss from sale of security. The difference between the discount or premium is amortized to maturity by EIR reporting 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 recognized 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 sale or transfer of more than insignificant part of securities held to maturity the bank has to transfer rest of the portfolio of securities held to maturity to available-for-sale securities and for the following two accounting periods can not be assigned any securities to the securities held to maturity. Exceptions to this rule are allowed in case of sale within three months before maturity, in case of significant deterioration of issuer 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 collateralized received or provided loans. The ownership title underlying these securities passes to the entity issuing the loan. Securities transferred under repo transactions continue to be reported within the relevant securities accounts on the Bank's balance sheet, with the amount acquired through the transfer of securities under repo transactions being included in 'Amounts owed to banks and savings associations'. Securities acquired under reverse repo transactions are maintained off-balance sheet in the line 'Received collateral'. Loans provided under reverse repo transactions are presented within 'Amounts due from banks and savings associations'.

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

(f) Financial Derivatives and Hedging

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

Hedging derivatives fulfill simultaneously these following conditions:

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

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

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

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

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

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

(g) The equity

The registered capital of the Bank is stated at the amount recorded in the Commercial Register of the Municipal Court. Contributions in excess of basic 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
Vehicles	5 years
Office equipment	4 years
Software	4 years or based on the estimated useful life, as appropriate
Other intangible assets	5 years

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

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

Assets held under finance leases are depreciated by the lessor.

(i) Reserves

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

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

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

(j) Provisioning

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

(k) Recognition of Income and Expense

Interest income and expense are recognized with the exception of interest on late payment on an accrual basis, i.e. they are recognized 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 together with these assets and liabilities.

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

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

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

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

(m) Finance Lease

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

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

Leasehold improvements are depreciated over the lease term. Following the transfer of the ownership title 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 2014 and 2013.

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

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

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

(o) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized 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 happened 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 recognized in the financial statements.

3. Net interest income

CZK '000	2014	2013
Total interest income	3,304,440	3,464,773
On deposits (deposits with financial institutions, interbank transactions including repurchase transactions)	907,630	751,708
On loans	1,904,848	2,254,045
On securities (including premium and discount amortization)	316,726	366,228
On interest rate swap	175,236	92,792
Total interest expense	1,739,439	1,831,437
On client deposits	1,648,708	1,764,235
On interest rate swap	90,040	65,271
Other	691	1,931
Net interest income	1,565,001	1,633,336

In 2014, net interest income on loans and client deposits is CZK 256,140 thousand (2013: CZK 489,810 thousand). The decrease is due to year-on-year decreases in the volume of provided loans and the declining market interest rate.

In 2014, net interest income from hedging interest rate derivatives is CZK 85,196 thousand. (2013: CZK 27,521 thousand). Increase was mainly caused by the declining of market interest rate. Hedging interest rate derivatives are used to hedge the change in the fair value. The fair value of interest rate derivatives is described in Notes 17 and 23.

During the year ended 31 December 2014, the Bank collected default interest of CZK 36,039 thousand (2013: CZK 30,295 thousand).

4. Net fees and commissions

CZK '000	2014	2013
Commission and fee income		
on client transactions including commission from the KB financial group and other companies	509,359	533,711
Total	509,359	533,711
Commission and fee expenses		
on transactions with securities	1,463	1,079
on client transactions including commission to the KB financial group	245,612	185,725
Other	44,873	49,859
Total	291,948	236,663
Net fees and commissions	217,411	297,048

5. Net profit or loss on financial operations

In 2014, the Bank realized no sales of securities.

6. Staff costs

CZK '000	2014	2013
Staff costs		
Staff salaries and bonuses	212,463	209,932
Social security and health insurance	66,938	66,844
Other social costs	17,031	15,647
Total	296,432	292,423

Average Headcount

	2014	2013
Staff	339	343

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

7. General operating costs

Administrative Costs

CZK '000	2014	2013
Rent and other services relating to rent	50,292	52,141
Low-value assets	1,016	5,526
Costs of technical equipment	43,752	43,914
Consumed material	9,209	8,275
Audit, advisory	5,263	5,422
Taxes and fees	3,385	4,468
Consumed energy	11,541	12,392
Repairs and maintenance	7,187	8,221
Postage, transportation and telecommunication	16,590	18,733
Sales promotion	15,915	18,597
Public relations, advertising	76,992	81,126
Other	22,062	22,427
Total administrative costs	263,204	281,242

Other Operating Income

CZK '000	2014	2013
Other	8,424	7,137
Income from the transfer of assets	178	661
Total	8,602	7,798

Other Operating Expenses

CZK '000	2014	2013
Annual contribution to the Deposit Insurance Fund	51,729	50,795
State support covered from internal funding	147	426
Other	3,549	4,224
Total	55,425	55,445

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

8. Depreciation

CZK '000	2014	2013
Depreciation of tangible and intangible fixed assets	51,423	50,691
Total	51,423	50,691

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

Provisions for Classified Receivables

CZK '000	
Provisions for classified receivables	
Balance at 1 January 2013	924,530
Charge during the year	245,825
Monitored loans	26,986
Substandard loans	62,285
Doubtful loans	27,464
Loss loans	129,090
Use during the year	(127,920)
Write-off of loans	(4,942)
Release of redundant provisions	(122,978)
Balance of provisions at 31 December 2013	1,042,435
Balance at 1 January 2014	1,042,435
Charge during the year	219,501
Monitored loans	27,073
Substandard loans	51,874
Doubtful loans	19,148
Loss loans	121,406
Use and release during the year	(263,865)
Write-off of loans	(124,006)
Release of redundant provisions	(139,859)
Balance of provisions at 31 December 2014	998,071

In 2014, the Bank created non-tax deductible provisions for interest amounting to CZK 815 thousand (2013: CZK 1,062 thousand).

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

CZK '000	2014	2013
Release of provisions against classified receivables	139,859	122,978
Release of provision against other receivables	861	2,233
Recoveries of receivables previously written off	1,900	2,504
Release of provisions and reserve against receivables and guarantees, recoveries of receivables previously written off	142,620	127,715

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

CZK '000	2014	2013
Recognition of provisions against classified receivables	(219,501)	(245,825)
Recognition of provisions against other receivables	(1,765)	(2,951)
Write-off of receivables	(128,039)	(5,886)
Assignment of receivables from clients	0	57
Use of provisions against written-off receivables	124,006	4,942
Use of provisions against other receivables	3,542	89
Write-offs, recognition and use of provisions and reserves against receivables and guarantees	(221,757)	(249,574)

10. Income tax

CZK '000	2014	2013
Pre-tax profit or loss for the period	1,045,597	1,135,182
Non-taxable income	(836,473)	(803,263)
Non-tax deductible expenses	56,518	52,336
Other items (tax and accounting depreciation charges)	13,490	(8,097)
Sponsorship	(400)	(351)
Tax liability (19 percent)	52,959	71,403
Used tax relief and deductions	(180)	(180)
Income tax charge	52,779	71,223
Deferred tax credit/charge (Note 25)	(3,277)	(1,567)
Tax refunds and arrears	1,411	0
Total income taxation	50,913	69,656

As at 31 December 2014, refunds and arrears of taxes are mainly a repayment of legal entity income tax for 2012 and 2013.

11. Allocation of profit

The Bank's profit for the year ended 31 December 2014 amounted to CZK 994,684 thousand. A profit distribution proposal for the year 2014 was not available at the date of preparation of the annual financial statements. The Bank's profit for the year ended 31 December 2013 amounted to CZK 1,065,526 thousand and the General Meeting approved a dividend payment of to the sole shareholder KB on 15 April 2014.

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

CZK '000	2014	2013
Deposits at the Czech National Bank	673,943	573,238
Total	673,943	573,238

Balances with the Czech National Bank represent mandatory minimum reserves. These mandatory minimum reserves with the Czech National Bank bear interest. As at 31 December 2014, the interest rate was 0.05% (31 December 2013: 0.05%).

