Inside real life A 360° view

2015 Consolidated
Reports and Accounts

Welcome to
UniCredit Bank

I know it's not the best time, but I need to check my finances.

Let's talk about financial advice anywhere, anytime.

Imagine you are in the middle of a ski holiday. Everything is beautiful and the conditions are just right. You feel like you don't have a single worry in the world. But suddenly a thought comes along to disturb your peace: Did you forget to settle your financial business last week?

That's exactly what happened to Nico. During his first romantic holiday with Emma, he realized that this little banking detail was driving him crazy, and spoiling the fun. And he thought to himself: "You know what would be really useful right now? A bank manager I can call or, even better, text."

No sooner said than done.

Thanks to SmartBanking in Austria, it's possible to bring the branch to you. Whether at home with your laptop or on the go with your mobile phone, SmartBanking enables you to manage your finances in the most convenient way for you.

Relationship managers will give advice quickly and conveniently, by any possible method you want, from SMS to video chat. So now answers that you need on every possible financial topic, from taking out a loan to explaining your banking transactions, are at your fingertips.

That means we can help you save for your holiday, and save your holiday.

Imagine you're hungry.

You need food, of course. But you also need a plate and a fork. Maybe even a knife. After that, you'll need water to wash the dishes and before that, the right tools to cook your meal. And don't forget the table, or the chair, or the roof over your head.

In the end, food is just a small part of our far more complicated system of needs – a system that is contained by its own set of values. Consider, for example, the entire production chain behind the food on your table. Food comes from a farm. It has to be tended by people, and inspected by others to ensure it is safely made, processed and transported to market. Every link in this chain is crucial for today's consumers, who are increasingly sensitive to the quality of their

UniCredit firmly believes that to truly understand real life, we must directly experience it. That way we are more prepared to find sustainable solutions while the world's needs and values constantly change.

For us, helping customers fulfil the basic necessities of modern life is just as important as offering the very best financial and banking products.

This means providing a complete range of services to support families and businesses, fully aware that responding to their needs builds a sustainable future for everyone.

Our products begin with real human insights that help us accompany customers throughout their lives. Because life is full of ups and downs, but it is also full of many other things, like buying a home, getting married, having children and sending them to university, etc.

It's a 360-degree approach that we call Real Life Banking.

Over the following pages, our aim is not just to present data and numbers about our Group's performance. We also want to share stories that show how we have helped people realize their dreams and supported the communities that host our branches.

Because the drive to build a better future is what keeps people going.

And supporting people keeps us going too.

Life is full of ups and downs.
We're there for both.

Welcome to
UniCredit

Contents

Financial Highlights – Consolidated

(IFRS audited)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2015 MCZK	31 Dec 2014 MCZK
Operating results		
Net interest and similar income	10 235	10 049
Net fee and commission income	3 843	3 557
Administrative expenses	(7 507)	(7 170)
Profit before income tax	7 064	6 030
Net profit after tax	5 640	4 911
Statement of financial position figures		
Total assets	570 284	508 616
Receivables from clients	351 541	339 510
Deposits from clients	363 989	328 585
Issued capital	8 755	8 755
Key ratios		
Return on average assets	1,0%	1,0%
Return on original capital	11,4%	10,6%
Assets per employee	172,8	154,4
Administrative expenses per employee	2,3	2,2
Profit after tax per employee	1,7	1,5
Information about capital and capital adequacy		
Tier 1	51 944	47 397
Tier 2	1 578	1 051
Capital	**53 522**	**48 448**
Capital requirement for credit risk under the standardised approach:	**5 878**	**5 708**
Capital requirements for exposure to regional government or local authorities	8	7
Capital requirements for exposure to institutions	1	2
Capital requirements for exposure to businesses	1 921	2 073
Capital requirements for retail exposures	1 925	1 722
Capital requirements for exposures secured by real estate	776	627
Capital requirements for exposures at default	407	515
Capital requirements for equity exposures	109	21
Capital requirements for other items	731	741
Capital requirement for credit risk under the IRB approach:	**21 033**	**18 553**
Capital requirements for exposure to central government or central banks	768	540
Capital requirements for exposure to institutions	740	750
Capital requirements for exposure to businesses	17 903	15 992
Capital requirements for retail exposures	1 622	1 271
Capital requirements for position risk	324	596
Capital requirements for currency risk	162	97
Capital requirements for settlement risk	–	–
Capital requirements for commodity risk	76	281
Capital requirements for operational risk	1 740	1 647
CET1 capital ratio	14,17%	14,04%
Tier 1 capital ratio	14,17%	14,04%
Total capital ratio	14,60%	14,35%
Number of employees at the end of the period	3 301	3 294
Number of branches	171	173

Reconciliation of equity to regulatory capital (consolidated)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2015 MCZK	31 Dec 2014 MCZK
Data from the Statement of Financial Position:		
Share capital	8 755	8 755
Share premium	3 495	3 495
Valuation reserves	5 444	5 635
Retained earnings, reserve funds and other capital funds	38 172	35 614
Profit for the year	5 640	4 911
Total equity	**61 506**	**58 410**
CET1 capital adjustments:		
Profit for the year	(5 640)	(4 911)
Reserve from revaluation of hedging instruments	(1 755)	(2 122)
Reserve from revaluation of available-for-sale securities	–	(2 687)
Foreign exchange rate differences from the foreign branch	20	(7)
Intangible assets	(792)	(97)
Credit risk adjustments for non-defaulted exposures	1 670	–*
Anticipated losses for non-defaulted exposures	(2 547)	–*
Effect of companies not included in the prudential consolidation group	(380)	(1 189)
Other adjustments	(138)	–
Total CET 1	**51 944**	**47 397**
Total Tier 1 (T1)	**51 944**	**47 397**
Credit risk adjustments for exposures at default	8 551	10 587*
Anticipated losses for exposures at default	(6 197)	(9 536)*
Non-deductible surplus above the risk-weighted assets limit	(776)	–
Total Tier 2 (T2)	**1 578**	**1 051**
Capital	**53 522**	**48 448**

* The anticipated losses and the credit risk adjustments as at 31 December 2014 are stated in total amount for the whole portfolio, rather than broken down to defaulted and non-defaulted exposures

Financial Highlights – Separate

(IFRS audited)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2015 MCZK	31 Dec 2014 MCZK
Operating results		
Net interest and similar income	9 051	8 984
Net fee and commission income	3 574	3 348
Administrative expenses	(6 950)	(6 646)
Profit before income tax	6 271	5 326
Net profit after tax	5 033	4 361
Statement of financial position figures		
Total assets	547 218	480 910
Receivables from clients	329 089	312 133
Deposits from clients	364 243	328 712
Issued capital	8 755	8 755
Key ratios		
Return on average assets	1,0%	0,9%
Return on original capital	10,3%	9,5%
Assets per employee	185,4	163,5
Administrative expenses per employee	2,4	2,3
Profit after tax per employee	1,7	1,5
Information about capital and capital adequacy*		
Tier 1	50 343	47 024
Tier 2	1 767	1 012
Capital	**52 110**	**48 036**
Capital requirement for credit risk under the standardised approach:	3 090	3 178
Capital requirements for exposure to regional government or local authorities	8	7
Capital requirements for exposure to institutions	1	–
Capital requirements for exposure to businesses	507	820
Capital requirements for retail exposures	893	810
Capital requirements for exposures secured by real estate	679	564
Capital requirements for exposures at default	73	139
Capital requirements for equity exposures	368	303
Capital requirements for other items	561	535
Capital requirement for credit risk under the IRB approach:	**23 559**	**19 658**
Capital requirements for exposure to central government or central banks	768	540
Capital requirements for exposure to institutions	741	760
Capital requirements for exposure to businesses	20 428	17 087
Capital requirements for retail exposures	1 622	1 271
Capital requirements for position risk	323	596
Capital requirements for currency risk	82	103
Capital requirements for settlement risk	–	–
Capital requirements for commodity risk	76	281
Capital requirements for operational risk	1 432	1 422
CET1 capital ratio	14,04%	14,83%
Tier 1 capital ratio	14,04%	14,83%
Total capital ratio	14,53%	15,15%
Number of employees at the end of the period	2 952	2 932
Number of branches	171	173

Reconciliation of equity to regulatory capital (separate)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2015 MCZK	31 Dec 2014 MCZK
Data from the Statement of Financial Position:		
Share capital	8 755	8 755
Share premium	3 495	3 495
Valuation reserves	5 457	5 667
Retained earnings, reserve funds and other capital funds	36 141	33 961
Profit for the year	5 033	4 361
Total equity	**58 881**	**56 239**
CET1 capital adjustments:		
Profit for the year	(5 033)	(4 361)
Reserve from revaluation of hedging instruments	(1 767)	(2 154)
Reserve from revaluation of available-for-sale securities	–	(2 687)
Foreign exchange rate differences from the foreign branch	20	(7)
Intangible assets	(663)	(6)
Credit risk adjustments for non-defaulted exposures	1 670	–*
Anticipated losses for non-defaulted exposures	(2 627)	–*
Other adjustments	(138)	–
Total CET 1	**50 343**	**47 024**
Total Tier 1 (T1)	**50 343**	**47 024**
Credit risk adjustments for exposures at default	8 551	10 587*
Anticipated losses for exposures at default	(6 197)	(9 575)*
Non-deductible surplus above the risk-weighted assets limit	(587)	–
Total Tier 2 (T2)	**1 767**	**1 012**
Capital	**52 110**	**48 036**

* The anticipated losses and the credit risk adjustments as at 31 December 2014 are stated in total amount for the whole portfolio, rather than broken down to defaulted and non-defaulted exposures

Chairman's Statement

"In 2015 we again achieved excellent business results. The consolidated net profit of both markets exceeded CZK 5.6 billion, which means a growth of 14.8% compared to last year."

Jiří Kunert
Chairman of the Board of Directors and CEO

Dear shareholders, ladies, and gentlemen,

It has already been more than two years since the merger of the Czech and the Slovak UniCredit Bank, which gave rise to a strong financial institution operating on both markets under the name UniCredit Bank Czech Republic and Slovakia, a.s. Together with our leasing and factoring companies, we are a prosperous and dynamic group, offering a full scope of high-quality products and broad financial know-how for retail, corporate, and private clients.

In 2015, economies in the countries where we operate were doing very well. The strong growth in the Czech and Slovak economies was encouraged by investments financed by European funds and private consumption.

After eight years, the development in Czech GDP exceeded 4%, which was accompanied by increased activity on the credit market. Owing to the demand for mortgage loans, the growth in the amount of household loans accelerated to as much as 7.6%; similarly, the year-on-year increase in corporate loans was 5.1 %. Over the whole year, interbank market internet rates were without change and very close to zero. Longer-term interest rates, having an impact mainly on the cost of mortgage loans for clients, showed a falling trend over the year. The pressure on the interest margin was compensated by a strong decrease in the proportion of bad loans. The Czech banking sector was characterised by a high rate of stability.

The Slovak economy grew by 3.6%. Local banks could rely mainly on a strong demand for mortgage loans and consumer loans. Owing to the relaxed monetary policy of the European Central Bank, stagnating property prices, and a growth in wages, housing has become more available than ever. The amount of household loans achieved two-digit growth (12.7% year-on-year), and similarly, the demand for corporate financing intensified at the end of the year and experienced a strong growth of 8.5%. Low interest rates were compensated by higher non-interest income, lower risk costs, and lower bank levy. Thus, the profitability of the Slovak banking sector continued to grow.

In 2015 we again achieved excellent business results. The consolidated net profit of both markets exceeded CZK 5.6 billion, which means a growth of 14.8% compared to last year.

These results have been achieved mainly by the joint effort of all employees in our financial group. Therefore, I would like to hereby express my gratitude and appreciation to everyone.

Our business results prove that our strategy which is based on the considerable expansion of our client base, innovations in retail product offers, an excellent approach to clients, and provided know-how in corporate banking, is the right direction to sustainable growth.

Considerable growth in the number of clients was achieved, inter alia, thanks to the unique U konto (U Account), which offers free withdrawals from any ATM in the world and guarantees its terms for ten years, with more than 250 thousand clients opening such an account. The year-on-year increase in the amount of deposits of all our clients was 10.8%. Lending was again driven mainly by the over 14% year-on-year growth of average volumes in consumer and mortgage loans. We were among the first on the banking market to introduce online mortgage refinancing with express processing or innovative fingerprint login to mobile banking.

The synergies between the bank, the leasing companies, and factoring allow us to make full use of the potential of the corporate sphere. In 2015, we were further focused on structured financing and were involved in a number of significant transactions in power engineering, telecommunications, health, transport, and the financing of commercial property. Last year, in cooperation with EGAP, we financed the largest export transaction of the year with support from the state. A consumer loan exceeding CZK 2 billion has been granted to the company PhosAgro. In corporate M&A transactions, UniCredit Bank acted as a major advisor to leading companies in power engineering and the food industry.

The financing of small and medium-sized companies grew by a great 17.3%. In leasing companies, the growth was mainly in brand-vehicle financing, credit financing in corporate loans, and operating leases for companies and individuals. In leasing companies, the financed value of products in 2015 grew by 33%.

In the following years, we will focus our efforts on strengthening the development of electronic distribution channels and further simplification of our products and also internal bank processes. Only comprehensible and flexible products can help up to win new clients and not to lose the existing ones. Over the last five years, the number of clients has more than doubled and we intend to continue this positive trend.

To achieve this goal, we have to bring further innovations in the future and we have to retain our clients' confidence in all segments. Prestigious awards for our services, decided by votes from both the professional public and specific clients, prove that we are doing well in this. We achieved prominent positions in the Bank of the Year 2015 contest and in partial retail competitions in the Czech Republic and in Slovakia owing to our mortgage and consumer products. Euromoney Magazine ranks UniCredit Bank the best provider of business financing to corporations. Additionally, we have been named the best bank for property financing and cash flow management.

In 2015, just like the years before, UniCredit Bank showed great corporate social responsible. For many years we have supported charitable activities, the arts, cultural and sports events by contributing considerable financial amounts which properly reflect our strong position at the market.

This was the second year of our cooperation with the UniCredit Group Foundation to provide support to social business. One of its major activities is the Gift Matching Program, allowing the Bank's employees to support any non-profit organization of their choice. We cooperate with organizations supporting children from orphanages and the advisory service for people in financial distress. We also dedicate our efforts to sustainable growth and environmental protection.

In sponsorship activities, we maintain partnership with Dvořák Festival, and the Music Festivities (Svátky hudby); and for a couple of years our bank has been a major partner to the International Film Festival in Karlovy Vary. Together with UniCredit Group we are the official bank of the UEFA Champions League and the European football Champions League. Moreover, for many years our bank has supported the UniCredit Czech Open, the major international men's tennis tournament in the Czech Republic.

For UniCredit Bank, 2015 was another year full of challenges. Our clients' growing confidence in the UniCredit brand on both the Czech and Slovak markets, gained thanks to our innovative approach and high performance, is for us the proof that our work has been done well with excellent results.

April 2016

Jiří Kunert
Chairman of the Board of Directors and CEO

Macroeconomic environment in 2015

in the Czech Republic

In 2015 the growth of the Czech economy accelerated considerably to reach 4.3%, which was its best result since 2007. All local demand components contributed to the improved performance of the national economy. Private consumption was encouraged by falling unemployment rates, an almost zero inflation rate, and the gradually increasing wage growth rate. Another major driver was improving consumer sentiment, reflecting households' confidence in the continuation of the favourable macroeconomic trends. Fixed capital formation also experienced its highest growth rate since 2007, which was owing to the drawing of EU funds from the prior budget period, thanks to activities of private investors. The strong investment activity resulted in the negative impact of net exports on GDP growth in constant prices. Despite this, the foreign trade surplus in constant prices increased, mainly owing to the fall in prices of imported oil.

The stronger growth of the Czech economy has not been reflected in a higher growth of the price level, which has been suppressed mainly by fuel and food prices. The average year-on-year inflation achieved a mere 0.3%. The delayed restoration of the 2% target inflation level made the CNB prolong its obligation and intervene against the strengthening of the CZK below the EUR/CZK 27.0 level beyond the end of 2016. Starting mid-2015, the CZK became a frequent target of speculations to strengthen the exchange rate, which made the CNB purchase a considerable amount of foreign currency from the market. A by-product of investors' open positions to strengthen the CZK was a demand for CZK bonds from the Czech government, which suppressed the yields in the substantial part of the yield curve to negative. Financial market anomalies raised discussions on options to decrease the CNB's rate beyond which banks deposit excess liquidity to below zero. Low interest rates had a favourable impact on the credit dynamics. Thanks to the demand for mortgage loans, the year-on-year growth in the amount of bank loans granted to households accelerated to reach 7.6% in December. On the other hand, corporate loans accelerated until September and then their year-on-year dynamics slowed down to 5.1%.

The government focused its economic policy mainly on the implementation of two key measures against tax evasion – VAT ledger statements (*kontrolní hlášení*) and electronic sales registration. While the legislation process for the former measure has been completed, the latter had not been adopted by the parliament by the end of the year. Additionally, the Government implemented or made an effort to implement a number of changes to encourage the growth of households' disposable income, such as a substantial growth in the minimum wage, the settlement of sickness benefits even for the first three days of sickness and/or the strengthening of its powers in deciding on the valorisation of pensions. If implemented in the years to come, any such changes could mean higher demands on public spending.

in Slovakia

In 2015, the growth of the Slovak economy gradually accelerated and Slovakia reported its fastest growth in the last five years (3.6%). This was driven mainly by public investments subsidised by the final drawings of EU funds from the prior budget periods. Further components of local demand, however, also maintained their dynamic growth – the rise in household consumption thanks to the improving situation on the labour market, an absence of inflation, record-breaking low interest rates, and government spending at the top of the political cycle in the pre-election year. Strong local demand resulted in dynamic growth in imports, and the recovering foreign (European) demand did not manage to sufficiently accelerate the growth in imports, therefore continuing the decrease in the foreign trade surplus over the year, while the net foreign demand did not have any further effect on the growth of the economy. The extensive recovery of local demand is a good basis for a long-term revival of the economy.

The persisting absence of inflation in the Eurozone deep below the ECB's inflation goal forced further reactions from the central bank during 2015. In the second half of the year, the ECB reduced the deposit sterilization rate and expanded and prolonged the quantitative easing program. Therefore, interest rates on the interbank market kept searching for their new bottom. Low interest charges combined with growing wages and slowly recovering property prices resulted in a shift in the housing availability index to reach new historical maxima, thus further subsidising the mortgage market, which reported two-digit dynamics of year-on-year growth. No mitigation was achieved although the NBS issued a recommendation instructing banks to apply a more prudent approach to their evaluation of LTV and a client's ability to repay a loan. Signs of revival have already been reported in corporate loans, and their year-on-year growth accelerated mainly at the end of the year. In 2015, the profit of the banking sector after taxation increased by 11.7%, when the drop in net interest income owing to low interest rates was more than fully compensated by lower bank levies, the decrease in costs incurred in relation to risk, and higher non-interest income.

2015 was a pre-election year for Slovakia –general elections were scheduled for the first quarter of 2016. The upcoming elections were reflected in the government's policy goals and the higher-than-expected tax income to the treasury was mostly transferred to so-called social packages, while most of the adopted measured were aimed at encouraging consumption without any higher potential to drive an additional multiplication impact on the economy. The public finance deficit decreased by only the minimum amount and the government postponed further consolidation of public finances for the following election period. Ideally, Slovakia should achieve a balanced budget in 2018.

Corporate, investment, and private banking

Corporate and investment banking

In 2015, the Corporate, Investment, and Private Banking Division was doing well on both the Czech and Slovak markets. We focused ourselves on the acquisition of new clients, strengthening our position on the market, and the development of internal systems allowing us to improve the effectiveness of bank processes and be more flexible in dealing with clients. Great emphasis has also been placed on small and medium-sized companies, where we managed to further grow and to attract new clients.

As to revenues made on both markets, the Corporate Division managed to increase its revenues by almost 3% compared to 2014.

We managed to significantly increase the volume of deposits in 2015 by almost CZK 37 billion in the area of primary sources in the Czech and Slovak markets, which is a 19.6% growth compared to 2014. In lending, despite falling corporate demand for loans, we increased the volume of loans by CZK 14 billion, i.e., by 6.2% compared to 2014. This was, among other factors, caused by the cross-border loan between Czech and Russian parties, which is proof of the Corporate Division's ability to participate in major transactions beyond the Czech and Slovak borders.

We were particularly successful in supporting small and medium-sized enterprises, where we increased the volume of loans granted by 17% on a year-on-year basis. The growth in lending was also driven by cooperation with external entities granting bank guarantees to small and medium-sized enterprises, or providing the bank with cheaper sources of financing and thus making financing available to a larger range of clients. On a long-term basis, those entities include: Českomoravská záruční a rozvojová banka (ČMZRB), the European Investment Bank (EIB), the European Investment Fund (EIF), and the *Council of Europe Development Bank* (*CEB*). Additionally, we effectively provided our Slovak clients with financing using TLTRO funds from the European Central Bank (ECB).

Despite forecasts of lower transaction activity, the Bank again achieved record-breaking results in structured financing and syndicated loans and confirmed its leading position on the market. The Bank was engaged in, for instance, the refinancing of Pražská plynárenská, Česká telekomunikační infrastruktura, Agel, Slovalco, Dr. Max, and the Infracapital GGE companies in Slovakia.

The Bank maintains its leading position in the financing of commercial, retail, and industrial property. In 2015, for example, the bank financed the industrial portfolio of CTP in the Czech Republic and Slovakia, provided financing for the Quadrio building in Prague, Národní Street, and the Igy Shopping Mall in České Budějovice.

The bank is greatly expanding its residential development financing. In 2015 the development projects financed by the Bank included: Waltrovka (Penta), Top Rezidence (KKCG), La Crone (BM Develop), JTH Karlovy Vary, and Hviezdne byvanie in Bratislava.

The growing uncertainty in international trade had a positive impact on Trade Finance, where we noted a growing demand for hedging instruments. The volume of granted guarantees increased by 35 % and the number of processed documentary transactions grew by more than 20 % compared to 2014. Additionally, we achieved several excellent ratings, such as Best Trade Finance Provider 2015 by Euromoney and Global Finance.

Despite the negative geopolitical developments in Ukraine and the persisting sanctions against Russia, UniCredit Bank managed to achieve extraordinary success as it became the first Czech commercial bank historically, under EGAP, a.s., insurance, to finance the largest amount of export contracts and thus remove the state-owned and specialised ČEB, a.s. from the leading position. It has been mainly thanks to the dominance in pre-export financing products and consumer loans that UniCredit Bank's market share in EGAP products in 2015 was 22.6%.

The success of 2015 in export financing has been highlighted by the fact that two of the transactions financed by the Bank were awarded the prize "Export Transaction of the Year Supported by the State" in the contest organised by EGAP and ČEB. The transaction to Laos was the first directed to that territory, both for the Bank and for EGAP, and the transaction to Russia was the largest EGAP insurance transaction in the Bank's history and the largest EGAP-insured transaction for the last year.

With its key objective being to further expand the Bank's existing product portfolio and to improve the quality of services primarily for corporate clients, the Bank decided for the acquisition of Transfinance, a.s., a factoring company with the longest history of operation on the Czech market. In January 2015, the aforementioned company became 100% – owned by the consolidated group of UniCredit Bank Czech Republic and Slovakia, a.s. Since May 2015 the name of the company has been UniCredit Factoring Czech Republic and Slovakia, a.s., to make it match with UniCredit Group.

2015 was the year of adapting to banking standards, defining approval procedures, and developing distribution channels for factoring products. Despite remarkable drop in the client portfolio owing to the acquisition of the company, in 2015 the company managed to keep its primary position in import factoring with an 83% share. By the end of the 3Q 2015, the stabilization of the client portfolio became evident, turnover started to grow, and there was an increase in the *funds in use* indicator and the company's revenues. Another objective of the acquisition is the synergy between the Bank and the factoring company, mainly in financing and receivables management.

We were named the best bank in the Czech Republic and the second best bank in Slovakia in Cash Management in the 2015 Cash Management Survey organized by Euromoney.

In payment terminals, we successfully implemented the mPOS product, which won us the award "Innovative Bank of the Year" by MasterCard. This solution, where a payment terminal is connected to a smartphone or a mobile phone, increased the number of installed UCB terminals by hundreds.

Thanks to the acquisition of new clients, during 2014 revenues of the Custody Account Dept. grew by 7.5% on a year-on-year basis. In 2015, there was a 44% and a 12% increase in transactions in the Czech Republic and in Slovakia, respectively. We were also named the Best Sub Custodian Bank in the Czech Republic in 2015 in the survey organised by Global Finance.

At UniCredit Bank, we also provide our clients with complex subsidy consulting services. This mainly involves consulting related to European structural funds, but also includes further national subsidies, investment incentives or other pan-European funds. In 2015 demand was focused mainly on the initial projects under the new 2014-2020 programming period. This included mainly real estate renovations, and/or purchases of new technologies.

UniCredit Bank continues to be an active member of the working group of the Czech Banking Association for cohesion policy.

In 2015 we managed to win almost 2,300 new clients in the acquisition of new clients on Czech and Slovak markets.

Private banking

Further development of UniCredit Bank's private banking in 2015 was driven by product and technology innovations, intensive cooperation with corporate banking, and other education for improving the competences of private bankers. Growth was reported both in profitability and in the amount of assets managed (Total Financial Assets – TFA). The Bank further broadened the scope of products and solutions offered, mainly owing to making maximum use of existing benefits within UniCredit Group. The Bank's priority was to provide clients with enhanced control over their own portfolios and improve their access to investment information through digital tools.

In investing, private banking in the Czech Republic and Slovakia is based on controlled open fund architecture, which is a unique concept on both markets. Thus, the Bank provides its clients with access not only to high-quality investment solutions from the whole UniCredit Group, but also to the best funds in given categories offered by partner companies which are analysed and selected for the Bank's private clients by a team of international experts. In 2015, the number of partner companies for the Czech Republic and Slovakia increased as the Bank started cooperation with BlackRock, the largest international asset management company.

In 2015 the Bank further broadened the offer of UniCredit Bank AG Munich certificates in local and foreign currencies. Index-linked investment certificates and equities enjoy growing popularity. These products can bring clients an attractive yield of 5-10% p.a. even in the case of stagnating or slightly falling stock markets. In 2015, there were dozens of emissions, not only in CZK and EUR, but also in USD, GBP or PLZ. Thanks to the unique software solution of the Bank's fellow subsidiary – UniCredit AG Munich, private banking clients of UniCredit Bank can create their own tailored investment certificate. The software was implemented in the Czech Republic and in Slovakia in 2014 and 2015, respectively. In 2015, the volume of transactions on this platform kept growing considerably to reach the level of hundreds of individual emissions.

The comprehensive offer of services further included successful cooperation with the conservative Austrian private bank Schoellerbank AG, a member of UniCredit Group.

The aforementioned product and digital innovations and the high-quality offer of the open fund architecture in 2015 won a number of prestigious international awards for the private banking department of UniCredit Group. In a survey organised by EUROMONEY where private banks elect from among themselves the best providers of competitive services in their segment, Czech private banking provided by UniCredit Bank won the top position in two innovative technology categories. In Slovakia, the EUROMONEY survey appreciated the high quality client service for international clients.

UniCredit Group private banking has been declared the best private banking in the CEE region, and this result has also been confirmed by Global Finance GFMag.com, a New York-based international source providing international financial market analyses and articles intended mainly for investment experts and top representatives of the global corporate and financial sector.

Retail banking

In 2015 the Retail Banking Division kept improving retail branches in the Czech Republic and in Slovakia to make our retail network even more accommodating for our clients and to provide clients with more comfortable and better accessible services.

During the last year, 14 branches of the Bank underwent complete renovation and we improved the external visibility of another 15 branches.

Our franchise-based distribution network in the Czech Republic celebrated its 5th anniversary of operation. This model of cooperation met our expectations of 2010, when launching this unique model to the Czech market. Similarly to prior years, trade volumes of the franchises grew considerably, as well as their proportion in the total production of the Bank's retail segment. The franchises are presently achieving great results in client satisfaction and quality of provided services.

Last year, Partners Financial Services, a.s., became the master franchisee among UniCredit franchise branches. That allowed us to offer comprehensive banking services and financial advisory services and brokerage services in one place.
It was in particular thanks to effective lending and the new U konto (U-Account) current account that the number of retail clients in the Czech Republic and in Slovakia grew, to exceed 613 thousand.

Our goal for 2016 is to continue attracting new clients and successfully selling the new product line to existing clients. Additionally, we intend to further improve the existing client service model, mainly by offering UniCredit Bank's extensive experience in private banking to the affluent clients segment and providing small enterprises with access to corporate banking.
We would also like to increase the percentage of sales made through on-line channels.

Loans

In 2015 we further developed our offer of client-attractive financial solutions: cash loans, loan refinancing and debt optimization for standard clients. Our loyal clients were further offered prompt and simple pre-approved cash loans.

Our products and services won a number of awards. In the Czech Republic, our consumer loan PRESTO ranked 3rd in the prestigious Zlatá Koruna (Golden Crown) contest in the "Loans" category; the transfer of credit card balance has been awarded the "Cena pokroku" (Progress Award) in the contest of the "Chytrý Honza" web portal.
In Slovakia our PRESTO Loan ranked 1st in the Zlatá minca (Golden Coin) contest for financial products; the award is granted by a committee of 61 independent financial experts.

In mortgage loans, after examination of our clients' needs in the Czech Republic, we introduced optional extraordinary instalments outside the interest rate fixation period for up to 20% of the loan principle balance. Clients are allowed to make use of the extraordinary instalment benefit once a year free of charge. This is a complementary offer to the already existing FLEXI service, allowing clients to settle the whole amount of the loan through an extraordinary payment.

In 2015 we further simplified the parameters of our products in order to facilitate and accelerate the processing of mortgage loans.

One of the novelties introduced in 2015 was the extraordinary option for clients to get a mortgage loan on a remote basis, without visiting a branch. Clients can undergo the whole process online with the assistance of our mortgage bankers, sitting comfortably at home up to the point of signing the contract.

Our mortgage offer has also been awarded. In the Czech Republic our Mortgage Loan Individual ranked 2nd among mortgage loans in the "Financial Product 2015" contest organised by the Finaparáda.cz web portal. The Slovak web portal FinancnaHitparada.sk, publishing its rankings since 2009, named our 5-year fixation mortgage loan the Mortgage Loan of 2015.

Current accounts

In 2015 we focused ourselves on the extension of our client portfolio under our flagship current account U konto (U Account). With this account we further offered a combination which is unique on both the Czech and Slovak markets: a full-fledged current account with free ATM withdrawals all around the world.

We launched an intensive acquisition campaign, offering a free middle-class Huawei mobile for U konto (U Account) clients.

To support our basic retail products, we organized a summer roadshow named "I Love U Konto" around the Czech Republic and Slovakia.

Investments and deposits

Considering the existing market trends of reductions in deposit interest rates, in 2015 we focused our efforts on providing our clients with alternative investment solutions.

In Slovakia, we made changes in the existing Duet Deposit product (a combination of a time deposit and unit trust investments).

We continued offering high-quality investment products in cooperation with Pioneer Investment and we also provided clients with two optional tranches of unique investment life insurance products: Stellar Funds and Global Multi Asset. This solution met both our expectations and the clients' requirements and both tranches have been fully underwritten.

We received very positive feedback from our clients on the specifically created closed-end "**Pioneer – Fond Investičních Příležitostí 7/2020"** fund and the Pioneer Absolute Return Multi Strategy fund.

Direct banking

In 2015, direct banking enjoyed further growth in popularity, which was clearly seen from the considerable growth in the number of Online Banking and Smart Banking users, and the growing number of transactions made through those channels.

The Online Banking key (mobile token) became the most preferred tool for login and for signing transactions in Online Banking.

In 2015 we manged to improve the efficiency of transactions by achieving a high total migration index (TMI), comparing the number of "hardcopy" transactions made at branches and the number of electronic transactions made by clients themselves.

Payment cards

Following our productive client-oriented strategy, we managed to considerably improve the added value of our payment cards after launching the breakthrough discount program named "U-šetřete" in the Czech Republic for all users of UCB cards.

Small Business

In this segment we developed the Small Business HUBs project with specialised centres for corporations and businessmen. In this way we provide customised client service in Prague and in Ostrava. To also launch a similar level of client services in Slovakia, we opened a new HUB for clients in Bratislava.

In the freelance segment, we focused our efforts on the provision of first-class services to clients through specialised bankers in the form of tailored products. As a result, UniCredit Bank is a recognised leader in this market segment, with a further growing client base.

We have successfully developed our concept of the BUSINESS EASY virtual branch established on the principle of direct banking. Clients' requirements for opening new products, banking services or advisory services are addressed on a remote basis and our clients appreciate the convenience of the service without the necessity of visiting a "brick-and-mortar" branch.

Treasury

During the last year, the Markets Division continued the implementation of its successful strategy from previous years. The year 2015 can definitely be defined as very successful. The Markets Division as a whole significantly surpassed its year-long plan. In the area of trading in treasury products on the bank's own account, the Bank achieved record-breaking results for the period of existence of UniCredit Bank Czech Republic and Slovakia, a.s., and solid growth was also achieved in deals with end clients.

Thanks to our acquisition initiatives, we have increased both the volume and the profitability of deals focused on daily cash-flow management and hedging of all market risks (foreign exchange, interest, and commodity risks) in trading with corporate clients. The excellent results were also driven by a strong revival of trade in Slovakia.

On a long-term basis, the Markets Division has been focusing on the development of new products that are successfully sold to corporate clients and financial institutions, as well as to retail and private banking clients, which strongly contributes to the growth and good results achieved by UniCredit Bank's retail banking. The key pillar to these achievements is, in particular, structured bonds; however, we keep strengthening our position in the arrangement of corporate emissions.

The excellent business results achieved by the Markets Division are also driven by the positive effects of the merger between the Czech and the Slovak UniCredit Bank in 2013, which resulted in a significant expansion of the client base and allowed for sharing the "best practices" between the two markets and business teams.

Sponsoring and charity

As in previous years, during 2015 UniCredit Bank demonstrated great corporate social responsibility. We have been supporting charitable activities, arts, culture, and sports for many years by contributing considerable financial amounts in line with our strong position on the market.

This was the second year that the Bank cooperated with the UniCredit Foundation in supporting **social business**, combining everyday business with charitable activities. Besides financial assistance through grant programs such as "*Lepší byznys*" ("Better Business") in the Czech Republic and "*Môžu ryby lietať?"* ("Can Fish Fly?") in Slovakia, we also focused our efforts on supporting the employment of groups of citizens facing various handicaps or with a limited ability to work. Another major activity is the Gift Matching Program, allowing the Bank's employees to support any non-profit organization of their choice.

Our Bank has been involved with helping children for a long time. In Slovakia the Bank assigns a portion of its income tax to support civic associations and foundations which primarily help children from orphanages, child patients or children from developing countries.

Last year the Bank continued its partnership with the **Advisory Service for People in Financial Distress**, helping to prevent financial distress and resolve problems with making payments. Additionally, in cooperation with the Czech Bank Association, the Bank also supports other projects focused on improving financial literacy, such as the "Bankers to Schools" project.

In cooperation with partners in Slovakia, we also support free blood drives and charitable Christmas Markers for a good cause.

We do not forget about sustainable growth and **environmental protection**. We comply with globally defined environmental rules in all our buildings to minimise the load on the environment. The Group has already signed the United Nations Environment Programme Finance Initiative (UNEP-FI), based on which the Bank incorporated environmental protection goals in its internal processes. Those goals include, for instance, the reduction of emissions, involvement in the Carbon Disclosure project, the financing of renewable energy sources, or the granting of loans for renovation aimed at energy savings. We regularly participate in the Earth Hour initiative.

In **sponsoring activities,** we have maintained a partnership with the Dvořák Festival, presenting Dvořák's music in unexpected arrangements and styles. For a few years now, the Bank has been a major partner to the Karlovy Vary International Film Festival. The Festival ranks among such prestigious film festivals as the international film festivals in Cannes, Berlin or Venice. Every year in Karlovy Vary, well-deserved international attention is given to new films from Central and Eastern Europe, i.e., the region where UniCredit Group concentrates its operations.

Since 2009 we have been the official bank of the **UEFA Champions League** in cooperation with UniCredit Group. Moreover, we broadened our partnership to include all competitions organised under the name of UEFA, including the UEFA Europa League, which offers opportunities for a number of Czech and Slovak football clubs. The sponsoring of football helps UniCredit Group to strengthen its position as one of the leading European banks. Moreover, for many years our Bank has supported the UniCredit Czech Open, the major international men's tennis tournament in the Czech Republic.

Employment relations

UniCredit Bank ranks among the most attractive employers in the Czech Republic and Slovakia, not only because of its offer of responsible and demanding work in the banking sector, but also thanks to the care it gives its employees. Employees are entitled to meal vouchers, fresh water in the workplace, sick days and recovery days, and can also use UniCredit Bank products with special benefits, or use the company cottage in Horní Malá Úpa. They also appreciate an extra week of holiday or the opportunity to purchase employee shares in UniCredit Bank. The area of flexible benefits, which allow employees to choose from a large number of various activities they consider best for them, is also wide. The existing benefit programs grant all employees equal access to employee benefits and offer them freedom of choice. The most favoured benefits include contributions to pension funds or life insurance, language courses, cultural and sporting events or allowances for holiday. UniCredit Bank respects its employees and strives to support them in all situations and life stages. Therefore, the Bank also offers a series of support programs and a contribution system that include remunerations/allowances for life or work jubilees, a retirement allowance, an allowance while in difficult life situations, programs to support parents in their return from maternity/parental leave, mass cultural and sporting events, and events for seniors.

Report of the Board of Directors

of UniCredit Bank Czech Republic and Slovakia, a. s., on the Bank and the Group business activities and assets for 2015

Vision, Mission, and Corporate Values

UniCredit Bank Czech Republic and Slovakia is a universal commercial bank with professional skills covering all the financial needs of its clients. We are the first-choice bank for clients in our traditional segments as well as in new strategic segments. We have the highest number of satisfied clients on the Czech and the Slovak market and, at the same time, we are a very sought-after employer.

We are a member of UniCredit Group. In the Group, we rank among the strategic countries of the CEE region, together with Russia, Poland, and Turkey. Our bank is considered an example of dynamic and organic growth in the group.

UniCredit's Mission

We, the people of UniCredit, undertake to generate sustainable value for our clients.
As a leading European bank, we support the development of the local communities in which we live and work. At the same time, we strive to be a great workplace for our employees.
We strive for excellence, led by our constant effort to simplify business transactions and communication as much as possible. These commitments allow us to generate sustainable value for our shareholders.

The **corporate values** in which we believe and which we observe in our everyday practice place specific emphasis on Respect, Trust, Fairness, Freedom to Act, Reciprocity, and Transparency.

Economic Development of the Market in the Czech Republic and in Slovakia in 2015

In 2015 the growth of the Czech economy accelerated considerably to achieve 4.3%, which is the best result since 2007. All the components of local demand contributed to the better performance of the economy. The stronger growth of the Czech economy has not been reflected in a rise in the price level; the average year-on-year inflation reached a mere 0.3%. The following period was characterized by the continuation of extremely low interest rates, which had a positive impact on the dynamics of credit. Owing to the interest in mortgages, the volume of bank loans granted to households accelerated its year-on-year growth up to the 7.6% reached in December. On the other hand, corporate loans accelerated until September, then the year-on-year growth rate dropped down to 5.1%.

The growth of the Slovak economy gradually accelerated in 2015and the country experienced the strongest growth in the last five years (3.6%). The dynamic growth of local demand components was maintained mainly in household consumption driven by the improving labour market, long-absent inflation, record-breaking low interest rates, and government spending at the peak of the political cycle in a pre-election year. The mortgage market experienced dynamic growth, reaching two-digit year-on-year values. Signs of revival were already seen in corporate loans, where year-on-year growth increased mainly by the year-end. Absent inflation in the euro area, deep below the ECB inflation target, resulted in further interventions of the central bank during 2015, which decreased the deposit sterilisation rate in the second half of the year and extended and prolonged the quantitative easing programme.

Evaluation of results achieved by UniCredit Bank Czech Republic and Slovakia

UniCredit Bank Czech Republic and Slovakia achieved excellent results in 2015, surpassing the previous year's high levels and the year ended up with results markedly exceeding those of 2014.
Owing to excellent trading results and rather low risk costs, we even managed to exceed our very ambitious budget.
Despite the environment of extremely low interest rates, we managed to achieve positive year-on-year growth in interest and fee income and trading income. Nevertheless, all income components are under strong pressure that has to be compensated by growth in volumes.

The results were also driven by synergies resulting from the merger of UniCredit Bank CZ and UniCredit Bank SK and the completed integration of UniCredit Leasing.

CEE 2020 Strategic Development Programme

2015 was the year of intensive continuation of UniCredit Group's CEE 2020 programme, whose key initiatives focused on the development of new pro-growth initiatives and the creation of added value in the CEE Division. The activities in this programme are mostly focused on the improvement and transformation of business activities.

CEE 2020 Programme is comprised of the following key areas:
- Investments, supporting growth, and making use of market opportunities in the most attractive Central and Eastern Europe markets.
- Transformation of retail banking into a flexible multi-channel model, responding to clients' needs.
- Transformation of corporate banking to a less capital-intense model.
- Improving comprehensive advisory skills in serving private banking clients.
- Improving the performance of supporting units and the bank's competence lines – IT, human resources, risk management, and finance.

In 2015 we managed to successfully complete a number of initiatives, such as:
- Enhancement of the offer for the SME segment and improving the SME service model, completion of implementation of the proven service model for the SME segment in Slovakia;
- Development of the cooperation model between the bank and leasing companies in the Czech Republic and in Slovakia and the use of new instruments and processes for receivables financing;

- Improving the cross-border communication within the group in servicing multi-national clients;
- Development of comprehensive consulting skills in servicing private banking clients.

During 2015 further initiatives were added to the programme and it was transformed to the present **CEE 2020 Plus** version focused on new key areas for future development, such as improving work with "big data" and digitalization.

The Bank's activities in corporate banking

The Bank's strategic objective in corporate banking is to **confirm its position of key player in the segment of financing large international and local companies** and focus on **increasing its market share in the SME segment** (the Bank defines sales at CZK 50–250 million). In this area, Bank activities are based on the use of the existing service model, tailoring it to fit the SME segment, and making use of its know-how and skills in client orientation. These objectives are common for the markets of both countries where the Bank operates, i.e., in the Czech Republic and Slovakia.

Additionally, the Bank intends to strengthen its position in the provision of sophisticated and individual solutions for clients and to keep the leading position in property financing (development projects financing) and being the best bank for clients in cash management, foreign payments, treasury services, foreign trade or project financing, and structured and acquisition financing.

Orientation on growth is based on the full use of the potential of existing clients, the acquisition of new clients, and expansion of cooperation within UniCredit Bank on markets of both countries. Besides better coverage of the territory through our network of branches, the source for acquisition of new clients is also in reaching critical mass in a number of smaller regions, which allows the Bank to allocate human resources more efficiently.