13. Amounts due from banks

Current accounts and term deposits

CZK '000	2014	2013
Operating account with KB (repayable at call)	847	1,145
Term deposits	2,163,777	3,810,929
Loans provided CB	0	0
Mortgage bonds issued by financial institutions	31,191,933	24,456,631
Of which: accrued interest income (including premium and discount)	131,944	67,449
Total amounts due from banks	33,356,557	28,268,705

Mortgage bonds issued by financial institutions are publicly non-tradable debt securities acquired in primary placements consisting of a security in certificate form with and booked a fixed interest income with an aggregate amount of CZK 11,885,290 thousand (2013: CZK 5,153,828 thousand) and securities in certificate and booked form with a variable interest rate fixed for the determined periods. As at the fixing date, both the investor and the issuer have the possibility to sell/repurchase the securities at an aggregate amount of CZK 19,306,642 thousand (2013: CZK 19,302,803 thousand).

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

14. Amounts due from clients

Classification of amounts due from clients

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

Amounts due from clients

CZK '000	2014	2013
Granted loans	4,719,453	5,425,244
Bridging loans	33,725,498	38,260,563
Total loans (gross)	38,444,951	43,685,807
Other amounts due from clients	42,618	48,692
Revaluation of the clients loan portfolio hedged – fair value	29,223	7,439
Total amounts due from clients (gross balance)	38,516,792	43,741,938
Provisions against granted loans	(73,292)	(77,885)
Provisions against bridging loans	(924,779)	(964,551)
Provisions against other amounts due from clients	(14,697)	(17,295)
Total provisions	(1,012,768)	(1,059,731)
Total amounts due from clients (net balance)	37,504,024	42,682,207

Granted loans

CZK '000	2014	2013
Standard	4,549,123	5,260,286
Monitored	41,738	48,621
Substandard	56,531	46,223
Doubtful	1,979	2,024
Loss	70,082	68,090
Granted loans (gross balance)	4,719,453	5,425,244

Bridging loans

CZK '000	2014	2013
Standard	31,393,556	35,795,094
Monitored	703,009	834,517
Substandard	577,009	571,384
Doubtful	44,899	53,369
Loss	1,007,025	1,006,199
Total bridging loans (gross balance)	33,725,498	38,260,563

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

Type of collateral (CZK '000)	2014	2013
Bank guarantees	246,958	328,976
Real estate	23,848,443	28,078,158
Guarantors	1,369,360	1,709,733
Deposits	5,985,481	6,565,599
Uncollateralised	6,994,709	7,003,341
Total	38,444,951	43,685,807

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

Analysis of loans to clients by sector - gross balance

CZK '000	2014	2013
Resident individuals	35,840,584	40,514,540
Legal entities, housing associations, etc.	2,604,367	3,171,267
Total (gross amount)	38,444,951	43,685,807

15. Securities available for sale

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

CZK '000	2014	2013
Carrying amount of state bonds	1,024,088	8,640,022
Of which: accrued interest income (including premium and discount)	(82,293)	(248,293)

Debt securities

CZK '000	2014	2013
Mortgage bonds issued by financial institutions	259,640	267,140
Of which: accrued interest income (including premium and discount)	(11,344)	(9,512)

The amount of valuation differences of securities charged against equity before taking into account the effect of deferred tax amounted to CZK 48,504 thousand (2013: CZK 601,023 thousand) as at 31 December 2014.

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

In 2014 the securities available for sale were transferred to securities held to maturity in the amount of CZK 6,336,540 thousand. Value of unrealized gains and losses recognized in equity at the date of transfer was CZK 537,203 thousand.

The securities were transferred from available for sale to held to maturity for order to the volatility of the equity, because according to the new regulation on capital adequacy the revaluation to the fair value of securities available for sale is part of the equity. Securities were transferred in the fair value and this transferred fair value has become the new amortized cost value. The fixed revaluation in the equity (accounting group 56) is released based on the effective interest rate to the 'Interest income and similar income' in the Profit and loss account.

16. Securities held to maturity

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

CZK '000	2014	2013
Carrying amount of state bonds	7,335,173	0
Of which: accrued interest income (including premium and discount)	100,091	0
transfer of revaluation to the fair value from AFS to HTM in the equity	385,906	0

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

CZK '000	2014	2013
State bonds at fair value	7,669,211	0

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

The securities held to maturity were transferred from securities available for sale as described in paragraph 15 of the Notes.

17. Deferred expenses, accrued income and other assets

Deferred expenses and accrued income

CZK '000	2014	2013
Office material in stock	34	149
Car lease	3,463	4,031
Entrance fees and commissions from building savings and loans	470,306	322,409
Other (rental, meal tickets, newspaper subscriptions, magazines, etc.)	6,967	6,979
Total	480,770	333,568

Other assets

CZK '000	2014	2013
Prepayments made to suppliers	23,345	26,465
Estimated receivables for state subsidy	718,285	713,068
Estimated commission, invoices not issued, other	25,418	18,982
Settlement with the State budget	29,160	22,952
Settlement with employees	0	1
Various debtors	13,889	12,236
Positive fair value of interest rate swap	757,372	808
Total other assets	1,567,469	794,512
Provisions against other receivables	(5,354)	(5,394)
Total other assets	1,562,115	789,118

The positive fair value of interest rate swap amounts to CZK 752,372 thousand (2013: CZK 808 thousand). The increase was due to the increase in volume of IRS and decrease in the market interest rates.

18. Intangible assets

Summary of intangible fixed assets

CZK '000	Software	Other intangible fixed assets	Investments under construction	Total
Cost				
At 1 January 2013	400,346	13,078	28,284	441,708
Additions	17,752	0	46,917	64,669
Other movements	0	0	(16,990)	(16,990)
Disposals	0	0	(18,243)	(18,243)
At 31 December 2013	418,098	13,078	39,968	471,144
At 1 January 2014	418,098	13,078	39,968	471,144
Additions	16,995	0	44,981	61,976
Other movements	0	0	(17,580)	(17,580)
Disposals	0	0	(16,995)	(16,995)
At 31 December 2014	435,093	13,078	50,374	498,545
Accumulated amortization and provisions				
At 1 January 2013	207,517	10,235	0	217,752
Annual charges	31,494	948	0	32,442
Disposals	0	0	0	0
At 31 December 2013	239,011	11,183	0	250,194
At 1 January 2014	239,011	11,183	0	250,194
Annual charges	32,378	948	0	33,326
Disposals	0	0	0	0
At 31 December 2014	271,389	12,131	0	283,520
Net book value				
At 31 December 2013	179,087	1,895	39,968	220,950
At 31 December 2014	163,704	947	50,374	215,025

19. Tangible assets

Summary of tangible assets

CZK '000	Land and buildings	Tools, office equipments and others	Tangibles under construction	Total
Cost				
At 1 January 2013	523,424	208,375	803	732,602
Additions	2,202	5,679	10,105	17,986
Other movements	0	0	(559)	(559)
Disposals	0	0	(7,389)	(7,389)
At 31 December 2013	525,626	214,054	2,960	742,640
At 1 January 2014	525,626	214,054	2,960	742,640
Additions	369	1,624	1,805	3,798
Other changes	0	0	(719)	(719)
Disposals	0	(2,430)	(1,993)	(4,423)
At 31 December 2014	525,995	213,248	2,053	741,296
Accumulated amortization and provisions				
At 1 January 2013	167,135	176,892	0	344,027
Annual charges	10,209	8,040	0	18,249
Disposals	0	0	0	0
At 31 December 2013	177,344	184,932	0	362,276
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)
At 31 December 2014	187,650	190,296	0	377,946
Net book value				
At 31 December 2013	348,282	29,122	2,960	380,364
At 31 December 2014	338,345	22,952	2,053	363,350

In addition to the above, at the balance sheet date the Bank reported 25 cars (2013: 24 cars) acquired under a long-term finance lease contract; the acquisition cost of the cars amounts to CZK 13,337 thousand (2013: CZK 12,061 thousand).

In addition to the above, at the balance sheet date the Bank reported 570 PC (2013: 420 PC) acquired under a long-term finance lease contract; the acquisition cost of the PC amount to CZK 8,103 thousand (2013: CZK 5,784 thousand).

20. Equity investments

The Bank held no equity investments in other companies in 2014 and 2013.

21. Amounts owed to banks

As at 31 December 2014 the Bank reported no amounts owed to banks. The Bank does not provide other banks with guarantees for loans to its clients and does not accept any bills of exchange.

22. Amounts owed to clients

Total amounts owed to clients

CZK '000	2014	2013
Deposits received from clients under construction savings schemes	71,809,152	71,673,736
Revaluation of the clients savings portfolio hedged – fair value	689,785	(217,986)
Other payables to clients	90,520	75,359
State subsidy claims	718,285	713,068
Received term deposits from other financial institutions	830,038	830,104
Other accruals	4	0
Total	74,137,784	73,074,281
Of which: Repayable at call	134,305	145,439

The level of state subsidy arising under construction savings schemes as at 31 December 2014 and 2013 is estimated on the basis of the client deposit balance at the end of the month. The state subsidy for 2014 will be credited to client accounts after its level is approved by the Czech Finance Ministry during 2015.

23. Accrued expenses and deferred income and other liabilities

CZK '000	2014	2013
Annual bonuses, overtime hours, outstanding vacation days, fine, social security and health insurance	36,610	36,567
Estimate for advantageous interest	241,362	289,174
Entrance fees and commissions from building savings and loans	155,780	121,434
Total	433,752	447,175

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

Other liabilities

CZK '000	2014	2013
Estimated payables	161,135	161,641
Of which: Commission for mediating construction savings contracts and loan contracts	97,860	91,414
Other (predominantly unbilled supplies)	63,275	70,227
Suppliers	23,393	32,526
Settlement with employees	10,794	10,860
Settlement with the state budget	220,708	244,662
Settlement with social authorities	5,741	5,857
Deferred tax liability (Note 25)	104,702	139,745
Other temporary liabilities	1,424	778
Negative in fair value of interest rate swap	57,470	213,531
Total other liabilities	585,367	809,600

As at 31 December 2014, settlement with the state budget includes a withholding tax liability amounting to CZK 216,696 thousand (2013: CZK 239,307 thousand) from interest income on deposits credited in December 2014 in relation to the amendment to the Income Tax Act effective from 1 January 2011.

24. Reserves

The development of the reserve and the other tax non-deductible reserves in 2013 and 2014 was as follows:

CZK '000	
Balance at 1 January 2013	5,217
Recognition of a reserve for employee jubilees and loyalty bonuses (net)	143
Recognition of the reserve for legal disputes	650
Release of the reserve for legal disputes	(700)
Use of the reserve for legal disputes	0
Recognition of a reserve for other personnel costs	5,923
Release and use of the reserve for other personnel costs	(4,603)
Balance of tax non-deductible reserves at 31 December 2013	6,630

As at 31 December 2013, non-deductible reserves represent the reserve for claims of CZK 750 thousand, the reserve for employee jubilees and loyalty bonuses amounting to CZK 2,199 thousand, the reserve for legal disputes with bank advisors of CZK 708 thousand and with clients amounting to CZK 733 thousand and the reserve for social and health insurance in connection with provision of shares to the employees of CZK 2 240 thousand.

CZK '000	
Balance at 1 January 2014	6,630
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)
Balance of tax non-deductible reserves at 31 December 2014	6,427

As at 31 December 2014, non-deductible reserves represent the reserve for claims of CZK 750 thousand, the reserve for employee jubilees and loyalty bonuses amounting to CZK 2,208 thousand, the reserve for legal disputes with bank advisors of CZK 508 thousand and with clients amounting to CZK 1,000 thousand and the reserve for social and health insurance in connection with provision of shares to the employees of CZK 1,961 thousand.

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 2015 and used for 2014 (in 2013: i.e. 19% applicable for 2014).

The deferred income tax for the year ended 31 December 2014 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 2014 and social and health insurance on unpaid vacation days for 2014 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	2014	2013
Intangible and tangible fixed assets – difference between accounting and tax net book values	(166,388)	(180,275)
Planned bonuses to be paid in the following year	24,467	24,277
Estimate made of unpaid vacation	3,324	0
Social security and health insurance on planned bonuses and estimated unpaid vacation	8,217	8,169
Allowances non-tax	4,006	4,006
Reserves non-tax	6 427	6,631
Total balance of temporary differences	(119,947)	(137,192)
Deferred tax asset with an impact on the profit and loss account at 31 December	(22,790)	(26,066)
Re-measurement of available for sale securities	(431,189)	(598,385)
Change estimate the anniversary bonuses	74	74
Balance of the deferred tax asset charged against equity	(81,912)	(113,679)

Development of deferred tax asset and liability

CZK '000	2014	2013
Deferred tax asset with an impact on profit or loss at 1 January	(26,066)	(27,634)
Deferred tax asset charged against equity at 1 January	(113,679)	(183,022)
Deferred tax asset (+) / liability (-) at 1 January	(139,745)	(210,656)
Current changes charged against profit or loss	3,276	1,567
Current changes charged against equity	31,767	69,344
Impact of the change in the tax rate	0	0
Total current changes charged	35,043	70,911
Deferred tax asset with an impact on profit or loss at 31 December	(22,790)	(26,066)
Deferred tax asset/liability with an impact on equity at 31 December	(81,912)	(113,679)
Deferred tax asset (+) / liability (-) at 31 December	(104,702)	(139,745)

26. Equity

As at 31 December 2014 and 2013, 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 2014 and 2013, 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 349,263 (in the year ended 31 December 2013: CZK 484,692 thousand).

27. Contingent assets, liabilities and loan commitments

Loan Commitments

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

CZK '000	2014	2013
Commitments – granted loans	57,704	81,194
Commitments – bridging loans	1,150,848	1,016,805
Loan Commitments Total	1,208,552	1,097,999

Legal Disputes and Administrative Proceedings

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

28. Related party transactions

Transactions with KB financial group

CZK '000	2014	2013
ASSETS		
Operating accounts with KB	846	1,145
Term deposits with KB	2,163,778	3,810,929
KB mortgage bonds available for sale	258,494	264,917
KB mortgage bonds – non-current financial investment	31,191,933	24,456,631
Estimate of the commission of the KB financial group (sale of products)	21,332	11,607
Other assets (deferred expenses, operating receivables, rebilling)	42,923	24,091
Positive fair value of interest rate swap incl. off-balance sheet	19,807,372	12,450,808
Total	53,486,678	41,020,128

CZK '000	2014	2013
LIABILITIES		
Received term deposit from Protos	830,038	830,104
Payables to KB	1,697	717
Estimated payables – services and commissions to KB	19,789	7,530
Change fair value of securities KB	4,887	9,478
Negative fair value of interest rate swap incl. off-balance sheet	19,107,470	12,663,531
Total	19,963,881	13,511,360

CZK '000	2014	2013
EXPENSES		
Commissions and fees (KB)	12,109	8,192
Interest (KB)	90,041	65,390
Interest (PF KB)	0	0
Interest (Protos)	690	1,812
Loss on fair value of interest rate swap	582	1,169,201
Net expenses for securities transactions (KB)	1,395	1,032
Other operating expenses (KB)	21,911	21,954
Total	126,728	1,267,581

CZK '000	2014	2013
INCOME		
Interest KB (term deposit, IRS)	177,107	95,269
Earnings on fair value of interest rate swap	885,987	925,154
Income from mortgage bonds of KB	914,606	758,065
Other operating income (KB)	118	74
Commission to the KB financial group (sale of products)	93,170	79,343
Total	2,070,988	1,857,905

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

CZK '000	2014	2013
Salaries and bonuses		
to members of the Board of Directors	14,580	14,942
to members of the Supervisory Board	30	30
Total	14,610	14,972
Number of members of the Board of Directors at 31 December	3	3
Number of members of the Supervisory Board at 31 December	6	6

In the case of the Board of Directors, the assumption of an annual bonus for 2014 was included (to be paid in March 2015). 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 2014, a receivable was registered from loans provided to members of the Board of Directors in the amount of CZK 250 thousand (2013: CZK 3,267 thousand) and the members of the Supervisory Board in the amount of CZK 1,650 thousand (2013: CZK 1,645 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 Standardized 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 Construction Savings (bridging and granted loan)

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

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

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

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

Individuals ('fyzicke osoby')

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

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

Internal rules set out requirements to be followed in collateralizing the provided loans. The Bank uses the following forms of collateral: collateral by guarantors, by real estate, by deposits and by bank guarantees. Loans collateralized by real estate are largely issued up to 85% of the current price, for Hypoúvěr 100 mortgage loans standard up to 100% of the current price. In the assessment of risks associated with property collateral, the Bank uses the synergies within the KB group. Uncollateralized loans are provided only to clients with a history with the Bank 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 in close cooperation with KB.