After the acquisition of the prior year, we successfully completed the full integration of **UniCredit Leasing** in the Czech Republic and in Slovakia in 2015, which allowed us to make full use of the synergies and to provide all clients with lease products in accordance with their business needs. For UniCredit Leasing the completed integration means an important strengthening of business potential and, last but not least, broader access to financing sources, which is beneficial for both existing and the potential clients in both markets.

In 2015 the Bank completed the acquisition of the company Transfinance, a.s., the core business of which included the financing, collection, and securing of short-term accounts receivable of clients from multiple branches of the industrial sector. Through the acquisition, UniCredit Bank aimed primarily at further expanding its product range by adding factoring to its corporate banking services, with the main focus on small and medium enterprises. In the course of the year, the factoring company has been integrated in the Bank's structures and renamed to **UniCredit Factoring** Czech Republic and Slovakia, a.s.

In 2015 in the corporate banking segment:
- The Bank won more than 3,000 new clients.
- The number of clients grew in all key segments, both in the Czech Republic and in Slovakia.
- The volumes of loans experienced a year-on-year increase, nevertheless, the margin remains under strong pressure, inter alia, owing to the environment of extremely low interest rates;
- The amount of deposits increased in all corporate banking segments exceeding CZK 30 billion in total amount.
- The Bank confirmed its leading position on the market in Large Corporates, Structured Financing, Financial Institutions, and Real Estate segments.
- In 2015 the Bank received a number of prestigious awards, e.g., Best Trade Finance Bank in the Czech Republic and Slovakia by EMEA Finance, or Best Cash Management from among banks in the Czech Republic, or Best Bank in the Property Financing Sector by Euromoney.

The Bank's Retail and Private Banking Activities

The Bank's strategic objective is to strengthen its position as a universal provider of banking and financial services with a leading position on both markets. Through the strong orientation on retail clients in selected market segments, we aim to significantly increase our market share in the following three years.

On the retail market, the Bank provides a full scope of banking products – current and savings accounts, savings and investment products, payment cards, housing financing products, and consumer loans.

The focus on growth is based mainly on the full use of the potential of existing clients, including the acquisition of new clients from target segments and making use of synergies in our business and operating area.

In 2015 the number of the Bank's clients grew further; 98 thousand new clients started to use the modern banking services and products provided by UniCredit Bank.

Despite the growing pressure of competition, the Bank managed to increase the amount of provided retail loans; year-on-year growth was 14%, and clients made 11% more deposits with the bank.

In the private banking segment, the Bank managed to attract more than 500 new clients and to increase the amount of assets managed by the bank by CZK 1.25 billion.
The areas where the Bank built on experience from recent success included mainly service to religious institutions and freelance clients in the Czech Republic, agriculture in the Slovak Republic, and the traditionally high quality of client service in private banking. UniCredit Bank also ranked among leaders in innovation in mobile and internet banking, and in the management of distribution channels; the Bank intends to further strengthen this position systematically.

The Bank's Activities in Supporting Units

Risk Management

In risk management the emphasis is on a consistent separation of conflicting positions in the organisation structure of the bank. The credit strategies, tools, and processes of the merged bank are chosen to comply, as much as possible, with the business strategy, and to reflect the best level of knowledge concerning management of the risks faced.

In credit risk management, the Bank implemented the Advanced IRB access application (based on approval from the Czech National Bank) a thus, presently the Bank uses own estimates of all risk parameters. This change has also brought a considerable drop in risk-weighted assets (RWA) in the amount of almost CZK 10 billion, as the basis for more efficient and less capital-intense growth in loans in the future

Based on regulatory approval, since 2008 the Bank has applied an enhanced approach to the calculation of operational risk capital requirements (AMA). The Bank did not suffer any significant operational risk losses in 2015.

In market risk management, the Bank manages risks related to business activities on the level of individual risks and individual financial instruments. The basic instruments are the limits for transaction amounts, portfolio sensitivity limits (BPV), stop loss limits, and Value at Risk (VaR) limits. In 2015 no such significant events occurred which would lead to reassessment of the existing strategy or reset of the valid limits.

Back-Office Services

The Group strategy involves the outsourcing of back office services to fellow subsidiary UBIS, which is a member of the UniCredit Group. The Bank prefers a balanced approach in this area, i.e. cost savings owing to specialisation and the scope of services resulting from the merger of certain positions, accompanied by the retained availability of services in both languages to avoid a negative impact on the quality of services provided to clients. Critical factors for the effective operation of all distribution networks include the ongoing optimisation of banking processes, the utmost simplification and centralisation of administrative activities, and automated data entry. At the same time, this centralisation and specialisation leads to better control over compliance with regulatory requirements regarding contractual arrangements and the quality of document processing between the Bank and its clients.

In 2015 the Bank continued its target **consolidation** project for its **IT environment** in the Czech Republic and Slovakia. The key principles are substantial upgrading and implementation of new functionalities in the present Slovak part as well as the target migration to that environment, with a scheduled deadline in the first quarter of 2017. The common IT environment will result in a substantial reduction in IT operating costs, more effective implementation of changes in the future, and further consolidation and optimisation of processes. The common IT platform will be the basis for the digitalization and strengthening of on-line communication with the Bank's clients, including on-line offers of the Bank's services and products.

Assets and Liabilities Management

In 2015 the Bank achieved a very strong liquidity position in CZK and a well-balanced liquidity position in EUR. The total amount of client loans approximately equalled the total amount of client deposits. This was another year when the liquidity surplus in UniCredit Bank Czech Republic was used to finance subsidiaries and the Slovak branch. The Bank's presence in Slovakia enables us access to cheap financing from the European Central Bank under the LTRO program. The improved effectiveness of liquidity management in the merged bank and the centralisation of the treasury function bring further cost synergies, better use of capital funds, and encourage the growth of business activities along with lower dependence on UniCredit Group financing.

In 2015 UCB CZSK managed to sell EUR 250 million worth of 5-year covered bonds under its international covered bonds program, which significantly contributed to the diversification of its foreign currency sources of long-term financing. The positive developments in liquidity are reflected in high levels of regulatory short-term liquidity indicators (LCR) and the Loan-to Local Stable Funding (LLSFR) ratio.

Human Resources

The key success factor for a business strategy is to achieve a high quality of services and consulting activities. In implementation of the bank business strategy, the key role is played not only by the bank staff being in direct contact with clients, but also by back-office staff whose activities have a significant impact on the quality of services and thus also satisfaction and loyalty of clients, and, consequently, total business results.
Therefore, the Bank pays maximum attention to the selection, education, and development of its employees both in professional knowledge and communication skills as well as overall corporate culture profiling so that it results in the improvement of the personal

integrity of all employees. The effectiveness of this approach was confirmed by the Top Employer 2014 certification awarded to the Bank.

Human resources also play a key role in the implementation of bank strategy, in risk management, and in ensuring the long-term and sustainable growth of the company. A strong and comprehensive HR strategy and consistent corporate culture are the key drivers to achieving good results in the long run.

That is why key priorities in HR management are focused on the harmonization of HR activities and business strategies. To put it more specifically, these are the search for and development of talents, leadership, career and succession planning, motivation and bonus schemes, diversity, and commitment.

We adopted the Leadership Development Program in 2015, involving the first two levels of managers below the Board of Directors level, aimed at further improving their leadership skills and creating a uniform, stronger corporate culture and common language used across the organization. Additionally, development activities have been launched in technical, business, and communication skills to support our employees in meeting their objectives.

In the wages and bonus scheme, we adopted standards encouraging both higher performance but also behaviour directed towards a well-balanced approach to risk management in the long run.

Social Responsibility

Sustainability

Sustainability is UniCredit's everyday commitment.
We believe that sustainable banking requires making our everyday decisions and defining our long-term strategy with economic, social, and environmental responsibility. We strive to achieve comprehensive solutions, beneficial for all stakeholders in the long run.

Anti-Corruption Rules

UniCredit Bank applies the rule of zero tolerance to corruption. The Bank will not tolerate the involvement of its employees or third parties with any relationship to the Bank in any corruption activities (whether direct or indirect).

Sponsoring and charity

UniCredit Bank's sponsoring activities are focused mainly on the arts, cultural heritage, and sports. The Bank maintains long-term cooperation with a number of art institutions and projects. The Bank also participates in a number of charity projects and projects supporting financial literacy. This was the second year that the Bank, in cooperation with the UniCredit Group Foundation, supported social business, combining everyday business with charitable activities.

Financial Results of UniCredit Bank Czech Republic and Slovakia for 2015 (Consolidated, IFRS)

The profit after tax of UniCredit Bank Czech Republic and Slovakia Group went up by 14.8% on a year-on-year basis, from CZK 4,911 million as of 31 December 2014 to CZK 5,640 million as at 31 December 2015. The results show that the Group's strategy, based on a substantial extension of the client base, innovations in retail product offer, an excellent approach to clients, and provision of know-how in corporate banking, is the right direction towards sustainable growth.

Statement of Comprehensive Income

Compared to the closing balance of 2014, **net interest income** increased by 1.9% to CZK 10,235 million (CZK 10,049 million as at 31 December 2014). The Group managed to maintain a net interest income growth rate in an environment of persisting low interest rates. The growth reflects the expansion of the client base and higher amount of transactions on both markets where the Group operates. As at the end of 2015, **net income from fees** and commissions amounted to CZK 3,843 million (31 December 2014: CZK 3,557 million), which is an 8.7% increase. The result was driven by the increasing number of transactions and the growth of the client base. The Group also strengthened in **trading**: the trading profit grew by 17.5% from CZK 1,621 million as of 31 December 2014 to CZK 1,905 million as at 31 December 2015. The Group achieved excellent results in trading on the financial markets thanks to the development in interest rates and risk premiums and trading on the foreign exchange market.

Operating costs reached CZK 15,984 million, thus increasing by 5.2% compared to CZK 15,187 million as of 31 December 2014, which reflects the dynamic growth in the client base, higher amounts of transactions, and the above-described effects.

Administrative expenses were recognised in the amount of CZK 7,507 million (31 December 2014: CZK 7,170 million), which is a growth of 4.7%. The growth in expenses is in line with the Group's growing business activities.

Losses incurred owing to impairment of loans and receivables dropped on a year-on-year basis by 35.6% (from CZK 2,236 million as at 31 December 2014 to CZK 1,441 million as at 31 December 2015). This trend shows the Group's ongoing responsible approach to the management of risk costs.

Depreciation and impairment losses on tangible assets increased from CZK 355 million as of 31 December 2014 to CZK 680 million as at 31 December 2015. The value recognised in 2014 was affected by a one-off reversal of the impairment loss on buildings in the amount of CZK 250 million.

Statement of Financial Position

Assets

As at 31 December 2015, the Group's **total assets** amounted to CZK 570 billion, which is a growth of 12.1% compared to the 2014 closing balance, when total assets amounted to CZK 509 billion.

Compared to the 2014 closing balance, the **financial assets** at fair value through profit or loss dropped by 26.3% from CZK 13 billion to CZK 9.5 billion.

Available-for-sale securities dropped by 6.4% to reach CZK 83 billion (the year-end closing balance was CZK 88 billion). This portfolio holds mostly government bonds, covering 72% of this item.

Receivables from clients increased by 3.5% to reach CZK 352 billion compared to the 2014 closing balance (CZK 340 billion).
In the **retail segment**, the growth was seen mainly in mortgage loans, driven by the record-breaking interest rates, and consumer loans (14.2% year-on-year growth). The retail segment strengthened thanks to the simplified product offer and innovations, in particular thanks to the revolutionary U-Account (U-Konto) with a 10-year guarantee of terms and free withdrawals from any ATM, both locally and anywhere in the world. Again, there was an increase in the number of clients, the U-Account (U-Konto) alone attracted more than 240 thousand clients to the Bank.

In the **corporate segment**, the Group recognised considerable growth in the loans provided to small and medium-sized enterprises (17.3% year-on-year growth) and in lending provided to large corporations. Strengthening in corporate lending is owing to the synergies between the Bank, the leasing companies, and factoring. The Bank is further focused on structured financing, and the Group was involved in a number of transactions both in the Czech Republic and in Slovakia.

The **leasing companies** strengthened brand vehicle financing, credit financing in the area of corporate loans, and operating leasing for businesses and private individuals. Loans provided to clients of leasing companies saw an 8.9% year-on-year growth. In 2015 the financed value increased by 33% compared to 2015. Strong year-on-year growth was seen in all key commodities: for machinery and equipment total financed value increased by 49.6% and for vehicles below 3.5 tonnes and vehicles above 3.5 tonnes, the growth rate was equally 29%.

Compared to the closing balance as at 31 December 2014, **receivables from banks** increased by 118.5% (CZK 107 billion as at 31 December 2015 compared to CZK 49 billion as at 31 December 2014), mainly owing to the increase in receivables from reverse repo deals.

The Group decided to sell some of their own buildings and in the course of 2015 the buildings were reclassified from tangible assets to non-current assets held for sale. As at the end of 2015, the value of the assets amounted to CZK 23 million. Sale of the building is scheduled for 2016.

The increase in the value of intangible assets from CZK 97 million as of 31 December 2014 to CZK 792 million as at the end of 2015 is owing to the implementation of the common architecture of IT systems used by the Czech headquarters and the Slovak branch, which is to be the final step of the merger of the two banks started in 2013. The common architecture will make it possible to reduce expenses for investments and maintenance.

Liabilities

As at the end of 2015, **liabilities to banks** increased by 9.1%.

Compared to the 2014 closing balance, **client deposits** increased by 10.8% to reach CZK 364 billion (31 December 2014: CZK 329 billion). The increase was driven mainly by deposits on current accounts and, again, refers to the strengthening of the client base.

During the first half of 2015 the Bank successfully continued in issuing mortgage bonds and since the end of 2014, **issued securities** increased by 37.5% to reach CZK 65 billion (31 December 2014: CZK 47 billion).

Equity

As at 31 December 2015, the Group's equity amounted to CZK 61.5 billion, which means a year-on-year growth of 5.3% (31 December 2014: CZK 58 billion).

In 2015 the Group paid dividends totalling CZK 2.2 billion (2014: CZK 1.6 billion).

The consolidated capital adequacy as at 31 December 2015 reached 14.6% (compared to 14.35% as of 31 December 2014).

Note:
All figures stated above are consolidated, and compiled in accordance with IFRS EU. *The 2015 consolidated net profit of UniCredit Bank Czech Republic and Slovakia, a.s., includes the profit/loss of UniCredit Bank in the Czech Republic and in Slovakia, including the profit/loss of UniCredit Factoring Czech Republic and Slovakia, a.s., UniCredit Leasing CZ, a.s., and UniCredit Leasing Slovakia, a.s., and their subsidiaries.*

Statement of the persons responsible for the annual report

To the best of our knowledge, this Annual Report gives a true and fair view of the financial situation, business activities and results of operations of the Bank and the Bank's consolidation group for 2015 and of the outlook of future development of financial situation, business activities and results of operations of the Bank and the Bank's consolidation group.

In Prague on 20 April 2016

Ing. Jiří Kunert
Chairman of the Board of Directors

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

Report of the Supervisory Board

The Supervisory Board of UniCredit Bank Czech Republic and Slovakia, a.s., supervised the implementation of the Bank's business policy and exercise of powers of the Board of Directors in accordance with Czech legislation, regulations of the Czech National Bank and the Bank's Statutes. The Supervisory Board held five sessions and obtained information from all areas of the Bank's operation having a relevant impact on the Bank's financial position and the Bank's management. The Board supervised how the Board of Directors exercised its powers, reviewed the Bank's accounting records and other financial records, examined the effectiveness of the management and control system and assessed it on a regular basis.

After examination of the separate and the consolidated financial statements of UniCredit Bank for the period from 1 January to 31 December 2015, and the financial statements of the Bank's Slovak branch, the Supervisory Board for the aforementioned period concluded that the financial statements and the records have been maintained in a verifiable manner and in compliance with generally binding regulations governing accounting of banks. The accounting records give a true and fair view of the financial situation of UniCredit Bank, in all material respects, and the financial statements prepared based on those accounting records give a true and fair view of assets, liabilities and financial situation of UniCredit Bank and the Group. The Supervisory Board recommends that the General Meeting approve the separate and the consolidated financial statements, and the financial statements of the Bank's Slovak branch and the draft distribution of profit for 2015 as prepared by the Board of Directors. The Supervisory Board examined the Report on relations between the controlling and the controlled entity and the relations between the controlled entity and other entities under the same control, as it has been prepared by the Board of Directors of UniCredit Bank and submitted to the Supervisory Board. The Supervisory Board does not have any factual objections to the Report and recommends it for approval by the General Meeting.

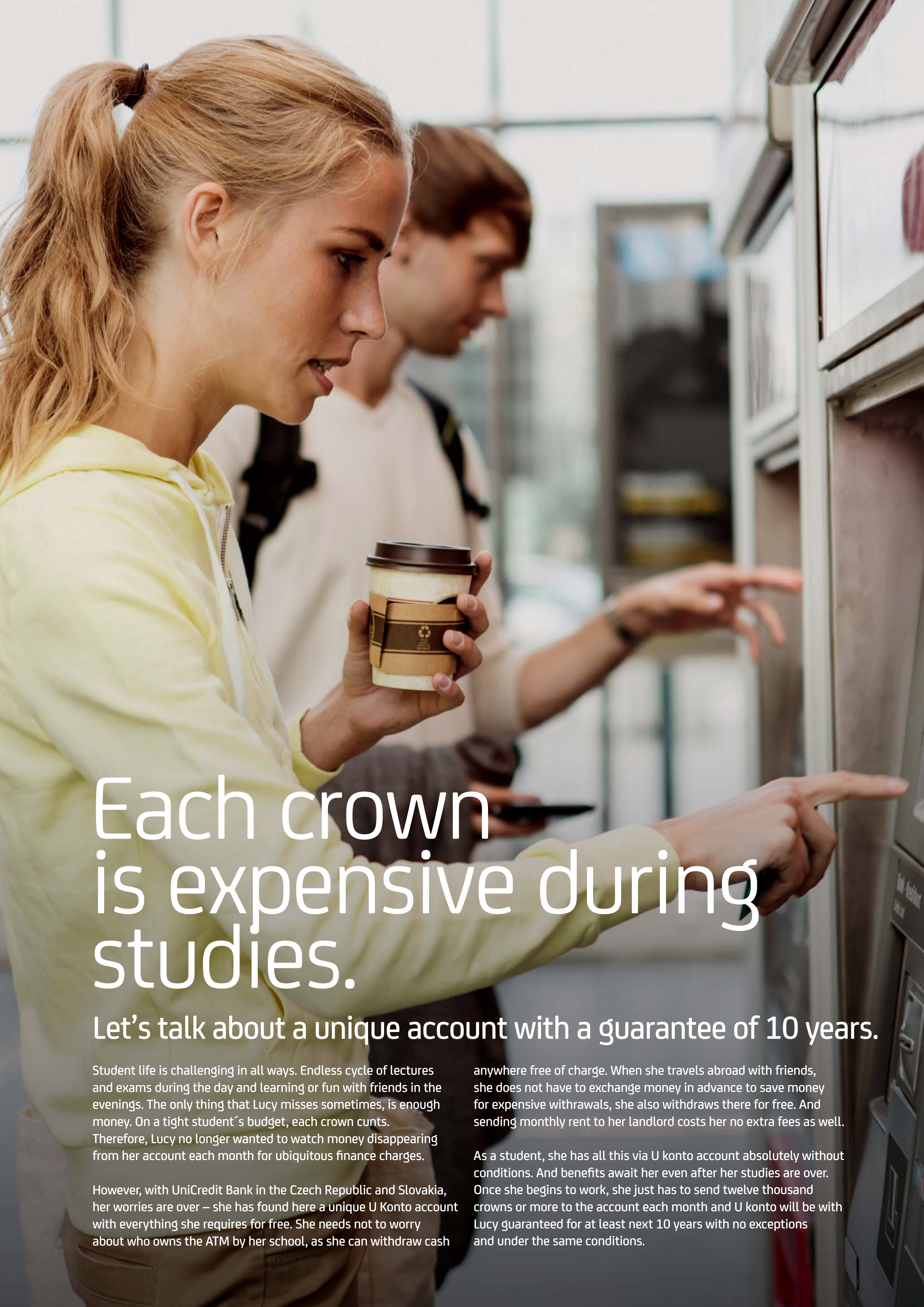
April 2016

Basis for calculating the contribution to the Guarantee Fund

in line with Section 129 of Act No. 256/2004 Coll. on Capital Market Undertakings

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

As at 31 December 2015, the basis for calculating the contribution to the Guarantee Fund was CZK 633,911,162.83. The contribution to the Guarantee Fund is 2% of this amount, i.e., CZK 12,678,223.24.



Each crown is expensive during studies.

Let’s talk about a unique account with a guarantee of 10 years.

Student life is challenging in all ways. Endless cycle of lectures and exams during the day and learning or fun with friends in the evenings. The only thing that Lucy misses sometimes, is enough money. On a tight student´s budget, each crown cunts. Therefore, Lucy no longer wanted to watch money disappearing from her account each month for ubiquitous finance charges.

However, with UniCredit Bank in the Czech Republic and Slovakia, her worries are over – she has found here a unique U Konto account with everything she requires for free. She needs not to worry about who owns the ATM by her school, as she can withdraw cash anywhere free of charge. When she travels abroad with friends, she does not have to exchange money in advance to save money for expensive withdrawals, she also withdraws there for free. And sending monthly rent to her landlord costs her no extra fees as well.

As a student, she has all this via U konto account absolutely without conditions. And benefits await her even after her studies are over. Once she begins to work, she just has to send twelve thousand crowns or more to the account each month and U konto will be with Lucy guaranteed for at least next 10 years with no exceptions and under the same conditions.

Consolidated financial statements

Consolidated statement of comprehensive income

	Note	2015 MCZK	2014 MCZK
Interest income and similar income	5	12 748	13 232
Interest expense and similar charges	5	(2 513)	(3 183)
Net interest income and similar income		**10 235**	**10 049**
Fee and commission income	6	5 060	4 703
Fee and commission expenses	6	(1 217)	(1 146)
Net fee and commission income		**3 843**	**3 557**
Dividend income	7	2	1
Net income/loss from financial assets and liabilities held for trading	8	1 905	1 621
Net income/loss from hedging against risk of changes in fair value	9	(9)	(15)
Net income/loss from the sale of financial assets and liabilities	10	9	(18)
Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading	11	(1)	(8)
Operating income		**15 984**	**15 187**
Impairment losses on financial assets and off-balance sheet items	12	(1 441)	(2 236)
Administrative expenses	13	(7 507)	(7 170)
Creation and release of provisions		16	(81)
Depreciation and impairment of property and equipment		(680)	(355)
Amortisation and impairment of intangible assets		(35)	(22)
Other operating income and expenses	14	665	635
Operating expenses		**(7 541)**	**(6 993)**
Profit/loss from investments in associates		59	71
Profit/loss from the sale of non-financial assets		3	1
Profit before income tax		**7 064**	**6 030**
Income tax	32	(1 424)	(1 119)
Net profit		**5 640**	**4 911**
Net profit attributable to the Group's shareholders		5 638	4 908
Net profit attributable to minority shareholders		2	3
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Reserve from revaluation of hedging instruments:		(367)	1 310
Changes in net fair values of derivatives in cash flow hedges		(357)	1 068
Net fair value of derivatives in cash flow hedges transferred to profit or loss		(10)	242
Reserve from revaluation of available-for-sale securities		510	1 271
Change in revaluation of available-for-sale securities		621	1 211
Revaluation of available-for-sale securities transferred to profit or loss		(111)	60
Foreign exchange rate gains from the consolidation of a foreign branch		(334)	141
Other comprehensive income after tax		**(191)**	**2 722**
Other comprehensive income attributable to the Group's shareholders		(191)	2 720
Other comprehensive income attributable to minority shareholders		–	2
Total comprehensive income		**5 449**	**7 633**
Total comprehensive income attributable to the Group's shareholders		5 447	7 628
Total comprehensive income attributable to the minority shareholders		2	5

The notes on pages 31–79 form a part of these financial statements.

Consolidated statement of financial position

	Note	31 Dec 2015 MCZK	31 Dec 2014 MCZK
ASSETS			
Cash in hand and cash balances	15	4 445	4 135
Financial assets at fair value through profit or loss including		9 567	12 979
– held for trading	16	8 028	11 707
– not held for trading	16	1 539	1 272
Available-for-sale securities	17	82 649	88 345
Securities held to maturity	18	186	191
Receivables from banks	19	106 611	48 782
Receivables from clients	20	351 541	339 510
Positive fair value of hedging derivatives	22	4 907	5 423
Equity investments in associates	21	401	542
Property and equipment	23	5 116	4 682
Intangible assets	24	792	97
Tax receivables, including:		1 048	1 102
– current income tax	33	182	115
– deferred tax	33	866	987
Non-current assets held for sale		23	0
Other assets	25	2 998	2 828
Total assets		**570 284**	**508 616**
LIABILITIES			
Deposits from banks	26	59 702	54 742
Deposits from clients	27	363 989	328 585
Debt securities issued	28	65 019	47 285
Financial liabilities held for trading	29	7 036	7 552
Negative fair value of hedging derivatives	30	3 144	3 445
Tax liabilities, including:		1 995	1 735
– current income tax	33	721	393
– deferred tax	33	1 274	1 342
Other liabilities	31	6 657	5 549
Provisions	32	1 236	1 313
Total liabilities		**508 778**	**450 206**
EQUITY			
Issued capital	34	8 755	8 755
Share premium	34	3 495	3 495
Reserve funds from revaluation of financial instruments		5 444	5 635
Retained earnings, reserve funds and other capital funds	36	38 172	35 614
Profit for the period		5 640	4 911
Total shareholder's equity		**61 506**	**58 410**
Total liabilities and shareholder's equity		**570 284**	**508 616**

The notes on pages 31–79 form a part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2015

	2015 MCZK	2014 MCZK
Net profit for the period	**5 640**	**4 911**
Adjustments for non-cash items		
Impairment of loans and receivables and financial investments	1 441	2 236
Revaluation of securities and derivatives	(357)	725
Creation and release of other provisions	(16)	25
Depreciation and amortisation of property and equipment, and intangible assets	715	377
Profit (loss) from property and equipment and intangible assets sold	(3)	(1)
Taxes	1 424	1 119
Other non-monetary changes	677	(115)
Operating profit before change in operating assets and liabilities	**9 521**	**9 277**
Financial assets and liabilities held for trading	3 559	(1 361)
Receivables from banks	(57 851)	23 163
Loans and receivables from clients	(14 067)	(19 297)
Other assets	(170)	(480)
Deposits from banks	4 963	(24 125)
Deposits from clients	35 508	22 189
Other liabilities	1 017	(20)
Income tax paid	(1 169)	(700)
Net cash flows from operating activities	**(18 689)**	**8 646**
Changes in securities available for sale and other financial investments	5 835	(6 594)
Acquisition of a subsidiary	(57)	(3 645)
Gains from the sale of property and equipment and intangible assets	18	315
Acquisition of property and equipment and intangible assets	(2 557)	(1 390)
Dividends received	2	107
Net cash flows from investment activities	**3 241**	**(11 207)**
Dividends paid	(2 181)	(1 585)
Debt securities issued	17 939	4 312
Net cash flows from financial activities	**15 758**	**2 727**
Cash and other highly liquid funds at the start of the period	**4 135**	**3 969**
Addition arising from the merger	–	–
Net cash flows from operating activities	(18 689)	8 646
Net cash flows from investment activities	3 241	(11 207)
Net cash flows from financial activities	15 758	2 727
Cash and other highly liquid funds at the end of the period	**4 445**	**4 135**
Interest received	12 638	12 904
Interest paid	(2 825)	(3 599)

The notes on pages 31–79 form a part of these financial statements.

Consolidated statement of changes in equity

MCZK	Issued capital	Share premium	Reserve from revaluation: hedging instruments	Reserve from revaluation: securities available for sale	Exchange rate gains or losses of a foreign branch	Retained earnings, reserve funds and other capital funds: Reserve fund and other cap. f.	Special-purpose reserve f.	FX differences from consolidat.	Retained earnings	Profit for the period	Equity
Balance as at 31 December 2013	**8 755**	**3 495**	**850**	**1 416**	**685**	**3 214**	**11 611**	**–**	**17 551**	**3 170**	**50 747**
Transactions with owners, contributions from and distributions to owners											
Allocation of the 2013 profit						158			3 012	(3 170)	–
Dividend payment									(1 585)		(1 585)
Consolidation impact			(38)			1 647		6			1 615
Total comprehensive income for the period											
Net profit for 2014										4 911	4 911
Other comprehensive income											
Change in revaluation of available-for-sale securities											
Change in revaluation of available-for-sale securities reported in other comprehensive income				1 475							1 475
Revaluation of available-for-sale securities transferred to profit or loss				75							75
Deferred tax				(279)							(279)
Changes in net fair values of derivatives in cash flow hedges											
Changes in net fair values of derivatives in cash flow hedges reported in other comprehensive income			1 327								1 327
Net fair value of derivatives in cash flow hedges transferred to profit or loss			289								289
Deferred tax			(306)								(306)
Foreign exchange rate gains or losses from the consolidation of a foreign branch					141						141
Total comprehensive income for the period			**1 310**	**1 271**	**141**						**2 722**
Balance as at 31 December 2014	**8 755**	**3 495**	**2 122**	**2 687**	**826**	**5 019**	**11 611**	**6**	**18 978**	**4 911**	**58 410**
Transactions with owners, contributions from and distributions to owners											
Allocation of the 2014 profit						171			4 740	(4 911)	–
Dividend payment									(2 181)		(2 181)
Consolidation impact								(8)	(164)		(172)
Total comprehensive income for the period											
Net profit for 2015										5 640	5 640
Other comprehensive income											
Change in revaluation of available-for-sale securities											
Change in revaluation of available-for-sale securities reported in other comprehensive income				765							765
Revaluation of available-for-sale securities transferred to profit or loss				(137)							(137)
Deferred tax				(117)							(117)
Changes in net fair values of derivatives in cash flow hedges											
Changes in net fair values of derivatives in cash flow hedges reported in other comprehensive income			(443)								(443)
Net fair value of derivatives in cash flow hedges transferred to profit or loss			(15)								(15)
Deferred tax			90								90
Foreign exchange rate gains or losses from the consolidation of a foreign branch					(334)						(334)
Total comprehensive income for the period			**(368)**	**511**	**(334)**						**(191)**
Balance as at 31 December 2015	**8 755**	**3 495**	**1 754**	**3 198**	**492**	**5 190**	**11 611**	**(2)**	**21 373**	**5 640**	**61 506**

The notes on pages 31–79 form a part of these financial statements.

Notes to the financial statements (consolidated)

year ended 31 December 2015

1. Introduction

UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter the "Bank") was established through the cross-border merger of UniCredit Bank Czech Republic, a.s. and UniCredit Bank Slovakia a.s. with UniCredit Bank Czech Republic, a.s. being the successor company. The effective merger date was 1 July 2013. UniCredit Bank Czech Republic, a.s. was established through the merger by amalgamation of HVB Bank Czech Republic a.s. and Živnostenská banka, a.s. as of 1 October 2006. All rights and obligations of the dissolved company, Živnostenská banka, a.s., were transferred to the successor, HVB Bank Czech Republic a.s. In 2008, the Bank assumed the net assets of HVB Reality CZ, s.r.o. In 2009, the Bank prepared a project of its merger with UniCredit Factoring, s.r.o. UniCredit Factoring, s.r.o. was the dissolved company and the Bank was the successor company. In 2012, the Bank prepared a project of its merger by amalgamation with UniCredit CAIB Czech Republic a.s. This company was the dissolved company and the Bank became the successor company. Changes in the business name and other facts related to the cross-border merger were recorded in the Commercial Register in Prague, Section B, Insert 3608 on 1 December 2013. The Bank's principal shareholder, holding 99.96% of shares, is UniCredit Bank Austria AG, Vienna. The parent company of the entire UniCredit Group is UniCredit S.p.A, Milan.

The Bank's registered office:
Želetavská 1525/1, 140 92, Praha 4 – Michle

Following the completion of the cross-border merger, the Bank has been continuing to perform activities previously undertaken by UniCredit Bank Slovakia a.s. on the territory of the Slovak Republic through its organisational branch UniCredit Bank Czech Republic and Slovakia, a.s., pobočka zahraničnej banky (branch of a foreign bank). The cross-border merger was made with the objective of creating a stronger entity capable of managing business activities both in the Czech and Slovak markets that will bring significant advantages to the UniCredit Group since the merger gave rise to an entity that is able to more efficiently and effectively serve clients and achieve greater returns in the context of the anticipated cost savings and dynamic growth of business in both countries. The integration enabled to benefit from synergistic effects in terms of costs and income while achieving a more balanced capital structure and optimised liquidity management. In addition, the UniCredit Group had the opportunity to reduce the complexity of its organisational structure and the level of management efforts as a result of establishing one local management team overseeing both markets.
The Bank increased its share capital for the purposes of the merger. A number of minority shareholders of UniCredit Bank Slovakia a.s. exercised their right to sell the shares of the dissolving bank, other minority shareholders utilised the right to exchange the shares for newly issued shares of the Bank. The successor bank took over the capital of the dissolving bank of MCZK 11,611 and allocated it to the special-purpose reserve fund in EUR that can be used only to offset losses.
The Bank is a universal bank providing services of retail, commercial and investment banking services in Czech crowns and foreign currencies for domestic and foreign clients, mainly in the Czech Republic and also in other states of the European Union.

The Bank's principal activities include:
- Receiving deposits from the public;
- Providing loans;
- Investing in securities on its own behalf;
- Operating a system of payments and clearing;
- Issuing and administration of payment products;
- Providing guarantees;
- Opening letters of credit;
- Administering cash collection;
- Trading on its own behalf or on behalf of clients:
  1. In foreign-exchange currency products;
  2. In forward and contract options, including foreign currency and interest rate contracts; and
  3. With transferable securities;
- Participating in share subscriptions and providing related services;
- Issuing mortgage bonds;
- Conducting financial brokerage;
- Managing securities, including portfolio management, on behalf of clients;
- Providing depository services and administration of securities;
- Providing depository services for investment funds;
- Conducting foreign currency exchange activities;
- Providing banking information;
- Renting safe-deposit boxes; and
- Conducting activities directly connected with the activities stated above.

Through its subsidiaries and an associate, the Bank additionally provides the following types of services:
- Lease and instalment sale of machinery and equipment;
- Lease to own (lease purchase);
- Lease of cars and instalment sale of cars;
- Consumer and commercial loans granted for the purchase of cars, machinery and equipment;
- Mediation of services and sales;
- Mediation of insurance policies conclusion;
- Purchase, sale and lease of real estate;
- Real estate activities;
- Real estate administration and maintenance; and
- Operational financing by way of factoring local and foreign receivables.

2. Basis for the preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
Certain subsidiaries maintain their accounts under Czech Accounting Standards and the Group makes reclassifications and adjustments to figures under IFRS.
These financial statements were prepared based on the going concern assumption.
All presented amounts are in millions Czech crowns (CZK million) unless stated otherwise.
The financial statements were prepared on the fair value principle for financial derivatives, financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets, except for those whose fair value measurement cannot be reliably determined. The methods for determining fair value are presented in Note 3(b)(v). Recognised assets and liabilities that are hedged against the risk of changes in fair value are stated at fair value by virtue of hedged risk. Other financial assets and liabilities and non-financial assets and liabilities are measured at amortised cost or at historical cost.

(a) Consolidation

These financial statements are consolidated financial statements and include the parent company and its subsidiaries (the "Group"). The Bank's ultimate owner is UniCredit S.p.A, Milan, which consolidates the entire group in accordance with International Financial Reporting Standards as adopted by the European Union.
On 14 February 2014, the Bank signed a contract for the purchase of the 100% equity investment in UniCredit Leasing CZ, a.s. of MCZK 3,211 and a 71.3% equity investment in UniCredit Leasing Slovakia, a.s. with the cost of MEUR 16. Principal activities of both entities include leases and instalment sale. The contracts were signed between the Bank and UniCredit Leasing SpA.; these are transactions under common control. At the same time, both lease companies purchased Czech and Slovak real estate project companies from their original owner UniCredit Leasing SpA, these are also transactions under common control. Both entities were sold within the UniCredit Group due to the reorganisation of the equity investments in the UniCredit Group in order to create a strong financial group on local markets with a stronger sales potential.
The Bank subsequently transferred a 91.2% equity investment in UniCredit Leasing Slovakia, a.s. (the purchased equity investment of 71.3% and the equity investment of 19.9% that was held by the Bank already at the end of 2013 and reported as part of 'Available-for-sale securities') as a non-cash investment in the share capital of UniCredit Leasing CZ, a.s. and the investment of the Bank in UniCredit Leasing CZ, a.s. consequently increased by MCZK 570 on 18 April 2014.
As part of the purchase of real estate project companies, UniCredit Leasing CZ, a.s. acquired CA-Leasing Praha s.r.o. and CAC IMMO, s.r.o. that were merged with HVB Leasing Czech Republic s.r.o. on 1 November 2014.
On 8 October 2014, UniCredit Leasing Insurance Services, s.r.o. was established, which is fully owned by UniCredit Leasing Slovakia, a.s. The company's principal business activity is mediation of services.
UniCredit Leasing Real Estate s.r.o., which was acquired by UniCredit Leasing Slovakia, a.s. as part of the purchase of real estate project companies, merged with UniCredit Leasing Slovakia, a.s. on 8 January 2015.
On 20 January 2015, the acquisition of the 100% equity investment in Transfinance, a.s. was completed. The entity was acquired from an owner outside the UniCredit Group and the investment amounted to MCZK 198. The principal activities of the acquired entity include the financing, collection and securing of short-term receivables of clients from various industry segments. The objective of this acquisition for the Bank primarily involves further extending the range of products and services of corporate banking to include factoring that is intended primarily for small and medium sized companies.
The name of the acquired entity changed to UniCredit Factoring Czech Republic and Slovakia, a.s. in May 2015.
CAC Real Estate, s.r.o. owned by UniCredit Leasing CZ, a.s. was sold outside the UniCredit Group in June 2015.

As of 31 December 2015, the consolidation group includes the following entities:

Name of the entity	Business activities	Registered office	Owner percentage	Ownership method	Consolidation
UniCredit Factoring Czech Republic and Slovakia, a.s.	Factoring	Prague	UniCredit Bank Czech Republic and Slovakia, a.s.	100%	Full
UniCredit Leasing CZ, a.s.	Leases	Prague	UniCredit Bank Czech Republic and Slovakia, a.s.	100%	Full
UniCredit Fleet Management s.r.o.	Lease of motor vehicles	Prague	UniCredit Leasing CZ, a.s.	100%	Full
UniCredit pojišťovací makléřská spol. s r.o.	Mediation of services	Prague	UniCredit Leasing CZ, a.s.	100%	Full
RCI Financial Services, s.r.o.	Financing of motor vehicles	Prague	UniCredit Leasing CZ, a.s.	50%	Equity
ALLIB Leasing s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
BACA Leasing Alfa s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
BACA Leasing Gama s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
CA-Leasing EURO, s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
CA-Leasing OVUS s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
HVB Leasing Czech Republic s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
INPROX Chomutov, s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
INPROX Kladno, s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
UniCredit Leasing Slovakia, a.s.	Leases	Bratislava	UniCredit Leasing CZ, a.s.	100%	Full
UniCredit Fleet Management s.r.o.	Lease of motor vehicles	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full
UniCredit Broker, s.r.o.	Mediation of services	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full
INPROX Poprad, spol. s r.o.	Real estate project company	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full
INPROX SR I., spol. s r.o.	Real estate project company	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full
UniCredit Leasing Insurance Services, s.r.o.	Mediation of services	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full

RCI Financial Services, s.r.o. is an associate that is consolidated using the equity method of accounting. The Group holds 49.9% of voting rights in this entity and does not exercise control over this entity.

3. Significant accounting policies

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

(a) Foreign Currency and Foreign Currency Translation

The Czech crown is the functional currency of the Bank and the entities based in the Czech Republic. Euro is the functional currency of the Slovak branch and the entities based in the Slovak Republic. The presentation currency of these financial statements is the Czech crown. Assets and liabilities of the branch are translated into the presentation currency using the foreign exchange rate applicable as of the financial statements date. The profit or loss of the branch is translated using the average exchange rate. The resulting difference arising from the use of various foreign exchange rates is recognised in equity as "Foreign exchange rate gains or losses from the branch". Figures in brackets represent negative amounts.

Transactions in foreign currencies (i.e. other than functional currency) are translated to the functional currency using the foreign exchange rate promulgated by the central bank and ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss as "Net income/loss from financial assets and liabilities held for trading".

(b) Financial Assets and Financial Liabilities

(i) Classification

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

Trading financial assets and financial liabilities are held by the Group principally for the purpose of short-term profit taking. These include investments in debt instruments and shares, certain purchased loans and derivative contracts that are not designated as hedging instruments. These instruments are reported as "Financial assets held for trading" or as "Financial liabilities held for trading".

Financial instruments designated by the Group upon initial recognition as at fair value through profit or loss are included within "Financial assets not held for trading".

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

Held-to-maturity assets are financial assets with fixed or pre-defined income and fixed maturity that the Group has the intent and ability to hold to maturity. These include certain quoted bonds purchased upon primary issue and purchased debt securities. Held-to-maturity assets are included in "Held-to-maturity assets".

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

(ii) Recognition of Financial Assets

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

Available-for-sale financial assets are recognised on the settlement date in the Group's accounting books. Any gains or losses arising from changes in the fair value of the assets are recognised in other comprehensive income from the trade date.

Held-to-maturity assets are recognised on the settlement date in the Group's accounting books. The Group initially recognises loans and receivables on their origination dates.

(iii) Measurement of Financial Assets and Financial Liabilities

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

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

All loans and receivables and held-to-maturity assets are measured at amortised cost, including the aliquot part of discount or share premiums less impairment losses. Share premiums and discounts, including the relevant initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Upon initial recognition, deposits from banks and clients and securities issued are recognised at fair value. They are subsequently reported at amortised cost.

(iv) Day 1 Profit/Loss

In the event that the transaction price differs from the fair value of a financial asset or financial liability measured at fair value, the difference between these values (profit or loss) is reported in profit or loss. The Group typically does not conduct this type of transaction.

(v) Fair Value Measurement Principles

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

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

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Group would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties.

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

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

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

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

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

The Group's management believes that the fair value of the assets and liabilities presented in these financial statements can be measured reliably.