Legal Entities ('pravnicke osoby')

Loans to legal entities are provided specifically to groups of owners of flats and housing associations. Loans provided to legal entities are assessed with reference to the financial position, debt service and payment health of the client at regular intervals. For synergies within the KB group 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 prevention of the origin of the classified loans, the out-of-court recovery phase and the court recovery phase. Classified loan receivables are recovered by the Distressed Loan Management Department and each overdue loan transaction is assessed on an individual basis.

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

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

Credit Risk Monitoring

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

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

Loan Portfolio Quality

During 2014, the proportion of classified loans increased from 6.02% as at 31 December 2013 to 6.51% as at 31 December 2014. As part of this category, the proportion of monitored loans slightly decreased from 2.02% to 1.94% and the proportion of distressed loans increased from 4.00% to 4.57%.

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%.

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

Loan Categorization

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

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

The classification of the receivable may also be impacted by 'default transfers', i.e., downgrading in circumstances where the debtor or co-debtor in the assessed loan participates in another classified loan at the Bank either as a debtor, co-debtor or guarantor. The default transfer is partially applied to clients that default on their loans provided by KB.

Provisioning

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

Loans are categorized into individual classification grades in accordance with the Czech National Bank Regulation 163/2014 Coll. The Bank categorizes its loans into standard exposures and classified exposures (watch, substandard, doubtful and loss). The substandard, doubtful and loss exposures are collectively referred to as distressed loans. The Bank recognizes provisions against classified receivables.

In determining coefficients to arrive at provisioning for individual classification grades, the Bank refers to its own statistical measurements and reflects the mandated coefficient ranges applicable to individual classification grades according to the CNB Regulation. The settings of the coefficients in the Bank are almost at the maximum level as outlined in the Regulation 163/2014 Coll., which leads to a high level of provisioning for classified exposures. In determining the provisions, the Bank additionally takes into account the level and quality of loan collateral. For provisioning purposes, the nominal value of the collateral is adjusted for a discount reflecting the risk of realizing the relevant type of collateral. This adjusted value is offset against the total loan exposure and the adjusted loan exposure serves as a basis for provisioning.

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 the Construction Savings Act 96/1993 Coll. as amended, the possibility of using financial instruments are limited. In 2014, in addition to bridging loans and construction savings loans, the Bank used the following financial instruments: depository transactions on the interbank market, investment in government bonds, and mortgage bonds, and it conducted repo transactions and securities transactions carrying the repurchase or sale commitment and hedging transactions. The Bank does not include any of these instruments in the trading book. The Bank performs these financial operations to assess available funds and to decrease the exposure to the interest rate risk. The Bank additionally carries no open currency, commodity or other positions that would depend on the development of market prices.

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

Assets and Liabilities Management – Interest Rate Risk

Interest Rate Characteristics of the Bank's Assets and Liabilities

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

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

Interest Rate Risk Management

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

Interest Rate Risk Measurement Techniques

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

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

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

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

Interest Rate Sensitivity of the Bank's Assets and Liabilities

CZK million	Up to 1 year	1 year to 5 years	5 years to 10 years	10 years to 15 years	Over 15 years	Undefined	Total net balance
At 31 December 2014							
Total assets	12,320	36,278	27,223	5,011	11	1,932	82,775
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
Total liabilities and equity	42,329	27,680	3,681	0	0	9,085	82,775
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
Off balance sheet assets – risk of the interest rate	8,400	800	7,350	2,500	0	0	19,050
Interest rate swap	8,400	800	7,350	2,500	0	0	19,050
Off balance sheet liabilities – risk of the interest rate	13,250	4,700	1,100	0	0	0	19,050
Interest rate swap	13,250	4,700	1,100	0	0	0	19,050
Gap	(34,859)	4,698	29,792	7,511	11	(7,153)	0
Cumulative Gap	(34,859)	(30,161)	(369)	7,142	7,153	0	0

Assets and Liabilities Management – Liquidity Risk

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

In 2014, the Bank met the reporting obligation under the Regulation of the European Parliament and Council of EU no. 575/2013 and implemented a regular monitoring and reporting of required indicators LCR and NSFR. The bank is also part of 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 construction savings contracts and to provide bridging loans. It simulates the state in which the Bank would only settle the current contracts and all payables arising from them. The model foresees the acceptance of new deposits and the conclusion of new construction savings loans but only as part of the already existing construction savings contracts. This indicator is prepared and reported to the management on a monthly basis. The Bank has set the limit for this indicator.

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

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

The remaining maturity of the Bank's assets and liabilities

CZK million	Up to 7 days	Up to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Maturity undefined	Total for remaining maturity
At 31 December 2014										
Total assets	2,531	427	1,176	2,047	1,303	6,000	12,334	53,534	3,423	82,775
Cash in hand and balances with central banks	674	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	8,359
Amounts due from banks and savings associations	1,335	22	992	37	155	0	7,620	23,196	0	33,357
Amounts due from clients – members of savings associations	522	142	184	271	873	1,642	4,714	27,636	1,520	37,504
Debt securities	0	0	0	0	260	0	0	0	0	260
Intangible fixed assets	0	0	0	0	0	0	0	0	215	215
Tangible fixed assets	0	0	0	0	0	0	0	0	363	363
Other assets	0	0	0	718	0	0	0	0	844	1,562
Expenses and income of the next period	0	0	0	0	0	0	0	0	481	481
Total liabilities and equity	197	460	29,730	2,005	9,936	10,501	17,180	3,681	9,085	82,775
Amounts owed to clients – members of savings associations	197	459	29,489	2,005	9,936	10,501	17,180	3,681	692	74,140
Other liabilities	0	1	0	0	0	0	0	0	584	585
Deferred income and accrued expenses	0	0	241	0	0	0	0	0	192	433
Reserves	0	0	0	0	0	0	0	0	6	6
Total equity	0	0	0	0	0	0	0	0	7,611	7,611
Gap	2,334	(33)	(28,554)	42	(8,633)	(4,501)	(4,846)	49,853	(5,662)	0
Cumulative gap	2,334	2,301	(26,253)	(26,211)	(34,844)	(39,345)	(44,191)	5,662	0	0

(c) Operational Risk

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

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

During 2014, the Bank continued and implementation of operational risk advanced approach instruments for risk management and continuous modification. Currently the Bank uses within Operational risk management besides collecting data on operational risk events also key risk indicators monitoring, risk and control environment (RCSA), self assessment, scenarios analysis and formalized first level controls. When defining particular instruments the Bank very closely cooperates with KB and with particular units at SG group level, which became the coordinator of operational risk management for the Group at the end of 2014.

In 2013, the approval process of advanced approach was carried out by the Czech National Bank, which on the basis of the mission recommended to the French regulator to approve the application of advanced approaches in the bank. An action plan was established, its fulfillment will be monitored in 2014. The French regulator approve using of advanced approach with effect on 31 March 2014. During the year 2014 all action plans related to validation of advanced approach to operational risk management and specified by Czech National Bank were also fulfilled.