Financial assets and financial liabilities are recognised at fair value depending on the quality of the input used in the valuation. Individual levels are defined as follows:

- Level 1 input – quoted (unadjusted) prices on active markets for identical assets or liabilities available to the Group as of the date of valuation;
- Level 2 input – input data other than the quoted prices contained in level 1 that are observable for an asset or liability either directly or indirectly. This category includes the instruments valued at: quoted prices of similar assets or liabilities on active markets; quoted prices of identical or similar assets or liabilities on markets that are not active; valuation techniques for which a significant input is observable on the market directly or indirectly; and
- Level 3 input – unobservable input data for an asset or liability. This category includes instruments under which valuation techniques contain an input not based on observable data and the unobservable input may have a significant impact on the instrument's valuation.

Fair Value Adjustments

The Group utilises other fair value adjustments for the fair values of financial assets and financial liabilities to reflect reality as faithfully as possible:

Credit Valuation Adjustment

The Credit Valuation Adjustment (CVA) is reflected in the valuation of derivatives such that the resulting fair value of derivatives takes into account the counterparty risk and the Group's credit quality. The Group uses the same group standard for calculating CVA on the basis of the inputs as follows:
- Anticipated profile of the exposure from derivatives is estimated on the basis of the stochastic Monte Carlo simulation;
- Simulated exposures from derivatives take into account Specific Wrong Way Risk;
- Depending on the type of the derivative counterparty, CVA is calculated as:
  - Unilateral CVA – the calculation is based on historical PD and PGD (this relates to non-financial counterparties and counterparties that do not have own CDS tradable on the market);
  - Bilateral CVA – the calculation is based on PD and LGD derived from quoted CDS; and
- CVA is not calculated for counterparties/clients for which PD=1 (i.e. the client is in default) to prevent the costs of credit risk from being included twice in an already-recognised provision.

OIS Adjustment

The Group applies the OIS (overnight index swap) effect to collateralised exposures in financial instruments (derivatives, repo etc) denominated in EUR. The OIS effect is added to the yield curve in EUR so that the resulting fair value of the respective financial instruments takes into account the actual value of OIS. This adjustment is recognised in the Group's profit and loss account.

FVA/AVA

Quoted market exchange rates, yield curves, spreads etc ("market factors" in general) do not need to accurately reflect, at every moment, the conditions under which the Group may liquidate its positions in financial instruments. This may result from larger than standard traded volumes which the Group would like to realise on financial markets, stress periods on financial markets, periods with below-average market liquidity etc. In these situations, the realised fair value could be lower than implied by quoted market factors. Therefore, in line with IFRS and CRR, the Group applies FVA which adds a surcharge to quoted market factors arising from:
- Liquidity;
- Uncertainty regarding price/ valuation model applied to the financial instrument; and
- Credit risk.

The Group recognises the determined FVA value in the profit and loss account.

In addition to FVA, additional valuation adjustment (AVA) is also determined by the Group with respect to market factors. AVA is defined as a difference between the fair value reported in the Group's balance sheet including FVA and prudent valuation (PV). PV represents a highly unlikely (but fair) value of market factors which may occur on the market upon the sale of financial assets due to stress on financial markets.

(vi) Gains and Losses on Subsequent Measurement

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

Gains and losses arising from a change in the fair value of other financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss not held for trading are recognised directly in profit or loss as "Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading". The interest income from financial assets and financial liabilities at fair value through profit or loss not held for trading is recognised in profit or loss as "Interest and similar income".

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

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

(vii) Derecognition

A financial asset is derecognised when the Group loses the contractual rights to the cash flow from an asset or the Group transfers the financial asset and the transfer qualifies for derecognition. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is settled. Available-for-sale assets and assets recognised at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer are recognised at the settlement date. The Group uses accounting methods to determine the gain or loss on derecognition.

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

(c) Principles of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. An entity is controlled when the Group has the power (direct or indirect) to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date of on which control originates to the date on which control ceases to exist.

Associates

Associates are entities over which the Group has significant (but not controlling) influence on the management or operations of the entity (i.e. the Group's power to participate in the financial and operating policy decisions of the investee but not control over those policies). The consolidated statement of comprehensive income includes the Group's share in total reported profits or losses of associates using the equity method of accounting, from the date of on which significant influence originates to the date on which significant influence ceases to exist. The consolidated statement of financial position reflects the value of the investment in an associate determined using the equity method of accounting.

Unconsolidated Subsidiaries and Associates

Unconsolidated subsidiaries and associates are reported in the balance sheet at cost less impairment losses.

Mutual balances and transactions among the entities in the Group and unrealised profits arising from intragroup relations are eliminated upon the preparation of the consolidated financial statements. Unrealised profits arising from transactions with associates are eliminated in the amount of the Group's share in the entity and are eliminated against the investments in associates.

Transactions under Common Control

A business combination between entities or companies under common control is a business combination where all combining entities or companies are ultimately controlled by the same party or parties as prior to and post the business combination and this control is not temporary. For business combinations under common control the Group has adopted the method of carrying amounts of the acquired business and concurrently reports these transactions prospectively, i.e. without adjustments in comparative periods.

(d) Derivatives

(i) Hedging Derivatives

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

Hedge accounting can be applied if:

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

If a derivative hedges an exposure to changes in the fair value of recorded assets and liabilities or of legally-enforceable commitments, the hedged item attributable to the risk being hedged is also carried at fair value. Gains (losses) on the re-measurement of an interest-bearing hedged item and hedging derivative are recognised in profit or loss in "Net income from hedging against risk of changes in fair value". Realised interest income and expenses are reported on a net basis in "Interest income and similar revenues" or "Interest expense and similar charges".

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

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

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

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income remains in equity and is recognised in accordance with the aforementioned policy. If the hedged transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately recognised in profit or loss.

(ii) Embedded Derivatives

Sometimes, a derivative may be a component of a combined financial instrument that includes a host contract and a derivative (the embedded derivative) effecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

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

(e) Borrowing and Lending of Securities

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

As a result of the cash collateral received in respect of securities lent/sold under repurchase agreements, the Group recognises a liability to either banks or customers in the amount of this compensation.

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

As a result of the cash collateral provided in respect of securities borrowed/purchased under securities lending arrangements or resale agreements, the Group recognises loans and advances to either banks or customers. The receivables are recorded as collateralised by the underlying security.

In the case of the sale of a security acquired on the basis of securities lending arrangements or repurchase agreements, the Group derecognises the securities acquired in such manner from off-balance sheet and records a payable from a short-term sale, which is revalued to fair value, in the balance sheet. This payable is reported under "Financial liabilities held for trading".

Income and expenses arising from the borrowing and lending of securities, as well as the difference between the sale and repurchase considerations are recognised on an accrual basis over the period of the transactions and are recognised in profit or loss in "Interest income and similar revenues" or "Interest expense and similar charges".

(f) Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. The Group does not offset any financial assets and financial liabilities.

(g) Impairment

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

(i) Loans and Receivables and Held-to-Maturity Assets

Loans and receivables and held-to-maturity assets are presented at amortised cost, i.e. net of impairment losses.

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

Collective impairment losses of portfolios of standard loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date.

The expected cash flows for portfolios of similar assets are estimated based on historical loss experience and considering the credit rating of the underlying customers. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date.

When a loan is known to be uncollectible, all the necessary legal steps have been taken and the final loss has been determined, the loan is written off directly and any previously unrecognised loss is recognised in profit or loss under "Impairment losses on financial assets". Any consideration received in respect of a loan written off is recognised in profit or loss under "Other operating income".

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss, the impairment loss is reversed through profit or loss in "Impairment of loans and receivables".

(ii) Available-for-sale Financial Assets

Where an available-for-sale asset is impaired, and a decline in the fair value was previously recognised in other comprehensive income, the cumulative loss is reclassified to profit or loss and recognised in "Impairment losses on financial assets". Where a debt instrument classified as an available-for-sale asset is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in other comprehensive income is reversed to the extent of the impairment. Any additional impairment loss is recognised in profit or loss. Impairment losses recognised in profit or loss arising from investment in equity instruments classified as available-for-sale are not reversed through profit or loss.

(h) Property and Equipment and Intangible Assets

Property and equipment and intangible assets are assets which may be used for a period longer than one year.

Property and equipment and intangible assets are stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation periods (over respective estimated useful lives) for individual categories of property and equipment and intangible assets are as follows:

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

Both tangible and intangible assets are assessed for potential impairment or a reduction in useful life. If events or changes in the conditions occur that could result in the carrying amount not being recoverable, the carrying amount is written down to the recoverable amount if the carrying amount is higher than the estimated recoverable value. The recoverable amount is the higher of fair value less costs of disposal and the value in use.

The gains and losses on disposal are determined based on the net book value and are included in other operating income or expenses.

The costs of repair, maintenance and technical improvement are expensed as they are incurred. Technical improvements exceeding the legal limits are capitalised.

Property and equipment, which the Group intends to sell within 12 months, is classified as "Non-current assets held for sale". Such property and equipment is reclassified at the lower of its carrying amount or its sales value less disposal costs.

(i) Leases

Provided Finance Lease

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incident to ownership.

Receivables arising from finance leases are reported as equal to the net investment in the lease upon the receipt of the leased asset by the customer. The sum of future minimum lease instalments and initial fees for the provision of the lease equate to the gross investment in the lease (given that finance lease contracts include a clause on the purchase at the end of the lease period, there is no unsecured net book value). The difference between the gross and net investment in the lease represents deferred financial income which is reported as interest income over the lease period with the constant periodic profitability of the net investment in the finance lease.

The amounts received from the lessee reduce the net investment.

Receivables of the Group arising from finance leases also include the cost of assets leased under finance leases in contracts where the asset has been already acquired but the finance lease contract was not capitalised at the balance sheet date.

Provided Operating Leases

Other leases are classified as operating leases, the leased asset remains to be owned by the lease company after the termination of the lease contract.

Income from operating leases is reported in "Other operating income".

Received Operating Leases

Payments under contracts for received operating leases are included in "General administrative expenses" evenly over the period of the lease contract.

In the case of contract cancellation before the end of the lease contract, all required penalty payments are accounted for as a period cost at the time of cancelling the lease.

(j) Factoring

Factoring represents the purchase of short-term receivables at nominal values that originated on the basis of supplies of goods or services made by a supplier to a customer and are not past their due dates. The factoring company pays part of the purchase price ('prefinancing') to the supplier. Receivables from purchased receivables are reported in "Receivables from clients" net of the payable arising from the purchased receivables. Once the customer makes the payment, the remaining part of the purchase price is paid to the supplier.

In return for its services, the Group collects a fee for the provided prefinancing comprising two basic components – the risk component and the cost component. The risk component represents the Group's remuneration for taking on credit risk and is principally affected by the customers' financial health and payment discipline. In determining the cost component, other factors are taken into account, such as the costs incurred in keeping the records of receivables, the cost of conducting the dunning process, information services, assistance in the complaints handling procedure, other costs involved in blocking the funds required to finance the receivables. The current price is derived from the specific level of turnover, number and solvency of customers, etc. In addition to the fee, the Group charges interest, the absolute amount of which depends on the amount of prefinancing made and the length of the time period between the provision of part of the purchase price and collection of the payment from the customer.

(k) Provisions

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

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

(l) Interest Income and Expense

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Unless a management decision is made to the contrary, accrued interest income is also recognised in profit or loss for impaired loans and receivables (except for loans and receivables in bankruptcy proceedings). In such cases, the interest income represents a part of the amortised cost which forms a basis for the impairment loss calculation.

(m) Fee and Commission Income and Expense

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

(n) Dividend income

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

(o) Deferred Bonuses

The Group accounts for deferred bonuses on the accrual basis of accounting

(p) Taxation

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period pursuant to Czech Accounting Standards to arrive at the taxable income base in the Czech Republic, which is further adjusted by tax allowances and relevant credits. The tax payable or receivable is calculated using the tax rate valid at the year-end and reported in the expected amount of the settlement with the tax authorities.

The income tax of entities based in Slovakia is calculated in line with the regulations applicable in the Slovak Republic.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the period of the asset recovery or liability settlement. A deferred tax asset is recognised only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilised.

(q) Contingent Assets and Liabilities

A contingent asset/liability is a potential asset/liability that arises rom past events and whose existence will be only confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Group does not recognise contingent assets/liabilities in the balance sheet but regularly reviews their development to specify whether an inflow/outflow of resources embodying economic benefits has become probable. Where the likelihood of an outflow of economic benefits is higher than 50%, the Group will recognise a provision. Where the likelihood of an inflow of economic benefits is almost 100%, the Group will recognise an asset and revenue.

(r) Segment Reporting

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

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

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

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

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

(s) Standards and Interpretations Effective in the Current Period

- Amendments to various standards "*Improvements to IFRSs (cycle 2011-2013)*" resulting from the annual improvement project of IFRS

(IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015); and
- IFRIC 21 *"Levies"* adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014)

(t) Standard and Interpretations Issued by the IASB and Adopted by the EU that are Not Yet Effective

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

- Amendments to various standards "*Improvements to IFRSs (cycle 2010-2012)"* resulting from the annual improvement of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);
- Amendments to various standards "*Improvements to IFRSs (cycle 2012-2014)*" resulting from the annual improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 19 "Employee Benefits"* – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- Amendments to *IAS 1 "Presentation of Financial Statements"* – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 16 "Property, Plant and Equipment"* and *IAS 41 "Agriculture"* – Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 16 "Property, Plant and Equipment"* and *IAS 38 "Intangible Assets"* – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 27 "Separate Financial Statements"* – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016); and
- Amendments to IFRS 11 *"Joint Arrangements"* – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).

(u) Standards and Interpretations Published by the IASB, but not yet Adopted by the European Union

- *IFRS 9 "Financial Instruments*" effective for annual periods beginning on or after 1 January 2018 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement – IFRS 9 introduces a new approach to the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.
Impairment – IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more-timely basis.
IFRS 9 introduces a three-level model that takes into account changes in credit quality since initial recognition:
Level 1 includes financial assets the credit risk of which has not increased significantly since initial recognition and assets with low credit risk at the balance sheet date. The 12-month expected credit losses are recognised for these assets. Interest income is calculated on the basis of the gross carrying amount of assets.
Level 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Full lifetime expected credit losses are recognised for these assets. Interest income is still calculated on the basis of the gross carrying amount of assets.
Level 3 includes financial assets for which there is objective evidence of impairment. Full lifetime expected credit losses are recognised for these assets. Interest income is calculated on the basis of the net carrying amount of assets.
Hedge accounting – IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
Own credit risk – IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.
The Group has prepared an implementation project of IFRS 9. The impact analysis of introducing the standard is in progress; the Group anticipates significant impacts on reporting. The cash flow test for the analysis of the current portfolio will commence in March 2016.

- *IFRS 14 "Regulatory Deferral Accounts"* (effective for annual periods beginning on or after 1 January 2016). The European Union decided not to commence the approval process of the interim standard and await the final standard;

- *IFRS 15 "Revenue from Contracts with Customers"* (effective for annual periods beginning on or after 1 January 2017);
- *IFRS 16 "Leases"* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to *IFRS 10 "Consolidated Financial Statements"* and *IAS 28 "Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities"* and *IAS 28 "Investments in Associates and Joint Ventures"* – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016); and
- Amendments to *IAS 12 "Income Taxes"* – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

4. Critical accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (see Note 40).

The presentation of the consolidated financial statements in conformity with IFRS requires the Group'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 the reported amounts of revenues and expenses during the reporting period. These estimates, which specifically relate to the determination of fair values of financial instruments (where no public market exists), impairment of assets and provisions, are based on the information available at the balance sheet date.

(a) Key Sources of Estimation Uncertainty

(i) Impairment

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

(ii) Determining Fair Values

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

(b) Critical Accounting Judgements in Applying the Group's Accounting Policies

(i) Financial Asset and Liability Classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances; the Group confirms that the assumptions disclosed in Note 3(b) (i) have been met.

(ii) Hedge Accounting

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects a hedge to be highly effective over the life of the hedging instrument.
In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(iii) Change in Accounting Policy

There were no changes in accounting policies during the year ended 31 December 2015 and the year ended 31 December 2014.

(iv) Effect of the Changes in Accounting Standards in these Financial Statements

In the years ended 31 December 2015 and 31 December 2014, the Group did not identify any changes of financial reporting standards that would significantly affect the Group's financial statements.

5. Net interest income and similar income

MCZK	2015	2014
Interest income and similar revenues		
Balances with central banks	33	22
Receivables from banks	128	131
Receivables from clients	10 598	10 958
Available-for-sale securities	1 453	1 504
Securities held to maturity	10	12
Financial assets at fair value through profit or loss held for trading	27	36
Financial assets at fair value through profit or loss not held for trading	10	14
Hedging derivatives	489	555
Interest income and similar revenues	**12 748**	**13 232**
Interest expense and similar charges		
Deposits from central bank	(7)	(1)
Deposits from banks	(465)	(799)
Deposits from clients	(855)	(1 176)
Debt securities issued	(1 185)	(1 198)
Financial liabilities held for trading	(1)	(9)
Interest expense and similar charges	**(2 513)**	**(3 183)**
Net interest income and similar income	**10 235**	**10 049**

6. Net fee and commission income

MCZK	2015	2014
Fee and commission income from		
Securities transactions	4	9
Management, administration, deposit and custody services	653	617
Loans	1 833	1 648
Payment services	757	731
Account administration	514	537
Payment cards	1 034	986
Other	265	175
Fee and commission income	**5 060**	**4 703**
Fee and commission expenses from		
Securities transactions	(10)	(2)
Management, administration, deposit and custody services	(71)	(75)
Loans	(246)	(241)
Payment services	(33)	(38)
Payment cards	(774)	(729)
Other	(83)	(61)
Fee and commission expenses	**(1 217)**	**(1 146)**
Net fee and commission income	**3 843**	**3 557**

7. Dividend income

MCZK	2015	2014
Dividend income		
Shares classified as available-for-sale securities	2	1
Total dividend income	**2**	**1**

8. Net income/loss from financial assets and liabilities held for trading

MCZK	2015	2014
Net realised and unrealised gain/(loss) from securities held for trading	93	101
Net realised and unrealised gain/(loss) from derivatives held for trading	1 410	1 505
Net realised and unrealised gain/(loss) from FX spot transactions and from revaluation of receivables and payables denominated in FX	402	15
Net trading income (loss)	**1 905**	**1 621**

9. Net income/loss from hedging against risk of changes in fair value

MCZK	2015	2014
Hedging instruments	156	(503)
Hedged instruments	(165)	488
Net income/loss from hedging against risk of changes in fair value	**(9)**	**(15)**

10. Net income/loss from the sale of financial assets and liabilities

MCZK	2015	2014
Receivables from clients	1	(1)
Available-for-sale securities	16	(12)
Debt securities issued	(8)	(5)
Net income/loss from the sale of financial assets and liabilities	**9**	**(18)**

11. Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading

MCZK	2015	2014
Debt securities (assets)	(1)	(8)
Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading	**(1)**	**(8)**

12. Impairment losses on financial assets and off-balance sheet items

MCZK	2015	2014
Receivables from clients	(1 486)	(2 095)
Provision for off-balance sheet items	45	(53)
Available-for-sale securities	–	(88)
Total impairment losses on financial assets and off-balance sheet items	**(1 441)**	**(2 236)**

13. Administrative expenses

MCZK	2015	2014
Personnel expenses		
Wages and salaries paid to employees	(2 400)	(2 367)
Social costs	(820)	(787)
Other	(102)	(75)
	(3 322)	**(3 229)**
Including wages and salaries:		
Members of the Board of Directors	(89)	(62)
Other executives directly reporting to the Board of Directors	(111)	(105)
	(200)	**(167)**
Other administrative expenses		
Rent and building maintenance	(654)	(650)
Information technologies	(1 232)	(1 181)
Promotion and marketing	(461)	(429)
Consumables used	(84)	(103)
Audit, legal and advisory services	(180)	(189)
Administrative and logistic services	(490)	(440)
Deposits and transactions insurance	(460)	(409)
Other services	(289)	(264)
Other	(335)	(276)
	(4 185)	**(3 941)**
Total administrative expenses	**(7 507)**	**(7 170)**

A summary of operating leases is presented in the following table:

2015 MCZK	Due within 1 year	Due in 1–5 years	Due in the following years
Minimum future payments	293	1 203	–
2014 MCZK	**Due within 1 year**	**Due in 1–5 years**	**Due in the following years**
Minimum future payments	346	1 385	–

Information about bonuses tied to equity is included in Note 35.

The Group's average number of employees was as follows:

	2015	2014
Employees	3 301	3 294
Members of the Board of Directors	7	7
Members of the Supervisory Board	3	3
Other executives directly reporting to the Board of Directors	**29**	**36**

The line item "Employees" includes all employees of the Group. The line items "Members of the Board of Directors", "Members of the Supervisory Board" and "Other executives directly reporting to the Board of Directors" include the Bank's personnel.

14. Other operating income and expenses

MCZK	2015	2014
Income from rent	598	503
Other income relating to lease	76	219
Other income	546	460
Total other operating income	**1 220**	**1 182**
Taxes	(3)	–
Fines and penalties	(13)	(16)
Other expenses relating to lease	(72)	(96)
Other	(467)	(435)
Total other operating expenses	**(555)**	**(547)**
Total other operating income and expenses	**665**	**635**

15. Cash in hand and cash balances

MCZK	31 Dec 2015	31 Dec 2014
Cash in hand	4 354	4 065
Other balances with central banks	91	70
Total	**4 445**	**4 135**

For cash flow reporting purposes, cash is defined as cash in hand and highly-liquid funds.

16. Financial assets at fair value through profit or loss

(a) Held for Trading

(i) Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Debt securities	1 607	4	–	1 611
Shares	–	–	–	–
Derivatives	36	6 381	–	6 417
Total	**1 643**	**6 385**	**–**	**8 028**
31 Dec 2014				
Debt securities	4 337	–	–	4 337
Shares	–	–	–	–
Derivatives	27	7 343	–	7 370
Total	**4 364**	**7 343**	**–**	**11 707**

(ii) Securities by Type of Issuer

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Government sector	1 611	4 337
Shares		
Financial services	–	–
Other	–	–
Total	**1 611**	**4 337**

(b) Not Held for Trading

(i) Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Debt securities	–	1 539	–	1 539
Total	**–**	**1 539**	**–**	**1 539**
31 Dec 2014				
Debt securities	–	1 084	188	1 272
Total	**–**	**1 084**	**188**	**1 272**

(ii) Securities by Type of Issuer

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Financial services	6	–
Government sector	1 533	1 084
Other	–	188
Total	**1 539**	**1 272**

17. Available-for-sale securities

The Group has no Italian, Spanish, Irish, Portuguese or Greek state bonds in its portfolios.

(a) Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Debt securities	64 906	17 108	4	82 018
Shares	–	–	631	631
Total	**64 906**	**17 108**	**635**	**82 649**
31 Dec 2014				
Debt securities	61 411	26 824	108	88 343
Shares	–	–	2	2
Total	**61 411**	**26 824**	**110**	**88 345**

(b) Securities by Type of Issuer

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Banking	12 927	15 505
Governments and central banks	59 824	67 257
Other public sector	2 215	2 243
Other	7 052	3 338
Shares		
Investment funds	–	–
Other	631	2
Total	**82 649**	**88 345**

The increase in the value of shares represents the revaluation of shares that will be exchanged in 2016 as part of the reorganisation programme of the share's issuer.

(c) Participation Interests

Name	Registered office	Date of acquisition	Acquisition price	Net book value 2015	Net book value 2014	Share of the Group at 31 Dec 2015	Share of the Group at 31 Dec 2014
CBCB – Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 October 2001	0.24	0.24	0.24	20%	20%
Total			**0.24**	**0.24**	**0.24**		

18. Securities held to maturity

(a) By type of security

MCZK	31 Dec 2015	31 Dec 2014
Debt securities	186	191
Total	**186**	**191**

(b) Securities by activities of issuers

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Governments and central banks	186	191
Other	–	–
Total	**186**	**191**

19. Receivables from banks

(a) Analysis of Receivables from Banks, by Type

MCZK	31 Dec 2015	31 Dec 2014
Current accounts	1 714	575
Term deposits	44 277	40 909
Loans	6 415	943
Reverse repurchase commitments (see Note 37)	46 000	630
Obligatory minimum reserves at central banks	8 205	5 725
Total	**106 611**	**48 782**

(b) Analysis of Receivables from Banks, by Geographical Sector

MCZK	31 Dec 2015	31 Dec 2014
Czech Republic	96 683	37 342
Other EU countries	5 962	10 190
Other	3 966	1 250
Total receivables from banks	**106 611**	**48 782**

20. Receivables from clients

(a) Analysis of Net Receivables from Clients, by Type

MCZK	Non-default	Default	Total
31 Dec 2015			
Current accounts (overdrafts)	32 150	585	32 735
Resident mortgage loans	80 590	1 644	82 234
Other mortgage loans	55 428	2 377	57 805
Leases	25 705	1 027	26 732
Credit cards and consumer loans	10 955	138	11 093
Factoring	5 301	110	5 411
Bills of exchange	–	–	–
Other loans	133 454	2 077	135 531
Total	**343 583**	**7 958**	**351 541**
31 Dec 2014			
Current accounts (overdrafts)	31 653	1 054	32 707
Resident mortgage loans	72 930	1 466	74 396
Other mortgage loans	57 716	1 453	59 169
Leases	26 135	1 669	27 804
Credit cards and consumer loans	9 666	179	9 845
Factoring	2 976	154	3 130
Bills of exchange	1 302	–	1 302
Other loans	126 671	4 486	131 157
Total	**329 049**	**10 461**	**339 510**

The Group uses the 'client default' definition in line with the CNB's Regulation 163/2014 Coll./Regulation No. 575/2013 of the European Parliament and of the Council; specifically, a debtor's default involves situations where:

(a) The debtor is in default with at least one repayment of the principal or related interest on any of its payables to the bank for a period greater than 90 days; and/or
(b) It is likely that the debtor will be unable to settle its payables on a timely basis and in full without the bank resorting to realising collateral.

(b) Classification of Receivables from Clients and Impairment

MCZK	Gross value	Impairment of individual receivables	Impairment of portfolios of receivables	Net value
31 Dec 2015				
Standard	337 266	–	(1 731)	335 535
Watch	8 356	–	(308)	8 048
Substandard	4 653	(1 597)	–	3 056
Doubtful	3 741	(1 518)	–	2 223
Loss	10 026	(7 347)	–	2 679
Total	**364 042**	**(10 462)**	**(2 039)**	**351 541**
31 Dec 2014				
Standard	320 156	–	(1 543)	318 613
Watch	11 111	(675)	–	10 436
Substandard	7 930	(1 822)	–	6 108
Doubtful	3 463	(1 473)	–	1 990
Loss	9 321	(6 958)	–	2 363
Total	**351 981**	**(10 928)**	**(1 543)**	**339 510**

The following table presents a summary of gross receivables according to internal rating:

MCZK	31 Dec 2015	31 Dec 2014
Receivables without default		
Internal rating 1	7 421	5 206
Internal rating 2	9 889	12 383
Internal rating 3	23 621	31 167
Internal rating 4	90 465	87 283
Internal rating 5	103 516	83 704
Internal rating 6	69 764	70 711
Other internal rating	29 831	30 009
Receivables without internal rating	11 115	10 804
Total	**345 622**	**331 267**
Receivables with default	18 420	20 714
Total	**364 042**	**351 981**

The Group regularly classifies its receivables. The categories used for classification consider the Group's analysis as to the probability of repayment and analysis of the borrower's behaviour (number of days payments are past due, financial performance, payment discipline, etc.). In 2015, the methodology of calculating provisions was revised, giving rise to, inter alia, a change in the guidance in applying the method of impairment calculation (individually vs using the model). The Group assesses whether there is evidence of impairment of loans and receivables. If such evidence has been identified, the amount of the loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows (including cash flows from realised collateral); in respect of clients in default with exposure above MEUR 1 on an individual basis, other clients using the relevant model.

The following table summarises non-default loan receivables based on the number of days past due.

MCZK	31 Dec 2015	31 Dec 2014
Non-default receivables, gross		
Due receivables	339 010	323 796
1–30 days past due	5 288	7 417
31–90 days past due	1 324	54
91–180 days past due	–	–
More than 180 days past due	–	–
Total	**345 622**	**331 267**

(c) Analysis of Receivables from Clients, by Sector

MCZK	31 Dec 2015	31 Dec 2014
Financial institutions	10 724	13 731
Non-financial institutions	244 266	240 748
Government sector	1 744	1 102
Individuals and others	94 807	83 929
Total	**351 541**	**339 510**

(d) Analysis of Gross Receivables from Clients, by Type of Collateral Provided and Classification

MCZK	Standard	Watch	Substandard	Doubtful	Loss	Total
31 Dec 2015						
Bank and similar guarantee	10 601	15	2	–	–	10 618
Real estate	79 665	2 454	1 608	574	1 103	85 404
Corporate guarantee	1 330	16	–	–	–	1 346
Movable assets	24 521	821	264	134	660	26 400
Other security	3 936	882	504	3	676	6 001
Unsecured	217 213	4 168	2 275	3 030	7 587	234 273
Total	**337 266**	**8 356**	**4 653**	**3 741**	**10 026**	**364 042**
31 Dec 2014						
Bank and similar guarantee	10 601	15	2	–	–	10 618
Real estate	78 999	2 489	2 270	495	1 075	85 328
Corporate guarantee	1 330	16	–	–	–	1 346
Movable assets	20 015	868	270	106	756	22 015
Other security	3 936	882	504	3	676	6 001
Unsecured	205 275	6 841	4 884	2 859	6 814	226 673
Total	**320 156**	**11 111**	**7 930**	**3 463**	**9 321**	**351 981**

The item "Unsecured" includes, among other things, receivables arising from project funding that are secured by real estate collateral in the nominal value of MCZK 41,068 (as of 31 December 2014: MCZK 45,724). In the case of the project funding of commercial real estate (IPRE), the collateral quality is taken into account in determining the transaction rating; in these cases, the collateral value is strongly correlated with the solvency of the debtor.

(e) Analysis of Receivables from Clients, by Region

MCZK	31 Dec 2015	31 Dec 2014
Czech Republic	212 647	207 514
Slovakia	115 110	102 636
Other EU countries	19 350	23 402
Other	4 434	5 958
Total	**351 541**	**339 510**

(f) Analysis of Receivables from Clients, by Business Activity

MCZK	31 Dec 2015	31 Dec 2014
Real estate services	64 456	69 645
Financial services	10 707	13 650
Wholesale	28 426	29 505
Household services	88 692	78 562
Retail	7 910	4 602
Leasing and rental	4 156	2 880
Automotive industry	6 484	5 282
Power industry	29 885	31 894
Other	110 825	103 490
Total receivables from clients	**351 541**	**339 510**

(g) Analysis of Forbearance

The Bank's approach to forbearance reporting is disclosed in Note 40 (b) (iv) – Financial Risk Management.

Analysis of forborne receivables by sectors:

MCZK	Gross non-default receivables	Gross default receivables	Total gross forbearance	Impairment of non-default receivables	Impairment of default receivables	Total impairment of forbearance	Net forbearance
31 December 2015							
Non-financial institutions	1 516	3 660	5 176	(74)	(1 696)	(1 770)	3 406
Government sector	–	–	–	–	–	–	–
Individuals and others	6	75	81	–	(17)	(17)	64
Total	**1 522**	**3 735**	**5 257**	**(74)**	**(1 713)**	**(1 787)**	**3 470**
31 December 2014							
Non-financial institutions	3 470	3 986	7 456	(75)	(1 664)	(1 739)	5 717
Government sector	25	–	25	–	–	–	25
Individuals and others	37	112	149	(1)	(34)	(35)	114
Total	**3 532**	**4 098**	**7 630**	**(76)**	**(1 698)**	**(1 774)**	**5 856**

Net forbearance represented 1% of the total receivables from clients as of 31 December 2015 (2014: 1.7%).

The table below provides an analysis of forborne receivables by days after the due date:

MCZK	Gross forbearance	Impairment of forbearance	Net forbearance
31 December 2015			
Non-default receivables			
Before due	217	(9)	208
Past due	1 305	(65)	1 240
Total non-default forbearance	1 522	(74)	1 448
Default receivables			
Up to 90 days past due	2 416	(831)	1 585
91 to180 days past due	126	(75)	51
181 days to 1 year past due	248	(101)	147
Over 1 year past due	945	(706)	239
Total default forbearance	3 735	(1 713)	2 022
Total	**5 257**	**(1 787)**	**3 470**

The table below shows movements in gross forbearance:

MCZK	
Balance at 1 January 2015	7 630
Transfer to forbearance	1 320
Additions	99
Write-offs	(456)
Settled	(1 017)
Transfer from forbearance	(2 300)
Other	(19)
Total forbearance as of 31 December 2015	**5 257**

The table below shows movements in the impairment of forbearance:

MCZK	
Balance at 1 January 2015	(1 774)
Transfer to forbearance	(527)
Charge during the current year	(189)
Release during the current year	163
Receivables written off – use	313
Transfer from forbearance	222
Other	5
Total impairment forbearance as of 31 December 2015	**(1 787)**

(h) Impairment of Receivables from Clients

MCZK	
Balance as of 1 Jan 2014	(10 128)
Addition arising from consolidation	(2 288)
Creation during the period	(3 588)
Release during the period	1 493
Net effect on profit or loss	(2 095)
Receivables written off – use	2 062
FX differences	(22)
Total impairment of receivables from clients as of 31 Dec 2014	**(12 471)**
Balance as of 1 Jan 2015	(12 471)
Addition arising from consolidation	(132)
Creation during the period	(4 604)
Release during the period	3 118
Net effect on profit or loss	(1 486)
Receivables written off – use	1 488
FX differences	100
Total impairment of receivables from clients as of 31 Dec 2015	**(12 501)**

(i) Receivables from Finance Leases

	Minimum lease payment		Present value of the minimum lease instalment	
MCZK	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Receivables from finance leases:				
Within 1 year	8 777	8 694	8 233	7 681
From one year to five years	15 031	15 160	13 204	13 311
More than five years	5 873	7 866	5 295	6 812
	29 681	31 720	26 732	27 804
Minus: unrealised income	(2 949)	(3 916)	–	–
Present value of the receivable from the minimum lease instalment	**26 732**	**27 804**	**26 732**	**27 804**

21. Equity investments

MCZK	Assets	Operating income	Profit/(loss)	Equity	Net book value
31 December 2015					
RCI Financial Services, s.r.o. (50 %)	2 653	207	117	719	401
Total					**401**
31 December 2014					
RCI Financial Services, s.r.o. (50 %)	2 392	235	144	746	542
Total					**542**

Changes in Investments in Associates

MCZK	
Balance at 1 January 2014	–
Addition arising from consolidation	489
Change in profit or loss	71
Change in equity	(18)
Total	**542**
Balance at 1 January 2015	542
Addition arising from consolidation	–
Change in profit or loss	57
Dividend	(72)
Change in equity	(124)
Total	**401**

22. Positive fair value of hedging derivatives

Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Fair value hedging	–	240	–	240
Cash flow hedging	–	4 667	–	4 667
Total	**–**	**4 907**	**–**	**4 907**
31 Dec 2014				
Fair value hedging	–	353	–	353
Cash flow hedging	–	5 070	–	5 070
Total	**–**	**5 423**	**–**	**5 423**

23. Property and equipment

MCZK	31 Dec 2015	31 Dec 2014
Property and equipment for operations		
Buildings and land	1 776	1 928
Office equipment	75	77
IT equipment	185	202
Assets provided under operating leases	2 231	1 399
Other	104	93
Property and equipment held as an investment		
Buildings and land	745	983
Total	**5 116**	**4 682**

(a) Movements in Property and Equipment Held for Operations

MCZK		Buildings and land	Fixtures and fittings	IT equipment	Other	Total
Cost at 1 Jan 2014	3 681	503	694	–	30	4 908
Accumulated depreciation and impairment at 1 Jan 2014	(2 032)	(415)	(538)	–	(6)	(2 991)
Net Book Value at 1 Jan 2014	**1 649**	**88**	**156**	**–**	**24**	**1 917**
Additions arising from consolidation	1	3	2	1 145	18	1 169
Additions	229	12	137	916	47	1 341
Disposals	–	(2)	–	(307)	–	(309)
Depreciation charges	102	(12)	(64)	(304)	(31)	(309)
Transfers to assets held for sale	–	–	–	–	–	–
Other and FX rate gains or losses	(53)	(12)	(29)	(51)	35	(110)
Net Book Value at 31 Dec 2014	**1 928**	**77**	**202**	**1 399**	**93**	**3 699**
Cost at 31 Dec 2014	3 766	483	1 016	1 987	180	7 432
Accumulated depreciation and impairment at 31 Dec 2014	(1 838)	(406)	(814)	(588)	(87)	(3 733)

The impairment loss as of 31 December 2013 included the decrease in the net book value of the buildings of MCZK 250 that was released in 2014.

MCZK		Buildings and land	Fixtures and fittings	IT equipment	Other	Total
Cost at 1 Jan 2015	3 766	483	1 016	1 987	180	7 432
Accumulated depreciation and impairment at 1 Jan 2015	(1 838)	(406)	(814)	(588)	(87)	(3 733)
Net Book Value at 1 Jan 2015	**1 928**	**77**	**202**	**1 399**	**93**	**3 699**
Additions arising from consolidation	–	–	–	–	3	3
Additions	149	30	191	1 962	37	2 369
Disposals	–	–	(143)	(558)	–	(701)
Depreciation charges	(147)	(16)	(61)	(399)	(23)	(646)
Transfers to assets held for sale	(23)	–	–	–	–	(23)
Other and FX rate gains or losses	(131)	(16)	(4)	(173)	(6)	(330)
Net Book Value at 31 Dec 2015	**1 776**	**75**	**185**	**2 231**	**104**	**4 371**
Cost at 31 Dec 2015	2 927	443	709	2 868	165	7 275
Accumulated depreciation and impairment at 31 Dec 2015	(1 151)	(368)	(524)	(637)	(61)	(2 904)

(b) Changes in property and Equipment Held as an Investment

MCZK	Buildings and land	Total
Cost at 1 Jan 2014	–	–
Accumulated depreciation and impairment at 1 Jan 2014	–	–
Net Book Value at 1 Jan 2014	**–**	**–**
Additions arising from the consolidation	1 151	1 151
Additions	–	–
Disposals	(122)	(122)
Depreciation charges	(46)	(46)
Transfers to assets held for sale	–	–
Other and FX rate gains or losses	–	–
Net Book Value at 31 Dec 2014	**983**	**983**
Cost at 31 Dec 2014	1 395	1 395
Accumulated depreciation and impairment at 31 Dec 2014	(412)	(412)

MCZK	Buildings and land	Total
Cost at 1 Jan 2015	1 395	1 395
Accumulated depreciation and impairment at 1 Jan 2015	(412)	(412)
Net Book Value at 1 Jan 2015	**983**	**983**
Additions arising from the consolidation	–	–
Additions	–	–
Disposals	–	–
Depreciation charges	(34)	(34)
Transfers to assets held for sale	(205)	(205)
Other and FX rate gains or losses	1	1
Net Book Value at 31 Dec 2015	**745**	**745**
Cost at 31 Dec 2015	982	982
Accumulated depreciation and impairment at 31 Dec 2015	(237)	(237)

24. Intangible assets

Movements in Intangible Assets

MCZK	Software	Other	Total
Cost at 1 Jan 2014	854	8	862
Accumulated amortisation and impairment at 1 Jan 2014	(843)	(7)	(850)
Net Book Value at 1 Jan 2014	**11**	**1**	**12**
Additions arising from consolidation	59	–	59
Additions	49	–	49
Disposals	–	(1)	(1)
Amortisation charges	(22)	–	(22)
Net Book Value at 31 Dec 2014	**97**	**–**	**97**
Cost at 31 Dec 2014	1 286	8	1 294
Accumulated amortisation and impairment at 31 Dec 2014	(1 189)	(8)	(1 197)
Cost at 1 Jan 2015	1 286	8	1 294
Accumulated amortisation and impairment at 1 Jan 2015	(1 189)	(8)	(1 197)
Net Book Value at 1 Jan 2015	**97**	**–**	**97**
Additions arising from consolidation	–	–	–
Additions	699	80	779
Disposals	–	–	–
Amortisation charges	(35)	–	(35)
Other	11	(60)	(49)
Net Book Value at 31 Dec 2015	**772**	**20**	**792**
Cost at 31 Dec 2015	1 901	27	1 928
Accumulated amortisation and impairment at 31 Dec 2015	(1 129)	(7)	(1 136)

25. Other assets

MCZK	31 Dec 2015	31 Dec 2014
Deferred expenses and accrued income	480	523
Prepayments made in relation to cash additions to ATMs and cash registers	1 033	1 226
Trading receivables	753	157
Receivables from securities	92	2
Other taxes	90	136
Suspense accounts	374	481
Other	202	326
Total	**3 024**	**2 851**
Impairment of other assets	(26)	(23)
Net other assets	**2 998**	**2 828**

26. Deposits from banks

Analysis of Deposits from Banks by Type

MCZK	31 Dec 2015	31 Dec 2014
Deposits from central banks	11 899	4 105
Current accounts	11 506	9 020
Loans	22 487	33 671
Term deposits	7 540	5 023
Repurchase commitments (see Note 37)	6 270	2 920
Other	–	3
Total	**59 702**	**54 742**

27. Deposits from clients

Analysis of Deposits from Clients by Type

MCZK	31 Dec 2015	31 Dec 2014
Current accounts	299 340	264 936
Term deposits	53 653	51 217
Repurchase commitments (see Note 37)	7 208	8 996
Other	3 788	3 436
Total	**363 989**	**328 585**

28. Issued debt securities

Analysis of Issued Debt Securities

MCZK	31 Dec 2015	31 Dec 2014
Mortgage bonds	51 661	35 675
Structured bonds	7 809	6 773
Zero coupon bonds	1 844	3 803
Other issued debt securities	3 705	1 034
Total	**65 019**	**47 285**

Structured bonds include embedded options – currency, equity, commodity and interest rate options – in the total nominal value of MCZK 8,406 (at 31 December 2014: MCZK 7,228). The positive fair value of these derivatives of MCZK 11 is reported under "Financial assets held for trading" (at 31 December 2014: MCZK 55); the negative fair value of these derivatives of MCZK 338 is recognised under "Financial liabilities held for trading" (at 31 December 2014: MCZK 339).

29. Financial liabilities held for trading

Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Liabilities from short sales	926	–	–	926
Derivatives	–	6 110	–	6 110
Total	**926**	**6 110**	**–**	**7 036**

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2014				
Liabilities from short sales	783	–	–	783
Derivatives	–	6 769	–	6 769
Total	**783**	**6 769**	**–**	**7 552**

30. Negative fair value of hedging derivatives

Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Fair value hedging	–	1 017	–	1 017
Cash flow hedging	–	2 127	–	2 127
Total	**–**	**3 144**	**–**	**3 144**
31 Dec 2014				
Fair value hedging	–	1 288	–	1 288
Cash flow hedging	–	2 157	–	2 157
Total	**–**	**3 445**	**–**	**3 445**

31. Other liabilities

MCZK	31 Dec 2015	31 Dec 2014
Deferred income and accrued expenses	1 373	924
Trade payables	1 012	330
Payables to employees	637	560
Unsettled security transactions	19	35
Suspense accounts	3 250	3 354
Other	366	346
Total other liabilities	**6 657**	**5 549**

32. Provisions

Provisions include the following items:

MCZK	31 Dec 2015	31 Dec 2014
Provisions for off-balance sheet credit items	1 128	1 173
Legal disputes	84	100
Provision for restructuring	21	30
Other	3	10
Total provisions	**1 236**	**1 313**

(a) Provisions for Off-Balance Sheet Credit Items

MCZK	
Balance at 1 Jan 2014	1 129
Charge during the period	163
Usage during the period	(20)
Release during the period	(110)
Other – foreign exchange rate gains or losses	11
Total provisions for off-balance sheet credit items at 31 Dec 2014	**1 173**
Balance at 1 Jan 2015	1 173
Charge during the period	197
Usage during the period	–
Release during the period	(242)
Other – foreign exchange rate gains or losses	–
Total provisions for off-balance sheet credit items at 31 Dec 2015	**1 128**

(b) Other Provisions

MCZK	Legal disputes	Restructuring provision	Other	Total
Balance at 1 Jan 2014	77	87	14	178
Additions arising from consolidation	16	–	–	16
Charge during the period	83	5	–	88
Use during the period	(1)	(54)	(4)	(59)
Release of redundant provisions and other	(75)	(8)	–	(83)
Total other provisions at 31 Dec 2014	**100**	**30**	**10**	**140**
Balance at 1 Jan 2015	100	30	10	140
Additions arising from consolidation				
Charge during the period	12	2	3	17
Use during the period	–	(6)	–	(6)
Release of redundant provisions and other	(28)	(5)	(10)	(43)
Total other provisions at 31 Dec 2015	**84**	**21**	**3**	**108**

33. Income tax

(a) Tax in Profit or Loss

MCZK	31 Dec 2015	31 Dec 2014
Current tax payable	(1 403)	(1 261)
Tax of prior year	(24)	5
Deferred tax	3	137
Total income tax	**(1 424)**	**(1 119)**

The income tax of the Group differs from the theoretical tax which would arise if the tax rate effective in the Czech Republic were applied as follows:

MCZK	31 Dec 2015	31 Dec 2014
Profit/loss for the year before tax	7 064	6 030
Tax calculated using the tax rate of 19%	(1 342)	(1 146)
Impact of prior years on the current tax payable	(24)	5
Non-taxable income	167	210
Tax non-deductible expenses	(192)	(155)
Impact of prior years on the deferred tax	6	(2)
Impact of a higher Slovak tax rate on the current tax payable and deferred tax	(40)	(61)
Other	–	30
Total income tax	**(1 424)**	**(1 119)**

The effective tax rate of the Group is 20.2% (2014: 18.6 %).

(b) Deferred Tax Asset/Liability

Deferred income tax is calculated on all temporary differences using the balance sheet liability method under the application of the appropriate tax rate. In calculating net tax assets and liabilities, the Group offsets deferred tax assets against deferred tax liabilities arising from income tax paid to the same tax institution in the same tax category.

Management of the Group believes that the Group will be able to fully recover deferred tax assets reported as of 31 December 2015 based on the current and anticipated future level of taxable profits.

(i) Net Deferred Tax Asset

MCZK	31 Dec 2015		31 Dec 2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Tax non-deductible provisions	19	–	19	–
Impairment of loans and off-balance sheet items	820	–	936	–
Differences arising from the net book values of assets	24	–	7	–
Reserve from revaluation of hedging instruments	21	(2)	25	–
Reserve from revaluation of available-for-sale securities	–	(62)	–	(19)
Tax loss	37	–	51	
Other	54	(45)	12	(44)
Deferred tax liability/asset	***975***	***(109)***	***1 050***	***(63)***
Net deferred tax asset	**866**		**987**	**–**

(ii) Net Deferred Tax Liability

MCZK	31 Dec 2015		31 Dec 2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Tax non-deductible provisions	77	(3)	101	–
Impairment of loans and off-balance sheet items	365	(569)	220	–
Leases	–	–	–	(510)
Differences arising from the net book values of assets	3	(55)	3	(18)
Reserve from revaluation of hedging instruments	3	(432)	–	(520)
Reserve from revaluation of available-for-sale securities	–	(666)	–	(591)
Tax losses	2	–		
Other	11	(10)	–	(27)
Deferred tax liability/asset	***461***	***(1 735)***	***324***	***(1 666)***
Net deferred tax liability		**(1 274)**	**–**	**(1 342)**

34. Issued capital and share premium

The recorded, issued and fully paid capital of the Group amounted to MCZK 8,755 as of 31 December 2015 (MCZK 8,755 as of 31 December 2014).

(a) Shareholder Structure of the Group

Entity	Registered office	Nominal value of shares in MCZK	Share premium in MCZK	Ownership percentage
At 31 Dec 2015				
UniCredit Bank Austria AG, Vienna	Austria	8 750	3 483	99.96
Minority shareholders		5	12	0.04
Total		**8 755**	**3 495**	**100.00**
At 31 Dec 2014				
UniCredit Bank Austria AG, Vienna	Austria	8 750	3 483	99.94
Minority shareholders		5	12	0.06
Total		**8 755**	**3 495**	**100.00**

(b) Capital Breakdown of the Group

	31 Dec 2015 Number of shares	31 Dec 2015 MCZK	31 Dec 2014 Number of shares	31 Dec 2014 MCZK
Ordinary shares of CZK 16,320,000	100	1 632	100	1 632
Ordinary shares of CZK 13,375,000	200	2 675	200	2 675
Ordinary shares of CZK 10,000	436 500	4 365	436 500	4 365
Ordinary shares of CZK 7,771,600	10	78	10	78
Ordinary shares of CZK 46	106 563	5	106 563	5
Total issued capital		**8 755**		**8 755**

The shares are freely transferrable. Ordinary shares include the entitlement to participate in the Group's governance and the entitlement to a share on profit. Both at 31 December 2015 and 31 December 2014, the Group held no treasury shares.

35. Equity-based bonuses

The Group has not implemented any employee motivation or stabilisation programme for the purchase of treasury shares or remuneration in the form of treasury share options.

36. Retained earnings, reserve funds and other capital funds

The following table shows the breakdown of the reserve funds:

MCZK	31 Dec 2015	31 Dec 2014
Reserve funds	3 543	3 372
Other capital funds	1 647	1 647
Special-purpose reserve fund	11 611	11 611
Retained earnings	21 373	18 978
Foreign exchange rate gains or losses from consolidation	(2)	6
Total	**38 172**	**35 614**

The Group may create the reserve fund (reported under "Reserve funds") from the net profit reported in the ordinary financial statements pursuant to the resolution of the general meeting. The established reserve fund can be used solely to cover the Bank's loss, pursuant to the resolution of the general meeting.
As part of the cross-border merger, the share capital of UniCredit Bank Slovakia a.s. of MCZK 6,058, the reserve fund of UniCredit Bank Slovakia a.s. of MCZK 1,166 and retained earnings of UniCredit Bank Slovakia a.s. of MCZK 4,387 were transferred into a special-purpose reserve fund denominated in EUR. This special-purposes reserve fund can only be used to settle the loss of the Group.
Other capital funds include the impact of transactions under common control.

37. Borrowings and lending of securities, repurchase and reverse repurchase transactions

(a) Reverse Repurchase Transactions

MCZK	31 Dec 2015	31 Dec 2014
Receivables from banks	46 000	630
Fair value of securities received	45 138	615
Receivables from clients	–	–
Fair value of securities received	–	–

(b) Securities received as collateral as part of reverse repurchase transactions of MCZK 8,177 are further provided as collateral under repurchase transactions (2014: MCZK 615).

(c) Repurchase Transactions

MCZK	31 Dec 2015	31 Dec 2014
Deposits from banks	6 270	2 920
Fair value of securities provided	6 939	2 827
Deposits from clients	7 208	8 996
Fair value of securities provided	7 206	11 822

38. Contingent liabilities, contingent assets and financial derivatives

In the ordinary course of business, the Group conducts various financial transactions that are not reported on the face of the Group's balance sheet and that are designated as off-balance sheet financial instruments. Unless stated otherwise, the information below represents the nominal values of the off-balance sheet transactions.

(a) Contingent Liabilities

Legal Disputes
As of 31 December 2015, the Group assessed the legal disputes in which it acted as a defendant. The Group established provisions for these legal disputes (see Note 32). In addition to these disputes, legal actions arising from ordinary business activities were taken against the Group. The management does not anticipate the result of these legal disputes to have a material impact on the Group's financial position.

Taxation
The Czech and Slovak tax legislation has significantly changed over the last years. As such, many complicated legislation areas remained unresolved, due to which the interpretation of taxation authorities in specific cases may not be anticipated. It is not possible to quantify the consequences of this uncertainty; they may be resolved solely under the condition that the relevant legal regulations get adopted in practice or in the event that official interpretations are available.

Liabilities arising from Guarantees, Credit Commitments and Other Contingent Liabilities
Contingent liabilities predominantly include amounts of undrawn credit commitments. Credit commitments issued by the Group include issued credit and guarantee commitments, and undrawn amounts of credits and overdraft loan facilities. Revocable commitments include credits and guarantees that may be revoked by the Group at any time without stating the reason. On the contrary, irrevocable commitments represent the Group's liability to provide a credit or issue a guarantee, the performance of which, even though bound on meeting the contractual terms by the client, is to a certain extent independent of the Group's will.
Liabilities arising from financial guarantees include irrevocable confirmations made by the Group to perform payments, under the condition that the terms defined under individual guarantee certificates are met. As such confirmations bear similar risk as credits, the Group creates the relevant provisions using a similar algorithm as for credits (see Note 40).
Documentary letters of credit represent a written irrevocable commitment of the Group issued based on a client's request (orderer), to provide a third party or to its order (recipient, beneficiary), with certain performance, under the condition that the terms of the letter of credit are met by a specified deadline. For these financial instruments, the Group creates provisions using a similar algorithm as applied for credits (see Note 40).
The Group created provisions for off-balance sheet items to cover losses incurred and arising from the impairment of the off-balance sheet items due to credit risk. As of 31 December 2015, the aggregate provisions amounted to MCZK 1,128 (as of 31 December 2014: MCZK 1,173), see Note 32 (a).

MCZK	31 Dec 2015	31 Dec 2014
Letters of credit and financial guarantees	46 255	35 635
Other contingent liabilities (undrawn credit facilities)	114 053	108 242
Total	**160 308**	**143 877**

Values Taken into Administration and Management

MCZK	31 Dec 2015	31 Dec 2014
Bonds	513 180	514 507
Shares	206 615	182 931
Depository notes	29 932	20 531
Total values taken into administration and management	**749 727**	**717 969**

(b) Contingent Assets

The Group had an option to draw a credit line provided by the Council of Europe Development Bank (CEDB) amounting to MCZK 405 (MEUR 15) with the latest maturity of nine years from the time of drawing. This credit line is purpose-bound for the refinancing of credits that fulfil the conditions of the CEDB. The Bank additionally has an option to draw a credit line from Oesterreichische Kontrollbank AG Bank of MCZK 751 (MEUR 27.8) with the maximum maturity on 31 December 2028 depending on the maturity of loans refinanced from this credit line and a credit line from The Export-Import Bank of The Republic of China of MCZK 206 (MUSD 8.3) with the maximum maturity of five years from the time of drawing.

(c) Financial Derivatives

(i) Nominal and Fair Values of Financial Derivatives

MCZK	Nominal value	Positive fair value	Negative fair value
31 Dec 2015			
Trading instruments – interbank market (OTC)			
Options	57 515	740	(727)
Interest rate swap contracts	262 908	3 268	(3 113)
Forward rate agreements (FRA)	11	–	–
Cross currency swap contracts	30 845	1 906	(1 681)
Term currency transactions	63 352	273	(396)
Other instruments	2 074	194	(193)
Total	**416 705**	**6 381**	**(6 110)**
Trading instruments – stock exchange			
Futures	1 556	36	–
Total trading instruments	**418 261**	**6 417**	**(6 110)**
Hedging instruments			
Interest rate swap contracts	201 738	4 328	(3 099)
Cross currency swap contracts	35 297	579	(45)
Total hedging instruments	**237 035**	**4 907**	**(3 144)**
31 Dec 2014			
Trading instruments – interbank market (OTC)			
Options	44 735	814	(797)
Interest rate swap contracts	213 783	3 876	(3 856)
Forward rate agreements (FRA)	200	–	–
Cross currency swap contracts	27 543	1 661	(1 578)
Term currency transactions	57 380	720	(269)
Other instruments	2 325	272	(269)
Total	**345 966**	**7 343**	**(6 769)**
Trading instruments – stock exchange			
Futures	1 802	27	–
Total trading instruments	**347 768**	**7 370**	**(6 769)**
Hedging instruments			
Interest rate swap contracts	150 099	5 290	(3 421)
Cross currency swap contracts	21 805	133	(24)
Total hedging instruments	**171 904**	**5 423**	**(3 445)**

(ii) Residual Maturity of Financial Derivatives Concluded on the Interbank Market

MCZK	Up to 1 year	1–5 years	Over 5 years	Total
31 Dec 2015				
Trading instruments				
Interest rate instruments	57 911	151 239	72 622	281 772
Equity instruments	848	12 727	2 443	16 018
Currency instruments	86 496	16 048	14 297	116 841
Other	1 636	438	–	2 074
Total	**146 891**	**180 452**	**89 362**	**416 705**
Hedging instruments				
Interest rate instruments	19 573	109 885	72 280	201 738
Currency instruments	8 810	10 052	16 435	35 297
Total	**28 383**	**119 937**	**88 715**	**237 035**

MCZK	Up to 1 year	1–5 years	Over 5 years	Total
31 Dec 2014				
Trading instruments				
Interest rate instruments	34 482	135 188	56 299	225 969
Equity instruments	2 419	9 779	1 442	13 640
Currency instruments	69 939	15 627	18 466	104 032
Other	2 042	283	–	2 325
Total	**108 882**	**160 877**	**76 207**	**345 966**
Hedging instruments				
Interest rate instruments	15 557	73 738	60 804	150 099
Currency instruments	1 660	8 189	11 956	21 805
Total	**17 217**	**81 927**	**72 760**	**171 904**

39. Segment reporting

The Group presents the segment information based on performance criteria as disclosed in Note 3 (r).

(a) Segment Information by Client Category

MCZK	Retail banking (retail) / small and medium-sized businesses	Private, corporate and investment banking	Other	Total
At 31 Dec 2015				
Net interest and dividend income	2 759	7 123	355	10 237
Other net income	1 621	4 011	115	5 747
Depreciation/impairment losses of property and equipment and intangible assets	(118)	(574)	(23)	(715)
Impairment of assets and provisions	17	(1 428)	(14)	(1 425)
Segment expenses	(3 326)	(2 814)	(640)	(6 780)
Profit before tax	**953**	**6 318**	**(207)**	**7 064**
Income tax			(1 424)	(1 424)
Result of segment	953	6 318	(1 631)	5 640
Segment assets	93 616	465 656	11 012	570 284
Segment liabilities	117 620	350 718	40 440	508 778

The Group does not have a client or a group of clients that would comprise more than 10 percent of the Group's income.

MCZK	Retail banking (retail) / small and medium-sized businesses	Private, corporate and investment banking	Other	Total
At 31 Dec 2014				
Net interest and dividend income	2 753	6 900	397	10 050
Other net income	1 829	3 382	(74)	5 137
Depreciation/impairment losses of property and equipment and intangible assets	(170)	(441)	234	(377)
Impairment of assets and provisions	(646)	(1 563)	(108)	(2 317)
Segment expenses	(3 452)	(2 500)	(511)	(6 463)
Profit before tax	**314**	**5 778**	**(62)**	**6 030**
Income tax	–	–	(1 119)	(1 119)
Result of segment	314	5 778	(1 181)	4 911
Segment assets	83 804	416 959	7 853	508 616
Segment liabilities	112 145	308 919	29 142	450 206

40. Financial risk management

(a) Introduction

The Group is exposed to the following types of risk:
- Credit risk;
- Market risk; and
- Operational risk.

The Board of Directors is responsible for the overall risk management strategy which it approves and assesses on a regular basis.
The Board of Directors has established the Assets and Liabilities Committee (ALCO), the Credit Committee and the Committee for Operational Risk Management. These committees are in charge of monitoring and managing individual risks with regard to individual specific fields. The committees report to the Board of Directors on a regular basis.
The principal part of the Group is the Bank; for this reason, the below description primarily relates to the risk management in the Bank. Risk management in subsidiaries is described in Note 40b (vi).

(b) Credit Risk

The Group is exposed to credit risks as a result of its trading activities, providing credits, hedging transactions, and investment and mediation activities.
Credit risk is managed both on the level of individual clients (transactions) and on the portfolio level.
The Credit Underwriting, Credit Operations and Strategic Credit Risk Management departments are directly responsible for credit risk management. All these departments are organisationally independent of the business divisions and are directly accountable to a member of the Board of Directors in charge of the risk management division.
Under its credit policy, the Bank defines the general principles, methods and instruments applied in identifying, measuring and managing credit risk. The definition of the Bank's credit policy is rendered by the Strategic Credit Risk Management department. The policy is reviewed by this department on a regular basis, minimally once a year.
The Bank defines in its internal guidelines the approval competencies for credit deals, including the definition of responsibilities and competencies of the Credit Committee.

(i) Credit Risk Management on the Level of Individual Clients

The credit risk on the level of individual clients is managed by analysing clients' financial health and determining the limits of credit exposure. The analysis is focused on clients' position in the relevant market, rating of their financial statements, prediction of future liquidity, and the like. The result of this analysis is, among other things, to establish a rating that reflects the probability of clients' default and takes into account quantitative, qualitative and behavioural factors. Analysing the financial position and setting the limits for credit exposure and rating is rendered both prior to granting a credit and during the credit arrangements with clients.
The internal rating system comprises 26 rating levels (1 to 10 adding "+" and "–" to certain rating classes, such as: 1+; 1; 1–; 2+; etc.).
To classify clients into individual rating classes, the Bank assesses (apart from the number of days past due with regard to overdue receivables, if any) the financial indicators related to the client (such as the structure of and proportion between the balance sheet, the income statement, and the cash flow statement), management quality, ownership structure, individual clients' market position, reporting quality, production equipment, account-use history, etc.
Clients with default receivables are always assigned to one of the classes from 8–, 9 or 10.
For receivables from individuals, the ability of the client to fulfil his or her obligations is determined using a standardised system of credit scoring based on risk-relevant features (credit application scoring).
The Bank likewise sets and regularly updates the probability of client default – natural entities, using the behavioural scoring method.

A client's final rating combines both application and behavioural components.
As an additional source of information for assessing a client's financial standing, the Bank uses information provided by credit registries.
In accordance with its credit risk management strategy, prior to providing credits, the Bank requires collateral for its credit receivables (according to the client's financial health and the character of the given transaction). The Bank considers the following to be acceptable types of collateral: cash, first-class securities, guarantees issued by other reputable entities (including bank guarantees), and pledges in form of property. In determining the realisable value of collateral, the Bank principally takes into consideration the financial health of the party providing collateral and the nominal value of the collateral, i.e. expert appraisals made by a special department of the Bank. The realisable value of collateral is determined based on this value by applying the adjusting co-efficient that reflects the Bank's ability to realise the given collateral, as and when needed.

(ii) Credit Risk Management on the Portfolio Level

This level of credit risk management principally includes reporting on the credit portfolio including analyses and monitoring of trends in individual credit sub-portfolios.
The Bank monitors its overall credit risk exposure, i.e. it takes into account all on-balance and off-balance sheet exposures and quantifies the anticipated losses from its credit exposure.
The expected loss is determined based on internal estimates of risk parameters, i.e. the probability of default (PD), exposure at default (EaD) and loss given default (LGD).
The Bank regularly monitors its credit exposure to individual industries, countries, or economically-connected groups of debtors.
The Bank assesses the concentration risk of the loan portfolio on a regular basis and establishes concentration limits as appropriate in relation to specific industries, countries, or economically-connected groups of debtors.

(iii) Classification of Receivables, Impairment Losses and Provisions

The Bank categorises its receivables arising from financial activities on a monthly basis, in accordance with the applicable decree of the Czech National Bank.
The Bank assesses on a regular basis whether any impairment of receivables has occurred. If any such impairment is identified, the Bank reports impairment losses for individual accounts receivable or receivable portfolios, in accordance with IFRS.

Impairment Losses on Individual Receivables

Impairment losses related to individual receivables are recognised in the event that the carrying amount of individual receivables is impaired and the Bank does not write off such receivables, or a portion thereof that equals the balance sheet impairment.
The Bank assesses the impairment of the carrying amount of all receivables in respect of which the debtors are in default:
(i) individually if the amount of the receivable exceeds an equivalent of MEUR 1, (ii) using the relevant model reflecting the expected return on the relevant receivable for other receivables. The Bank writes off receivables in the event that no income is anticipated on the given receivables or on the collateral received with regard to the given receivable.
The Bank determines impairment losses arising from individual receivables; (i) for individually assessed receivables, losses from the impairment are equal to the difference between the carrying amount of a receivable and the discounted value of estimated future cash flows; (ii) for receivables assessed using models, losses from the impairment are equal to the multiple of the receivable amount and loss given default.

Impairment Losses on the Portfolio Receivables

The Bank recognises impairment losses on standard receivable portfolios based on an assessment of the portfolio's carrying amount; impairment losses are determined in an amount equalling the impaired carrying amount of the standard receivable portfolio due to events indicating a reduction in anticipated future cash flows from the relevant portfolio.
Impairment losses are assigned to individual portfolios and are not divided or assigned to individual receivables included in the given portfolio.
In reporting the impairment losses related to individual receivable portfolios, the Bank takes into account the time delay between an impairment event's occurrence and the time the Bank obtains information on the impairment event (i.e. when a client's default is identified) – the "incurred loss" concept.

Provisions for Off-Balance Sheet Items

The Bank recognises provisions for selected off-balance sheet items, as follows:

(i) Provisions for off-balance sheet items in respect of the Bank's clients on whom the Bank currently recognises individual balance-sheet receivables meeting the conditions for being classified as receivables with debtor's default. The Bank recognises the impairment losses related to such individual receivables.
 Note: The Bank does not create such provisions for undrawn credit lines under issued credit cards.
(ii) Provisions for selected off-balance sheet items in respect of the Bank's clients on whom the Bank records no balance sheet receivables in the given period; even though, in the event that such receivable existed, the conditions for classification under receivables with a debtor's default would be fulfilled.
(iii) Provisions for selected off-balance sheet items of non-default clients.

The Bank recognises such provisions in the same method as used in reporting impairment losses on receivable portfolios.

(iv) Forbearance
Under forbearance, the Bank classifies loan receivables the payment conditions of which changed after the lending (the changes predominantly include payment deferral, temporary payment reduction, postponement of the ultimate due date, etc.). These items are recognised in the balance sheet under loan receivables without a debtor's default and loan receivables with a debtor's default.
Loan receivables with a change in the originally-agreed payment conditions are generally classified as receivables with a debtor's default. Following a robust assessment, the Bank may categorise individual receivables as receivables without a debtor's default despite of the change in the conditions. This approach is applied if the reasons for the change of the payment conditions are not serious according to the Bank's thorough consideration and the Bank does not anticipate incurring loss arising from the future collection of such loan receivables. The receivables without a debtor's default also include receivables that were classified as receivables with a debtor's default upon the change of the payment conditions and were subsequently transferred into the category of loan receivables without a debtor's default considering the fulfilment of the newly-agreed conditions in line with the Bank's internal rules. This group accounts for the majority of loan receivables reported as Forbearance – receivables without a debtor's default.
Loan receivables with changed payment conditions are managed by Credit Restructuring & Workout and are subject to standard restructuring and workout procedures and monitoring. The exception represents receivables that are not assessed as with a debtor's default upon the change of the payment conditions, which are only treated by Credit Restructuring & Workout after a thorough assessment of the need for using the know-how of this unit. Releasing receivables from the administration of this unit is also considered with respect to the development of individual cases and the need for using the know-how of the Credit Restructuring & Workout staff.
The period for which the client is designated as forborne is referred to as the probation period and lasts no less than two years, counted from the client default end/forbearance if the forbearance was without the client's default. In addition, this period can be terminated only if the client fulfils the agreed conditions duly and timely, is not in delay in excess of 30 days and if the case involves an instalment product, the debt must be reduced by at least 10% during this period.
Due to the size of the forbearance portfolio and the above-specified procedures and practices, we do not identify serious threats for the Bank resulting from this portfolio. This is supported by the fact that a portion of receivables with changed payment conditions in order to overcome the debtor's deteriorated financial position is reclassified again as non-default (recognised in the Bank's balance sheet as non-default forbearance – refer to above).

(v) Recovery of Receivables
The Bank has established the Credit Workout & Restructuring Unit which administers the receivables whose recoverability is at risk. The purpose of this unit involves achieving one or a number of the following goals in respect of risk-bearing credit receivables:
a) "Revitalisation" of the credit arrangement, restructuring and subsequent reclassification into standard receivables;
b) Full repayment of the credit;
c) Minimisation of the loss from the credit (realisation of collateral, sale of the receivable with a discount, etc.); and/or
d) Prevention of additional losses from the credit (comparison of future expenses versus income).

(vi) Risk Management in Subsidiaries
The risk management in subsidiaries follows similar principles as the risk management in the Bank taking into account specific features of products provided by subsidiaries and their portfolios.

These specific features primarily include the following:
– Determination of the fair value of financed assets when deciding on the provision of funding;
– Management of risk of a market value change of financed assets during financing;
– Valuation and selling activities after an extraordinary termination of a contract (or due termination of a contract in respect of operating leases) and management of the risk arising from these operations;
– Control activities to prove the connection of the purpose of financing with the existence of the financed asset before the conclusion of the contract and during the contract period (including the prevention against fraudulent activities); and
– Management of the risk of concentration in relation to types of financed assets (classes of assets).

The organisational structure of risk management, risk decision-making committees and system for the allocation of authorities are adjusted to reflect the specific features or products and risks of subsidiaries. This ensures both the independence of risk management from business activities and independence of the persons participating in the valuation of assets and their realisation from the persons having the decision-making authority in the provision of funding.

(c) Market Risks

(i) Trading
The Group holds trading positions in various financial instruments, including financial derivatives. The majority of the Group's business activities are performed in line with the requirements of the Group's customers. Depending on the estimated demand of its customers, the Group holds a certain supply of financial instruments and maintains access to the financial markets through quoting of the bid and offer prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets. The Group's business strategy

is thus affected by speculation and market-making and its goal is to maximise the net income from trading.

The Group manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are limits on the volumes applicable to individual transactions, limits for portfolio sensitivity (basis point value, or BPV), stop loss limits, and value at risk (VaR) limits. The quantitative methods applied in risk management are included in the following section entitled "Market risk management".

The majority of derivatives are negotiated on the OTC market due to the non-existence of a public market for financial derivatives in the Czech Republic.

(ii) Market Risk Management

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

The Group is exposed to market risks arising from its open positions in interest rate, equity and foreign currency instrument transactions that are sensitive to changes in the situation on the financial market. The Group's risk management focuses on managing the total net exposure resulting from the Group's structure of assets and liabilities. The Group monitors interest rate risks by observing the sensitivity of particular assets and liabilities in individual time periods, as expressed by the change in the actual values of assets and liabilities if interest rates increase by one basis point (BPV). For hedge accounting purposes, the Group identifies specific assets/liabilities causing this incongruity so that the accounting criteria for the application of hedge accounting are met.

Value at Risk

Value at Risk represents the main method for managing the market risks arising from the Bank's open positions. Value at Risk represents the potential loss from an unfavourable movement on the market within a certain time period at a certain confidence level. Value at Risk is measured based on a 1-day holding period and a confidence level of 99%. The pre-conditions for the Value at Risk model have the following limitations:

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

The VaR calculation divides the calculated risk into interest rate and credit portions. The credit portion of VaR is calculated based on the volatility of the credit spread between securities and the zero-risk interest rate. For this purpose, the yield curves of particular issuers, industries, or groups of issuers with identical rating are downloaded into the system for market risk management. Specific securities are mapped to these yield curves and the volatility of the credit spread is calculated. The Bank regularly reassesses the mapping of debt securities with the relevant yield curves and, if necessary, the debt securities are re-mapped to curves that reliably reflect the credit risk of the specific debt securities

The Group uses VaR to measure interest rate risk, foreign currency risk, equity risk and other types of risk connected with the negative movements in the prices of market factors (spread risk, option risk, etc.). The aggregate structure of VaR limits is approved by the Assets and Liabilities Committee (ALCO); at least once a year the structure and the amount of limits are revised in accordance with the Group's needs and developments on the financial markets. The results of the VaR calculation are published daily for selected users (Board of Directors, selected employees of the Financial Markets Department, the Market Risk Department, the Assets & Liabilities Management Unit, and the MARS department of the parent bank/sub-holding).

Back Testing – Value at Risk

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

The table below shows the Values at Risk:

MCZK	At 31 Dec 2015	Average for 2015	At 31 Dec 2014	Average for 2014
Aggregate VaR	106.7	106.8	109.4	164.5
VaR of currency instruments	6.52	2.79	2.34	2.5
VaR of equity instruments	0	0	0	0,95

Interest Rate Risk

The Group is exposed to interest rate risk as a result of the fact that interest-bearing assets and liabilities have different maturities or interest rate re-pricing periods and different volumes during these periods. In the event of a change in interest rates, the Group is exposed to a risk as a result of the different mechanism or timing of adjustments to particular types of interest rates (such as PRIBOR), declared interest rates on deposits, etc. The activities in the area of interest risk management are focused on optimising the Group's net interest income in accordance with the strategy approved by the Board of Directors.

Given the development of the market interest rates and the possible decrease to negative values, the Group has already taken measures for certain products to eliminate the decrease in the market interest rate (as the key element of the client rate) to negative values. The Group hereby reconciles client rates relating to assets and liabilities of non-financial clients.

The Group's overall interest rate position as of 31 December 2015 is characterised by greater interest rate sensitivity on the assets side as compared to the liabilities side. This can be seen in the negative aggregate basis point value (BPV) – if the interest rates under individual currencies increased in parallel, there would be a decrease in market revaluation. The Group's interest rate position is diversified into individual time periods, due to which the sensitivity to interest rate volatility is not necessarily identical (positive, negative), and to a number of currencies, through which the different interest rate risks related to individual currencies are compensated under the aggregate asset and liability portfolio. The major sensitivity is connected to CZK and EUR.

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

The Group applies a "Basis Point Value (BPV)" approach for measuring interest sensitivity of assets and liabilities. BPV represents the change in the present value of cash flows derived from individual instruments if interest rates increase by one basis point (0.01%), i.e. it represents the sensitivity of instruments to interest rate risks. The Group set up the interest rate risk limits to restrict oscillation of net interest income resulting from changes of interest rates by 0.01% (the "BPV limit").

Stress Testing of Interest Rate Risk

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

The standard stress scenario corresponds to a parallel shift in the yield curve by 200 basis points for major currencies (CZK, EUR, USD), and the main alternative scenario (money market stress test) corresponds to a parallel shift in the short tail of the yield curve by 250 basis points for major currencies (CZK, EUR, USD), with a maturity of up to two years.

The following table shows the impact of the parallel shift of the yield curve on the Group's results. The Group uses the euro as the base currency for stress testing. The values as of 31 December 2015 and the maximum and minimum values are translated into CZK using the foreign exchange rate of the Czech National Bank promulgated as of 31 December 2015 and 31 December 2014 (2015: 27.025 CZK/EUR; 2014: 27.725 CZK/EUR). The average values are translated into CZK using the average value of the daily CZK/EUR foreign exchange rates for the particular year (average 2015: 27.28 CZK/EUR; average 2014: 27.533 CZK/EUR).

	Basic stress test		MM stress test
MCZK	**–200bp**	**+200bp**	**+250bp**
Value at 31 Dec 2015	1 530	(1 469)	(599)
Average for the period	437	(2 102)	(1 116)
Maximum value	2 178	(1 469)	(599)
Minimum value	132	(3 016)	(1 636)
Value at 31 Dec 2014	383	(2 070)	(1 149)
Average for the year	181	(1 298)	(584)
Maximum value	388	(681)	19
Minimum value	35	(2 070)	(1 149)

On 7 December 2015, stress scenarios for negative market interest rates were introduced.

As a large portion of the market interest rate curve shows negative rates and a further decrease may not be excluded, the Group applies a stress scenario to reflect a possible profit/loss effect of a further decrease in the market interest rates. This approach is applied to the entire portfolio of assets and liabilities, including products for which a decrease of the market interest rates (as an element of client rates) into negative values is restricted in contracts (as well as in the general business terms and conditions).

Using this approach, the Group also reflects the possible risk of profit/loss for products where the market interest rates cannot achieve negative values according to contracts.

Due to this change, the result of stress testing with the shift of +/–200 bps is approximately symmetric while until 7 December 2015 (and as of 31 December 2014), it was asymmetric because of the applied 0 floor.

Hedge Accounting

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

Fair Value Hedging

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

At the inception of the hedged arrangement, the Group performs a fair value hedge effectiveness test on the basis of future changes in fair values of hedged and hedging instruments and of expected interest rates movements (the "prospective test"). On the basis of the actual interest rate developments, the test of effectiveness is carried out at the last day of each month. The Bank has selected the monthly frequency of effectiveness testing to be able to detect possible non-effectiveness of the hedge arrangements.

For particular hedged items and hedging trades (loans, deposits, securities, interest rate swaps, etc.), specific dates and amounts of cash flows are determined from the inception of a hedged arrangement until the maturity of the hedged instrument, or until the end of the hedge arrangement. The present values of particular cash flows for the relevant date (date of effectiveness measurement) are determined on the basis of the discount factors for specific currencies. The fair value of a transaction is the total of discounted cash flows from the relevant trade at the given time. The cumulative change of the fair value is determined by comparing the fair value in the given time with the first revaluation. These cumulative changes are further netted for realised cash flows by adding them back or subtracting. The hedge effectiveness is measured using the comparison of the cumulative change in the fair value of the hedged and hedging instrument. The hedge is considered effective if the proportion of cumulative fair value changes of hedged and hedging instruments is between 80% and 125%.

Cash Flow Hedging

The Group uses the concept of cash flow hedging to eliminate interest rate risk on an aggregate basis. The hedged instruments are future forecasted transactions in the form of interest income and expenses sensitive to changes in market interest rates. Future anticipated transactions arise from concluded contracts and future transactions established on the basis of replication models. The hedging instruments are derivatives (most commonly interest rate swaps and cross currency swaps).

The effectiveness of a cash flow hedge is determined in accordance with the BA Group standards, based on an approved methodology. First, the nominal values (divided into assets and liabilities) of external trades by currency are identified, for which the interest cash flow (established on the basis of the re-financing – the "funding" rate) may be considered variable (hedged cash flows). Second, for these same currencies the nominal interest cash flows of variable hedging instrument parts are identified and are monitored on a net basis (i.e. net cash in/outflows).

The Group monitors whether the absolute value of future variable interest cash flows from hedged deals for specific time periods exceeds the absolute value (having the opposite sign, plus or minus) of net variable cash flows from hedging derivatives.

The time periods are defined as follows: up to 2 years by months, further by individual years, 10-15 years, and more than 15 years.

The hedge is judged effective if the aggregate volume of variable interest cash flows from hedged deals is greater than the net variable interest cash flows from hedged deals (designated with an opposite – positive/negative sign) in each of the time periods, measured separately for each monitored currency.

The effectiveness of repricing risk hedging for future cash flows is in line with the BA Group standards based on the approved methodology. In the first step, for individual currencies the nominal values (divided into assets and liabilities) of external transactions are identified whose interest cash flows (specified based on the 'funding' refinancing rate) may be considered variable – hedged flows. In the second step, for the same currencies the nominal interest cash flows of variable parties of hedging instruments are identified and hedging flows are monitored on a net basis (the monitoring of net cash in- or out-flows).

The Group monitors whether the absolute value of future variable interest cash flows from hedged transactions exceeds (with the opposite sign) the absolute value of the net variable interest cash flows from hedging derivatives in individual time periods. The time periods are defined as follows: up to 1 month, 1-2 months, 2-3 months, 3-6 months, 6-9 months, 9-12 months, 12-18 months, 18 months-2 years and 10-15 years and more than 15 years.

Effectiveness is achieved if the volume of variable interest cash flows from hedged transactions is greater than the net variable interest cash flow from hedging transactions (with the opposite sign) in each of the time periods, for each of the monitored currencies separately.

Currency Risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, comprise the Group's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in profit or loss.

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

The following table shows the structure of assets and liabilities by currency:

MCZK	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2015						
Cash in hand and cash balances	1 858	2 190	176	44	177	4 445
Financial assets at fair value through profit or loss, including	4 733	4 154	575	92	13	9 567
– held for trading	3 200	4 148	575	92	13	8 028
– not held for trading	1 533	6	–	–	–	1 539
Available-for-sale securities	43 674	38 975	–	–	–	82 649
Securities held to maturity	–	186	–	–	–	186
Receivables from banks	96 787	8 569	731	7	517	106 611
Receivables from clients	169 451	174 713	2 706	2 373	2 298	351 541
Positive fair value of hedging derivatives	3 411	1 495	1	–	–	4 907
Investments in associates	401	–	–	–	–	401
Property and equipment	3 390	1 726	–	–	–	5 116
Intangible assets	645	147	–	–	–	792
Tax receivables	66	982	–	–	–	1 048
Non-current assets held for sale	–	23	–	–	–	23
Other assets	1 575	1 055	306	16	46	2 998
Total assets	**325 991**	**234 215**	**4 495**	**2 532**	**3 051**	**570 284**
Deposits from banks	24 252	33 953	871	–	626	59 702
Deposits from clients	223 247	123 303	12 280	815	4 344	363 989
Debt securities issued	33 138	31 657	224	–	–	65 019
Financial liabilities held for trading	3 932	1 722	461	31	890	7 036
Negative fair value of hedging derivatives	854	2 285	–	–	5	3 144
Tax liabilities	1 963	32	–	–	–	1 995
Other liabilities	2 930	3 376	233	8	110	6 657
Provisions	200	1 025	5	–	6	1 236
Equity	46 568	14 935	1	1	1	61 506
Total liabilities and equity	**337 084**	**212 288**	**14 075**	**855**	**5 982**	**570 284**
Gap	(11 093)	21 927	(9 580)	1 677	(2 931)	–

MCZK	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2014						
Cash in hand and cash balances	1 778	2 005	221	32	99	4 135
Financial assets at fair value through profit or loss, including	6 157	5 153	892	0	777	12 979
– held for trading	5 099	4 939	892	0	777	11 707
– not held for trading	1 058	214	–	–	–	1 272
Available-for-sale securities	52 051	36 294	–	–	–	88 345
Securities held to maturity	–	191	–	–	–	191
Receivables from banks	37 502	10 656	301	16	307	48 782
Receivables from clients	162 485	169 531	3 354	1 868	2 272	339 510
Positive fair value of hedging derivatives	3 893	1 530	–	–	–	5 423
Investments in associates	542	–	–	–	–	542
Property and equipment	3 075	1 607	–	–	–	4 682
Intangible assets	31	66	–	–	–	97
Tax receivables	112	990	–	–	–	1 102
Other assets	1 642	780	336	16	54	2 828
Total assets	**269 268**	**228 803**	**5 104**	**1 932**	**3 509**	**508 616**
Deposits from banks	18 614	34 110	1 042	950	26	54 742
Deposits from clients	185 628	123 576	13 071	1 064	5 246	328 585
Debt securities issued	33 325	13 837	123	–	–	47 285
Financial liabilities held for trading	4 429	2 696	403	–	24	7 552
Negative fair value of hedging derivatives	1 682	1 763	–	–	–	3 445
Tax liabilities	1 500	235	–	–	–	1 735
Other liabilities	1 672	3 542	230	12	93	5 549
Provisions	1 268	45	–	–	–	1 313
Equity	44 847	13 561	2	–	–	58 410
Total liabilities and equity	**292 965**	**193 365**	**14 871**	**2 026**	**5 389**	**508 616**
Gap	(23 697)	35 438	(9 767)	(94)	(1 880)	–

Equity Risk

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

Liquidity Risk

Liquidity risk arises as a result of the manner of financing the Group's activities and managing its positions. It includes both the risk that the Group would be unable to finance its assets using instruments with appropriate maturity and the risk that the Group would be unable to dispose of its assets for an appropriate price within the necessary time period.
The Group has access to diverse sources of funds, which comprise deposits and other savings, securities issued, loans taken (including subordinated loans) and its own equity capital. This diversification makes the Group flexible and limits its dependency on any single funding source. The Group regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of funding and comparing these changes with the Group's liquidity risk management strategy, which is approved by the Group's Board of Directors. The Group also holds, as part of its liquidity risk management strategy, a proportion of its assets in highly liquid funds, such as state treasury bills and similar bonds.
Liquidity risk is evaluated regularly by the Group using the analysis of differences between the residual maturity of assets and liabilities. Two approaches are used: short-term and long-term (structural).
In the short-term approach, the Group monitors daily and in detail with a view to the next several weeks the difference between liquidity inflows and outflows. Limits are set for cumulative inflows and outflows. If limits are breached, the Group takes action to reduce the liquidity risk. In the long-term (structural) perspective, the Group monitors the difference between the maturity of assets and liabilities in periods longer than one year. For products with non-specified maturity (i.e. current accounts) the Group has developed a model for their expected residual maturity. The Group again sets limits, and appropriate action is taken if they are breached (e.g. by acquiring long-term sources of refinancing).
The Group has drawn up a contingency plan for the event of a liquidity crisis. This plan defines the roles, responsibilities and process of crisis management. It also defines the possible measures which should be considered in the event of an emergency situation.
Stress tests of short-term liquidity are performed by the Group on a weekly basis. The stress tests verify the Group's ability to overcome extreme situations such as systemic interruption of the inter-bank money market, a decrease in the Bank's credit rating, IT system breakdowns, and reputation risk to the Group. The stress scenarios' results are presented to the ALCO.