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 2014, the Bank carried out five tests of business continuity: alternative external workspace test recovery of backup server applications test, functionality of backup IT data center 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 2014.

Report on relations between related parties for the 2014 accounting period

(hereinafter the „**Relations Report**“)

Modrá pyramida stavební spořitelna, a.s., seated at Bělehradská 128, č.p. 222, Identification No. 60192852, registered in the Commercial Register kept by the Municipal Court in Prague, Section B, File No. 2281, (hereinafter referred to as the „**Company**“), is part of a business group (holding company) in which the following relations between the Company and its controlling entity and relations among the Company and other entities controlled by the same person exist (hereinafter referred to as the „**Group**“).

This Report on Relations was prepared in accordance with Art. 82 et seq. of the Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Business Corporations Act) for the Reporting Period 2014 - i.e. from January 1, 2014 until December 31, 2014 (the „**Reporting Period**“)

I. Introduction

The structure of relationships among individuals within the business group

In the period from January 1, 2014 until December 31, 2014, the Company was a part of the group of Komerční banka, a.s., seated at Na Příkopě 33, 114 07 Prague 1, Identification No. 45317054, registered in the Commercial Register kept by the Municipal Court in Prague, Section B, File No. 1360 (hereinafter referred to as KB).

KB is part of Sociétés Générale S.A., seated at 29, BLD Hausmann, 75009 Paris, France, registration number in the French Commercial Register: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter referred to as „SG“ or „SG Paris“). The structure of relations among members of the group is listed in the organizational chart which forms an integral part hereof and Annex No. 1 to this Report on Relations.

In Reporting Period 2014, the Company had relations with the following entities that are part of the Group: ¹⁾

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%
Sociétés Générale S.A.	29, BLD Hausmann, 75009 Paris, France	0%

1) These are companies controlled by SG Paris, both directly and indirectly as per Art. 74 Sec. 1 of the Business Corporations Act.

The role of the Company in the Group:

The company is a wholly owned subsidiary of the KB Group which is part of the international financial group Société Générale (hereinafter referred to as „SG Group“). The Company provides specialized services of a building society according to Act No. 96/1993 Coll., on Building Savings, as amended, provides financial brokerage services and intermediates contractual relationships of KB, other subsidiaries in the KB group, subsidiaries of international SG Group or other entities in the Czech Republic with a wide range of products in retail and investment banking, other specialized services that include retirement savings, leasing, factoring, consumer finance and insurance; the services are provided through a network of financial advisors of the Company. Internal audit of the Company has been outsourced to KB since 2011. Within the KB group, KB provides the Company some other services in the field of information technology and data processing, human resources management consulting, compliance and risk management including managing financial credit risks and operational risks. Certain information technology infrastructure is also shared within the SG Group, as well as expertise in banking and financial services, the development of financial products, tools and services, operation of information technology and data processing, risk management, regulation of financial markets, trade and corporate management. Building savings products are sold through the KB sales network.

Under the system of management and checks, KB acquires data concerning the management and checks system of the Company and provides the data to the company Société Générale, including data on KB (these are mainly data for the preparation of consolidated financial statements and consolidated reporting to regulators or for publication, budgets, business plans, business continuity plan, measures against money laundering – anti-money laundering activity).

Through KB, the Company is involved in the formation of the policy of the Group in the Czech Republic.

Products of KB are offered through the Company's sales network.

Method and means of controlling

KB is one hundred percent shareholder of the Company and exercises its influence on the activities of the Company by its decisions of the sole shareholder which replaced the activity of the General Meeting. It had four representatives in the six-member Supervisory Board of the Company and 2 members in the three-member audit committee in 2014. In its sole discretion and after consultation with the Company's management, KB appoints its employees to hold certain positions in the Company; these employees continue to serve as the Company's employees in its management structures. Similarly, certain Company employees hold some positions in KB.

As per Art. 79 of the Business Corporations Act, KB is the controlling person of the Company, while controlling takes place along formal lines represented by implementation of KB methodologies into the Company's internal regulations, particularly in the area of risk management and capital adequacy. Management further takes place informally by consultations in different areas of the business of the Company.

II. Relationships within the Group

A. Significant matters arising during the accounting period at the instigation of or in the interest of the controlling entity or entities controlled by it regarding assets exceeding 10% of equity

Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
2014 dividend	Komerční banka, a.s.	07/05/2014

B. Overview of mutual agreements between an entity controlled by a controlling person or controlled persons

Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
Contract on opening and maintaining a current account including amendments – payment of interest and fees pursuant to the contract	Komerční banka, a.s.	27/06/1995
Contract on issuing and using a payment card for a current account, VISA card Business Silver Card – payment card with a current account Business Silver Card VISA – Contract terminated February 13, 2014	Komerční banka, a.s.	27/01/2005
Contract on issuing and using a payment card for a current account, VISA card Business Silver Card – payment card with a current account Business Silver Card VISA – Contract terminated February 13, 2014	Komerční banka, a.s.	27/01/2005
Contract on issuing and using a payment card for a current account, VISA card Business Gold Card – payment card with a current account Business Gold Card VISA – contract terminated September 30, 2014	Komerční banka, a.s.	23/01/2007
Contract on issuing and using a payment card for a current account, VISA card Business Gold Card – payment card with a current account Business Gold Card VISA – contract terminated September 30, 2014	Komerční banka, a.s.	23/01/2007
Contract on issuing and using a payment card for a current account, VISA card Business Gold Card – payment card with a current account Business Gold Card – Contract terminated July 2, 2014	Komerční banka, a.s.	23/01/2009
Contract on issuing and using a payment card for a current account, VISA card Gold Card – payment card with a current account Card VISA Gold Card	Komerční banka, a.s.	27/11/2007
Contract on issuing and using a payment card for a current account, VISA card Business Silver Card – payment card with a current account Business Silver Card	Komerční banka, a.s.	12/05/2010
Contract on issuing and using a payment card for a current account, VISA card Business Gold Card – payment card with a current account Business Gold Card VISA – Contract terminated November 12, 2014	Komerční banka, a.s.	02/12/2010
Contract on issuing and using a payment card for a current account, VISA card Silver Card – payment card with a current account VISA Silver Card – contract terminated September 1, 2014	Komerční banka, a.s.	11/07/2010
Contract on issuing and using a payment card for a current account, MasterCard card – payment card with a current account MasterCard	Komerční banka, a.s.	17/06/2014
Contract on issuing and using a payment card for a current account, MasterCard card – payment card with a current account MasterCard	Komerční banka, a.s.	30/09/2014
Contract on issuing and using a payment card for a current account, MasterCard card – payment card with a current account MasterCard	Komerční banka, a.s.	30/09/2014
Contract on issuing and using a payment card for a current account, MasterCard card – payment card with a current account MasterCard	Komerční banka, a.s.	11/12/2014
		June 17, 2009, Amendment of October 22, 2012, Amendment of December 20, 2013, change to administration order of February 13, 2014
Contract on providing direct banking services (internet banking for a current account), including Amendment of 22/10/2012, Amendment of 20/10/2013 – internet banking service	Komerční banka, a.s.	
Contract for the Purchase or Sale of Securities – purchase / sale of securities	Komerční banka, a.s.	03/04/1996
		22/06/1999, Amendment No. 1 of 07/12/2000
Contract on providing services on the Short-term Bond Market, incl. Amendment No. 1 – services provided by an agent – Komerční banka, a.s.	Komerční banka, a.s.	
General contract on financial market trading of 26/07/2005 – transactions on the financial market	Komerční banka, a.s.	26/07/2005
Outsourcing Agreement – treasury – service provision	Komerční banka, a.s.	07/02/2008
General contract on financial market trading of 2010 – trades – transactions 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