The following table shows undiscounted cash flows of assets and liabilities, issued guarantees and provided loan facilities:

MCZK	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspe- cified.
At 31 Dec 2015							
Cash in hand and cash balances	4 445	4 445	4 445	–	–	–	–
Financial assets at fair value through profit or loss, including	9 567	9 920	652	2 080	3 524	3 786	(122)
– held for trading	8 028	8 361	652	541	3 504	3 786	(122)
– not held for trading	1 539	1 559	–	1 539	20	–	–
Available-for-sale securities	82 649	90 201	1 722	10 020	43 479	34 238	742
Securities held to maturity	186	218	2	7	209	–	–
Receivables from banks	106 611	106 696	101 234	2 410	3 022	–	30
Receivables from clients	351 541	387 728	56 364	59 574	138 024	132 516	1 250
Positive fair value of hedging derivatives	4 907	4 907	37	170	2 488	2 212	–
Investments in associates	401	401	–	–	–	–	401
Property and equipment	5 116	5 116	–	–	–	–	5 116
Intangible assets	792	792	–	–	–	–	792
Tax receivables	1 048	1 048	–	1 048	–	–	–
Non-current assets held for sale	23	23	13	10	–	–	–
Other assets	2 998	2 998	13	–	–	–	2 985
Deposits from banks	59 702	59 724	26 355	11 180	17 782	4 407	–
Deposits from clients	363 989	365 170	335 873	22 764	2 537	912	3 084
Debt securities issued	65 019	70 320	3 885	3 519	42 438	20 285	193
Financial liabilities held for trading	7 036	7 036	467	442	2 929	3 195	3
Negative fair value of hedging derivatives	3 144	3 144	39	76	1 597	1 432	–
Tax liabilities	1 995	1 995	–	1 995	–	–	–
Other liabilities	6 657	6 657	1 044	2	–	–	5 611
Provisions	1 236	1 236	–	–	–	–	1 236
Equity	61 506	61 506	–	–	–	–	61 506
Undrawn loan facilities	114 053	114 053	14 771	51 053	22 575	25 654	–
Bank guarantees	46 255	46 255	3 844	10 455	27 506	4 446	4
At 31 Dec 2014							
Cash in hand and cash balances	4 135	4 135	4 135	–	–	–	–
Financial assets at fair value through profit or loss, including	12 979	13 489	833	2 291	4 550	5 780	35
– held for trading	11 707	12 206	652	1 194	4 545	5 780	35
– not held for trading	1 272	1 283	181	1 097	5	–	–
Available-for-sale securities	88 345	96 661	2 014	20 467	41 461	32 712	7
Securities held to maturity	191	233	2	7	224	–	–
Receivables from banks	48 782	48 814	44 595	1 486	2 710	–	23
Receivables from clients	339 510	378 924	46 085	60 364	140 333	129 639	2 503
Positive fair value of hedging derivatives	5 423	5 423	9	150	2 225	3 039	–
Investments in associates	542	542	–	–	–	–	542
Property and equipment	4 682	4 682	–	–	–	–	4 682
Intangible assets	97	97	–	–	–	–	97
Tax receivables	1 102	1 102	–	1 102	–	–	–
Other assets	2 828	2 828	34	–	–	–	2 794
Deposits from banks	54 742	54 822	24 428	5 214	17 685	7 495	–
Deposits from clients	328 585	328 989	300 649	20 610	4 652	362	2 716
Debt securities issued	47 285	51 836	1 021	13 088	31 909	5 506	312
Financial liabilities held for trading	7 552	7 552	395	704	2 295	4 158	–
Negative fair value of hedging derivatives	3 445	3 445	21	118	1 500	1 806	–
Tax liabilities	1 735	1 735	–	1 735	–	–	–
Other liabilities	5 549	5 549	281	21	–	–	5 247
Provisions	1 313	1 313	–	–	–	–	1 313
Equity	58 410	58 410	–	–	–	–	58 410
Undrawn loan facilities	108 242	108 242	16 252	56 032	18 149	17 809	–
Bank guarantees	35 635	35 635	4 152	11 293	16 268	3 917	5

(d) Operational Risk

The operational risk is defined as a risk of loss due to deficiencies or failures of internal processes, people and systems or external events. This definition includes the legal risk, however, it does not include the strategic or reputation risk. The legal risk includes, among other things, the risk of fines, sanctions or punitive damages resulting from supervision measures as well as private settlement.

The Bank's organisational structure and its internal rules fully respect the segregation of incompatible duties and prevent any conflict of interests. Internal rules unambiguously define the obligations and competencies of employees, including management, and regulate the working processes and controlling activities. The Operational Risk Management Committee is the main control and decision body regarding operational risk. All members of the Board of Directors are permanent members of the committee. The Operational Risk Department is an independent body reporting directly to a member of the Board of Directors in charge of risk management. The Operational Risk Department is authorised to secure unified and coordinated operational risk management in accordance with the applicable regulations and the standards of the parent company. Operational risk management and monitoring as such is performed by authorised employees of individual departments. The Internal Audit Department identifies extraordinary trends and breach of or non-compliance with directives and it assesses the control and management system's functionality.

In 2015, the Group continued developing and setting up the comprehensive system for the identification, monitoring and management of operational risk.

To ensure effective collection of operational risk events and data, the Bank uses an on-line information system developed by the UniCredit Group. The system complies with the requirements for capital adequacy management, in accordance with the Basel II regulation. The data acquired through the system is taken into account in calculating the capital requirement as well as in managing operational risk. It serves as a basis for designing processes that reduce the number of particular events and mitigate the consequences (e.g. in preparing process mitigation measures or strategic insurance plan for the Bank). The data is also used for reviewing the reliability of proposed measures for operational risk mitigation. The data is collected on a continuous basis in cooperation with individual departments of the Bank (all significant events are reported and resolved immediately). Based on the collected data, a quarterly consolidated report is prepared, which is presented to the Operational Risk Management Committee and distributed within the Bank. The Board of Directors, the Internal Audit Department and the parent company are informed about the most significant cases of operational risk on a weekly basis, or immediately if necessary. The data is regularly reconciled with the accounting records and other sources in order to ensure data completeness and accuracy.

In 2015, the Group analysed the scenarios, and configured and analysed the risk indicators. Another important element of the operational risk management system is managing the continuity of operations (emergency planning, crisis management). The Group has updated and tested the recovery plans (for crisis situations) in order to ensure their full usefulness and effectiveness under current conditions. In addition, the Operational Risk Department enhances the overall awareness of operational risk within the Group and trains the Group's staff both by means of training sessions and e-learning courses.

Based on the consent obtained from the regulatory body, the Bank calculates the capital requirement for operational risk under the advanced measurement approach (AMA). Under this approach, the group model is used based on internal and external data, the results of scenario analyses and risk indicator data.

(e) Capital Management

Management of the Group monitors the development of the Group's capital adequacy on a consolidated basis and its capital position. The regulator of the banking market, the Czech National Bank, established rules for the calculation of capital requirements and monitors their development. Since 1 January 2014, the Group has met the requirements of Basel III (Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms) that was implemented by the Czech National Bank through Decree No. 163/2004 Coll. on the performance of the activity of banks, credit unions and investment firms. The Basel III rules were established in response to the financial crisis and introduce requirements for increased capital quality, requirement for an increased coverage of risks, the minimum standard for liquidity management, rules for the leverage ratio and improve risk management and corporate governance.

The transfer to the Basel III rules did not have a significant impact on the capital adequacy. The original capital (Tier 1) is currently part of Tier 1 common capital (CET1) which is the supreme quality capital. The Group has newly included the capital requirement relating to the risk of the credit valuation adjustment in the capital adequacy; this has no significant impact on the total capital.

Several new requirements were introduced in relation to risk-weighted assets which, in aggregate, had no significant impact on risk-weighted assets. The impact of the increase in the correlation coefficient in exposures to large entities in the financial sector and unregulated financial entities was balanced by the impact of the reduction factor for exposures to small and medium-sized companies.

The Bank's regulatory capital consists of the following:

- Common Equity Tier 1 (CET 1) capital which comprises registered capital, share premium, reserve funds, retained earnings, accumulated other comprehensive income from revaluation of available-for-sale securities, post-tax profit for the period if audited at the time of reporting; minus intangible assets and gaps in the coverage of anticipated losses through adjustments for credit risk using the internal rating based approach;
- Tier 1 (T1) capital creating CET1; and
- Tier 2 (T2) capital which is the excess in the coverage of anticipated credit losses when using the internal rating based approach.

The Group complies with the defined minimum requirements of Basel III rules for capital adequacy, including capital buffers.

(f) Market Development in 2015

The growth of the Czech economy accelerated considerably, achieving 4.3% in 2015 according to preliminary results. It was predominantly driven by investments supported by the EU funds and private consumption. Higher GDP dynamics was accompanied by more intensive activities on the loan market in the Czech Republic. The volume of loans to households accelerated gradually its year-on-year growth up to 7.6% in December thanks to the interest in mortgage loans throughout the year. Corporate loans accelerated through September when the year-on-year growth achieved 11.6% and was followed by a slower rate of 5.1% in December. The interest rates in the interbank market were stable throughout the year and remained very close to zero. Longer interest rates, predominantly affecting the cost of mortgage loans for clients, tended to fall during the year. The Czech banking sector reported a high degree of stability. A negative influence of low interest rates on profitability was compensated by a lower need for bad loans provisioning. Preliminary data indicate that the Slovak economy grew by 3.6% in 2015, primarily owing to investments markedly supported by EU funds. The banks could rely on strong retail demand for mortgage and consumer loans. The ECB's loose monetary policy, in combination with stagnating real estate prices and growing salaries, brought the availability of housing to new record levels. The growth in retail lending was not cooled even after the NBS's recommendation calling for banks to be more prudent in assessing risks and retail lending thus continued to grow at a two-digit pace (12.7% in December). During the year, corporate interest in banking financing was revived and corporate lending accelerated up to 8.5% in December which was the fastest growth since early 2009. The profitability of the Slovak banking sector continued to grow in 2015, with the adverse impact of low interest rates being more than fully offset by increased non-interest income, lower costs of risk and a decreased banking tax charge. The year-on-year increase in the volume of client deposits continued at a higher rate than the increase in provided loans in 2015. The Bank invested the excess liquidity primarily in short-term interbank deposits, treasury bills and government bonds, while always ensuring that it invests in liquid assets that the Bank would use for repurchase transactions with central banks as and when needed.

During 2015, the Bank continuously enhanced its systems and processes under financial risk management as follows:

(i) Credit Risk

- More accurate specific credit policies for clients operating in selected industries (financing of commercial real estate, energy, automotive, construction, engineering, etc.);
- Change in selected product parameters and credit products in retail banking;
- Strengthening of the procedure for credit fraud identification, monitoring the process related to the loan portfolio (timely identification of the warning signals) and of the process for recovery of loan receivables); and
- Continuous improvement of the Bank's own estimates of risk parameters used in the advanced (IRB) approach to the calculation of the capital requirements for credit risk for the banking portfolio.

(ii) Market Risk

- In the post-implementation phase, the new IT system for treasury and the internal platforms for the calculation of VaR and BPV were stabilised.

(iii) Liquidity

- The Bank continued to improve the calculation methodology for the Basel III LCR indicators and in the last quarter, it started regular LCR reporting to regulatory authorities.

41. Related party transactions

Entities are deemed to be entities under special arrangements in the event that one entity is able to control the activities of the other or is able to exercise significant influence over the other entity's financial or operational policies. As part of its ordinary business, the Bank enters into transactions with related entities. These transactions principally comprise loans, deposits and other types of transactions and are concluded under arm's length conditions and at arm's length prices in order to prevent any detriment to any party. Related parties principally include the parent companies and fellow subsidiaries as part of the UCI/HVB/BA Group, subsidiaries and affiliates, members of the Board of Directors and other members of the Bank's management.
The Group has prepared an equity programme for the employees of the UniCredit Group under which the employees may purchase investment shares of the group at a discounted price in the form of discount shares. Discount shares may not be sold over the tying period. Tied shares will be forfeited if the respective employee terminates his/her employment in the group or sells his/her investment shares before the end of the tying period. The provided discount is allocated to individual group companies that are involved in the programme and these companies recognise and defer the discount over the tying period

(a) Transactions with the parent company UniCredit Bank Austria AG

MCZK	31 Dec 2015	31 Dec 2014
Assets		
Financial assets held for trading	1	13
Receivables from banks	3 628	3 756
Securities available for sale	4 640	4 793
Total	**8 269**	**8 562**
Liabilities		
Deposits from banks	23 810	7 423
Financial liabilities held for trading	5	1
Total	**23 815**	**7 424**
Off-balance sheet items		
Issued guarantees	750	609
Irrevocable credit facilities	–	44
Total	**750**	**653**
Interest and similar income	110	116
Interest and similar expenses	(286)	(36)
Income from fees and commissions	9	18
Expenses for fees and commissions	(29)	(17)
Net profit/(loss) from financial assets and liabilities held for trading	(16)	19
General administrative expenses	82	56
Total	**(130)**	**156**

MCZK	31 Dec 2015	31 Dec 2014
Assets		
Financial assets held for trading	924	927
of which:		
UniCredit Bank AG	924	913
Receivables from banks	5 164	3 231
of which:		
UniCredit Bank AG	1 092	1 354
Yapi ve Kredi Bankasi AS	2 160	–
UniCredit Bank Hungary Zrt.	161	290
UniCredit S.p.A.	82	561
ZAO UniCredit Bank	1 652	1 012
Receivables from clients	221	374
of which:		
UCTAM CZ	136	282
Board of Directors	6	7
Other executives	72	77
Positive fair value of hedging derivatives	1 889	2 140
of which:		
UniCredit Bank AG	1 886	2 140
Total	**8 198**	**6 672**

MCZK	31 Dec 2015	31 Dec 2014
Liabilities		
Deposits from banks	4 386	1 933
of which:		
UniCredit Luxembourg S.A.	27	20
UniCredit Bank AG	3 786	1 796
UniCredit Bank Hungary Zrt.	49	2
UniCredit S.p.A.	131	104
Deposits from clients	1 163	874
of which:		
UniCredit Leasing (Austria) GmbH	129	–
Pioneer Asset Management a.s.	462	404
Pioneer Investment Company	100	114
UniCredit Business Integrated Solutions S.p.A.	220	158
Board of Directors	104	91
Other executives	55	61
Financial liabilities held for trading	2 599	3 249
of which:		
UniCredit Bank AG	2 598	3 248
Negative fair value of hedging derivatives	2 026	2 355
of which:		
UniCredit Bank AG	2 026	2 355
Total	**10 174**	**8 411**

MCZK	31 Dec 2015	31 Dec 2014
Off-balance sheet items		
Issued guarantees	896	1 417
of which:		
UniCredit Bank AG	427	407
UniCredit S.p.A.	385	559
UniCredit Bank Hungary Zrt.	49	20
ZAO UniCredit Bank	–	400
Irrevocable credit facilities	277	437
of which:		
UniCredit Bank AG	108	148
YAO UniCredit Bank (Moscow)	22	–
UniCredit S.p.A.	101	108
Board of Directors	1	1
Other executives	4	4
Total	**1 173**	**1 854**

MCZK	2015	2014
Interest income and similar revenues	(60)	139
of which:		
UniCredit Bank AG	(97)	112
UniCredit S.p.A	2	8
Interest expenses and similar charges	(12)	(1)
of which:		
UniCredit Bank Hungary Zrt.	–	–
UniCredit Leasing (Austria) GmbH	(10)	–
Fee and commission income	123	80
of which:		
UniCredit Bank AG	44	59
UniCredit Leasing Group	39	–
Pioneer Asset Management SA, Luxembourg	16	11
Fee and commission expenses	(5)	(5)
of which:		
UniCredit Bank AG	(1)	(1)
Pekao	(2)	–
Net income/(loss) from financial assets and liabilities held for trading	(549)	(2 117)
of which:		
UniCredit Bank AG	(549)	(2 122)
Net income/(loss) from hedging against risk of changes in fair value	130	(230)
of which:		
UniCredit Bank AG	130	(230)
General administrative expenses	(1 438)	(1 337)
of which:		
UniCredit S.p.A.	(69)	(54)
UniCredit Business Integrated Solutions S.p.A.	(1 379)	(1 252)
Total	**(1 811)**	**(3 471)**

42. Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities that are not reported at fair values in the Group's balance sheet (the fair value is calculated using discounted future cash flows under the application of arm's length market rates to which credit mark-ups derived from internal rating categories of individual clients are added):

	31 Dec 2015		31 Dec 2014	
MCZK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from banks	106 611	106 634	48 782	48 782
Receivables from clients	351 541	352 647	339 510	343 510
Financial liabilities				
Deposits from banks	59 702	60 154	54 742	54 432
Deposits from clients	363 989	364 255	328 585	328 941
Debt securities issued	65 019	66 723	47 285	50 330

The following table shows transfers of financial assets and liabilities at fair value between Levels 1 and 2.
Financial assets at fair value based on Levels 1 a 2:

MCZK	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Not held for trading	Securities available for sale	Hedging derivatives	Total
31 Dec 2015					
Transfer from Level 1 to Level 2	4	–	–	–	4
Transfers from Level 2 to Level 1	–	–	180	–	180
31 Dec 2014					
Transfer from Level 1 to Level 2	–	–	62	–	62
Transfers from Level 2 to Level 1	155	–	5 019	–	5 174

For the years ended 31 December 2015 and 31 December 2014, no financial liabilities reported at fair value were transferred between Levels 1 and 2.

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

MCZK	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Not held for trading	Securities available for sale	Hedging derivatives	Total
Opening balance at 1 Jan 2014	**–**	**–**	**142**	**–**	**142**
Addition arising from the merger	–	–	–	–	–
Revaluation gains and losses					
In profit or loss	–	–	–	–	–
In other comprehensive income	–	–	–	–	–
Purchases	–	–	–	–	
Sales/maturity	–	–	–	–	–
Transfers from/to other levels	–	188	104	–	292
Other	–	–	(136)		(136)
Closing balance at 31 Dec 2014	**–**	**188**	**110**	**–**	**298**
Total revaluation gains and losses included in profit or loss for the period:					–
Of which: Total revaluation gains and losses included in profit or loss for the period arising from financial assets held at the period end					–
Opening balance at 1 Jan 2015	**–**	**188**	**110**	**–**	**298**
Addition arising from the merger	–	–	–		
Revaluation gains and losses					–
In profit or loss	–	–	–	–	–
In other comprehensive income	–	–	629	–	629
Purchases	–	–	–	–	–
Sales/maturity	–	(188)	(104)	–	(292)
Transfers from/to other levels	–	–	–	–	–
Other	–	–	–	–	–
Closing balance at 31 Dec 2015	**–**	**–**	**635**	**–**	**635**
Total revaluation gains and losses included in profit or loss for the period:					–
Of which: Total revaluation gains and losses included in profit or loss for the period arising from financial assets held at the period end					–

In the years ended 31 December 2015 and 2014, the Bank did not record any transfers from and to Level 3 with respect to financial liabilities stated at fair value.

43. Offset of financial assets and financial liabilities

The Group does not offset financial assets and financial liabilities. The below tables provide information on potential offset of financial assets and financial liabilities.

Financial assets that are subject to offset, recoverable framework contracts for offset and similar arrangements:

MCZK	Gross reported financial assets	Gross offset financial liabilities	Net reported financial assets	Relating amounts that are not offset Financial instruments	Relating amounts that are not offset Obtained cash collateral	Net amount
31 Dec 2015						
Derivatives	5 633	–	5 633	3 173	–	2 460
31 Dec 2014						
Derivatives	4 331	–	4 331	1 560	–	2 771

Financial liabilities that are subject to offset, recoverable framework contracts for offset and similar arrangements:

MCZK	Gross reported financial liabilities	Gross reported financial assets	Net reported financial liabilities	Relating amounts that are not offset Financial instruments	Relating amounts that are not offset Provided cash collateral	Net amount
31 Dec 2015						
Derivatives	3 809	–	3 809	3 173	–	636
31 Dec 2014						
Derivatives	2 134	–	2 134	1 560	–	574

44. Subsequent events

In February 2016, the Group's management approved the sale and lease back of the building in the net book value of CZK 629 million which was subsequently transferred to "Non-current assets held for sale". The transaction is anticipated to be completed in 2016.
In February 2016, INPROX Poprad, spol. s r.o. and INPROX SR I., spol. s r.o. merged with UniCredit Leasing Slovakia, a.s. with effect from 1 January 2016.
As of the financial statements date, INPROX Chomutov, s.r.o. and INPROX Kladno, s.r.o. are being merged with UniCredit Leasing CZ, a.s.
Except for the matters referred to above, the Group's management is not aware of any post balance sheet events that would require adjustment to the consolidated financial statements.

Approval date:	Stamp and signature of the statutory body:	Individual in charge of the accounting records (name, signature):	Individual in charge of the extraordinary financial statements (name, signature):
22 March 2016	Ing. Jiří Kunert Chairman of the Board of Directors Mag. Gregor Hofstaetter-Pobst Member of the Board of Directors	Ing. Jiří Houška	Michaela Mrštíková

Separate financial statements

Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 MCZK	2014 MCZK
Interest income and similar income	5	11 181	11 576
Interest expense and similar charges	5	(2 130)	(2 592)
Net interest income and similar income		**9 051**	**8 984**
Fee and commission income	6	4 715	4 418
Fee and commission expenses	6	(1 141)	(1 070)
Net fee and commission income		**3 574**	**3 348**
Dividend income	7	2	1
Net income/(loss) from financial assets and liabilities held for trading	8	1 904	1 626
Net income/(loss) from hedging against risk of changes in fair value	9	(9)	(15)
Net income/(loss) from the sale of financial assets and liabilities	10	9	(18)
Net income/(loss) from financial assets and liabilities at fair value through profit or loss not held for trading	11	(1)	(8)
Operating income		**14 530**	**13 918**
Impairment losses on financial assets	12	(1 117)	(1 904)
Administrative expenses	13	(6 950)	(6 646)
Creation and release of provisions		24	(83)
Depreciation and impairment of property and equipment		(222)	27
Amortisation and impairment of intangible assets		(11)	(5)
Other operating income and expenses	14	31	23
Operating expenses		**(7 128)**	**(6 684)**
Profit/(loss) from the sale of non-financial assets		(14)	(4)
Profit before income tax		**6 271**	**5 326**
Income tax	33	(1 238)	(965)
Profit after tax		**5 033**	**4 361**
Other comprehensive income			
Items that can be subsequently derecognised to profit or loss			
Reserve from revaluation of hedging instruments:		(387)	1 304
Changes in net fair values of derivatives in cash flow hedges		(357)	1 068
Net fair value of derivatives in cash flow hedges transferred to profit or loss		(30)	236
Reserve from revaluation of available-for-sale securities		511	1 271
Change in revaluation of available-for-sale securities		622	1 211
Revaluation of available-for-sale securities transferred to profit or loss		(111)	60
Foreign exchange rate gains from the consolidation of a foreign branch		(334)	141
Other comprehensive income		**(210)**	**2 716**
Total comprehensive income		**4 823**	**7 077**

The notes on pages 86–130 form a part of these financial statements.

Statement of financial position as of 31 December 2015

	Note	2015 MCZK	2014 MCZK
ASSETS			
Cash in hand and cash balances	15	4 444	4 135
Financial assets at fair value through profit or loss, including FA		9 578	12 992
– held for trading	16	8 039	11 720
– not held for trading	16	1 539	1 272
Available-for-sale securities	17	82 649	88 345
Securities held to maturity	18	186	191
Receivables from banks	19	106 575	48 728
Receivables from clients	20	329 089	312 133
Positive fair value of hedging derivatives	22	4 907	5 423
Equity investments	21	3 979	3 781
Property and equipment	23	2 032	2 195
Intangible assets	24	663	6
Tax receivables, including:		870	814
– current income tax	33	128	–
– deferred tax	33	742	814
Non-current assets held for sale		23	–
Other assets	25	2 223	2 167
Total assets		**547 218**	**480 910**
LIABILITIES			
Deposits from banks	26	40 237	30 358
Deposits from clients	27	364 243	328 712
Debt securities issued	28	65 019	47 285
Financial liabilities held for trading	29	7 036	7 552
Negative fair value of hedging derivatives	30	3 143	3 445
Tax liabilities, including:		1 462	1 178
– current income tax	33	693	391
– deferred tax	33	769	787
Other liabilities	31	5 990	4 847
Provisions	32	1 207	1 294
Total liabilities		**488 337**	**424 671**
EQUITY			
Issued capital	34	8 755	8 755
Share premium	34	3 495	3 495
Reserve funds from revaluation of financial instruments		5 457	5 667
Retained earnings and reserve funds	36	36 141	33 961
Profit for the period		5 033	4 361
Total shareholder's equity		**58 881**	**56 239**
Total liabilities and shareholder's equity		**547 218**	**480 910**

The notes on pages 86–130 form a part of these financial statements.

Statement of cash flows for the year ended 31 December 2015

	2015 MCZK	2014 MCZK
Net profit for the period	**5 033**	**4 361**
Adjustments for non-cash items		
Impairment of loans and receivables and financial investments	1 117	1 904
Revaluation of securities and derivatives	(357)	725
Creation and release of other provisions	(23)	(12)
Foreign exchange rate gains or losses from the foreign branch	(334)	141
Depreciation and amortisation of property and equipment, and intangible assets	233	(22)
Profit (loss) from property and equipment and intangible assets sold	14	4
Taxes	1 260	956
Other non-monetary changes	983	(177)
Operating profit before change in operating assets and liabilities	**7 926**	**7 880**
Financial assets and liabilities held for trading	3 561	(1 361)
Receivables from banks	(57 869)	22 735
Loans and receivables from clients	(18 668)	(24 184)
Other assets	(56)	(174)
Deposits from banks	9 882	(19 428)
Deposits from clients	35 635	22 750
Other liabilities	1 144	175
Income tax paid	(1 058)	(487)
Net cash flows from operating activities	**(19 503)**	**7 906**
Changes in securities available for sale and other financial investments	5 820	(6 569)
Acquisition of a subsidiary	(198)	(3 645)
Gains from the sale of property and equipment and intangible assets	–	2
Acquisition of property and equipment and intangible assets	(1 570)	(256)
Dividends received	2	1
Net cash flows from investment activities	**4 054**	**(10 467)**
Dividends paid	(2 181)	(1 585)
Debt securities issued	17 939	4 312
Net cash flows from financial activities	**15 758**	**2 727**
Cash and other highly liquid funds at the start of the period	**4 135**	**3 969**
Net cash flows from operating activities	(19 503)	7 906
Net cash flows from investment activities	4 054	(10 467)
Net cash flows from financial activities	15 758	2 727
Cash and other highly liquid funds at the end of the period	**4 444**	**4 135**
Interest received	11 466	11 248
Interest paid	(2 904)	(3 008)

The notes on pages 86–130 form a part of these financial statements.

Statement of changes in equity for the year ended 31 December 2015

MCZK	Issued capital	Share premium	Reserve from revaluation: hedging instru-ments	Reserve from revaluation: securities available for sale		Retained earnings and reserve funds: Reserve funds	Retained earnings and reserve funds: Special-purpose res. fund	Retained earnings	Profit for the period	Equity
Balance as of 31 December 2013	**8 755**	**3 495**	**850**	**1 416**	**685**	**3 214**	**11 611**	**17 551**	**3 170**	**50 747**
Transactions with owners, contributions from and distributions to owners										
Allocation of the 2013 profit						158		3 012	(3 170)	–
Dividend payment								(1 585)		(1 585)
Total comprehensive income for the period										
Net profit for 2014									4 361	4 361
Other comprehensive income										
Change in revaluation of available-for-sale securities										
Change in revaluation of available-for-sale securities reported in other comprehensive income				1 475						1 475
Revaluation of available-for-sale securities transferred to profit or loss				75						75
Deferred tax				(279)						(279)
Changes in net fair values of derivatives in cash flow hedges										
Changes in net fair values of derivatives in cash flow hedges reported in other comprehensive income			1 327							1 327
Net fair value of derivatives in cash flow hedges transferred to profit or loss			281							281
Deferred tax			(304)							(304)
Foreign exchange rate gains or losses from the consolidation of a foreign branch					141					141
Other comprehensive income for the period			**1 304**	**1 271**	**141**					**2 716**
Balance as of 31 December 2014	**8 755**	**3 495**	**2 154**	**2 687**	**826**	**3 372**	**11 611**	**18 978**	**4 361**	**56 239**
Transactions with owners, contributions from and distributions to owners										
Allocation of the 2014 profit								4 361	(4 361)	–
Dividend payment								(2 181)		(2 181)
Total comprehensive income for the period										
Net profit for 2015									5 033	5 033
Other comprehensive income										
Change in revaluation of available-for-sale securities										
Change in revaluation of available-for-sale securities reported in other comprehensive income				765						765
Revaluation of available-for-sale securities transferred to profit or loss				(137)						(137)
Deferred tax				(117)						(117)
Changes in net fair values of derivatives in cash flow hedges										
Changes in net fair values of derivatives in cash flow hedges reported in other comprehensive income			(442)							(442)
Net fair value of derivatives in cash flow hedges transferred to profit or loss			(36)							(36)
Deferred tax			91							91
Foreign exchange rate gains or losses from the consolidation of a foreign branch					(334)					(334)
Other comprehensive income for the period			**(387)**	**511**	**(334)**					**(210)**
Balance as of 31 December 2015	**8 755**	**3 495**	**1 767**	**3 198**	**492**	**3 372**	**11 611**	**21 158**	**5 033**	**58 881**

The notes on pages 86–130 form a part of these financial statements.

Notes to the financial statements (separate)

1. Introduction

UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter the "Bank") was established through the cross-border merger of UniCredit Bank Czech Republic, a.s. and UniCredit Bank Slovakia a.s. with UniCredit Bank Czech Republic, a.s. being the successor company. The effective merger date was 1 July 2013. UniCredit Bank Czech Republic, a.s. was established through the merger by amalgamation of HVB Bank Czech Republic a.s. and Živnostenská banka, a.s. as of 1 October 2006. All rights and obligations of the dissolved company, Živnostenská banka, a.s., were transferred to the successor, HVB Bank Czech Republic a.s. In 2008, the Bank assumed the net assets of HVB Reality CZ, s.r.o. In 2009, the Bank prepared a project of its merger with UniCredit Factoring, s.r.o. UniCredit Factoring, s.r.o. was the dissolved company and the Bank was the successor company. In 2012, the Bank prepared a project of its merger by amalgamation with UniCredit CAIB Czech Republic a.s. This company was the dissolved company and the Bank became the successor company.
Changes in the business name and other facts related to the cross-border merger were recorded in the Commercial Register in Prague, Section B, Insert 3608 on 1 December 2013. The Bank's principal shareholder, holding 99.96% of shares, is UniCredit Bank Austria AG, Vienna. The parent company of the entire UniCredit Group is UniCredit S.p.A, Milan.

The Bank's registered office:
Želetavská 1525/1, 140 92 Praha 4 – Michle

Following the completion of the cross-border merger, the Bank has been continuing to perform activities previously undertaken by UniCredit Bank Slovakia a.s. on the territory of the Slovak Republic through its organisational branch UniCredit Bank Czech Republic and Slovakia, a.s., pobočka zahraničnej banky (branch of a foreign bank). The cross-border merger was made with the objective of creating a stronger entity capable of managing business activities both in the Czech and Slovak markets that will bring significant advantages to the UniCredit Group since the merger gave rise to an entity that is able to more efficiently and effectively serve clients and achieve greater returns in the context of the anticipated cost savings and dynamic growth of business in both countries. The integration enabled to benefit from synergistic effects in terms of costs and income while achieving a more balanced capital structure and optimised liquidity management. In addition, the UniCredit Group had the opportunity to reduce the complexity of its organisational structure and the level of management efforts as a result of establishing one local management team overseeing both markets.
The Bank increased its share capital for the purposes of the merger. A number of minority shareholders of UniCredit Bank Slovakia a.s. exercised their right to sell the shares of the dissolving bank, other minority shareholders utilised the right to exchange the shares for newly issued shares of the Bank.
The successor bank took over the capital of the dissolving bank of MCZK 11,611 and allocated it to the special-purpose reserve fund in EUR that can be used only to offset losses.
The Bank is a universal bank providing services of retail, commercial and investment banking services in Czech crowns and foreign currencies for domestic and foreign clients, mainly in the Czech Republic and also in other states of the European Union.

The Bank's principal activities include:
- Receiving deposits from the public;
- Providing loans;
- Investing in securities on its own behalf;
- Operating a system of payments and clearing;
- Issuing and administration of payment products;
- Providing guarantees;
- Opening letters of credit;
- Administering cash collection;
- Trading on its own behalf or on behalf of clients:
    1. In foreign-exchange currency products;
    2. In forward and contract options, including foreign currency and interest rate contracts; and
    3. With transferable securities;
- Participating in share subscriptions and providing related services;
- Issuing mortgage bonds;
- Conducting financial brokerage;
- Managing securities, including portfolio management, on behalf of clients;
- Providing depository services and administration of securities;
- Providing depository services for investment funds;
- Conducting foreign currency exchange activities;
- Providing banking information;
- Renting safe-deposit boxes; and
- Conducting activities directly connected with the activities stated above.

2. Basis for the preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
These financial statements were prepared based on the going concern assumption.
These financial statements are separate financial statements prepared in accordance with the requirements of Act 563/1991 Coll., on Accounting. The Bank's ultimate owner is UniCredit S.p.A, Milan, which consolidates the entire group in accordance with International Financial Reporting Standards as adopted by the European Union.
All presented amounts are in millions Czech crowns (CZK million) unless stated otherwise.

The financial statements were prepared on the fair value principle for financial derivatives, financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets, except for those whose fair value measurement cannot be reliably determined. The methods for determining fair value are presented in Note 3(b)(v). Recognised assets and liabilities that are hedged against the risk of changes in fair value are stated at fair value by virtue of hedged risk. Other financial assets and liabilities and non-financial assets and liabilities are measured at amortised cost or at historical cost.

The Bank also prepares the consolidated financial statements.

On 14 February 2014, the Bank signed a contract for the purchase of the 100% equity investment in UniCredit Leasing CZ, a.s. of MCZK 3,211 and a 71.3% equity investment in UniCredit Leasing Slovakia, a.s. with the cost of MEUR 16. The contracts were signed between the Bank and UniCredit Leasing SpA.; these are transactions under common control. Both entities were sold to the Bank due to the reorganisation of the equity investments in the Group. Principal activities of both entities include lease and instalment sale.

The Bank subsequently transferred a 91.2% equity investment in UniCredit Leasing Slovakia, a.s. (the purchased equity investment of 71.3% and the equity investment of 19.9% that was held by the Bank already at the end of 2013 and reported as part of 'Available-for-sale securities') as a non-cash investment in the share capital of UniCredit Leasing CZ, a.s. and the investment of the Bank in UniCredit Leasing CZ, a.s. consequently increased by MCZK 570 on 18 April 2014 (refer to Note 21).

On 20 January 2015, the acquisition of the 100% equity investment in Transfinance, a.s. was completed. The entity was acquired from an owner outside the UniCredit Group and the investment amounted to MCZK 198. The principal activities of the acquired entity include the financing, collection and securing of short-term receivables of clients from various industry segments. The objective of this acquisition for the Bank primarily involves further extending the range of products and services of corporate banking to include factoring that is intended primarily for small and medium sized companies. The name of the acquired entity changed to UniCredit Factoring Czech Republic and Slovakia, a.s. in May 2015.

3. Significant accounting policies

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

(a) Functional Currency and Foreign Currency Translation

The Czech crown is the functional currency in these financial statements. Euro is the functional currency of the Slovak branch. The presentation currency of these financial statements is the Czech crown. Assets and liabilities of the branch are translated into the presentation currency using the foreign exchange rate applicable as of the financial statements date. The profit or loss of the branch is translated using the average exchange rate. The resulting difference arising from the use of various foreign exchange rates is recognised in equity as "Foreign exchange rate gains or losses from the branch". Figures in brackets represent negative amounts.

Transactions in foreign currencies (i.e. other than functional currency) are translated to the functional currency using the foreign exchange rate promulgated by the central bank and ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss as "Net income/loss from financial assets and liabilities held for trading".

(b) Financial Assets and Liabilities

(i) Classification

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

Trading financial assets and liabilities are those held by the Bank principally for the purpose of short-term profit taking. These assets and liabilities include investments in debt instruments and shares, certain purchased loans and derivative contracts that are not designated as hedging instruments. These instruments are reported as "Financial assets held for trading" or as "Financial liabilities held for trading". Financial assets designated by the Bank upon initial recognition as at fair value through profit or loss are included within "Financial assets not held for trading".

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

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

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

(ii) Recognition of Financial Assets

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

Available-for-sale financial assets are recognised on the settlement date in the Bank's accounting books. Any gains or losses arising from changes in the fair value of the assets are recognised in other comprehensive income from the trade date.

Held-to-maturity assets are recognised on the settlement date in the Bank's accounting books.

The Bank initially recognises loans and receivables on their origination dates.

(iii) Measurement of Financial Assets and Liabilities

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

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

All loans and receivables and held-to-maturity assets are measured at amortised cost, including the aliquot part of discount or share premiums less impairment losses. Share premiums and discounts, including the relevant initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Upon initial recognition, deposits from banks and clients and securities issued are recognised at fair value. They are subsequently reported at amortised cost.

(iv) Day 1 Profit/Loss

In the event that the transaction price differs from the fair value of a financial asset or liability measured at fair value, the difference between these values (profit or loss) is reported in profit or loss. The Bank typically does not conduct this type of transaction.

(v) Fair Value Measurement Principles

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

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

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties.

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

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

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

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

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

The Bank's management believes that the fair value of the assets and liabilities presented in these financial statements can be measured reliably.

Financial assets and liabilities are recognised at fair value depending on the quality of the input used in the valuation. Individual levels are defined as follows:

- Level 1 input – quoted (unadjusted) prices on active markets for identical assets or liabilities available to the Bank as of the date of valuation;
- Level 2 input – input data other than the quoted prices contained in level 1 that are observable for an asset or liability either directly or indirectly. This category includes the instruments valued at: quoted prices of similar assets or liabilities on active markets; quoted prices of identical or similar assets or liabilities on markets that are not active; valuation techniques for which a significant input is observable on the market directly or indirectly; and
- Level 3 input – unobservable input data for an asset or liability. This category includes instruments under which valuation techniques contain an input not based on observable data and the unobservable input may have a significant impact on the instrument's valuation.

Fair Value Adjustments
The Bank utilises other fair value adjustments for the fair values of financial assets and financial liabilities to reflect reality as faithfully as possible:

Credit Valuation Adjustment
The Credit Valuation Adjustment (CVA) is reflected in the valuation of derivatives such that the resulting fair value of derivatives takes into account the counterparty risk and the Bank's credit quality. The Bank uses the same group standard for calculating CVA on the basis of the inputs as follows:
- Anticipated profile of the exposure from derivatives is estimated on the basis of the stochastic Monte Carlo simulation;
- Simulated exposures from derivatives take into account Specific Wrong Way Risk;
- Depending on the type of the derivative counterparty, CVA is calculated as:
  - Unilateral CVA – the calculation is based on historical PD and PGD (this relates to non-financial counterparties and counterparties that do not have own CDS tradable on the market);
  - Bilateral CVA – the calculation is based on PD and LGD derived from quoted CDS; and
- CVA is not calculated for counterparties/clients for which PD=1 (i.e. the client is in default) to prevent the costs of credit risk from being included twice in an already-recognised provision.

OIS Adjustment
The Bank applies the OIS (overnight index swap) effect to collateralised exposures in financial instruments (derivatives, repo etc.) denominated in EUR. The OIS effect is added to the yield curve in EUR so that the resulting fair value of the respective financial instruments takes into account the actual value of OIS. This adjustment is recognised in the Bank's profit and loss account.

FVA/AVA
Quoted market exchange rates, yield curves, spreads etc ("market factors" in general) do not need to accurately reflect, at every moment, the conditions under which the Bank may liquidate its positions in financial instruments. This may result from larger than standard traded volumes which the Bank would like to realise on financial markets, stress periods on financial markets, periods with below-average market liquidity etc. In these situations, the realised fair value could be lower than implied by quoted market factors. Therefore, in line with IFRS and CRR, the Bank applies FVA which adds a surcharge to quoted market factors arising from:
- Liquidity;
- Uncertainty regarding price/ valuation model applied to the financial instrument; and
- Credit risk.

The Bank recognises the determined FVA value in the profit and loss account.

In addition to FVA, additional valuation adjustment (AVA) is also determined by the Bank with respect to market factors. AVA is defined as a difference between the fair value reported in the Bank's balance sheet including FVA and prudent valuation (PV). PV represents a highly unlikely (but fair) value of market factors which may occur on the market upon the sale of financial assets due to stress on financial markets.

(vi) Gains and Losses on Subsequent Measurement
Gains and losses arising from a change in the fair value of financial assets and liabilities held for trading are recognised directly in profit or loss as "Net income/loss from financial assets and liabilities held for trading". Interest income from financial assets held for trading is recognised in profit or loss as "Interest income and similar income". Gains and losses arising from a change in the fair value of other financial assets and liabilities designated upon initial recognition at fair value through profit or loss not held for trading are recognised directly in profit or loss as "Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading". The interest income from financial assets and liabilities at fair value through profit or loss not held for trading is recognised in profit or loss as "Interest and similar income".
Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and become the equity item "Reserves from revaluation of available-for-sale securities". When the financial assets are sold, transferred or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to profit or loss as "Net income from the sale of financial assets and liabilities". Interest income from available-for-sale debt securities is recognised in the income statement as "Interest income and similar income". The accounting for impairment of available-for-sale assets is described in Note 3(g).
Gains and losses arising from financial assets and liabilities carried at amortised cost are recognised in profit or loss when the financial asset or liability is derecognised or impaired (see Note 3(g)), and through the amortisation process.

(vii) Derecognition
A financial asset is derecognised when the Bank loses the contractual rights to the cash flow from an asset or the Bank transfers the financial asset and the transfer qualifies for derecognition. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is settled.
Available-for-sale assets and assets recognised at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer are recognised at the settlement date. The Bank uses accounting methods to determine the gain or loss on derecognition.
Held-to-maturity instruments and loans and receivables are derecognised on the maturity date, on the day they are transferred to another portfolio or on the day of sale.

(c) Participation Interests

Controlling interest means a participation interest where the Bank factually or legally has a direct or indirect controlling interest in the governance of the company (this means the Bank's ability to participate in the financial and operational management of the company and to gain benefits from the activities). This participation interest results from a share in the registered capital or from contract or statutes without regard to the total size of the participation interest.
Substantial interest means a participation interest where the Bank factually or legally has a direct or indirect substantial interest in the company's governance and operations (this means the Bank's ability to participate in financial and operational guidance of the company but without a controlling interest). This participation interest results from a share in the registered capital (more than 20%) or from contract or statutes without regard to the total size of the participation interest.
Controlling and substantial interests are valued at acquisition price less losses arising from the impairment of these participation interests.
Participation interests are shown within "Participation interests".

(d) Derivatives

(i) Hedging Derivatives

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

Hedge accounting can be applied if:

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

If a derivative hedges an exposure to changes in the fair value of recorded assets and liabilities or of legally-enforceable commitments, the hedged item attributable to the risk being hedged is also carried at fair value. Gains (losses) on the re-measurement of an interest-bearing hedged item and hedging derivative are recognised in profit or loss in "Net income from hedging against risk of changes in fair value". Realised interest income and expenses are reported on a net basis in "Interest income and similar income" or "Interest expense and similar charges".
If the derivative hedges an exposure to the variability of cash flows related to recognised assets and liabilities or expected transactions, the effective part of the hedge (fair value of the hedging derivative) is recognised in other comprehensive income and becomes the equity item "Reserves from revaluation of hedging instruments".
The ineffective part of the hedge is recognised in profit or loss.
If the hedging of expected transactions results in the recording of an asset or liability, the cumulative gains or losses from revaluation of the hedging derivative previously recognised in other comprehensive income are transferred to profit or loss at the same time as the hedged item affects the net profit or loss.
When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income remains in equity and is recognised in accordance with the aforementioned policy.
If the hedged transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately recognised in profit or loss.

(ii) Embedded Derivatives

Sometimes, a derivative may be a component of a combined financial instrument that includes a host contract and a derivative (the embedded derivative) effecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

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

(e) Borrowing and Lending of Securities

Financial assets lent under securities lending arrangements or sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for such financial assets as appropriate.
As a result of the cash collateral received in respect of securities lent/sold under repurchase agreements, the Bank recognises a liability to either banks or customers in the amount of this compensation.
Financial assets borrowed under securities borrowing agreements or purchased subject to commitments to resell them at future dates are not recognised in the Bank's statement of financial position.
As a result of the cash collateral provided in respect of securities borrowed/purchased under securities lending arrangements or resale agreements, the Bank recognises loans and advances to either banks or customers. The receivables are recorded as collateralised by the underlying security.
In the case of the sale of a security acquired on the basis of securities lending arrangements or repurchase agreements, the Bank

derecognises the securities acquired in such manner from off-balance sheet and records a payable from a short-term sale, which is revalued to fair value, in the balance sheet. This payable is reported under "Financial liabilities held for trading".

Income and expenses arising from the borrowing and lending of securities, as well as the difference between the sale and repurchase considerations are recognised on an accrual basis over the period of the transactions and are recognised in profit or loss in "Interest income and similar income" or "Interest expense and similar charges".

(f) Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. The Bank does not offset any financial assets and financial liabilities.

(g) Impairment

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

(i) Loans and Receivables and Held-to-Maturity Assets

Loans and receivables and held-to-maturity assets are presented at amortised cost, i.e. net of impairment losses for uncollectibility. Specific impairment losses are made against the carrying amount of loans and receivables and held-to-maturity assets in order to reduce these assets to their recoverable amounts. The recoverable amount of loans and receivables and held-to-maturity assets is calculated as the present value of the estimated future cash flows, discounted at the instrument's original effective interest rate.

Collective impairment losses of portfolios of standard loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date.

The expected cash flows for portfolios of similar assets are estimated based on historical loss experience and considering the credit rating of the underlying customers. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date.

When a loan is known to be uncollectible, all the necessary legal steps have been taken and the final loss has been determined, the loan is written off directly and any previously unrecognised loss is recognised in profit or loss under "Impairment losses on financial assets". Any consideration received in respect of a loan written off is recognised in profit or loss under "Other operating income".

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss, the impairment loss is reversed through profit or loss in "Impairment of loans and receivables".

(ii) Available-for-sale Financial Assets

Where an available-for-sale asset is impaired, and a decline in the fair value was previously recognised in other comprehensive income, the cumulative loss is reclassified to profit or loss and recognised in "Impairment losses on financial assets". Where a debt instrument classified as an available-for-sale asset is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in other comprehensive income is reversed to the extent of the impairment. Any additional impairment loss is recognised in profit or loss. Impairment losses recognised in profit or loss arising from investment in equity instruments classified as available-for-sale are not reversed through profit or loss.

(h) Property and Equipment and Intangible Assets

Property and equipment and intangible assets are assets which are held in order to pursue banking activities and which may be used for a period of longer than one year.

Property and equipment and intangible assets are stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation periods (over respective estimated useful lives) for individual categories of property and equipment and intangible assets are as follows:

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

Both tangible and intangible assets are assessed for potential impairment or a reduction in useful life. If events or changes in the conditions occur that could result in the carrying amount not being recoverable, the carrying amount is written down to the recoverable amount if the carrying amount is higher than the estimated recoverable value. The recoverable amount is the higher of fair value less costs of disposal and the value in use.

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

(i) Leases
The Bank concluded mainly operating lease contracts. Total payments related to these contracts are included in "Administrative expenses" evenly over the period of the lease contract.
In the case of contract cancellation before the end of the lease contract, all required penalty payments are accounted for as a period cost at the time of cancelling the lease.

(j) Provisions
Provisions relate to a probable outflow of an uncertain amount over an uncertain period of time. Provisions are recognised when:

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

(k) Interest Income and Expense
Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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

(m) Dividend income
Dividend income is recognised in profit or loss in "Dividend income" on the date that the dividend is declared.

(n) Deferred Bonuses
The Bank accounts for deferred bonuses on the accrual basis of accounting.

(o) Taxation
Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period pursuant to Czech Accounting Standards to arrive at the taxable income, which is further adjusted by tax allowances and relevant credits. The tax payable or receivable is calculated using the tax rate valid at the year-end and reported in the expected amount of the settlement with the tax authorities.
Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the period of the asset recovery or liability settlement. A deferred tax asset is recognised only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilised.

(p) Contingent Assets and Liabilities
A contingent asset/liability is a potential asset/liability that arises from past events and whose existence will be only confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Bank does not recognise contingent assets/liabilities in the balance sheet but regularly reviews their development to specify whether an inflow/outflow of resources embodying economic benefits has become probable. Where the likelihood of an outflow of economic benefits is higher than 50%, the Bank will recognise a provision. Where the likelihood of an inflow of economic benefits is almost 100%, the Bank will recognise an asset and revenue.

(q) Segment Reporting
IFRS 8 Operating segments states that presentation and reporting of operating segments shall be in accordance with performance criteria monitored by the chief operating decision-maker who is responsible for operational decisions. At the Bank, that decision-maker is the Board of Directors.
The Bank's primary segment reporting is broken down by types of clients, which correspond to the Bank's various operations: retail banking, including small and medium-sized businesses; private, corporate and investment banking; and other. The performance of all the segments is monitored monthly by the Board of Directors and other members of the Bank's management. The reporting segments generate income primarily from the provision of loans and other banking products.
Retail banking, including small and medium-sized businesses encompasses in particular providing loans, mortgages, payment services (including payment cards), term and saving deposits.
Private, corporate and investment banking takes in especially the following products and services: providing banking services

to private clients, companies and public institutions, including loans, bank guarantees, account maintenance, payment services, opening documentary letters of credit, term deposits, derivative and foreign currency operations, and capital market activities inclusive of securities underwriting for clients, investment advisory, and consulting on mergers and acquisitions.

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

(r) Standards and Interpretations Effective in the Current Period

- Amendments to various standards "*Improvements to IFRSs (cycle 2011-2013)*" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015); and
- IFRIC 21 *"Levies"* adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014)

(s) Standard and Interpretations Issued by the IASB and Adopted by the EU that are Not Yet Effective

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

- Amendments to various standards "*Improvements to IFRSs (cycle 2010-2012)"* resulting from the annual improvement of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);
- Amendments to various standards "*Improvements to IFRSs (cycle 2012-2014)*" resulting from the annual improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 19 "Employee Benefits"* – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- Amendments to *IAS 1 "Presentation of Financial Statements"* – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 16 "Property, Plant and Equipment"* and *IAS 41 "Agriculture"* – Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 16 "Property, Plant and Equipment"* and *IAS 38 "Intangible Assets"* – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IAS 27 "Separate Financial Statements"* – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016); and
- Amendments to IFRS 11 *"Joint Arrangements"* – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).

(t) Standards and Interpretations Published by the IASB, but not yet Adopted by the European Union.

- *IFRS 9 "Financial Instruments*" effective for annual periods beginning on or after 1 January 2018 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement – IFRS 9 introduces a new approach to the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39.

The new model also results in a single impairment model being applied to all financial instruments.

Impairment – IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

IFRS 9 introduces a three-level model that takes into account changes in credit quality since initial recognition:

Level 1 includes financial assets the credit risk of which has not increased significantly since initial recognition and assets with low credit risk at the balance sheet date. The 12-month expected credit losses are recognised for these assets. Interest income is calculated on the basis of the gross carrying amount of assets.

Level 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Full lifetime expected credit losses are recognised for these assets. Interest income is still calculated on the basis of the gross carrying amount of assets.

Level 3 includes financial assets for which there is objective evidence of impairment. Full lifetime expected credit losses are recognised for these assets. Interest income is calculated on the basis of the net carrying amount of assets.

Hedge accounting – IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

Own credit risk – IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The Group has prepared an implementation project of IFRS 9. The impact analysis of introducing the standard is in progress; the Group anticipates significant impacts on reporting. The cash flow test for the analysis of the current portfolio will commence in March 2016.

- *IFRS 14 "Regulatory Deferral Accounts"* (effective for annual periods beginning on or after 1 January 2016). The European Union decided not to commence the approval process of the interim standard and await the final standard;
- *IFRS 15 "Revenue from Contracts with Customers"* (effective for annual periods beginning on or after 1 January 2017);
- *IFRS 16 "Leases"* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to *IFRS 10 "Consolidated Financial Statements"* and *IAS 28 "Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to *IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities"* and *IAS 28 "Investments in Associates and Joint Ventures"* – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016); and
- Amendments to *IAS 12 "Income Taxes"* – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

(u) Transactions Under Common Control

A business combination between entities or companies under common control is a business combination where all combining entities or companies are ultimately controlled by the same party or parties as prior to and post the business combination and this control is not temporary. For business combinations under common control the Bank has adopted the method of carrying amounts of the acquired business and concurrently reports these transactions prospectively, i.e. without adjustments in comparative periods.

4. Critical accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (see Note 40).

The presentation of the separate financial statements in conformity with IFRS 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 the reported amounts of revenues and expenses during the reporting period. These estimates, which specifically relate to the determination of fair values of financial instruments (where no public market exists), impairment of assets and provisions, are based on the information available at the balance sheet date.

(a) Key Sources of Estimation Uncertainty

(i) Impairment

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

(ii) Determining Fair Values

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

(b) Critical Accounting Judgements in Applying the Bank's Accounting Policies

(i) Financial Asset and Liability Classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances; the Bank confirms that the assumptions disclosed in Note 3(b) (i) have been met.

(ii) Hedge Accounting
In designating financial instruments as qualifying hedge relationships, the Bank has determined that it expects a hedge to be highly effective over the life of the hedging instrument.
In accounting for derivatives as cash flow hedges, the Bank has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(iii) Change in Accounting Policy
There were no changes in accounting policies during the year ended 31 December 2015 and the year ended 31 December 2014.

(iv) Effect of the Changes in Accounting Standards in these Financial Statements
During the years ended 31 December 2015 and 31 December 2014, the Bank did not identify any changes of financial reporting standards that would significantly affect the Bank's financial statements.

5. Net interest income and similar income

MCZK	2015	2014
Interest income and similar income		
Balances with central banks	33	22
Receivables from banks	128	118
Receivables from clients	9 031	9 315
Available-for-sale securities	1 453	1 504
Securities held to maturity	10	12
Financial assets at fair value through profit or loss held for trading	27	36
Financial assets at fair value through profit or loss not held for trading	10	14
Hedging derivatives	489	555
Interest income and similar income	**11 181**	**11 576**
Interest expense and similar charges		
Deposits from central bank	(7)	(1)
Deposits from banks	(87)	(221)
Deposits from clients	(849)	(1 163)
Debt securities issued	(1 186)	(1 198)
Financial liabilities held for trading	(1)	(9)
Interest expense and similar charges	**(2 130)**	**(2 592)**
Net interest income and similar income	**9 051**	**8 984**

6. Net fee and commission income

MCZK	2015	2014
Fee and commission income from		
Securities transactions	4	9
Management, administration, deposit and custody services	653	617
Loans	1 628	1 473
Payment services	765	736
Account administration	514	550
Payment cards	1 034	986
Other	117	47
Fee and commission income	**4 715**	**4 418**
Fee and commission expenses from		
Securities transactions	(10)	(2)
Management, administration, deposit and custody services	(71)	(75)
Loans	(237)	(220)
Payment services	(26)	(26)
Payment cards	(773)	(729)
Other	(24)	(18)
Fee and commission expenses	**(1 141)**	**(1 070)**
Net fee and commission income	**3 574**	**3 348**

7. Dividend income

MCZK	2015	2014
Dividend income		
Shares classified as available-for-sale securities	2	1
Total dividend income	**2**	**1**

8. Net income/loss from financial assets and liabilities held for trading

MCZK	2015	2014
Net realised and unrealised gain/(loss) from securities held for trading	93	101
Net realised and unrealised gain/(loss) from derivatives held for trading	1 410	1 509
Net realised and unrealised gain/(loss) from FX spot transactions and from revaluation of receivables and payables denominated in FX	401	16
Net trading income/loss	**1 904**	**1 626**

9. Net income/loss from hedging against risk of changes in fair value

MCZK	2015	2014
Hedging instruments	156	(503)
Hedged instruments	(165)	488
Net income/loss from hedging against risk of changes in fair value	**(9)**	**(15)**

10. Net income/loss from the sale of financial assets and liabilities

MCZK	2015	2014
Receivables from clients	1	(1)
Available-for-sale securities	16	(12)
Debt securities issued	(8)	(5)
Net income/loss from the sale of financial assets and liabilities	**9**	**(18)**

11. Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading

MCZK	2015	2014
Debt securities	(1)	(8)
Net income/loss from financial assets and liabilities at fair value through profit or loss not held for trading	**(1)**	**(8)**

12. Impairment losses on financial assets

MCZK	2015	2014
Receivables from clients	(1 162)	(1 763)
Provision for off-balance sheet items	45	(53)
Available-for-sale securities	0	(88)
Total	**(1 117)**	**(1 904)**

13. Administrative expenses

MCZK	2015	2014
Personnel expenses		
Wages and salaries paid to employees	(2 158)	(2 136)
Social costs	(739)	(712)
Other	(83)	(49)
	(2 980)	**(2 897)**
Including wages and salaries:		
Members of the Board of Directors	(89)	(62)
Other executives directly reporting to the Board of Directors	(111)	(105)
	(200)	**(167)**
Other administrative expenses		
Rent and building maintenance	(599)	(601)
Information technologies	(1 178)	(1 124)
Promotion and marketing	(438)	(404)
Consumables used	(79)	(99)
Audit, legal and advisory services	(144)	(154)
Administrative and logistic services	(452)	(416)
Deposits and transactions insurance	(459)	(409)
Services	(287)	(281)
Other	(334)	(261)
	(3 970)	**(3 749)**
Total administrative expenses	**(6 950)**	**(6 646)**

A summary of operating leases is presented in the following table:

2015 MCZK	Due within 1 year	Due in 1–5 years	Due in the following years
Minimum future payments	324	1 246	–
2014 MCZK	**Due within 1 year**	**Due in 1–5 years**	**Due in the following years**
Minimum future payments	378	1 422	–

Information about bonuses tied to equity is included in Note 35.

The Bank's average number of employees was as follows:

	31 Dec 2015	31 Dec 2014
Employees	2 952	2 941
Members of the Board of Directors	7	7
Members of the Supervisory Board	3	3
Other executives directly reporting to the Board of Directors	**29**	**36**

14. Other operating income and expenses

MCZK	2015	2014
Income from rent	31	45
Other income	148	142
Total other operating income	**179**	**187**
Taxes	(3)	–
Fines and penalties	(13)	(16)
Other	(132)	(148)
Total other operating expenses	**(148)**	**(164)**
Total other operating income and expenses	**31**	**23**

15. Cash in hand and cash balances

MCZK	31 Dec 2015	31 Dec 2014
Cash in hand	4 353	4 065
Other balances with central banks	91	70
Total	**4 444**	**4 135**

For cash flow reporting purposes, cash is defined as cash in hand and highly-liquid funds.

16. Financial assets at fair value through profit or loss

(a) Held for Trading

(i) Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Debt securities	1 607	4	–	1 611
Shares	–	–	–	–
Derivatives	36	6 392	–	6 428
Total	**1 643**	**6 396**		**8 039**
31 Dec 2014				
Debt securities	4 337	–	–	4 337
Shares	–	–	–	–
Derivatives	27	7 356	–	7 383
Total	**4 364**	**7 356**	**–**	**11 720**

(ii) Securities by Type of Issuer

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Government sector	1 611	4 337
Shares		
Financial services	–	–
Other	–	–
Total	**1 611**	**4 337**

(b) Not Held for Trading

(i) Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Debt securities	–	1 539	–	1 539
Total		**1 539**		**1 539**
31 Dec 2014				
Debt securities	–	1 084	188	1 272
Total	**–**	**1 084**	**188**	**1 272**

(ii) Securities by Type of Issuer

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Financial services	6	–
Government sector	1 533	1 084
Other	–	188
Total	**1 539**	**1 272**

17. Available-for-sale securities

The Bank has no Italian, Spanish, Irish, Portuguese or Greek state bonds in its portfolios.

(a) Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Debt securities	64 906	17 108	4	82 018
Shares	–	–	631	631
Total	**64 906**	**17 108**	**635**	**82 649**
31 Dec 2014				
Debt securities	61 411	26 824	108	88 343
Shares	–	–	2	2
Total	**61 411**	**26 824**	**110**	**88 345**

(b) Securities by Type of Issuer

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Banking	12 927	15 505
Governments and central banks	59 824	67 257
Other public sector	2 215	2 243
Other	7 052	3 338
Shares		
Investment funds	–	–
Other	631	2
Total	**82 649**	**88 345**

The increase in the value of shares represents the revaluation of shares that will be exchanged in 2016 as part of the reorganisation programme of the share's issuer.

(c) Participation Interests

Name	Registered office	Date of acquisition	Acquisition price	Net book value 2015	Net book value 2014	Share of the Group at 31 Dec 2015	Share of the Group at 31 Dec 2014
CBCB – Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 October 2001	0.24	0.24	0.24	20%	20%
Total			**0.24**	**0.24**	**0.24**		

18. Securities held to maturity

(a) By type of security

MCZK	31 Dec 2015	31 Dec 2014
Debt securities	186	191
Total	**186**	**191**

(b) Securities by activities of issuers

MCZK	31 Dec 2015	31 Dec 2014
Debt securities		
Governments and central banks	186	191
Other	–	–
Total	**186**	**191**

19. Receivables from banks

(a) Analysis of Receivables from Banks, by Type

MCZK	31 Dec 2015	31 Dec 2014
Current accounts	1 678	521
Term deposits	44 277	40 909
Loans	6 415	943
Reverse repurchase commitments (see Note 37)	46 000	630
Obligatory minimum reserves	8 205	5 725
Total	**106 575**	**48 728**

(b) Analysis of Receivables from Banks, by Geographical Sector

MCZK	31 Dec 2015	31 Dec 2014
Czech Republic	96 664	37 290
Other EU countries	5 945	10 188
Other	3 966	1 250
Total receivables from banks	**106 575**	**48 728**

20. Receivables from clients

(a) Analysis of Net Receivables from Clients, by Type

MCZK	Non-default	Default	Total
31 Dec 2015			
Current accounts (overdrafts)	32 709	585	33 294
Reverse repurchase commitments (see Note 37)	–	–	–
Resident mortgage loans	80 590	1 644	82 234
Other mortgage loans	55 428	2 377	57 805
Credit cards and consumer loans	10 955	138	11 093
Factoring	4 505	101	4 606
Bills of exchange	–	–	–
Other loans	138 156	1 901	140 057
Total	**322 343**	**6 746**	**329 089**

MCZK	Non-default	Default	Total
31 Dec 2014			
Current accounts (overdrafts)	32 147	1 054	33 201
Reverse repurchase commitments (see Note 37)	–	–	–
Resident mortgage loans	72 930	1 466	74 396
Other mortgage loans	57 716	1 453	59 169
Credit cards and consumer loans	9 666	179	9 845
Factoring	2 976	154	3 130
Bills of exchange	1 302	–	1 302
Other loans	126 778	4 312	131 090
Total	**303 515**	**8 618**	**312 133**

The Bank uses the 'client default' definition in line with the CNB's Regulation 163/2014 Coll./Regulation No. 575/2013 of the European Parliament and of the Council; specifically, a debtor's default involves situations where:

(a) The debtor is in default with at least one repayment of the principal or related interest on any of its payables to the bank for a period greater than 90 days; and/or

(b) It is likely that the debtor will be unable to settle its payables on a timely basis and in full without the bank resorting to realising collateral.

(b) Classification of Receivables from Clients and Impairment

MCZK	Gross value	Impairment of individual receivables	Impairment of portfolios of receivables	Net value
31 Dec 2015				
Standard	315 647	–	(1 352)	314 295
Watch	8 356	–	(308)	8 048
Substandard	4 388	(1 527)	–	2 861
Doubtful	2 556	(1 054)	–	1 502
Loss	8 447	(6 064)	–	2 383
Total	**339 394**	**(8 645)**	**(1 660)**	**329 089**
31 Dec 2014				
Standard	294 296	–	(1 217)	293 079
Watch	11 111	(675)	–	10 436
Substandard	6 259	(1 498)	–	4 761
Doubtful	3 172	(1 362)	–	1 810
Loss	7 746	(5 699)	–	2 047
Total	**322 584**	**(9 234)**	**(1 217)**	**312 133**

The following table presents a summary of gross receivables according to internal rating:

MCZK	31 Dec 2015	31 Dec 2014
Receivables without default		
Internal rating 1	7 421	5 206
Internal rating 2	9 765	12 188
Internal rating 3	22 984	28 419
Internal rating 4	103 805	92 818
Internal rating 5	99 686	79 048
Internal rating 6	56 938	60 477
Other internal rating	21 164	24 523
Receivables without internal rating	2 240	2 728
Total	**324 003**	**305 407**
Receivables with default	15 391	17 177
Total	**339 394**	**322 584**

The Bank regularly classifies its receivables. The categories used for classification consider the Bank's analysis as to the probability of repayment and analysis of the borrower's behaviour (number of days payments are past due, financial performance, etc.).

In 2015, the methodology of calculating provisions was revised, giving rise to, inter alia, a change in the guidance in applying the method of impairment calculation (individually vs using the model). The Bank assesses whether there is evidence of impairment of loans and receivables. If such evidence has been identified, the amount of the loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows (including cash flows from realised collateral); in respect of clients in default with exposure above MEUR 1 on an individual basis, other clients using the relevant model.

The following table summarises non-default loan receivables based on the number of days past due.

MCZK	31 Dec 2015	31 Dec 2014
Non-default receivables, gross		
Due receivables	322 033	302 903
1–30 days past due	1 959	2 450
31– 90 days past due	11	54
91–180 days past due	–	–
More than 180 days past due	–	–
Total	**324 003**	**305 407**

(c) Analysis of Receivables from Clients, by Sector

MCZK	31 Dec 2015	31 Dec 2014
Financial institutions	33 378	26 992
Non-financial institutions	202 519	202 993
Government sector	1 734	1 095
Individuals and others	91 458	81 053
Total	**329 089**	**312 133**

(d) Analysis of Gross Receivables from Clients, by Type of Collateral Provided and Classification

MCZK	Standard	Watch	Substandard	Doubtful	Loss	Total
31 Dec 2015						
Bank and similar guarantee	7 022	18	2	–	–	7 042
Mortgage	72 744	2 466	809	415	1 672	78 106
Corporate guarantee	581	10	9	–	–	600
Other security	3 678	456	396	349	94	4 973
Unsecured	231 622	5 406	3 172	1 792	6 681	248 673
Total	**315 647**	**8 356**	**4 388**	**2 556**	**8 447**	**339 394**
31 Dec 2014						
Bank and similar guarantee	10 601	15	2	–	–	10 618
Mortgage	69 256	2 395	1 028	336	896	73 911
Corporate guarantee	1 330	16	–	–	–	1 346
Other security	3 936	882	504	3	676	6 001
Unsecured	209 173	7 803	4 725	2 833	6 174	230 708
Total	**294 296**	**11 111**	**6 259**	**3 172**	**7 746**	**322 584**

The item "Unsecured" includes, among other things, receivables arising from project funding that are secured by real estate collateral in the nominal value of MCZK 41,068 (as of 31 December 2014: MCZK 45,724). In the case of the project funding of commercial real estate (IPRE), the collateral quality is taken into account in determining the transaction rating; in these cases, the collateral value is strongly correlated with the solvency of the debtor.

(e) Analysis of Receivables from Clients, by Region

MCZK	31 Dec 2015	31 Dec 2014
Czech Republic	199 014	191 787
Slovakia	106 291	90 986
Other EU countries	19 350	23 402
Other	4 434	5 958
Total	**329 089**	**312 133**

(f) Analysis of Receivables from Clients, by Business Activity

MCZK	31 Dec 2015	31 Dec 2014
Real estate services	60 963	64 782
Financial services	33 414	26 992
Wholesale	18 393	20 013
Households (individuals)	88 692	78 562
Retail (entrepreneurs)	7 910	4 602
Leasing and rental	4 156	2 880
Automotive industry	6 484	5 282
Power industry	29 885	31 894
Other	79 192	77 126
Total receivables from clients	**329 089**	**312 133**

(g) Analysis of Forbearance

The Bank's approach to forbearance reporting is disclosed in Note 40 (b) (iv) – Financial Risk Management.

Analysis of forborne receivables by sectors:

MCZK	Gross non-default receivables	Gross default receivables	Total gross forbearance	Impairment of non-default receivables	Impairment of default receivables	Total impairment of forbearance	Net forbearance
31 December 2015							
Non-financial institutions	1 490	2 849	4 339	(74)	(1 380)	(1 454)	2 885
Government sector	–	–	–	–	–	–	–
Individuals and others	5	70	75	–	(14)	(14)	61
Total	**1 495**	**2 919**	**4 414**	**(74)**	**(1 394)**	**(1 468)**	**2 946**
31 December 2014							
Non-financial institutions	3 422	2 941	6 363	(75)	(1 468)	(1 543)	4 820
Government sector	25	–	25	–	–	–	25
Individuals and others	32	112	144	(1)	(34)	(35)	109
Total	**3 479**	**3 053**	**6 532**	**(76)**	**(1 502)**	**(1 578)**	**4 954**

Net forbearance represented 0.9% of the total receivables from clients as of 31 December 2015 (2014: 1.6%).

The table below provides an analysis of forborne receivables by days after the due date:

MCZK	Gross forbearance	Impairment of forbearance	Net forbearance
31 December 2015			
Non-default receivables			
Before due	209	(9)	200
Past due	1 286	(65)	1 221
Total non-default forbearance	1 495	(74)	1 421
Default receivables			
Up to 90 days past due	1 818	(691)	1 127
91 to180 days past due	57	(3)	54
181 days to 1 year past due	186	(63)	123
Over 1 year past due	858	(637)	221
Total default forbearance	2 919	(1 394)	1 525
Total	**4 414**	**(1 468)**	**2 946**

The table below shows movements in gross forbearance:

MCZK	
Balance at 1 January 2015	6 532
Transfer to forbearance	930
Additions	99
Write-offs	(292)
Settled	(904)
Transfer from forbearance	(1 951)
Total forbearance as of 31 December 2015	**4 414**

The table below shows movements in the impairment of forbearance:

MCZK	
Balance at 1 January 2015	(1 577)
Transfer to forbearance	(351)
Charge during the current year	(181)
Release during the current year	150
Receivables written off – use	292
Transfer from forbearance	199
Total impairment forbearance as of 31 December 2015	**(1 468)**

(h) Impairment of Receivables from Clients

MCZK	
Balance as of 1 Jan 2014	(10 128)
Charge during the current year	(2 729)
Release during the current year	966
Net effect on profit or loss	(1 763)
Receivables written off – use	1 515
FX differences	(75)
Total impairment of receivables from clients as of 31 Dec 2014	**(10 451)**
Balance as of 1 Jan 2015	(10 451)
Charge during the current year	(3 795)
Release during the current year	2 633
Net effect on profit or loss	(1 162)
Receivables written off – use	1 267
FX differences	41
Total impairment of receivables from clients as of 31 Dec 2015	**(10 305)**

21. Equity investments

	Registered	Date of	Acquisition	Net book		Share of the Bank at	
Name	office	acquisition	price	value 2015	value 2014	31 Dec 2015	31 Dec 2014
UniCredit Leasing CZ, a.s.	Prague	14 Feb 2014	3 211	3 781	3 781	100%	100%
UniCredit Factoring Czech Republic and Slovakia, a.s.	Prague	20 Jan 2015	198	198	–	100%	–
Total			**3 409**	**3 979**	**3 781**		

22. Positive fair value of hedging derivatives

Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Fair value hedging	–	240	–	240
Cash flow hedging	–	4 667	–	4 667
Total	**–**	**4 907**	**–**	**4 907**
31 Dec 2014				
Fair value hedging	–	353	–	353
Cash flow hedging	–	5 070	–	5 070
Total	**–**	**5 423**	**–**	**5 423**

23. Property and equipment

Movements in Property and Equipment

MCZK	Buildings and land	Fixtures and fittings	IT equipment	Other	Total
Cost at 1 Jan 2014	3 681	503	694	30	4 908
Accumulated depreciation and impairment at 1 Jan 2014	(2 032)	(415)	(538)	(4)	(2 991)
Net Book Value at 1 Jan 2014	**1 649**	**88**	**156**	**24**	**1 917**
Additions	222	11	131	–	364
Disposals	–	–	–	–	–
Depreciation charges	102	(11)	(61)	(3)	27
Transfers to assets held for sale	–	–	–	–	–
Other and FX rate gains or losses	(52)	(12)	(30)	(19)	(113)
Net Book Value at 31 Dec 2014	**1 921**	**76**	**196**	**2**	**2 195**
Cost at 31 Dec 2014	3 758	476	882	6	5 122
Accumulated depreciation and impairment at 31 Dec 2014	(1 837)	(400)	(686)	(4)	(2 927)

The impairment loss as of 31 December 2013 included the decrease in the net book value of the buildings of MCZK 250 that was released in 2014.

MCZK	Buildings and land	Fixtures and fittings	IT equipment	Other	Total
Cost at 1 Jan 2015	3 758	476	882	6	5 122
Accumulated depreciation and impairment at 1 Jan 2015	(1 837)	(400)	(686)	(4)	(2 927)
Net Book Value at 1 Jan 2015	**1 921**	**76**	**196**	**2**	**2 195**
Additions	149	30	190	2	371
Disposals	–	–	–	–	–
Depreciation charges	(147)	(15)	(59)	(1)	(222)
Transfers to assets held for sale	(23)	–	–	–	(23)
Other and FX rate gains or losses	(124)	(17)	(147)	(1)	(289)
Net Book Value at 31 Dec 2015	**1 776**	**74**	**180**	**2**	**2 032**
Cost at 31 Dec 2015	2 927	436	743	6	4 112
Accumulated depreciation and impairment at 31 Dec 2015	(1 151)	(362)	(563)	(4)	(2 080)

24. Intangible assets

Movements in Intangible Assets

MCZK	Software	Other	Total
Cost at 1 Jan 2014	854	8	862
Accumulated amortisation and impairment at 1 Jan 2014	(843)	(7)	(850)
Net Book Value at 1 Jan 2014	**11**	**1**	**12**
Additions	–	–	–
Disposals	–	(1)	(1)
Amortisation charges	(5)	–	(5)
Net Book Value at 31 Dec 2014	**6**	**–**	**6**
Cost at 31 Dec 2014	859	8	867
Accumulated amortisation and impairment at 31 Dec 2014	(853)	(8)	(861)
Cost at 1 Jan 2015	859	8	867
Accumulated amortisation and impairment at 1 Jan 2015	(853)	(8)	(861)
Net Book Value at 1 Jan 2015	**6**	**–**	**6**
Additions	652	80	732
Disposals	–	–	–
Amortisation charges	(11)	–	(11)
Other	(4)	(60)	(64)
Net Book Value at 31 Dec 2015	**643**	**20**	**663**
Cost at 31 Dec 2015	1 476	27	1 503
Accumulated amortisation and impairment at 31 Dec 2015	(833)	(7)	(840)

25. Other assets

MCZK	31 Dec 2015	31 Dec 2014
Deferred expenses and accrued income	349	313
Prepayments made in relation to cash additions to ATMs and cash registers	1 033	1 226
Trade receivables	385	157
Receivables from securities	92	2
Clearing and settlement accounts	374	481
Other	16	11
Total	**2 249**	**2 190**
Impairment of other assets	(26)	(23)
Net other assets	**2 223**	**2 167**

26. Deposits from banks

Analysis of Deposits from Banks by Type

MCZK	31 Dec 2015	31 Dec 2014
Deposits from central banks	11 899	4 105
Current accounts	11 506	8 273
Loans	3 022	10 034
Term deposits	7 540	5 023
Repurchase commitments (see Note 37)	6 270	2 920
Other	–	3
Total	**40 237**	**30 358**

27. Deposits from clients

Analysis of Deposits from Clients by Type

MCZK	31 Dec 2015	31 Dec 2014
Current accounts	299 810	265 260
Term deposits	54 144	51 745
Repurchase commitments (see Note 37)	7 208	8 996
Other	3 081	2 711
Total	**364 243**	**328 712**

28. Issued debt securities

Analysis of Issued Debt Securities

MCZK	31 Dec 2015	31 Dec 2014
Mortgage bonds	51 661	35 675
Structured bonds	7 809	6 773
Zero coupon bonds	1 844	3 803
Other issued debt securities	3 705	1 034
Total	**65 019**	**47 285**

Structured bonds include embedded options – currency, equity, commodity and interest rate options – in the total nominal value of MCZK 8,406 (at 31 December 2014: MCZK 7,228). The positive fair value of these derivatives of MCZK 11 is reported under "Financial assets held for trading" (at 31 December 2014: MCZK 55); the negative fair value of these derivatives of MCZK 338 is recognised under "Financial liabilities held for trading" (at 31 December 2014: MCZK 339).

29. Financial liabilities held for trading

Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Liabilities from short sales	926	–	–	926
Derivatives	–	6 110	–	6 110
Total	**926**	**6 110**	**–**	**7 036**
31 Dec 2014				
Liabilities from short sales	783	–	–	783
Derivatives	–	6 769	–	6 769
Total	**783**	**6 769**	**–**	**7 552**

30. Negative fair value of hedging derivatives

Based on the Quality of the Input Data Used for Valuation at Fair Value

MCZK	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Fair value hedging	–	1 017	–	1 017
Cash flow hedging	–	2 126	–	2 126
Total	**–**	**3 143**	**–**	**3 143**
31 Dec 2014				
Fair value hedging	–	1 288	–	1 288
Cash flow hedging	–	2 157	–	2 157
Total	**–**	**3 445**	**–**	**3 445**

31. Other liabilities

MCZK	31 Dec 2015	31 Dec 2014
Deferred income and accrued expenses	1 160	736
Trade payables	832	116
Payables to employees	618	543
Unsettled security transactions	19	35
Clearing and settlement accounts	3 251	3 354
Other	110	63
Total other liabilities	**5 990**	**4 847**

32. Provisions

Provisions include the following items:

MCZK	31 Dec 2015	31 Dec 2014
Provisions for off-balance sheet credit items	1 128	1 173
Legal disputes	63	86
Provision for restructuring	16	25
Other	–	10
Total provisions	**1 207**	**1 294**

(a) Provisions for Off-Balance Sheet Credit Items

MCZK	
Balance at 1 Jan 2014	1 129
Charge during the year	163
Usage during the year	(20)
Release during the year	(110)
Other – FX rate gains or losses	11
Total provisions for off-balance sheet credit items at 31 Dec 2014	**1 173**
Balance at 1 Jan 2015	1 173
Charge during the year	197
Usage during the year	–
Release during the year	(242)
Other – FX rate gains or losses	–
Total provisions for off-balance sheet credit items at 31 Dec 2015	**1 128**

(b) Other Provisions

MCZK	Legal disputes	Restructuring provision	Other	Total
Balance at 1 Jan 2014	77	87	14	178
Charge during the year	83	–	–	83
Usage during the year	(1)	(54)	(4)	(59)
Release of redundant provisions and other	(73)	(8)	–	(81)
Total other provisions at 31 Dec 2014	**86**	**25**	**10**	**121**
Balance at 1 Jan 2015	86	25	10	121
Charge during the year	5	2	–	7
Usage during the year	–	(6)	–	(6)
Release of redundant provisions and other	(28)	(5)	(10)	(43)
Total other provisions at 31 Dec 2015	**63**	**16**	**0**	**79**

33. Income tax

(a) Tax in Profit or Loss

MCZK	31 Dec 2015	31 Dec 2014
Current tax payable	(1 219)	(1 138)
Prior year tax	(14)	(2)
Deferred tax	(5)	175
Total income tax	**(1 238)**	**(965)**

The income tax of the Bank differs from the theoretical tax which would arise if the tax rate effective in the Czech Republic were applied as follows:

MCZK	31 Dec 2015	31 Dec 2014
Profit/loss for the year before tax	6 271	5 326
Tax calculated using the tax rate of 19%	(1 191)	(1 012)
Impact of prior years on the current tax payable	(14)	(2)
Non-taxable income	147	147
Tax non-deductible expenses	(138)	(46)
Impact of prior years on the deferred tax	(9)	–
Impact of a higher Slovak tax rate on the current tax payable and deferred tax	(33)	(52)
Other	1	–
Total income tax	**(1 238)**	**(965)**

The effective tax rate of the Bank is 19.7% (2014: 18.1 %).

(b) Tax in the Statement of Financial Position

The Bank made income tax prepayments in the amount of MCZK 651 (2014: MCZK 740), made
an additional payment of MCZK 407 (at 31 December 2014: the Bank received an overpayment of MCZK 253) and reports an income tax liability of MCZK 693 to the tax authority in the Czech Republic (at 31 December 2014: a liability of MCZK 169) and a receivable of MCZK 128 from the tax authority in the Slovak Republic (at 31 December 2014: a payable of MCZK 222).

(c) Deferred Tax Asset/Liability

Deferred income tax is calculated on all temporary differences using the balance sheet liability method under the application of the appropriate tax rate. In calculating net tax assets and liabilities, the Bank offsets deferred tax assets against deferred tax liabilities arising from income tax paid to the same tax institution in the same tax category. With regard to the Slovak Republic, the net balance is a net deferred tax asset while in the Czech Republic, the net balance is a net deferred tax liability.
Management of the Bank believes that the Bank will be able to fully recover deferred tax assets reported as of 31 December 2015 based on the current and anticipated future level of taxable profits.

(i) Net Deferred Tax Asset

MCZK	31 Dec 2015		31 Dec 2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Tax non-deductible provisions	19	–	19	–
Impairment of loans and off-balance sheet items	724	–	778	–
Differences arising from the net book values of assets	6	–	7	–
Reserve from revaluation of hedging instruments	21	–	17	–
Reserve from revaluation of available-for-sale securities	–	(62)	–	(19)
Other	34	–	12	–
Deferred tax liability/asset	***804***	***(62)***	***833***	***(19)***
Net deferred tax asset	**742**		**814**	**–**

(ii) Net Deferred Tax Liability

MCZK	31 Dec 2015		31 Dec 2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Tax non-deductible provisions	77	(3)	101	–
Impairment of loans and off-balance sheet items	244	–	220	–
Differences arising from the net book values of assets	2	–	3	–
Reserve from revaluation of hedging instruments	–	(432)	–	(520)
Reserve from revaluation of available-for-sale securities	–	(666)	–	(591)
Other	9	–	–	–
Deferred tax liability/asset	***332***	***(1 101)***	***324***	***(1 111)***
Net deferred tax liability		**(769)**	**–**	**(787)**

34. Issued capital and share premium

The recorded, issued and fully paid capital of the Bank amounted to MCZK 8,755 as of 31 December 2015 and 2014.

(a) Shareholder Structure

Entity	Registered office	Nominal value of shares in MCZK	Share premium in MCZK	Ownership percentage
At 31 Dec 2015				
UniCredit Bank Austria AG, Vienna	Austria	8 750	3 483	99.96
Minority shareholders		5	12	0.04
Total		**8 755**	**3 495**	**100.00**
At 31 Dec 2014				
UniCredit Bank Austria AG, Vienna	Austria	8 750	3 483	99.94
Minority shareholders		5	12	0.06
Total		**8 755**	**3 495**	**100.00**

(b) Capital Breakdown

	31 Dec 2015 Number of shares	31 Dec 2015 MCZK	31 Dec 2014 Number of shares	31 Dec 2014 MCZK
Ordinary shares of CZK 16,320,000	100	1 632	100	1 632
Ordinary shares of CZK 13,375,000	200	2 675	200	2 675
Ordinary shares of CZK 10,000	436 500	4 365	436 500	4 365
Ordinary shares of CZK 7,771,600	10	78	10	78
Ordinary shares of CZK 46	106 563	5	106 563	5
Total issued capital		**8 755**		**8 755**

The shares are freely transferrable. Ordinary shares include the entitlement to participate in the Bank's governance and the entitlement to a share on profit. Both at 31 December 2015 and 31 December 2014, the Bank held no treasury shares.

35. Equity-based bonuses

The Bank has not implemented any employee motivation or stabilisation programme for the purchase of treasury shares or remuneration in the form of treasury share options.

36. Retained earnings and reserve funds

The following table shows the breakdown of the reserve funds:

MCZK	31 Dec 2015	31 Dec 2014
Reserve funds	3 372	3 372
Special-purpose reserve fund	11 611	11 611
Retained earnings	21 158	18 978
Total	**36 141**	**33 961**

As part of the cross-border merger in 2013, the share capital of UniCredit Bank Slovakia a.s. of MCZK 6,058, the reserve fund of UniCredit Bank Slovakia a.s. of MCZK 1,166 and retained earnings of UniCredit Bank Slovakia a.s. of MCZK 4,387 were transferred into a special-purpose reserve fund denominated in EUR. This special-purposes reserve fund can only be used to settle the loss of the Bank.

37. Borrowings and lending of securities, repurchase and reverse repurchase transactions

(a) Reverse Repurchase Transactions

MCZK	31 Dec 2015	31 Dec 2014
Receivables from banks	46 000	630
Fair value of securities received	45 138	615
Receivables from clients	–	–
Fair value of securities received	–	–

Securities received as collateral as part of reverse repurchase transactions of MCZK 8,177 are further provided as collateral under repurchase transactions (as of 31 December 2014: MCZK 615).

(b) Repurchase Transactions

MCZK	31 Dec 2015	31 Dec 2014
Deposits from banks	6 270	2 920
Fair value of securities provided	6 939	2 827
Deposits from clients	7 208	8 996
Fair value of securities provided	7 206	11 822

38. Contingent liabilities, contingent assets and financial derivatives

In the ordinary course of business, the Bank conducts various financial transactions that are not reported on the face of the Bank's balance sheet and that are designated as off-balance sheet financial instruments. Unless stated otherwise, the information below represents the nominal values of the off-balance sheet transactions.

Contingent Liabilities

Legal Disputes

As of 31 December 2015, the Bank assessed the legal disputes in which it acted as a defendant. The Bank established provisions for these legal disputes (see Note 32). In addition to these disputes, legal actions arising from ordinary business activities were taken against the Bank. The management does not anticipate the result of these legal disputes to have a material impact on the Bank's financial position.