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Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
Contract (no. 494) on using a safe deposit box of Komerční banka, a.s., No. 833 – use of a safety 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 a safety 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 a safety box	Komerční banka, a.s.	01/11/2004
Universal contract on transfer of cash in packages – using services of handing over cash in packaging	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, čp. 889, Prague 1	Komerční banka, a.s.	27/02/2012
Contract on installation of a cash dispenser No. 20162/0000 – ATM services at Bělehradská 128, čp. 222, Prague 2	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 cooperation and payment for representation	Komerční banka, a.s.	27/11/2008, Amendment No. 1 of 22/10/2009, Amendment No. 2 of 22/08/2014
Service Level Agreement – cooperation in the fields of accounting and reporting, accounting and additional information for the purposes of consolidated statements of KB Group	Komerční banka, a.s.	December 10, 2014 with effect from January 1, 2015
Contract for the Use of the KB Sales Network (incl. Amendments No. 1, No. 2, 3 and 4) – mediation of business – contracts for building savings	Komerční banka, a.s.	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
Confidentiality Agreement – quadripartite agreement	Komerční banka, a.s. BHW Holding AG and Česká pojišťovna, a.s.	11/08/2006
Cooperation Agreement – Clients Scoring – client scoring service	Komerční banka, a.s.	31/08/2007
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
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.	30/05/2009, Amendment No. 1 of 12/09/2011
Contract for Call Center Services (Agreement on KB Call Center Services) from January 1, 2010, including rebilling the cost from KB to MPSS in 2014 – Call center services by KB for MPSS, including rebilling of marketing costs in 2014 from KB to MPSS	Komerční banka, a.s.	01/01/2010
Individual distribution agreement (Perfect Loan) of 01/04/2011, including Amendment No. 1, No. 2 and No. 3 – intermediation of a loan as per the contract	Komerční banka, a.s.	01/04/2011, Amendment No. 1 of 31/03/2013, Amendment No. 2 of 21/01/2014, Amendment No. 3 of 29/05/2014

Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
Individual distribution agreement (MůjÚčet – MyAccount, G2 2) of 01/04/2011, including Amendment No. 1, No. 2, No. 3, No. 4, and No. 5 – arrangement of service as per agreement	Komerční banka, a.s.	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
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.	01/04/2011, Amendment No. 1 of 31/01/2013, Amendment No. 2 of 21/01/2014, Amendment No. 3 of 29/05/2014
Individual distribution agreement (Mortgage Loan, Pre-Mortgage Loan of 09/09/2011, including Amendment No. 1 and Amendment No. 2 – intermediation of a loan as per the contract	Komerční banka, a.s.	09/09/2011, Amendment No. 1 of 19/12/2011, Amendment No. 2 of 31/01/2013
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 the insurance policy entered into by Komerční pojišťovna, a.s. (insurer) and Komerční banka, a.s. (policyholder) The insurance has also covered MPSS employees with effect from February 1, 2012. The insured risk is the death of an employee	Komerční banka, a.s., Komerční pojišťovna, a.s.	10/09/2012
General contract on providing advantageous conditions for the employees of KB and Societé Générale Group – participants in the building saving account in MPSS – providing more favorable conditions for employees of KB and SG Group companies – participants in building savings with MPSS	Komerční banka, a.s.	01/11/2013
Cooperation Agreement, including rebilling marketing expenses in 2014 from MPSS to KB and of KB to MPSS – mutual cooperation in the set areas, including rebilling marketing costs of KB to MPSS and marketing costs of MPSS to KB	Komerční banka, a.s.	31/01/2013
Distribution agreement for products „Loans for housing cooperatives and homeowners partnerships“) – brokerage services as per the contract	Komerční banka, a.s.	01/11/2013
Distribution Agreement Concerning the Product „Spotřebitelský úvěr“ (consumer credit) – brokerage services as per the contract	Komerční banka, a.s.	18/12/2014
Agreement on Re-invoicing of Costs from KB to MPSS – training, certification of vendors – pension reform	Komerční banka, a.s.	11 invoices per year 2014 – 101 trained financial advisors
General agreement on employees' secondment, including Amendment No. 1 – reimbursement of costs for the secondment of staff	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 granted by KB	Komerční banka, a.s.	01/08/2007, Amendment No. 1 of 01/07/2010
Lease contract – garage parking, incl. Amendment No. 1 – providing rental services	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

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Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
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.	May 28, 2009, Amendment No. 1 of February 11, 2010, extended orally also in 2013 (necessity to enter into a written contract amendment)
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 Sociétés Générales 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 on provision of services – outsourcing – data warehouse of 30/06/2011, incl. Amendment No. 1, No. 2, No. 3 and No. 4 – provision of services as per agreement	Komerční banka, a.s.	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
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
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.	31/11/2011, Amendment No. 1 of 05/10/2012 and of Amendment No. 2 of 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 Gateway)	Komerční banka, a.s.	29/06/2012
Memorandum of Understanding, incl. SLA – MPSS retail – cooperation in credit risk management, replaced by Risk Management Cooperation Agreement of March 31, 2014 and individual SLAs (8 pcs)	Komerční banka, a.s.	October 11, 2012, SLA-MPSS retail dated April 19, 2013
Framework Agreement on Insurance Contract No.7720802024 – insurance contract concluded by KB (policyholder) in favor MPSS – addresses property risk	Komerční banka, a.s.	10/02/2014
Agreement on Cooperation KBxMPSS Risk Management and follow-up SLAs (8 pcs) – mutual cooperation in the field of risk management – general principles	Komerční banka, a.s.	31/03/2014

Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
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 housing committees/ associations of condominium owners	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 in the exchange of fraud lists	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Cooperation on IRBA Implementation in MPSS – cooperation in the implementation of IRBA	Komerční banka, a.s.	31/03/2014
SLA – Agreement on Data Administration and delivery for Collecte Reporting – cooperation in reporting receivables	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
An agreement pursuant to Art. 221 of the Labor Code to grant leave to employees changing jobs -financial offset of costs incurred by KB, a.s. due to taking days of leave to which an employee is entitled because of their employment with MPSS, regarding vacation that they take during subsequent employment with KB, a.s.	Komerční banka, a.s.	23/06/2014
Contract on Future Sublease of Non-residential Premises and Payment for Services Associated with the Use of the Non-residential Premises – future agreement to sublease office space and payment for services related to the use thereof for the backup site in the building in Prague 5 – Stodůlky	Komerční banka, a.s.	01/09/2014
Sublease of Non-residential Premises and Payment for Services Associated with the Use of the Non-residential Premises – sublease of office space and payment for services related to their use for the backup site in the building in Prague 5 – Stodůlky	Komerční banka, a.s.	01/09/2014
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 – providing a service – models for MPSS lending activities	Komerční banka, a.s.	18/12/2014
Agreement on Re-invoicing of HR Costs of KB to MPSS (training)	Komerční banka, a.s.	98 pcs of invoices for 2014
The Collective Coinsurance of VSSKB Clients for Death to Secure the Loan No. 37-9861 – arrangement of client's insurance	Komerční pojišťovna, a.s., Česká pojišťovna, a.s.	December 5, 1995 (terminated on June 30, 2007, effective from January 1, 2008, individual cases still being settled according to the contract
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.	December 5, 1995 (terminated on June 30, 2007, effective from January 1, 2008, individual cases still being settled according to the contract
General Cooperation Agreement No. 3010000246 (PROGRAM SPEKTRUM) – provision of service to the MPSS employees	Komerční pojišťovna, a.s.	09/04/2008
GENERAL DISTRIBUTION AGREEMENT (General Distribution Agreement), including Amendment No. 1, including rebilling of marketing cost of MPSS to KP and of KP to MPSS – framework agreement for the sale of products of Komerční pojišťovna, a.s. in the MPSS distribution network	Komerční pojišťovna, a.s.	15/10/2012, Amendment No. 1 of 15/11/2012