Taxation

The Czech tax legislation has significantly changed over the last years. As such, many complicated legislation areas remained unresolved, due to which the interpretation of taxation authorities in specific cases may not be anticipated. It is not possible to quantify the consequences of this uncertainty; they may be resolved solely under the condition that the relevant legal regulations get adopted in practice or in the event that official interpretations are available.

Liabilities arising from Guarantees, Credit Commitments and Other Contingent Liabilities

Contingent liabilities predominantly include amounts of undrawn credit commitments. Credit commitments issued by the Bank include issued credit and guarantee commitments, and undrawn amounts of credits and overdraft loan facilities. Revocable commitments include credits and guarantees that may be revoked by the Bank at any time without stating the reason. On the contrary, irrevocable commitments represent the Bank's liability to provide a credit or issue a guarantee, the performance of which, even though bound on meeting the contractual terms by the client, is to a certain extent independent of the Bank's will.

Liabilities arising from financial guarantees include irrevocable confirmations made by the Bank to perform payments, under the condition that the terms defined under individual guarantee certificates are met.

As such confirmations bear similar risk as credits, the Bank creates the relevant provisions using a similar algorithm as for credits (see Note 40).

Documentary letters of credit represent a written irrevocable commitment of the Bank issued based on a client's request (orderer), to provide a third party or to its order (recipient, beneficiary), with certain performance, under the condition that the terms of the letter of credit are met by a specified deadline. For these financial instruments, the Bank creates provisions using a similar algorithm as applied for credits (see Note 40).

The Bank created provisions for off-balance sheet items to cover losses incurred and arising from the impairment of the off-balance sheet items due to credit risk. As of 31 December 2015, the aggregate provisions amounted to MCZK 1,128 (as of 31 December 2014: MCZK 1,173), see Note 32 (a).

MCZK	31 Dec 2015	31 Dec 2014
Letters of credit and financial guarantees	46 332	35 635
Other contingent liabilities (undrawn credit facilities)	124 042	114 722
Total	**170 374**	**150 357**

Values Taken into Administration and Management

MCZK	31 Dec 2015	31 Dec 2014
Bonds	513 180	514 507
Shares	206 615	182 931
Depository notes	29 932	20 531
Total values taken into administration and management	**749 727**	**717 969**

(b) Contingent Assets

The Bank had an option to draw a credit line provided by the Council of Europe Development Bank (CEDB) amounting to MCZK 405 (MEUR 15) with the latest maturity of nine years from the time of drawing. This credit line is purpose-bound for the refinancing of credits that fulfil the conditions of the CEDB. The Bank additionally has an option to draw a credit line from Oesterreichische Kontrollbank AG Bank of MCZK 751 (MEUR 27.8) with the maximum maturity on 31 December 2028 depending on the maturity of loans refinanced from this credit line and a credit line from The Export-Import Bank of The Republic of China of MCZK 206 (MUSD 8.3) with the maximum maturity of five years from the time of drawing.

(c) Financial Derivatives

(i) Nominal and Fair Values of Financial Derivatives

MCZK	Nominal value	Positive fair value	Negative fair value
31 Dec 2015			
Trading instruments – interbank market (OTC)			
Options	57 515	740	(727)
Interest rate swap contracts	262 962	3 279	(3 113)
Forward rate agreements (FRA)	11	–	–
Cross currency swap contracts	30 845	1 906	(1 683)
Term currency transactions	63 352	273	(396)
Other instruments	2 074	194	(191)
Total	**416 759**	**6 392**	**(6 110)**
Trading instruments – stock exchange			
Futures	1 556	36	–
Total trading instruments	**418 315**	**6 428**	**(6 110)**
Hedging instruments			
Interest rate swap contracts	201 738	4 328	(3 099)
Cross currency swap contracts	35 297	579	(44)
Total hedging instruments	**237 035**	**4 907**	**(3 143)**
31 Dec 2014			
Trading instruments – interbank market (OTC)			
Options	44 735	814	(797)
Interest rate swap contracts	213 845	3 889	(3 856)
Forward rate agreements (FRA)	200	–	–
Cross currency swap contracts	27 543	1 661	(1 578)
Term currency transactions	57 380	720	(269)
Other instruments	2 325	272	(269)
Total	**346 028**	**7 356**	**(6 769)**
Trading instruments – stock exchange			
Futures	1 802	27	–
Total trading instruments	**347 830**	**7 383**	**(6 769)**
Hedging instruments			
Interest rate swap contracts	150 099	5 290	(3 421)
Cross currency swap contracts	21 805	133	(24)
Total hedging instruments	**171 904**	**5 423**	**(3 445)**

(ii) Residual Maturity of Financial Derivatives Concluded on the Interbank Market

MCZK	Up to 1 year	1–5 years	Over 5 years	Total
31 Dec 2015				
Trading instruments				
Interest rate instruments	57 911	151 239	72 676	281 826
Equity instruments	848	12 727	2 443	16 018
Currency instruments	86 496	16 048	14 297	116 841
Other	1 636	438	–	2 074
Total	**146 891**	**180 452**	**89 416**	**416 759**
Hedging instruments				
Interest rate instruments	19 573	109 885	72 280	201 738
Currency instruments	8 810	10 052	16 435	35 297
Total	**28 383**	**119 937**	**88 715**	**237 035**

MCZK	Up to 1 year	1–5 years	Over 5 years	Total
31 Dec 2014				
Trading instruments				
Interest rate instruments	34 482	135 188	56 361	226 031
Equity instruments	2 419	9 779	1 442	13 640
Currency instruments	69 939	15 627	18 466	104 032
Other	2 042	283	–	2 325
Total	**108 882**	**160 877**	**76 269**	**346 028**
Hedging instruments				
Interest rate instruments	15 557	73 738	60 804	150 099
Currency instruments	1 660	8 189	11 956	21 805
Total	**17 217**	**81 927**	**72 760**	**171 904**

39. Segment reporting

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

(a) Segment Information by Client Category

MCZK	Retail banking (retail) / small and medium-sized businesses	Private, corporate and investment banking	Other	Total
At 31 Dec 2015				
Net interest and dividend income	2 760	5 939	354	9 053
Other net income	1 815	3 534	128	5 477
Depreciation/impairment losses of property and equipment and intangible assets	(159)	(42)	(32)	(233)
Impairment of assets and provisions	17	(1 096)	(14)	(1 093)
Segment expenses	(3 667)	(2 561)	(705)	(6 933)
Profit before tax	**766**	**5 774**	**(269)**	**6 271**
Income tax	–	–	(1 238)	(1 238)
Result of segment	766	5 774	(1 507)	5 033
Segment assets	92 380	441 333	13 505	547 218
Segment liabilities	117 621	331 505	39 211	488 337

Total assets include CZK 138 billion relating to the Slovak branch (2014: CZK 112 billion).
The Slovak branch reported operating income of CZK 3.8 billion for 2015 (2014: CZK 3.7 billion).

The Bank does not have a client or a group of clients that would comprise more than 10 percent of the Bank's income.

MCZK	Retail banking (retail) / small and medium-sized businesses	Private, corporate and investment banking	Other	Total
At 31 Dec 2014				
Net interest and dividend income	2 753	5 835	397	8 985
Other net income	1 829	3 178	(74)	4 933
Depreciation/impairment losses of property and equipment and intangible assets	(170)	(42)	234	22
Impairment of assets and provisions	(646)	(1 233)	(108)	(1 987)
Segment expenses	(3 452)	(2 664)	(511)	(6 627)
Profit before tax	314	5 074	(62)	5 326
Income tax	–	–	(965)	(965)
Result of segment	314	5 074	(1 027)	4 361
Segment assets	83 804	389 253	7 853	480 910
Segment liabilities	112 145	283 384	29 142	424 671

40. Financial risk management

(a) Introduction

The Bank is exposed to the following types of risk:
- Credit risk;
- Market risk; and
- Operational risk.

The Board of Directors is responsible for the overall risk management strategy which it approves and assesses on a regular basis.
The Board of Directors has established the Assets and Liabilities Committee (ALCO), the Credit Committee and the Committee for Operational Risk Management. These committees are in charge of monitoring and managing individual risks with regard to individual specific fields. The committees report to the Board of Directors on a regular basis.

(b) Credit Risk

The Bank is exposed to credit risks as a result of its trading activities, providing credits, hedging transactions, and investment and mediation activities.

Credit risk is managed both on the level of individual clients (transactions) and on the portfolio level.
The Credit Underwriting, Credit Operations and Strategic Credit Risk Management departments are directly responsible for credit risk management. All these departments are organisationally independent of the business divisions and are directly accountable to a member of the Board of Directors in charge of the risk management division.
Under its credit policy, the Bank defines the general principles, methods and instruments applied in identifying, measuring and managing credit risk. The definition of the Bank's credit policy is rendered by the Strategic Credit Risk Management department. The policy is reviewed by this department on a regular basis, minimally once a year.
The Bank defines in its internal guidelines the approval competencies for credit deals, including the definition of responsibilities and competencies of the Credit Committee.

(i) Credit Risk Management on the Level of Individual Clients

The credit risk on the level of individual clients is managed by analysing clients' financial health and determining the limits of credit exposure. The analysis is focused on clients' position in the relevant market, rating of their financial statements, prediction of future liquidity, and the like. The result of this analysis is, among other things, to establish a rating that reflects the probability of clients' default and takes into account quantitative, qualitative and behavioural factors. Analysing the financial position and setting the limits for credit exposure and rating is rendered both prior to granting a credit and during the credit arrangements with clients.
The internal rating system comprises 26 rating levels (1 to 10 adding "+" and "–" to certain rating classes, such as: 1+; 1; 1–; 2+; etc.).
To classify clients into individual rating classes, the Bank assesses (apart from the number of days past due with regard to overdue receivables, if any) the financial indicators related to the client (such as the structure of and proportion between the balance sheet, the income statement, and the cash flow statement), management quality, ownership structure, individual clients' market position, reporting quality, production equipment, account-use history, etc.
Clients with default receivables are always assigned to one of the classes from 8–, 9 or 10.
For receivables from individuals, the ability of the client to fulfil his or her obligations is determined using a standardised system of credit scoring based on risk-relevant features (credit application scoring).
The Bank likewise sets and regularly updates the probability of client default – natural entities, using the behavioural scoring method.
A client's final rating combines both application and behavioural components.

As an additional source of information for assessing a client's financial standing, the Bank uses information provided by credit registries.
In accordance with its credit risk management strategy, prior to providing credits, the Bank requires collateral for its credit receivables (according to the client's financial health and the character of the given transaction). The Bank considers the following to be acceptable types of collateral: cash, first-class securities, guarantees issued by other reputable entities (including bank guarantees), and pledges in form of property. In determining the realisable value of collateral, the Bank principally takes into consideration the financial health of the party providing collateral and the nominal value of the collateral, i.e. expert appraisals made by a special department of the Bank. The realisable value of collateral is determined based on this value by applying the adjusting co-efficient that reflects the Bank's ability to realise the given collateral, as and when needed.

(ii) Credit Risk Management on the Portfolio Level

This level of credit risk management principally includes reporting on the credit portfolio including analyses and monitoring of trends in individual credit sub-portfolios.
The Bank monitors its overall credit risk exposure, i.e. it takes into account all on-balance and off-balance sheet exposures and quantifies the anticipated losses from its credit exposure.
The expected loss is calculated based on the internal estimates of risk parameters, i.e. probability of default (PD), exposure at default (EaD) and loss given default (LGD).
The Bank regularly monitors its credit exposure to individual industries, countries, or economically-connected groups of debtors.
The Bank assesses the concentration risk of the loan portfolio on a regular basis and establishes concentration limits as appropriate in relation to specific industries, countries, or economically-connected groups of debtors.

(iii) Classification of Receivables, Impairment Losses and Provisions

The Bank categorises its receivables arising from financial activities on a monthly basis, in accordance with the applicable decree of the Czech National Bank.
The Bank assesses on a regular basis whether any impairment of receivables has occurred. If any such impairment is identified, the Bank reports impairment losses for individual accounts receivable or receivable portfolios, in accordance with IFRS.

<u>Impairment Losses on Individual Receivables</u>

Impairment losses related to individual receivables are recognised in the event that the carrying amount of individual receivables is impaired and the Bank does not write off such receivables, or a portion thereof that equals the balance sheet impairment.
The Bank assesses the impairment of the carrying amount of all receivables in respect of which the debtors are in default:
(i) individually if the amount of the receivable exceeds an equivalent of MEUR 1, (ii) using the relevant model reflecting the expected return on the relevant receivable for other receivables. The Bank writes off receivables in the event that no income is anticipated on the given receivables or on the collateral received with regard to the given receivable.
The Bank determines impairment losses arising from individual receivables; (i) for individually assessed receivables, losses from the impairment are equal to the difference between the carrying amount of a receivable and the discounted value of estimated future cash flows; (ii) for receivables assessed using models, losses from the impairment are equal to the multiple of the receivable amount and loss given default.

<u>Impairment Losses on the Portfolio Receivables</u>

The Bank recognises impairment losses on without-default receivable portfolios based on an assessment of the portfolio's carrying amount; impairment losses are determined in an amount equalling the impaired carrying amount of the without-default receivable portfolio due to events indicating a reduction in anticipated future cash flows from the relevant portfolio.
Impairment losses are assigned to individual portfolios and are not divided or assigned to individual receivables included in the given portfolio.
In reporting the impairment losses related to individual receivable portfolios, the Bank takes into account the time delay between an impairment event's occurrence and the time the Bank obtains information on the impairment event (i.e. when a client's default is identified) – the "incurred loss" concept.

<u>Provisions for Off-Balance Sheet Items</u>

The Bank recognises provisions for selected off-balance sheet items, as follows:

(i) Provisions for off-balance sheet items in respect of the Bank's clients on whom the Bank currently recognises individual balance-sheet receivables meeting the conditions for being classified as receivables with debtor's default. The Bank recognises the impairment losses related to such individual receivables. Note: The Bank does not create such provisions for undrawn credit lines under issued credit cards.
(ii) Provisions for selected off-balance sheet items in respect of the Bank's clients on whom the Bank records no balance sheet receivables in the given period; even though, in the event that such receivable existed, the conditions for classification under receivables with debtor's default would be fulfilled.
(iii) Provisions for selected off-balance sheet items relating to clients without default.

The Bank recognises such provisions on the same basis as used in reporting impairment losses on receivable portfolios.

(iv) Forbearance

Under forbearance, the Bank classifies loan receivables the payment conditions of which changed after the lending (the changes

predominantly include payment deferral, temporary payment reduction, postponement of the ultimate due date, etc.). These items are recognised in the balance sheet under loan receivables without a debtor's default and loan receivables with a debtor's default. Loan receivables with a change in the originally-agreed payment conditions are generally classified as receivables with a debtor's default. Following a robust assessment, the Bank may categorise individual receivables as receivables without a debtor's default despite of the change in the conditions. This approach is applied if the reasons for the change of the payment conditions are not serious according to the Bank's thorough consideration and the Bank does not anticipate incurring loss arising from the future collection of such loan receivables. The receivables without a debtor's default also include receivables that were classified as receivables with a debtor's default upon the change of the payment conditions and were subsequently transferred into the category of loan receivables without a debtor's default considering the fulfilment of the newly-agreed conditions in line with the Bank's internal rules. This group accounts for the majority of loan receivables reported as Forbearance – receivables without a debtor's default. Loan receivables with changed payment conditions are managed by Credit Restructuring & Workout and are subject to standard restructuring and workout procedures and monitoring. The exception represents receivables that are not assessed as with a debtor's default upon the change of the payment conditions, which are only treated by Credit Restructuring & Workout after a thorough assessment of the need for using the know-how of this unit. Releasing receivables from the administration of this unit is also considered with respect to the development of individual cases and the need for using the know-how of the Credit Restructuring & Workout staff.
The period for which the client is designated as forborne is referred to as the probation period and lasts no less than two years, counted from the client default end/forbearance if the forbearance was without the client's default. In addition, this period can be terminated only if the client fulfils the agreed conditions duly and timely, is not in delay in excess of 30 days and if the case involves an instalment product, the debt must be reduced by at least 10% during this period.
Due to the size of the forbearance portfolio and the above-specified procedures and practices, we do not identify serious threats for the Bank resulting from this portfolio. This is supported by the fact that a portion of receivables with changed payment conditions in order to overcome the debtor's deteriorated financial position is reclassified again as non-default (recognised in the Bank's balance sheet as non-default forbearance – refer to above).

(v) Recovery of Receivables

The Bank has established the Credit Workout & Restructuring Unit which administers the receivables whose recoverability is at risk. The purpose of this unit involves achieving one or a number of the following goals in respect of risk-bearing credit receivables:

a) "Revitalisation" of the credit arrangement, restructuring and subsequent reclassification into standard receivables;
b) Full repayment of the credit;
c) Minimisation of the loss from the credit (realisation of collateral, sale of the receivable with a discount, etc.); and/or
d) Prevention of additional losses from the credit (comparison of future expenses versus income).

(c) Market Risks

(i) Trading

The Bank holds trading positions in various financial instruments, including financial derivatives.
The majority of the Bank's business activities are performed in line with the requirements of the Bank's customers. Depending on the estimated demand of its customers, the Bank holds a certain supply of financial instruments and maintains access to the financial markets through quoting of the bid and offer prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets. The Bank's business strategy is thus affected by speculation and market-making and its goal is to maximise the net income from trading.
The Bank manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are limits on the volumes applicable to individual transactions, limits for portfolio sensitivity (basis point value, or BPV), stop loss limits, and value at risk (VaR) limits. The quantitative methods applied in risk management are included in the following section entitled "Market risk management".

The majority of derivatives are negotiated on the OTC market due to the non-existence of a public market for financial derivatives in the Czech Republic.

(ii) Market Risk Management

Below are described selected risks to which the Bank is exposed through its trading activities, managing the positions resulting from these activities, and also managing these risks. The procedures applied by the Bank to measure and manage these risks are described in detail in the following paragraphs.
The Bank is exposed to market risks arising from its open positions in interest rate, equity and foreign currency instrument transactions that are sensitive to changes in the situation on the financial market. The Bank's risk management focuses on managing the total net exposure resulting from the Bank's structure of assets and liabilities. The Bank monitors interest rate risks by observing the sensitivity of particular assets and liabilities in individual time periods, as expressed by the change in the actual values of assets and liabilities if interest rates increase by one basis point (BPV). For hedge accounting purposes, the Bank identifies specific assets/liabilities causing this incongruity so that the accounting criteria for the application of hedge accounting are met.

Value at Risk

Value at Risk represents the main method for managing the market risks arising from the Bank's open positions. Value at Risk represents the potential loss from an unfavourable movement on the market within a certain time period at a certain confidence level. Value at Risk is measured based on a 1-day holding period and a confidence level of 99%. The pre-conditions for the Value at Risk model have the following limitations:

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

The VaR calculation divides the calculated risk into interest rate and credit portions. The credit portion of VaR is calculated based on the volatility of the credit spread between securities and the zero-risk interest rate. For this purpose, the yield curves of particular issuers, industries, or groups of issuers with identical rating are downloaded into the system for market risk management. Specific securities are mapped to these yield curves and the volatility of the credit spread is calculated. The Bank regularly reassesses the mapping of debt securities with the relevant yield curves and, if necessary, the debt securities are re-mapped to curves that reliably reflect the credit risk of the specific debt securities.

The Bank uses VaR to measure interest rate risk, foreign currency risk, equity risk and other types of risk connected with the negative movements in the prices of market factors (spread risk, option risk, etc.). The aggregate structure of VaR limits is approved by the Assets and Liabilities Committee (ALCO); at least once a year the structure and the amount of limits are revised in accordance with the Bank's needs and developments on the financial markets. The results of the VaR calculation are published daily for selected users (Board of Directors, selected employees of the Financial Markets Department, the Market Risk Department, the Assets & Liabilities Management Unit, and the MARS department of the parent bank/sub-holding).

Back Testing – Value at Risk

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

The table below shows the Values at Risk reported by the Bank.

MCZK	At 31 Dec 2015	Average for 2015	At 31 Dec 2014	Average for 2014
Aggregate VaR	106.7	106.8	109.4	164.5
VaR of currency instruments	6.52	2.79	2.34	2.5
VaR of equity instruments	0	0	0	0.95

Interest Rate Risk

The Bank is exposed to interest rate risk as a result of the fact that interest-bearing assets and liabilities have different maturities or interest rate re-pricing periods and different volumes during these periods. In the event of a change in interest rates, the Bank is exposed to a risk as a result of the different mechanism or timing of adjustments to particular types of interest rates (such as PRIBOR), declared interest rates on deposits, etc. The activities in the area of interest risk management are focused on optimising the Bank's net interest income in accordance with the strategy approved by the Board of Directors.

Given the development of the market interest rates and the possible decrease to negative values, the Bank has already taken measures for certain products to eliminate the decrease in the market interest rate (as the key element of the client rate) to negative values. The Bank hereby reconciles client rates relating to assets and liabilities of non-financial clients.

The Bank's overall interest rate position as of 31 December 2015 is characterised by greater interest rate sensitivity on the assets side as compared to the liabilities side. This can be seen in the negative aggregate basis point value (BPV) – if the interest rates under individual currencies increased in parallel, there would be a decrease in market revaluation. The Bank's interest rate position is diversified into individual time periods, due to which the sensitivity to interest rate volatility is not necessarily identical (positive, negative), and to a number of currencies, through which the different interest rate risks related to individual currencies are compensated under the aggregate asset and liability portfolio. The major sensitivity is connected to CZK and EUR. Interest rate derivatives are generally used to manage the mismatch between the interest sensitivity of assets and liabilities. These transactions are carried out in accordance with the Bank's strategy for managing the assets and liabilities approved by the Board of Directors. Part of the Bank's income is generated by the intentional incongruity between the assets and liabilities that are interest rate-sensitive.

The Bank applies a "Basis Point Value (BPV)" approach for measuring interest sensitivity of assets and liabilities. BPV represents the change in the present value of cash flows derived from individual instruments if interest rates increase by one basis point (0.01%), i.e. it represents the sensitivity of instruments to interest rate risks.

The Bank set up the interest rate risk limits to restrict oscillation of net interest income resulting from changes of interest rates by 0.01% (the "BPV limit").

Stress Testing of Interest Rate Risk

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

The standard stress scenario corresponds to a parallel shift in the yield curve by 200 basis points for major currencies (CZK, EUR, USD), and the main alternative scenario (money market stress test) corresponds to a parallel shift in the short tail of the yield curve by 250 basis points for major currencies (CZK, EUR, USD), with a maturity of up to two years.

The following table shows the impact of the parallel shift of the yield curve on the Bank's results. The Bank uses the euro as the base currency for stress testing. The values as of 31 December 2015 and the maximum and minimum values are translated into CZK using the foreign exchange rate of the Czech National Bank promulgated as of 31 December 2015 and 31 December 2014 (2015: 27.025 CZK/EUR; 2014: 27.725 CZK/EUR). The average values are translated into CZK using the average value of the daily CZK/EUR foreign exchange rates for the particular year (average 2015: 27.28 CZK/EUR; average 2014: 27.533 CZK/EUR).

	Basic stress test		MM stress test
MCZK	**–200bp**	**+200bp**	**+250bp**
Value at 31 Dec 2015	1 530	(1 469)	(599)
Average for the period	437	(2 102)	(1 116)
Maximum value	2 178	(1 469)	(599)
Minimum value	132	(3 016)	(1 636)
Value at 31 Dec 2014	383	(2 070)	(1 149)
Average for the year	181	(1 298)	(584)
Maximum value	388	(681)	19
Minimum value	35	(2 070)	(1 149)

On 7 December 2015, stress scenarios for negative market interest rates were introduced.

As a large portion of the market interest rate curve shows negative rates and a further decrease may not be excluded, the Bank applies a stress scenario to reflect a possible profit/loss effect of a further decrease in the market interest rates. This approach is applied to the entire portfolio of assets and liabilities, including products for which a decrease of the market interest rates (as an element of client rates) into negative values is restricted in contracts (as well as in the general business terms and conditions). Using this approach, the Bank also reflects the possible risk of profit/loss for products where the market interest rates cannot achieve negative values according to contracts. Due to this change, the result of stress testing with the shift of +/–200 bps is approximately symmetric while until 7 December 2015 (and as of 31 December 2014), it was asymmetric because of the applied 0 floor.

Hedge Accounting

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

Fair Value Hedging

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

At the inception of the hedged arrangement, the Bank performs a fair value hedge effectiveness test on the basis of future changes in fair values of hedged and hedging instruments and of expected interest rates movements (the "prospective test"). On the basis of the actual interest rate developments, the test of effectiveness is carried out at the last day of each month. The Bank has selected the monthly frequency of effectiveness testing to be able to detect possible non-effectiveness of the hedge arrangements.

For particular hedged items and hedging trades (loans, deposits, securities, interest rate swaps, etc), specific dates and amounts of cash flows are determined from the inception of a hedged arrangement until the maturity of the hedged instrument, or until the end of the hedge arrangement. The present values of particular cash flows for the relevant date (date of effectiveness measurement) are determined on the basis of the discount factors for specific currencies. The fair value of a transaction is the total of discounted cash flows from the relevant trade at the given time. The cumulative change of the fair value is determined by comparing the fair value in the given time with the first revaluation. These cumulative changes are further netted for realised cash flows by adding them back or subtracting. The hedge effectiveness is measured using the comparison of the cumulative change in the fair value of the hedged and hedging instrument. The hedge is considered effective if the proportion of cumulative fair value changes of hedged and hedging instruments is between 80% and 125%.

Cash Flow Hedging

The Bank uses the concept of cash flow hedging to eliminate interest rate risk on an aggregate basis.

The hedged instruments are future forecasted transactions in the form of interest income and expenses sensitive to changes in market interest rates. Future anticipated transactions arise from concluded contracts and future transactions established on the basis of replication models. The hedging instruments are derivatives (most commonly interest rate swaps and cross currency swaps).

The effectiveness of a cash flow hedge is determined in accordance with the BA Group standards, based on an approved methodology. First, the nominal values (divided into assets and liabilities) of external trades by currency are identified, for which the interest cash flow (established on the basis of the re-financing – the "funding" rate) may be considered variable (hedged cash flows). Second, for these same currencies the nominal interest cash flows of variable hedging instrument parts are identified and are monitored on a net basis (i.e. net cash in/outflows).

The Bank monitors whether the absolute value of future variable interest cash flows from hedged deals for specific time periods exceeds the absolute value (having the opposite sign, plus or minus) of net variable cash flows from hedging derivatives.

The time periods are defined as follows: up to 2 years by months, further by individual years, 10-15 years, and more than 15 years.

The hedge is judged effective if the aggregate volume of variable interest cash flows from hedged deals is greater than the net variable interest cash flows from hedged deals (designated with an opposite – positive/negative sign) in each of the time periods, measured separately for each monitored currency.

The effectiveness of repricing risk hedging for future cash flows is in line with the BA Group standards based on the approved methodology. In the first step, for individual currencies the nominal values (divided into assets and liabilities) of external transactions are identified whose interest cash flows (specified based on the 'funding' refinancing rate) may be considered variable – hedged flows. In the second step, for the same currencies the nominal interest cash flows of variable parties of hedging instruments are identified and hedging flows are monitored on a net basis (the monitoring of net cash in- or out-flows).

The Bank monitors whether the absolute value of future variable interest cash flows from hedged transactions exceeds (with the opposite sign) the absolute value of the net variable interest cash flows from hedging derivatives in individual time periods. The time periods are defined as follows: up to 1 month, 1–2 months, 2–3 months, 3–6 months, 6–9 months, 9–12 months, 12–18 months, 18 months – 2 years and 10–15 years and more than 15 years.

Effectiveness is achieved if the volume of variable interest cash flows from hedged transactions is greater than the net variable interest cash flow from hedging transactions (with the opposite sign) in each of the time periods, for each of the monitored currencies separately.

Currency Risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, comprise the Bank's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in profit or loss.

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

The following table shows the structure of assets and liabilities by currency:

MCZK	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2015						
Cash in hand and cash balances	1 857	2 190	176	44	177	4 444
Financial assets at fair value through profit or loss, including FA	4 744	4 154	575	92	13	9 578
of which:						
– held for trading	3 211	4 148	575	92	13	8 039
– not held for trading	1 533	6	–	–	–	1 539
Available-for-sale securities	43 674	38 975	–	–	–	82 649
Securities held to maturity	–	186	–	–	–	186
Receivables from banks	96 758	8 562	731	7	517	106 575
Receivables from clients	162 739	160 164	2 706	1 182	2 298	329 089
Positive fair value of hedging derivatives	3 411	1 495	1	–	–	4 907
Equity investments	3 979	–	–	–	–	3 979
Property and equipment	1 164	868	–	–	–	2 032
Intangible assets	578	85	–	–	–	663
Tax receivables	–	870	–	–	–	870
Non-current assets held for sale	–	23	–	–	–	23
Other assets	1 346	509	306	16	46	2 223
Total assets	320 250	218 081	4 495	1 341	3 051	547 218
Deposits from banks	13 687	25 053	871	–	626	40 237
Deposits from clients	223 057	123 747	12 280	815	4 344	364 243
Debt securities issued	33 138	31 657	224	–	–	65 019
Financial liabilities held for trading	3 932	1 722	461	31	890	7 036
Negative fair value of hedging derivatives	854	2 284	–	–	5	3 143
Tax liabilities	1 462	–	–	–	–	1 462
Other liabilities	2 513	3 126	233	8	110	5 990
Provisions	183	1 013	5	–	6	1 207
Equity	44 827	14 051	1	1	1	58 881
Total liabilities and equity	323 653	202 653	14 075	855	5 982	547 218
Gap	(3 403)	15 428	(9 580)	486	(2 931)	–
At 31 Dec 2014						
Cash in hand and cash balances	1 778	2 005	221	32	99	4 135
Financial assets at fair value through profit or loss, including FA	6 170	5 153	892	0	777	12 992
of which:						
– held for trading	5 112	4 939	892	0	777	11 720
– not held for trading	1 058	214	–	–	–	1 272
Available-for-sale securities	52 051	36 294	–	–	–	88 345
Securities held to maturity	–	191	–	–	–	191
Receivables from banks	37 449	10 655	301	16	307	48 728
Receivables from clients	153 267	152 618	3 354	622	2 272	312 133
Positive fair value of hedging derivatives	3 893	1 530	–	–	–	5 423
Equity investments	3 781	–	–	–	–	3 781
Property and equipment	1 249	946	–	–	–	2 195
Intangible assets	3	3	–	–	–	6
Tax receivables	–	814	–	–	–	814
Other assets	1 259	502	336	16	54	2 167
Total assets	260 900	210 711	5 104	686	3 509	480 910
Deposits from banks	6 633	22 657	1 042	–	26	30 358
Deposits from clients	185 552	124 139	13 071	704	5 246	328 712
Debt securities issued	33 325	13 837	123	–	–	47 285
Financial liabilities held for trading	4 429	2 696	403	–	24	7 552
Negative fair value of hedging derivatives	1 682	1 763	–	–	–	3 445
Tax liabilities	956	222	–	–	–	1 178
Other liabilities	1 315	3 197	230	12	93	4 847
Provisions	1 258	36	–	–	–	1 294
Equity	42 543	13 694	2	–	–	56 239
Total liabilities and equity	277 693	182 241	14 871	716	5 389	480 910
Gap	(16 793)	28 470	(9 767)	(30)	(1 880)	–

Equity Risk

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

Liquidity Risk

Liquidity risk arises as a result of the manner of financing the Bank's activities and managing its positions. It includes both the risk that the Bank would be unable to finance its assets using instruments with appropriate maturity and the risk that the Bank would be unable to dispose of its assets for an appropriate price within the necessary time period. The Bank has access to diverse sources of funds, which comprise deposits and other savings, securities issued, loans taken (including subordinated loans) and its own equity capital. This diversification makes the Bank flexible and limits its dependency on any single funding source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of funding and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Board of Directors. The Bank also holds, as part of its liquidity risk management strategy, a proportion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Liquidity risk is evaluated regularly by the Bank using the analysis of differences between the residual maturity of assets and liabilities. Two approaches are used: short-term and long-term (structural). In the short-term approach, the Bank monitors daily and in detail with a view to the next several weeks the difference between liquidity inflows and outflows. Limits are set for cumulative inflows and outflows. If limits are breached, the Bank takes action to reduce the liquidity risk. In the long-term (structural) perspective, the Bank monitors the difference between the maturity of assets and liabilities in periods longer than one year. For products with non-specified maturity (i.e. current accounts) the Bank has developed a model for their expected residual maturity. The Bank again sets limits, and appropriate action is taken if they are breached (e.g. by acquiring long-term sources of refinancing). The Bank has drawn up a contingency plan for the event of a liquidity crisis. This plan defines the roles, responsibilities and process of crisis management. It also defines the possible measures which should be considered in the event of an emergency situation. Stress tests of short-term liquidity are performed by the Bank on a weekly basis. The stress tests verify the Bank's ability to overcome extreme situations such as systemic interruption of the inter-bank money market, a decrease in the Bank's credit rating, IT system breakdowns, and reputation risk to the Bank. The stress scenarios' results are presented to the ALCO.

The following table shows undiscounted cash flows of assets and liabilities, issued guarantees and provided loan facilities:

MCZK	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspe-cified.
At 31 Dec 2015							
Cash in hand and cash balances	4 444	4 444	4 444	–	–	–	–
Financial assets at fair value through profit or loss, including FA	9 578	9 931	652	2 080	3 524	3 797	(122)
of which:							
– held for trading	8 039	8 372	652	541	3 504	3 797	(122)
– not held for trading	1 539	1 559	–	1 539	20	–	–
Available-for-sale securities	82 646	90 201	1 722	10 020	43 479	34 238	742
Securities held to maturity	186	218	2	7	209	–	–
Receivables from banks	106 575	106 660	101 198	2 410	3 022	–	30
Receivables from clients	339 394	365 275	55 921	51 819	128 626	127 659	1 250
Positive fair value of hedging derivatives	4 907	4 907	37	170	2 488	2 212	–
Equity investments	3 979	3 979	–	–	–	–	3 979
Property and equipment	2 032	2 032	–	–	–	–	2 032
Intangible assets	663	663	–	–	–	–	663
Tax receivables	870	870	–	870	–	–	–
Non-current assets held for sale	23	23	13	10	–	–	–
Other assets	2 223	2 223	13	–	–	–	2 210
Deposits from banks	40 237	40 260	25 377	4 999	8 483	1 401	–
Deposits from clients	364 243	364 516	336 155	22 733	2 137	407	3 084
Debt securities issued	65 019	70 320	3 885	3 519	42 438	20 285	193
Financial liabilities held for trading	7 036	7 036	467	442	2 929	3 195	3
Negative fair value of hedging derivatives	3 143	3 143	39	76	1 597	1 431	–
Tax liabilities	1 462	1 462	–	1 462	–	–	–
Other liabilities	5 990	5 990	1 044	2	–	–	4 944
Provisions	1 207	1 207	–	–	–	–	1 207
Equity	58 881	58 881	–	–	–	–	58 881
Undrawn loan facilities	124 042	124 042	14 771	52 971	22 675	33 625	–
Bank guarantees	46 332	46 332	3 844	10 532	27 506	4 446	4

MCZK	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspe-cified.
At 31 Dec 2014							
Cash in hand and cash balances	4 135	4 135	4 135	–	–	–	–
Financial assets at fair value through profit or loss, including FA	12 992	13 503	833	2 291	4 550	5 794	35
of which:							
– held for trading	11 720	12 220	652	1 194	4 545	5 794	35
– not held for trading	1 272	1 283	181	1 097	5	–	–
Available-for-sale securities	88 345	96 661	2 014	20 467	41 461	32 712	7
Securities held to maturity	191	233	2	7	224	–	–
Receivables from banks	48 728	48 760	44 541	1 486	2 710	–	24
Receivables from clients	312 133	351 548	45 607	51 206	127 871	126 864	–
Positive fair value of hedging derivatives	5 423	5 423	9	150	2 225	3 039	–
Equity investments	3 781	3 781	–	–	–	–	3 781
Property and equipment	2 195	2 195	–	–	–	–	2 195
Intangible assets	6	6	–	–	–	–	6
Tax receivables	814	814	–	814	–	–	–
Other assets	2 167	2 167	34	–	–	–	2 133
Deposits from banks	30 358	30 437	21 497	15	5 938	2 987	–
Deposits from clients	328 712	329 116	300 789	20 608	4 564	441	2 714
Debt securities issued	47 285	51 836	1 021	13 088	31 909	5 506	312
Financial liabilities held for trading	7 552	7 552	395	704	2 295	4 158	–
Negative fair value of hedging derivatives	3 445	3 445	21	118	1 500	1 806	–
Tax liabilities	1 178	1 178	–	1 178	–	–	–
Other liabilities	4 847	4 847	281	21	–	–	4 545
Provisions	1 294	1 294	–	–	–	–	1 294
Equity	56 239	56 239	–	–	–	–	56 239
Undrawn loan facilities	114 722	114 722	16 252	56 032	18 273	24 165	–
Bank guarantees	35 635	35 635	4 152	11 293	16 268	3 917	5

(d) Operational Risk

The operational risk is defined as a risk of loss due to deficiencies or failures of internal processes, people and systems or external events. This definition includes the legal risk, however, it does not include the strategic or reputation risk. The legal risk includes, among other things, the risk of fines, sanctions or punitive damages resulting from supervision measures as well as private settlement.

The Bank's organisational structure and its internal rules fully respect the segregation of incompatible duties and prevent any conflict of interests. Internal rules unambiguously define the obligations and competencies of employees, including management, and regulate the working processes and controlling activities. The Operational Risk Management Committee is the main control and decision body regarding operational risk. All members of the Board of Directors are permanent members of the committee. The Operational Risk Department is an independent body reporting directly to a member of the Board of Directors in charge of risk management. The Operational Risk Department is authorised to secure unified and coordinated operational risk management in accordance with the applicable regulations and the standards of the parent company. Operational risk management and monitoring as such is performed by authorised employees of individual departments. The Internal Audit Department identifies extraordinary trends and breach of or non-compliance with directives and it assesses the control and management system's functionality.

In 2015, the Bank continued developing and setting up the comprehensive system for the identification, monitoring and management of operational risk.

To ensure effective collection of operational risk events and data, the Bank uses an on-line information system developed by the UniCredit Group. The system complies with the requirements for capital adequacy management, in accordance with the Basel II regulation. The data acquired through the system is taken into account in calculating the capital requirement as well as in managing operational risk. It serves as a basis for designing processes that reduce the number of particular events and mitigate the consequences (e.g. in preparing process mitigation measures or strategic insurance plan for the Bank). The data is also used for reviewing the reliability of proposed measures for operational risk mitigation. The data is collected on a continuous basis in cooperation with individual departments of the Bank (all significant events are reported and resolved immediately). Based on the collected data, a quarterly consolidated report is prepared, which is presented to the Operational Risk Management Committee and distributed within the Bank. The Board of Directors, the Internal Audit Department and the parent company are informed about the most significant cases of operational risk on a weekly basis, or immediately if necessary.

The data is regularly reconciled with the accounting records and other sources in order to ensure data completeness and accuracy.

In 2015, the Bank analysed the scenarios, and configured and analysed the risk indicators. Another important element of the operational risk management system is managing the continuity of operations (emergency planning, crisis management). The Bank has updated and tested the recovery plans (for crisis situations) in order to ensure their full usefulness and effectiveness under current conditions. In addition, the Operational Risk Department enhances the overall awareness of operational risk within the Bank and trains the Bank's staff both by means of training sessions and e-learning courses.

Based on the consent obtained from the regulatory body, the Bank calculates the capital requirement for operational risk under the advanced measurement approach (AMA). Under this approach, the group model is used based on internal and external data, the results of scenario analyses and risk indicator data.

(e) Capital Management

Management of the Bank monitors the development of the Bank's capital adequacy and its capital position. The regulator of the banking market, the Czech National Bank, established rules for the calculation of capital requirements and monitors their development. Since 1 January 2014, the Bank has met the requirements of Basel III (Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms) that was implemented by the Czech National Bank through Decree No. 163/2004 Coll. on the performance of the activity of banks, credit unions and investment firms. The Basel III rules were established in response to the financial crisis and introduce requirements for increased capital quality, requirement for an increased coverage of risks, the minimum standard for liquidity management, rules for the leverage ratio and improve risk management and corporate governance.

The transfer to the Basel III rules did not have a significant impact on the Bank's capital adequacy.

The original capital (Tier 1) is currently part of Tier 1 common capital (CET1) which is the supreme quality capital. The Bank has newly included the capital requirement relating to the risk of the credit valuation adjustment in the capital adequacy; this has no significant impact on the total capital.

Several new requirements were introduced in relation to risk-weighted assets which, in aggregate, had no significant impact on risk-weighted assets. The impact of the increase in the correlation coefficient in exposures to large entities in the financial sector and unregulated financial entities was balanced by the impact of the reduction factor for exposures to small and medium-sized companies.

The Bank's regulatory capital consists of the following:

- Common Equity Tier 1 (CET 1) capital which comprises registered capital, share premium, reserve funds, retained earnings, accumulated other comprehensive income from revaluation of available-for-sale securities, post-tax profit for the period if audited at the time of reporting; minus intangible assets and gaps in the coverage of anticipated losses through adjustments for credit risk using the internal rating based approach;
- Tier 1 (T1) capital creating CET1; and
- Tier 2 (T2) capital which is the excess in the coverage of anticipated credit losses when using the internal rating based approach.

The Bank complies with the defined minimum requirements of Basel III rules for capital adequacy, including capital buffers.

(f) Market Development in 2015

The growth of the Czech economy accelerated considerably, achieving 4.3% in 2015 according to preliminary results. It was predominantly driven by investments supported by the EU funds and private consumption. Higher GDP dynamics was accompanied by more intensive activities on the loan market in the Czech Republic.

The volume of loans to households accelerated gradually its year-on-year growth up to 7.6% in December thanks to the interest in mortgage loans throughout the year. Corporate loans accelerated through September when the year-on-year growth achieved 11.6% and was followed by a slower rate of 5.1% in December. The interest rates in the interbank market were stable throughout the year and remained very close to zero. Longer interest rates, predominantly affecting the cost of mortgage loans for clients, tended to fall during the year. The Czech banking sector reported a high degree of stability. A negative influence of low interest rates on profitability was compensated by a lower need for bad loans provisioning.

Preliminary data indicate that the Slovak economy grew by 3.6% in 2015, primarily owing to investments markedly supported by EU funds. The banks could rely on strong retail demand for mortgage and consumer loans. The ECB's loose monetary policy, in combination with stagnating real estate prices and growing salaries, brought the availability of housing to new record levels. The growth in retail lending was not cooled even after the NBS's recommendation calling for banks to be more prudent in assessing risks and retail lending thus continued to grow at a two-digit pace (12.7% in December). During the year, corporate interest in banking financing was revived and corporate lending accelerated up to 8.5% in December which was the fastest growth since early 2009. The profitability of the Slovak banking sector continued to grow in 2015, with the adverse impact of low interest rates being more than fully offset by increased non-interest income, lower costs of risk and a decreased banking tax charge.