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Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
		October 15, 2012, Amendment No. 1 of December 19, 2012, Amendment No. 2 of February 11, 2013 (Record on Reduction of Fees for 2013 dated February 28, 2013 and the Record on Reduction of Fees for 2014 dated December 18, 2013)
Partial Distribution Agreement for the Product „VITAL INVEST“, including Amendment No. 1, Amendment No. 2 (+ Record of Reduction of Fee) – intermediation of the product „VITAL INVEST“ in the MPSS distribution network	Komerční pojišťovna, a.s.	
Partial Distribution Agreement for the Product „PYRAMIDA RISK LIFE INSURANCE“, including Amendment No. 1 – intermediation of the product „PYRAMIDA RISK LIFE INSURANCE“ in the MPSS distribution network,	Komerční pojišťovna, a.s.	15/10/2012, Amendment No. 1 of 19/12/2012
Partial Distribution Agreement for the Product „MOUDRÉ POJIŠTĚNÍ RISK LIFE INSURANCE“, including Amendment No. 1 – intermediation of the product „MOUDRÉ POJIŠTĚNÍ RISK LIFE INSURANCE“ in the 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“ – intermediation of the product „RISK LIFE INSURANCE Pojištění penze“ in the MPSS distribution network,	Komerční pojišťovna, a.s.	21/12/2012
Contract on providing advantageous 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 on cooperation in the field of supplementary pension insurance with a state contribution – brokerage of transactions	KB Penzijní společnost, a.s.	06/05/2005
		January 4, 2013, Amendment dated November 27, 2013 and re-invoicing of MPSS marketing costs to KBPS for 2014
Agency Contract, incl. an Amendment – brokerage of transactions	KB Penzijní společnost, a.s.	
Contract on providing advantageous 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 – brokering the sale of Secure Credit (Bezpečná půjčka) loan, including invoicing of expenses for marketing services from MPSS to ESSOX	ESSOX s.r.o.	18/07/2012
Contract on providing advantageous 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 advantageous 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 – contract on financial leasing No. 11004573/13 with an option to purchase the leased assets	SG Equipment Finance Czech Republic s.r.o.,	12/04/2013
Financial Leasing Agreement – contract on financial leasing No. 11005040/13 with an option to purchase the leased assets	SG Equipment Finance Czech Republic s.r.o.	02/09/2013
Financial leasing agreement, incl. Amendment No. 1 – contract on financial leasing No. 11005857/14 with an option to purchase the leased assets, including consent of MPSS to the purchase agreement of the object of the lease between SGEF and HAWLETT-PACKARD s.r.o., ID: 17048851 of April 23, 2014.	SG Equipment Finance Czech Republic s.r.o.	23/04/2014, Amendment No. 1 of 23/04/2014
Contract on providing advantageous conditions for the employees of Factoring KB – participants in the building saving account in MPSS v provision of advantageous conditions	Factoring KB, a.s.	01/11/2013
Fixed term deposit v deposits	PROTOS, uzavřený investiční fond, a.s.	21/11/2014 to 20/02/2015

Type of agreement ¹⁾ (or the subject of the contract – unless indicated by the name)	Party to the Agreement ²⁾	Date of the Agreement
Contract on personal data processing in Societé Générale S.A., France – processing of personal data of MPSS employees	Societé Générale, S.A.	02/11/2011
Insurance premiums paid as per contract concluded between Societé Générale S.A. and Komerční banka, a.s. for MPSS insurance premiums paid pursuant to an agreement between Societé Générale S.A. and Komerční banka, a.s., based on invoicing by Societé Générale S.A., premiums from July 1, 2013 till June 30, 2014	Societé Générale, S.A.	30/08/2013
Insurance premiums paid as per contract concluded between Societé Générale S.A. and Komerční banka, a.s. for MPSS – insurance premiums paid pursuant to an agreement between Societé Générale S.A. and Komerční banka, a.s., based on invoicing by Societé Générale S.A., premiums from July 1, 2014 to June 30, 2015	Societé Générale, S.A.	25/08/2014
Contract on provision of advantageous conditions for the employees of ALD Automotive s.r.o. – participants in the building saving account 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 – laying down the conditions for leasing to 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 on financial leasing and subsequent purchase of the leased goods No. 310044804 – Financial Leasing Agreement with subsequent purchase of the leased asset – terminated early as of December 31, 2013 with obligations settled in May 2014	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.	25/05/2010
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 – Financial Leasing Agreement with subsequent purchase of the leased asset (down payment paid 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

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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 on Provision of Services No.150062313 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract on Provision of Services No.150062314 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract on Provision of Services No.150062315 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014
Contract on Provision of Services No.150062316 – provision of services as per agreement	ALD Automotive s.r.o.	29/07/2014

C. Evaluation of the Advantages and Disadvantages of Relationships within the Group and Assessment of Negative Aspects

Advantages and disadvantages of relationships within the Group

The KB Group provides universal banking services in the Czech Republic and abroad. The entire group uses mutual synergy effects, including sharing projects, strong international brand and know how of SG. The Company benefits from membership in the KB Group in its business. Thanks to membership in the KB group, the Company can use KB network of branches throughout the Czech Republic which also offer products of the Company, representing a significant competitive advantage in the Czech banking market. KB uses the sales network of the Company to sell their products. The procedures and tools developed within the SG group in the area of financial, credit and operational risks are advanced solutions in a global comparison. These allow KB and the Company to effectively anticipate and respond to changes in the market and regulatory environment. The advantages of inclusion of the Company in the KB Group – and in the SG Group within its framework of KB Group – contribute to the positive economic results of the Company.

Assessment of Negative Aspects

The Board of Directors has reviewed all the relationships between the Company and the companies that are part of the Group for the Reporting Period of the year 2014 and concluded that no contract, agreement, other legal actions taken or received by the Company or any other enforced influence by KB has not meant that the Company would incur any harm.

Prague, on 10 February 2015

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 2014

Société Générale Group

Retail Banking France	International Retail Banking and Financial Services	Global Banking and Investment Services	Komerční banka Group
FRANCE			
<ul style="list-style-type: none"> ▶ Compagnie Générale d'Affacturage 100% ▶ Généfim 100% ▶ Généfimmo Holding 100% ▶ Groupe Boursorama 79.5% ▶ Groupe Crédit du Nord 100% ▶ Groupe Franfinance 100% ▶ La Banque Postale Financement 35% ▶ Sogébaïl 65.1% ▶ Sogéfimur 100% ▶ Sogéfinancement 100% ▶ Sogelease France 100% ▶ Sogéprom 100% ▶ Soginfo 100% ▶ SG Capital Développement 100% ▶ SG capital partenaires 100% ▶ SG Services 100% ▶ SGPI Société Générale de Participations Industrielles 100% 	<ul style="list-style-type: none"> ▶ Banque Française Commerciale Océan Indien 50% ▶ CGL Group 99.9% ▶ Sogécap Group 100% ▶ Sogessur 100% ▶ SG de Banque aux Antilles 100% ▶ Temsys 100% 	<ul style="list-style-type: none"> ▶ Amundi Group 20% ▶ CALIF 100% ▶ SGSS France 100% ▶ Inter Europe Conseil (IEC) 100% ▶ SG Option Europe 100% ▶ Lyxor Asset Management 100% ▶ SG Securities (Paris) SAS 100% ▶ Lyxor International Asset Management 100% ▶ Newedge Group SA 100% ▶ Parel 100% ▶ Sogefinerg 100% 	

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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"> ▶ SG Factoring SPA Italy 100% 	<ul style="list-style-type: none"> ▶ Bank Republic Georgia 93.6% ▶ Komerčni Banka a.s. (KB) (CZ) 60.35% ▶ Banka Societe Generale Albania 88.6% ▶ BRD-SG Groupe Romania 60.2% ▶ Mobiasbanca Moldavia 87.9% ▶ Eurobank Poland 99.5% ▶ Ohridska Banka Macedonia 70% ▶ Groupe ALD International 100% ▶ Fiditalia Group Spa Italy 100% ▶ SKB Banka Slovenia 99.7% ▶ GEFA Group Germany 100% ▶ SG Banka SRBIJA Serbia 100% ▶ Groupe Rosbank Russia 99.4% ▶ SG Express Bank Bulgaria 99.7% ▶ Groupe SG Consumer Finance 100% ▶ SG-Splitska Bank Croatia 100% ▶ Groupe SG Equipment Finance 100% ▶ Société Générale Banka Monténégro 90.5% ▶ Hanseatic Bank Germany 75% 	<ul style="list-style-type: none"> ▶ Newedge UK Financial Ltd Londres United Kingdom 100% ▶ SGSS Deutschland Kapitalanlagegesellschaft GmbH Germany 100% ▶ Lyxor Asset Management UK LLP 100% ▶ SG Hambros Bank Limited United Kingdom 100% ▶ SGSS Spa Italy 100% ▶ Société Générale Bank & Trust Luxembourg 100% ▶ SG Immobil Belgium 100% ▶ SG Investments (U.K.) United Kingdom Ltd 100% ▶ Société Générale* branches in: Frankfurt Germany, London United Kingdom, Madrid Spain, Zurich Switzerland, Milan Italy ▶ SG Issuer 100% ▶ SG Private Banking (Belgium) 100% ▶ SG Private Banking (Monaco) 100% ▶ SG Private Banking (Suisse SA) 100% ▶ SGCMF 100% 	<ul style="list-style-type: none"> ▶ Komerční pojišťovna, a.s. 48.99% ▶ CBCB – Czech Banking Credit Bureau, a.s. 20% 	<ul style="list-style-type: none"> ▶ Modrá pyramida stavební spořitelna, a.s. 100% ▶ Bastion European Investments S.A. 99.98% ▶ PROTOS, uzavřený investiční fond, a.s. 89.64% ▶ KB Penzijní společnost, a.s. 100% ▶ Factoring KB, a.s. 100% ▶ Essox s.r.o. 50.9% ▶ SG Equipment Finance Czech Republic s.r.o. 50.1% ▶ KB REAL ESTATE, s.r.o. 100% ▶ VN 42, s.r.o. 100% ▶ NP 33, s.r.o. 100% ▶ Cataps, s.r.o. 100%

Société Générale Group

Retail Banking France	International Retail Banking and Financial Services	Global Banking and Investment Services	Komerční banka Group
AFRICA – MIDDLE EAST			
	<ul style="list-style-type: none"> ▶ BFV SG Madagascar 70% ▶ SG Congo 87% ▶ Eqdom Marocco 53.7% ▶ SG Marocaine de Banques 57% ▶ La Marocaine Vie 100% ▶ SG Tchad 66.1% ▶ SG Algérie 100% ▶ Société Générale Burkina Faso 52.6% ▶ SG de Banques au Bénin 82.9% ▶ Société Générale Ghana Limited 52.2% ▶ SG de Banques au Cameroun 58.1% ▶ Société Générale Mauritanie 91.0% ▶ SG de Banques en Côte d'Ivoire 73.2% ▶ Union Internationale de Banque Tunisia 57.2% ▶ SG de Banque en Guinée 57.9% ▶ SG de Banque en Guinée Equatoriale 57.2% ▶ SG de Banque au Liban 16.8% ▶ SG de Banques au Sénégal 64.8% 		
AMERICA			
	<ul style="list-style-type: none"> ▶ Banco Cacique S.A. Brazil 100% ▶ Banco Pecunia Brazil 100% ▶ SG Equipment Finance SA Arrendamento Mercantil Brazil 100% ▶ SG Equipment Finance USA 100% 	<ul style="list-style-type: none"> ▶ Banco SG Brazil SA United States 100% ▶ SG Americas Securities, LLC 100% ▶ Lyxor Asset Management Inc 100% ▶ Newedge USA, LLC 100% ▶ Société Générale* branches in: New York United States. Montreal Canada ▶ Newedge Canada Inc 100% ▶ SG Americas, Inc. USA 100% 	

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ASIA + AUSTRALIA			
	<ul style="list-style-type: none"> ▶ Banque de Polynésie 72.1% ▶ Société Générale Calédonienne de Banque 90.1% ▶ SG Leasing and Renting Co Ltd China 100% ▶ SG Mumbai India 100% 	<ul style="list-style-type: none"> ▶ Fortune SG Fund 49.0% ▶ SG Securities Korea Co., Korea 100% ▶ Lyxor Asset Management Japan Co Ltd 100% ▶ SG Securities North Pacific, Tokyo Branch Japan 100% ▶ Newedge Japan Inc 100% ▶ Newedge Group Hong Kong Branch 100% ▶ Societe Generale (China) Ltd 100% ▶ SG Asia Ltd (Hong-Kong) 100% ▶ SG Securities Asia International Holdings Ltd (Hong-Kong) 100% ▶ Societe Generale branches in: Singapore, Tokyo Japan, Seoul South Korea, Hong Kong, Taipei Taiwan 	

Data on capital and capital requirements

Obligatory published information in accordance with Decree No. 163/2014 Coll.

Decree
No. 163/2014 Coll.,
appendix 14

Data on capital and capital requirements

Information valid as at	(31/12/2014)	
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)
	Exposures towards central governments or 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	
In case of institutions which calculate the volume of risk-weighted exposures according to the third part title II chapter 2.8 % of volume of risk-weighted exposures for each exposure category stated in the article 112 regulation 2013/575/EU	Retail exposures	7,961,945
	Exposures secured by real estate	7,096,759
	Exposures in failure	714,704
	Exposures connected with especially high risk	
	Exposures in covered bonds	
	Items representing securitized positions	
	Exposures towards institutions and corporations with short-term loan assessment	
	Exposures in the form of share units or shares in subjects of collective investment	
	Share exposures	
	Other items	
	Of position risk	
Capital requirements calculated according to article 92 section 3 letters b) and c) regulation 2013/575/EU	For large exposures exceeding limits stated in articles 395 to 401, if the institution is allowed to exceed these limits	
	Of currency risk	
	Of settlement risk	
	Of commodity risk	
Capital requirements calculated according to the third part title III chapters 2, 3 and 4 regulation 2013/575/EU and assessed 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	
	Capital requirement according to the title III of the chapter 4 Regulation 2013/575/EU	2,179,738

Article 438 letter c)
regulation 575/2013 EU

Article 438 letter e)
regulation 575/2013 EU

Article 438 letter f)
regulation 575/2013 EU

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Data on capital and capital requirements

Information valid as at		(31/12/2014)	
In case of institutions which calculate the volume of risk –weighted exposures according to the third part title II 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 different correlations correspond according to the article 154 sections 1 to 4 regulation 2013/575/EU	Exposures towards central governments or central banks	420,690	
	Exposures towards institutions	9,967,247	
	Exposures towards corporations		Article 438 letter d) regulation 575/2013 EU
	Retail exposures		
	Share exposures		
	Items representing securitized positions		
	Other assets not having a nature of loan commitment	919,765	
In 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 sufficiently diversified portfolios and other exposures		
	Exposures which in the area of the capital requirements are subject to the transition supervision rules		Article 438 letter d) regulation 575/2013 EU
	Exposures which in the area of the capital requirements are subject to the arrangements on conservation of legal effects		
	Each of the approaches stated in the article 155 regulation 2013/575/EU		

Decree
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Capital ratios

Information valid as at		(31/12/2014)	
in %		As at the end of the reported period	
Capital ratios of liable entity	Capital ratio for equity capital tier 1	19.78	
	Capital ratio for capital tier 1	19.78	Item 2 letter a)
	Capital ratio for total capital	19.78	
Capital ratios of a bank branch from another than a member state	Capital ratio for capital tier 1		Item 2 letter b)
	Capital ratio for total capital		

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Ratio indicators

Information valid as at		(31/12/2014)	
		As at the end of the reported period	
in %			
Ratio indicators of the liable entity which is a bank or a savings and loan cooperative	Return on average assets (ROAA)	1.21	
	Return on average equity tier 1 (ROAE)	17.10	
	Assets per 1 employee	247,828	Item 3 letter a)
	Administrative costs per 1 employee	1,830	
	Profit or loss after taxation per 1 employee	2,978	
Ratio indicators of the liable entity which is a trader with securities	Indebtedness I (total debt without clients' property/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 a bank branch from another 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		

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