The year-on-year increase in the volume of client deposits continued at a higher rate than the increase in provided loans in 2015. The Bank invested the excess liquidity primarily in short-term interbank deposits, treasury bills and government bonds, while always ensuring that it invests in liquid assets that the Bank would use for repurchase transactions with central banks as and when needed.

During 2015, the Bank continuously enhanced its systems and processes under financial risk management as follows:

(i) Credit Risk

- More accurate specific credit policies for clients operating in selected industries (financing of commercial real estate, energy, automotive, construction, engineering, etc);
- Change in selected product parameters and credit products in retail banking;
- Strengthening of the procedure for credit fraud identification, monitoring the process related to the loan portfolio (timely identification of the warning signals) and of the process f or recovery of loan receivables);
- Continuous improvement of the Bank's own estimates of risk parameters used in the advanced (IRB) approach to the calculation of the capital requirements for credit risk for the banking portfolio.

(ii) Market Risk

- In the post-implementation phase, the new IT system for treasury and the internal platforms for the calculation of VaR and BPV were stabilised.

(iii) Liquidity

- The Bank continued to improve the calculation methodology for the Basel III LCR indicators and in the last quarter, it started regular LCR reporting to regulatory authorities.

41. Related party transactions

Entities are deemed to be entities under special arrangements in the event that one entity is able to control the activities of the other or is able to exercise significant influence over the other entity's financial or operational policies. As part of its ordinary business, the Bank enters into transactions with related entities. These transactions principally comprise loans, deposits and other types of transactions and are concluded under arm's length conditions and at arm's length prices in order to prevent any detriment to any party. Related parties principally include the parent companies and fellow subsidiaries as part of the UCI/HVB/BA Group, subsidiaries and affiliates, members of the Board of Directors and other members of the Bank's management.
The Group has prepared an equity programme for the employees of the UniCredit Group under which the employees may purchase investment shares of the group at a discounted price in the form of discount shares. Discount shares may not be sold over the tying period. Tied shares will be forfeited if the respective employee terminates his/her employment in the group or sells his/her investment shares before the end of the tying period. The provided discount is allocated to individual group companies that are involved in the programme and these companies recognise and defer the discount over the tying period.

(a) Transactions with the parent company UniCredit Bank Austria AG

MCZK	31 Dec 2015	31 Dec 2014
Assets		
Financial assets held for trading	1	13
Receivables from banks	3 612	3 756
Securities available for sale	4 640	4 793
Total	**8 253**	**8 562**
Liabilities		
Deposits from banks	14 595	7 423
Financial liabilities held for trading	5	1
Total	**14 600**	**7 424**
Off-balance sheet items		
Issued guarantees	750	609
Irrevocable credit facilities	–	44
Total	**750**	**653**
Interest and similar income	110	116
Interest and similar expenses	(14)	(36)
Income from fees and commissions	9	18
Expenses for fees and commissions	(24)	(17)
Net profit from financial assets and liabilities held for trading	(16)	19
General administrative expenses	82	56
Total	**147**	**156**

MCZK	31 Dec 2015	31 Dec 2014
Assets		
Financial assets held for trading	934	927
of which:		
UniCredit Bank AG	924	913
Receivables from banks	5 164	3 231
of which:		
UniCredit Bank AG	1 092	1 351
Yapi ve Kredi Bankasi AS	2 160	–
UniCredit Bank Hungary Zrt.	161	290
UniCredit S.p.A.	82	561
ZAO UniCredit Bank	1 652	1 012
Receivables from clients	22 928	13 716
of which:		
UniCredit Leasing Group	22 202	13 342
UCTAM CZ	136	282
UniCredit Factoring Czech Republic and Slovakia, a.s.	505	–
Board of Directors	6	7
Other executives	72	77
Positive fair value of hedging derivatives	1 889	2 140
of which:		
UniCredit Bank AG	1 886	2 140
Total	**30 915**	**20 014**

MCZK	31 Dec 2015	31 Dec 2014
Liabilities		
Deposits from banks	4 386	1 933
of which:		
UniCredit Luxembourg S.A.	27	20
UniCredit Bank AG	3 786	1 796
UniCredit Bank Hungary Zrt.	49	2
UniCredit S.p.A.	131	104
Deposits from clients	1 995	1 726
of which:		
UniCredit Leasing Group	961	852
Pioneer Asset Management a.s.	462	404
Pioneer Investment Company	100	114
UniCredit Business Integrated Solutions S.p.A.	220	158
Board of Directors	104	91
Other executives	55	61
Financial liabilities held for trading	2 599	3 249
of which:		
UniCredit Bank AG	2 598	3 248
Negative fair value of hedging derivatives	2 026	2 355
of which:		
UniCredit Bank AG	2 026	2 355
Total	**11 006**	**9 263**

MCZK	31 Dec 2015	31 Dec 2014
Off-balance sheet items		
Issued guarantees	974	1 417
of which:		
UniCredit Bank AG	427	407
UniCredit S.p.A.	385	559
UniCredit Bank Hungary Zrt.	49	20
ZAO UniCredit Bank	–	400
Irrevocable credit facilities	10 266	6 917
of which:		
UniCredit Leasing Group	7 522	6 480
UniCredit Bank AG	108	148
ZAO UniCredit Bank	22	–
UniCredit S.p.A.	101	108
Board of Directors	1	1
Other executives	4	4
Total	**11 240**	**8 334**

MCZK	2015	2014
Interest income and similar income	104	255
of which:		
UniCredit Bank AG	(97)	112
UniCredit Leasing Group	164	116
UniCredit S.p.A.	2	–
Interest expenses and similar charges	(15)	(9)
of which:		
UniCredit Bank AG	(1)	–
UniCredit Leasing Group	(13)	(8)
Fee and commission income	123	86
of which:		
UniCredit Bank AG	44	59
UniCredit Leasing Group	39	6
Pioneer Asset Management SA, Luxembourg	16	–
Fee and commission expenses	(5)	(5)
of which:		
UniCredit Bank AG	(1)	(1)
Pekao	(2)	–
Net income from financial assets and liabilities held for trading	(550)	(2 117)
of which:		
UniCredit Bank AG	(549)	(2 122)
Net income from hedging against risk of changes in fair value	130	(230)
of which:		
UniCredit Bank AG	130	(230)
General administrative expenses	(1 454)	(1 337)
of which:		
UniCredit S.p.A.	(69)	(54)
UniCredit Business Integrated Solutions S.p.A.	(1 379)	(1 252)
Total	**(1 667)**	**(3 357)**

42. Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities that are not reported at fair values in the Bank's balance sheet (the fair value is calculated using discounted future cash flows under the application of arm's length market rates to which credit mark-ups derived from internal rating categories of individual clients are added):

	31 Dec 2015		31 Dec 2014	
MCZK	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Receivables from banks	106 575	106 598	48 728	48 728
Receivables from clients	329 089	327 197	312 133	316 191
Financial liabilities				
Deposits from banks	40 237	39 936	30 358	30 109
Deposits from clients	364 243	364 498	328 712	329 040
Debt securities issued	65 019	66 723	47 285	50 330

The following table shows transfers of financial assets and liabilities at fair value between Levels 1 and 2.
Financial assets at fair value based on Levels 1 a 2:

	Financial assets at fair value through profit or loss		Securities available for sale	Hedging derivatives	Total
MCZK	**Held for trading**	**Not held for trading**			
31 Dec 2015					
Transfer from Level 1 to Level 2	4	–	–	–	4
Transfers from Level 2 to Level 1	–	–	180	–	180
31 Dec 2014					
Transfer from Level 1 to Level 2	–	–	62	–	62
Transfers from Level 2 to Level 1	155	–	5 019	–	5 174

For the years ended 31 December 2015 and 31 December 2014, no financial liabilities reported at fair value were transferred between Levels 1 and 2.

The following table shows transfers of financial assets reported at fair value from and to Level 3.

MCZK	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Not held for trading	Securities available for sale	Hedging derivatives	Total
Opening balance at 1 Jan 2014	**–**	**–**	**142**	**–**	**142**
Addition arising from the merger	–	–	–	–	–
Revaluation gains and losses					
In profit or loss	–	–	–	–	–
In other comprehensive income	–	–	–	–	–
Purchases	–	–	–	–	
Sales/maturity	–	–	–	–	–
Transfers from/to other levels	–	188	104	–	292
Other	–	–	(136)		(136)
Closing balance at 31 Dec 2014	**–**	**188**	**110**	**–**	**298**
Total revaluation gains and losses included in profit or loss for the period:					–
Of which: Total revaluation gains and losses included in profit or loss for the period arising from financial assets held at the period end					–
Opening balance at 1 Jan 2015	**–**	**188**	**110**	**–**	**298**
Addition arising from the merger	–	–	–	–	–
Revaluation gains and losses					
In profit or loss	–	–	–	–	–
In other comprehensive income	–	–	629	–	629
Purchases	–	–	–	–	
Sales/maturity	–	(188)	(104)	–	(292)
Transfers from/to other levels	–	–	–	–	–
Other	–	–	–		–
Closing balance at 31 Dec 2015	**–**	**–**	**635**	**–**	**635**
Total revaluation gains and losses included in profit or loss for the period:					–
Of which: Total revaluation gains and losses included in profit or loss for the period arising from financial assets held at the period end					–

In the years ended 31 December 2015 and 2014, the Bank did not record any transfers from and to Level 3 with respect to financial liabilities stated at fair value.

43. Offset of financial assets and financial liabilities

The Bank does not offset financial assets and financial liabilities. The below tables provide information on potential offset of financial assets and financial liabilities.

Financial assets that are subject to offset, recoverable framework contracts for offset and similar arrangements:

MCZK	Gross reported financial assets	Gross offset financial liabilities	Net reported financial assets	Relating amounts that are not offset: Financial instruments	Relating amounts that are not offset: Obtained cash collateral	Net amount
31 Dec 2015						
Derivatives	5 633	–	5 633	3 173	–	2 460
31 Dec 2014						
Derivatives	4 331	–	4 331	1 560	–	2 771

Financial liabilities that are subject to offset, recoverable framework contracts for offset and similar arrangements:

MCZK	Gross reported financial liabilities	Gross reported financial assets	Net reported financial liabilities	Relating amounts that are not offset: Financial instruments	Relating amounts that are not offset: Provided cash collateral	Net amount
31 Dec 2015						
Derivatives	3 809	–	3 809	3 173	–	636
31 Dec 2014						
Derivatives	2 134	–	2 134	1 560	–	574

44. Subsequent events

In February 2016, the Bank's management approved the sale and lease back of the building in the net book value of CZK 629 million which was subsequently transferred to "Non-current assets held for sale". The transaction is anticipated to be completed in 2016.
Except for the matter referred to above, the Bank's management is not aware of any post balance sheet events that would require adjustment to the Bank's financial statements.

Approval date:	Stamp and signature of the statutory body:	Individual in charge of the accounting records (name, signature):	Individual in charge of the extraordinary financial statements (name, signature):
29 February 2016	Ing. Jiří Kunert Chairman of the Board of Directors Mag. Gregor Hofstaetter-Pobst Member of the Board of Directors	Ing. Jiří Houška	Michaela Mrštíková

Look, I just made a mess!

Let’s talk about everyday challenges.

Who said that everyday life is boring? It certainly isn’t if you’re dealing with a rascal like Agata. Around her, simple things like getting to school on time, managing the family budget or walking the puppy become far more complicated. Agata’s mom and dad – and countless other parents – face more complications every day. Clearly they could use our help.

For Agata’s parents we have designed dozens of new services that simplify life. Take, for example, what Zagrebačka banka is doing in Croatia. Its two-in-one web token enables customers to not only to do their banking online, but also have access to their public administration documents.

This means you can check your account balance or transfer funds online in the same place where you can get your child’s school grades, see an electronic copy of your birth or marriage certificate or order your European Health Insurance card.

Now with a bit more time for cleaning up her messes, maybe Agata’s parents can laugh a little more too.

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Tax Id. Nr.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
UniCredit Bank Czech Republic and Slovakia, a.s.

Having its registered office at: Želetavská 1525/1, 140 92 Praha 4 - Michle
Identification number: 649 48 242

Report on Separate Financial Statements

We have audited the accompanying separate financial statements of UniCredit Bank Czech Republic and Slovakia, a.s. prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as of 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes which are included in this annual report on pages 82 to 130.

Statutory Body's Responsibility for the Separate Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate 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 separate financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements give a true and fair view of the financial position of UniCredit Bank Czech Republic and Slovakia, a.s. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of UniCredit Bank Czech Republic and Slovakia, a.s. and subsidiaries prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes which are included in this annual report on pages 27 to 79.

Statutory Body's Responsibility for the Consolidated Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of UniCredit Bank Czech Republic and Slovakia, a.s. and subsidiaries as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other information

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

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

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

Report on Related Party Transactions Report

We have reviewed the factual accuracy of the information included in the accompanying related party transactions report of UniCredit Bank Czech Republic and Slovakia, a.s. for the year ended 31 December 2015 which is included in this annual report on pages 156 to 167. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of UniCredit Bank Czech Republic and Slovakia, a.s. for the year ended 31 December 2015 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

In Prague on 25 April 2016

Audit firm:

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

Deloitte

Statutory auditor:

Diana Rádl Rogerová
registration no. 2045

D. Rádl Rogerová

I’d rather play basketball.

Let’s talk about making the right investments.

Nina’s father thinks she has a future as a dancer, but she has other plans. What exactly? Well, actually, she changes her mind every day ... basketball player, pop singer, pianist, actress. Right now, she’s probably just not mature enough to invest seriously in her future. But Nina’s father doesn’t see that. He could use some wise advice.

Everyone has different goals and needs – and everyone can use a good consultant to help meet them. That’s why we take care of each of our customers by tailoring our solutions to their individual needs.

This premium approach is especially popular with our clients in Germany, thanks to the FinanzKonzept project, which provides an interactive consulting platform for integrated advice.

This is financial counseling 2.0: Smart, transparent, available via video and telephone, from advisors with the right skills. We are doing this because, in a world of data and numbers, it makes a difference to have a personal relationship with clients and figure out together what to expect from the future.

Supplementary information

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

1. Basic data

Business name:	UniCredit Bank Czech Republic and Slovakia, a.s.
Registered office:	Želetavská 1525/1, 140 92 Prague 4, Czech Republic
Company ID No.:	64948242
Companies register:	recorded in the Companies Register maintained by the Municipal Court in Prague, Section B, file 3608
Tax ID No.:	CZ699001820
Date of incorporation:	1 January 1996, for an indefinite period
Legal form:	joint-stock company
Internet address:	www.unicreditbank.cz
E-mail:	info@unicreditgroup.cz
Phone:	+420 955 911 111
Fax:	+420 221 112 132

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

As at 1 December 2013, UniCredit Bank merged with UniCredit Bank Slovakia, a.s., a joint-stock company incorporated according to Slovak law, having its registered office in Bratislava, Šancová 1/A, PC 813 33, Company ID No.: 00 681 709, recorded in the Companies Register maintained by the District Court Bratislava I, Section Sa, File No. 34/B. As a result of this cross-border transformation through merger pursuant to Section 61 of Act No. 125/2008 Coll. on Transformations of Commercial Companies and Cooperatives as amended and Section 69aa of the Slovak Act No. 513/1991 Coll., Commercial Code, as amended, UniCredit Bank Slovakia a.s. was dissolved and its assets were transferred to UniCredit Bank.

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

In carrying out its activities in the Czech market, UniCredit Bank is governed by Czech legal regulations, in particular the Banking Act, the Civil Code, the Act on Business Corporations and regulations governing operations in the banking and capital markets.
In the Slovak market, where UniCredit Bank has operated since 1 December 2013 through its organisational unit, the Bank is also governed by applicable Slovak legal regulations.

2. Persons responsible for the audit of the financial statements

Person in charge:	Diana Rádl Rogerová
License No.:	2045
Domicile:	Gočárova 847, Šeberov, 149 00 Prague 4

Auditor:	Deloitte Audit s.r.o.
License No.:	079
Registered office:	Nile House, Karolinská 654/2, 186 00 Prague 8 – Karlín

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

3.1 History and development of the issuer

UniCredit Bank Czech Republic and Slovakia, a.s., launched its activities in the Czech market on 5 November 2007. Its name was changed after it merged with the Slovak UniCredit Bank Slovakia, a.s., as at 1 December 2013. UniCredit Bank Czech Republic, a.s., itself was established through the merger of HVB Bank Czech Republic, a.s., and Živnostenská banka, a.s. The assets of the dissolved company Živnostenská banka, a.s., having its registered office in Prague 1, Na Příkopě 858/20, PC 113 80, Company ID No.: 000 01 368, recorded in the Companies Register maintained by the Municipal Court in Prague, Section B, File No. 1350, were assumed by the successor company, HVB Bank Czech Republic, a.s., as a result of the merger.

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

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

85.16% share in the issued capital of Živnostenská banka, a.s., from Bankgesellschaft Berlin AG, and thus the oldest Czech bank became part of the UniCredito Italiano Group.

UniCredit Bank Czech Republic and Slovakia, a.s., is a strong and rapidly developing bank offering a wide range of quality products to both corporate and private clients in the Czech Republic and Slovakia. It is one of the strongest banks in both markets in area of project, structured and syndicated corporate finance. The Bank has also built an extraordinarily strong position in the acquisition finance and ranks first in financing commercial properties. Among other services, UniCredit Bank's clients can utilise services to obtain project financing from the EU structural funds offered through UniCredit Bank's European Competence Centre. In the area of services for private clients, UniCredit Bank plays a significant role in the market of private banking or securities and, in the retail segment, it is a significant player in the field of consumer loans, mortgages, and credit cards. It is doing very well in serving clients in freelance professions (doctors, judges, attorneys-at-law, notaries, etc.). The Bank's Competence Centre for Freelance Professions is devoted to these clients.

UniCredit Bank Czech Republic and Slovakia, a.s., operates in all regional cities in both countries and currently has 171 branches and 391 ATMs.

The merged Bank holds an almost 8 % market share with its balance sheet sum totalling nearly CZK 547 billion (non-consolidated data) and is the fourth largest bank in the Czech Republic and the largest in Slovakia. The Bank is a universal bank, providing the services of small, commercial and investment banking in Czech crowns as well as in foreign currencies to local and foreign clients mainly in the Czech Republic, in Slovakia and, further, in other EU countries.

3.2 Issued share capital

The Bank's share capital amounts to CZK 8,754,617,898 divided as follows:

a) 100 registered shares, each with a nominal value of CZK 16,320,000;
b) 200 registered shares, each with a nominal value of CZK 13,375,000;
c) 436,500 registered shares, each with a nominal value of CZK 10,000;
d) 10 registered shares, each with a nominal value of CZK 7,771,600; and
e) 106,563 registered shares, each with a nominal value of CZK 46.00.

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

UniCredit Bank's share capital has been fully paid up.
In accordance with the Commercial Code and the Bank's Articles of Association, UniCredit Bank's shares entitle the shareholder to participate in the company's management and to share in its profit as well as in its liquidation balance upon dissolution of the company. UniCredit Bank has issued no shares giving their holders the right to exchange such shares for other shares or the right to priority subscription of other shares.

UniCredit Bank does not hold any of its own participating securities nor does any entity in which UniCredit Bank has a direct or indirect ownership interest exceeding 50% of that entity's share capital or voting rights hold any such securities.

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

The majority shareholder of UniCredit Bank, with a 99.96% interest in its share capital, is UniCredit Bank Austria AG, having its registered office at Schottengasse 6–8, 1010 Vienna, Austria.

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

3.3 Additional information

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

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

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

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

4. Summary of business activities

4.1 Scope of business activities:

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

a) receiving deposits from the public;
b) granting loans;
c) investing in securities on its own account;
d) finance lease;
e) operating a system of payments and clearing;
f) issuing and administering payment products;
g) granting guarantees;
h) opening letters of credit;
i) administering cash collection;
j) providing investment services:

– main investment service pursuant to Section 8, par. 2a) of Act No. 591/1992 Coll., on Securities, as amended (hereinafter "the Securities Act"), receipt of and conveying instructions related to investment instruments on the customer's account, with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act,
– main investment service pursuant to Section 8, par. 2b) of the Securities Act, executing instructions related to investment instruments on the account of another party, with respect to investment instruments pursuant to Section 8a, par. 1a) and 1g) of the Securities Act,
– main investment service pursuant to Section 8, par. 2c) of the Securities Act, trading in investment instruments on the trader's own account, with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act,
– main investment service pursuant to Section 8, par. 2d) of the Securities Act, management of individual portfolios at its own discretion within the terms of a contractual covenant with the client, if investment instruments form a part of such portfolio and with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act,
– main investment service pursuant to Section 8, par. 2e) of the Securities Act, underwriting or placing issues of investment instruments, with respect to investment instruments pursuant to Section 8a, par. 1a) – 1b) of the Securities Act,
– supplementary investment service pursuant to Section 8, par. 3a) of the Securities Act, custody and management of one or more investment instruments, with respect to investment instruments pursuant to Section 8a, par. 1a)–1c) of the Securities Act,
– supplementary investment service pursuant to Section 8, par. 3c) of the Securities Act, provision of credits or loans to the customer for the purpose of executing a transaction with investment instruments, if the provider of the loan or credit is a participant in this transaction, with respect to investment instruments pursuant to Section 8a, par. 1a)–1d) and 1g) of the Securities Act,
– supplementary investment service pursuant to Section 8, par. 3d) of the Securities Act, consulting services related to the capital structure, industry strategy and related issues, and the provision of advice and services related to mergers and acquisitions of companies,
– supplementary investment service pursuant to Section 8, par. 3e) of the Securities Act, services related to underwriting of issues pursuant to Section 8, par. 2e) of the Securities Act, with respect to investment instruments pursuant to Section 8a, par. 1a)–1b) of the Securities Act,
– supplementary investment service pursuant to Section 8, par. 3f) of the Securities Act, consulting services related to investment in investment instruments, with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act, and
– supplementary investment service pursuant to Section 8, par. 3g) of the Securities Act, executing of foreign currency operations related to provision of investment services,

k) issuing mortgage bonds;
l) financial brokerage;
m) depository services;
n) foreign currency exchange services (purchase of foreign currencies);
o) providing banking information;
p) trading foreign currencies and gold on its own account or on behalf of clients;
q) renting safe-deposit boxes; and
r) other activities directly related to the activities specified above.

4.2 Key activities

Corporate, investment and private banking

- Credit transactions;
- Financing commercial real estate;
- Project financing and structured financing;
- Trade and export financing;
- Documentary transactions;
- Treasury & custody services;
- Asset management;
- EU funds (consulting and payment);
- Maintaining accounts and deposits;
- Payment systems;
- Electronic banking;
- Direct banking;
- SWIFT services;
- Cash pooling;
- Payment cards;
- Card acquiring;

- Trading on the Prague Energy Exchange and in Leipzig;
- Comprehensive offer of banking products for private clients;
- Comprehensive management of client assets, including portfolio management;
- Comprehensive factoring services – domestic factoring, export factoring, invoice discounting, credit cover, sales ledger management;
- Global Investment Strategy – strategic advisory for capital market investments;
- Providing investment products on an open architecture basis;
- Art Banking.

Launching new products or activities

In the area of corporate banking in 2015, we focused on the acquisition of new clients, strengthening of our market position as well as on the development of internal systems thanks to which we were able to make the banking processes more effective and be more flexible for clients. We also placed strong emphasis on the segment of small and medium-sized enterprises, where we managed to grow and also attract new customers.

With the primary target of extending the Bank's product portfolio, allowing us to better serve mainly corporate clients, the Bank decided to acquire the longest operating factoring company in the Czech market – Transfinance, a.s. In January 2015, this company became a 100% part of the consolidated group of UniCredit Bank Czech Republic and Slovakia, a.s. Our current objective of the acquisition is to deepen the synergy between the Bank and the factoring company, in particular in the area of financing and claims management.

As for payment terminals, we have successfully implemented the mPOS product, thanks to which we have received the Innovative Bank of the Year award by MasterCard. Owing to the solution linking payment terminals with smartphones or mobile phones, the number of installed UCB terminals has increased by hundreds.

Retail banking

- Accounts for individual clients, U Konto account, Dětské konto account, U konto Premium account, U konto pro mladé account, accounts for small enterprises
- Mortgage loans and consumer loans including the PRESTO Loan, and overdrafts for private clients;
- Operating, investment and mortgage loans for business clients;
- Payment cards including insurance (debit, credit and partner cards);
- Deposit, savings and investment products (the Bank's own or in co-operation with Pioneer Investments);
- Insurance products (property insurance, life insurance, CPI);
- Internet, telephone and mobile banking;
- Cash and money changing operations and supplementary services.

Launching new products and activities

In 2015, we continued our successful loan optimisation concept, which was further enhanced by the new benefit system for our clients. For proper repayments, our clients were given a chance of refund of as much as 18 instalments. Moreover, no monthly fees are charged on those loans. Additionally, we improved the conditions for granting an overdraft. We can provide an overdraft to new clients in an amount equal to the one granted by the client's present/former lender. Moreover, the client does not have to prove his/her income. We were the first bank on the Czech and Slovak market to launch a product named Card Balance Transfer allowing to transfer credit cards from other financial institutions to UniCredit Bank under matchless conditions. During the first six months no interest is charged on the transferred amount. Thus, our clients can save hundreds of CZK each year, and thanks to the low interest rate applied to further transactions they also save money in the following years.

In mortgage loans for individuals, we launched a new type of interest rate – a guaranteed floating rate. This is a unique type of interest bearing as we guarantee that the client gets the maximum level of the guaranteed floating rate for 3 years from signing the loan agreement. Thus UniCredit Bank again confirmed its role of innovator in the banking market. Additionally, we considerably accelerated the process of assessing and approving mortgages for individuals, mainly for loans refinanced from other banks and, moreover, we relaxed the rules for simplified refinancing.

We continued improving the Small Business service model and developing services of client centre serving approximately 10,000 Small Business clients. It is a separate branch operating under the marketing title BUSINESS EASY. Communication with clients is made by phone and via direct banking channels (Online Banking / BusinessNet).

Accounts

In April, we launched a brand new concept of the U Konto account package. It allows for free withdrawals from ATMs in the Czech Republic and abroad, i.e., not only within UniCredit Group. Further, it includes an embossed payment card, Internet banking including Smart banking in a mobile phone and all electronic transactions (outgoing and incoming). There is only one requirement that has to be met to make use of all aforementioned benefits – to make deposits to the account in the amount of at least CZK 12 000/EUR 400 per month. Moreover, students and young people under the age of 26 can use the benefits of the U Konto account free of charge without needing to meet any requirements. Another exclusive benefit is that the bank guarantees the terms for 10 years.

In October, UniCredit Bank came up with a new offer of accounts also for traders and businesses with turnover below CZK 50 mil. Besides significantly cheaper services related to maintenance of the account, the offer is enhanced by accounts in foreign currencies. That results in simplified and cheaper deposits and withdrawals in foreign currencies. The account for top clients are associated with prestigious MasterCard or VISA GOLD Business payment cards. UniCredit Bank further intensified its support for starting businesses and firms which, under the new conditions, can be granted an overdraft up to CZK 150 thousand. Moreover, active clients can have the account kept free of charge. The only thing they need to do is to comply with requirements for average balance and/or sum of credit entries specific for each Account type.

Investments and deposits

To meet the expectations of a broader group of clients, we have introduced a new simple product for regular investing in mid-2015, called the "U–invest", based on an active maintenance of the investment portfolio.

Insurance

Aiming at enhancing our product offer and fully covering the needs of customers, we have launched a comprehensive portfolio of life and non-life insurance products. We used standard business networks as well as online channels to distribute the new products.

Payment cards

In 2015, we launched a new loyalty programme for clients in the Czech Republic, called "U-šetřete", which provides tailored offers (discounts with many partner merchants) based on the history of card transactions. The programme was created in line with our strategy of customer care and our attempts to make it simple. To use these benefits, clients only have to register online or at a branch once and pay using UCB card at the merchants' POS terminals.

Small and medium-sized enterprises

In the autumn of 2015, an extensive acquisition campaign focused on clients from the small and medium-sized enterprises segment took place. We contacted more than 20,000 companies and entrepreneurs in the Czech Republic and in Slovakia, and achieved very successful results.
We also introduced a new product to purchase medical practice, aiming at supporting freelance clients wishing to establish a new doctor's office. In early 2015, we introduced a Micro authorised overdraft, extending the portfolio of simple products. Moreover, since December 2015, we have been providing our customers of the BUSINESS EASY virtual branch with a Micro overdraft.

Online sale

In our online "UniCreditShop" in the Czech Republic, we have introduced the possibility to take out mortgage loan entirely via the Internet. This innovation allowed clients to refinance their existing mortgage whenever and wherever easily and comfortably – from the comfort of their home, easily, quickly and with an express approval online up to 48 hours after submission of the documents. Moreover, clients have their own online banker available, accompanying them through the process. The first reactions in the market were very positive and the online mortgage refinancing was rated high by independent experts.

Online transactions

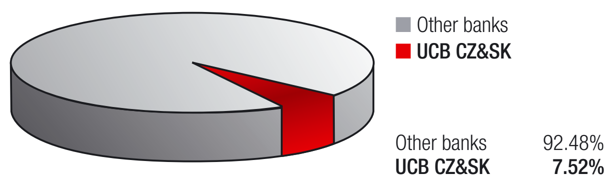
We brought further improvements and simplification also for clients who are carrying out transactions online. We have innovated Smart Banking, where we have been the first bank in the market to launch login using fingerprint. Instead of entering PIN, clients may use their finger for identification and access to the application. We have introduced the same solution for Online Banking users, allowing them to generate easily and quickly a key to log into Online Banking. Besides the mentioned innovations regarding login, the UniCredit Bank mobile application has been introduced to clients in a brand new form (e.g. a flat design), which is now used for advanced mobile applications, such as QR codes or payments among individuals.

4.3 Competitive position of the issuer

All charts below provide non-consolidated data.

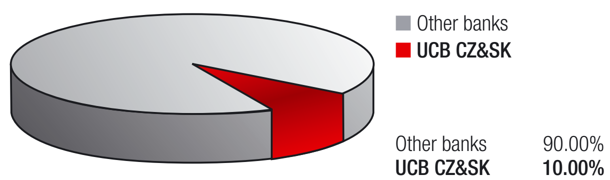
(i) Profit after tax

Profit after tax (MCZK)	**2015**
Banking sector CZ	66 887
UCB CZ&SK	5 033



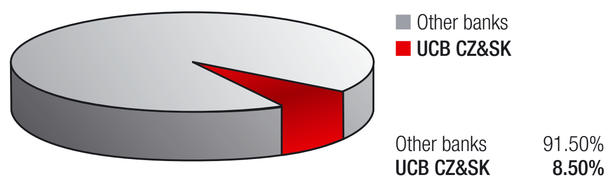
(ii) Total net assets

Total assets (MCZK)	**as at 31 Dec 2015**
Banking sector CZ	5 469 698
UCB CZ&SK	547 218



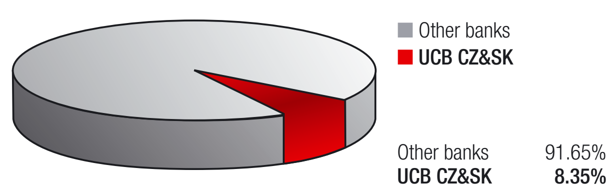
(iii) Gross receivables from clients in CR*

Receivables from clients (MCZK)	**as at 31 Dec 2015**
Banking sector CZ	2 782 882
UCB CZ&SK	236 555



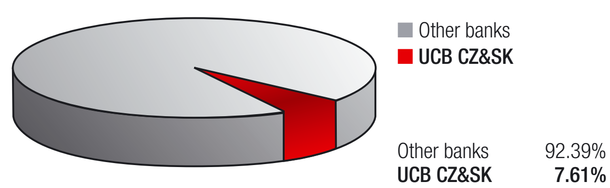
(iv) Gross receivables from clients in SR

Receivables from clients (MCZK)	as at 31 Dec 2015	
Banking sector SR	1 230 942	45 548 mil. EUR**
UCB CZ&SK	102 839	



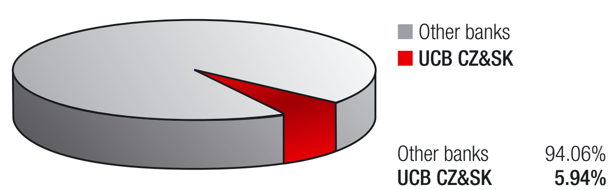
(v) Liabilities to clients in CR*

Liabilities to clients CR (MCZK)	as at 31 Dec 2015
Banking sector CZ	3 724 270
UCB CZ&SK	283 331



(vi) Liabilities to clients in SR

Liabilities to clients SR (MCZK)	as at 31 Dec 2015	
Banking sector SR	1 362 652	50 422 mil. EUR**
UCB CZ&SK	80 912	



* Pursuant to the CNB method, receivables from clients and liabilities to clients are only included for the Czech part of the bank.

** Converted using the exchange rate CZK 27.025/EUR as at 31 December 2015.

5. Organisational structure

The Bank is part of the UniCredit Banking Group (hereinafter referred to as the “Group”). As a member of the Group, the Bank must comply, with the exception of certain relevant legal regulations, with directives issued by UniCredit Bank Austria AG, as the Group’s sub-holding (hereinafter the “Sub-Holding Company”). The Sub-Holding Company shall monitor the proper implementation and observation of the directives (hereinafter the “Holding Guidelines”) issued by UniCredit S.p.A. (hereinafter the “Holding Company”) in the Bank.

The Holding Guidelines are rules that define the management, organisational structure and managerial responsibilities within key processes in the Group that are issued in exercising its powers to supervise and co-ordinate the Group in accordance with the instructions issued by the Italian surveillance authority, with the aim to maintain the Group’s stability.

History of the Group

While the banking group’s history dates back as far back as 1473, the year in which Rolo Banca was created, the contemporary history of UniCredit Group begins from a merger of nine leading Italian banks, the subsequent integration with the German HVB Group and, most recently, with the Italian Capitalia. In 1999, acquisition of Bank Pekao of Poland meant the beginning of the Group’s expansion (at that time under the name UniCredito Italiano) into Central and Eastern Europe (CEE). Growth continued over the next few years with the purchase of the Pioneer Investments Group, the subsequent formation of Pioneer Global Asset Management, and then further strategic acquisitions gradually carried out in Bulgaria, Slovakia, Croatia, Romania, the Czech Republic, and Turkey.

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

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

With total assets of more than EUR 860 billion and ranking among the largest financial groups in Europe, UniCredit operates in 17 countries, with more than 7,900 branches and more than 144,000 employees. In the CEE region, UniCredit Group operates the largest international banking network with around 4,000 branches and outlets. The Group operates in the following countries: Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Italy, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, and Ukraine.

Main shareholders of UniCredit Bank Austria AG

Shareholders of UniCredit Bank Austria AG	Share in %
UniCredit S.p.A.	99,996%

6. Information on trends

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

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

7.1 General Meeting

The General Meeting of Shareholders is the Bank's supreme body. It decides all matters of the Bank falling under its competence by law or under the Bank's Articles of Association.

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

a) deciding on changes in the Articles of Association unless the change results from an increase in share capital by the Board of Directors under Sec. 511 et seq. of the Act on Business Corporations or in consequence of other legal facts,
b) deciding on an increase or decrease in the share capital, or on authorising the Board of Directors thereto under Sec. 511 et seq. of the Act on Business Corporations, or on the possibility to set off financial claims from the Bank against a claim for payment of an issue price,
c) deciding about the share capital decrease and bond issuing under Sec. 286 et seq. of the Act on Business Corporations,
d) electing and dismissing members of the Supervisory Board, members of the audit committee, and other bodies established by the Articles of Association,
e) approving the annual, extraordinary or consolidated financial statements and, in cases defined by law, also interim financial statements; deciding on distributing profits or other equity funds, or on settlement of losses and determining the amount of profit sharing for members of the Board of Directors and Supervisory Board,
f) deciding on remuneration of members of the Supervisory Board and the audit committee,
g) deciding on applying for listing of the Bank's participating securities for trading on the European regulated market or withdrawal of the securities from trading on the European regulated market,
h) deciding on winding up the Bank with liquidation, appointing and dismissing a liquidator, including to establish the level of the liquidator's remuneration, and approving the draft distribution of liquidation balance,
i) deciding on a transfer or discontinuation of an operation of a plant or any such part thereof which would result in a substantial change in the bank's scope of business or activities,
j) approving agreements on silent partnerships, amendments thereto, and termination thereof,
k) appointing auditors of the Bank based on recommendation of the Audit Committee,
l) deciding on the establishment of non-compulsory funds of the Bank and on procedures for their creation and utilisation, and
m) deciding on other issues that the Act on Business Corporations, other legal regulations or the Articles of Association define as falling under competence of the General Meeting.

7.2 Board of Directors of UniCredit Bank

The Board of Directors is the statutory body of UniCredit Bank, and as at 31 December 2015 it had seven members. Members of the Board of Directors exercise their functions in person. Members of the Board of Directors are elected by the Supervisory Board for a period of three years. The Supervisory Board may at any time dismiss any of the members of the Board of Directors, irrespective of their term of office. Only persons meeting the relevant legal requirements may be appointed as members of the Board of Directors. The Board of Directors makes decisions in the form of resolutions usually adopted at its meetings. The Board of Directors shall have a quorum if an absolute majority of all its members is present. The approval of an absolute majority of the Board members present is required for a resolution to be valid. In the event of a parity of votes, the presiding member of the meeting shall have the deciding vote. If all members so agree, the Board of Directors may adopt resolutions at the company's registered office or elsewhere by any means of communication that enables all its members to simultaneously see and hear one another during the meeting (i.e. via videoconference) or in writing without holding a meeting (per rollam). In such case, the voting persons shall be regarded as present.

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

a) to organise the Bank's day-to-day activities and direct its business activities,
b) to convene the General Meeting and implement its decisions,
c) to submit to the General Meeting
   – at least once a year, a report on business activities, the state of the Bank's property; the report forms a part of the Bank's annual report,
   – regular, extraordinary, consolidated or interim financial statements along with a proposal for distribution of profits or settlement of loss, and to process these documents,
d) to publish the key data from the financial statements (such as total assets, total liabilities, equity, profit before tax, profit after tax) and the report of the Bank's business activities and the state of the bank's property in a way applicable to convening a General Meeting, no later than 30 days before the date of the annual

General Meeting, including information as to where the financial statements are available for inspection, or publish, using the procedure applicable to convening a General Meeting, information as to where on the Bank's website the financial statements are available in accordance with Sec 436, par. 1, second sentence of the Act on Business Corporations,

e) to decide on establishing and cancellation of the bank's branches,
f) to appoint and dismiss the Bank's managers,
g) to exercise the rights of an employer,
h) to issue, if it deems fit, rules of procedure for the Board of Directors, which may not contradict the Articles of Association; any rules of procedure for the Board of Directors is subject to the prior approval by the Supervisory Board,
i) to grant and withdraw authorisations to act on behalf of the Bank and the powers of attorney to the Bank's representatives,
j) in accordance with generally binding legal regulations, establish mandatory funds of the Bank in cooperation with the Supervisory Board and define how such funds are to be created and used,
k) to sign the contract on the statutory audit with the auditor appointed by the General Meeting,
l) to establish committees of the Bank and define their tasks,
m) to appoint and dismiss the Bank's proxies with the prior approval of the Supervisory Board, and
n) to discharge other responsibilities stipulated by law or by the Articles of Association.

Ing. JIŘÍ KUNERT
Chairman of the Board of Directors and Chief Executive Officer responsible for the Bank's overall results and for managing the Chief Operating Officer and the Chief Risk Officer. He also reports to the Bank's Board of Directors for the management of the finance, human resources, and legal issues.
Work address: Želetavská 1521/1, Prague 4
Domicile: Prague 4 – Záběhlice, Jihovýchodní III 789/60, PC 141 00
Born: 31 January 1953

PAOLO IANNONE
Vice-Chairman of the Board of Directors and Chief Operating Officer responsible for managing and supervising the Bank's business activities and coordinating the activities of the Bank's other departments so that they contribute to achieving the Bank's business results to as great an extent as possible, whether directly or indirectly.
Work address: Želetavská 1521/1, Prague 4
Domicile: Prague 4 – Michle, Baarova 1540/48, PC 140 00
Born: 15 December 1960

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

Mgr. JAKUB DUSÍLEK, MBA
Member of the Board of Directors and Director of the Global Banking Services Division responsible for activities aimed at optimising costs and internal processes in order to guarantee the best possible synergies and savings throughout the Bank as well as for the quality of services provided by third parties.
Work address: Želetavská 1521/1, Prague 4
Domicile: Prague 10 – Uhříněves, Měsíční 1366/10, PC 104 00
Born: 17 December 1974

Ing. DAVID GRUND
Member of the Board of Directors and Director of the Corporate, Investment and Private Banking Division responsible for managing and supervising the Bank's business activities in the relevant business segment.
Work address: Želetavská 1521/1, Prague 4
Domicile: K lukám 702, Šestajovice
Born: 24 February 1955

GREGOR PETER HOFSTAETTER-POBST
Member of the Board of Directors and Chief Financial Officer
Work address: Želetavská 1521/1, Prague 4
Domicile: K Vinicím 698b, Nebušice, Prague 6
Born: 15 April 1972

Ing. MIROSLAV ŠTROKENDL
Member of the Board of Directors and Head of Branch Slovakia
Work address: Šancová 1/A, 813 33 Bratislava, Slovak Republic
Domicile: Charkovská 7, 841 07 Bratislava, Slovak Republic
Born: 12 November 1958

<u>Changes in the Board of Directors in 2015</u>
On 26 April the Supervisory Board re-elected Paolo Iannone for the following term of office. As at 1 October, the Supervisory Board re-elected Ing. David Grund and Mgr. Jakub Dusílek, MBA, for the following term of office.

7.3 Supervisory Board of UniCredit Bank

The Supervisory Board has nine members, of which six are elected and dismissed by the General Meeting and three are elected and dismissed by the company's employees in accordance with the Act on Business Corporations with reference to the Act on Transformations of Commercial Companies and Cooperatives. Members of the Supervisory Board exercise their functions in person. Members of the Supervisory Board are elected for a period of three years and may be re-elected. The Supervisory Board shall have a quorum if an absolute majority of all its members is present. The approval of an absolute majority of all members of the

Supervisory Board is required for a resolution to be valid. In the event of a parity of votes, the Chairman shall cast the deciding vote. If the Chairman is not present, the Vice-Chairman shall have the deciding vote in the event of a parity of votes.

If all members so agree, the Supervisory Board may adopt resolutions at the company's registered office or elsewhere by any means of communication that enables all members of the Supervisory Board to simultaneously hear one another during the meeting (i.e. via teleconference) or in writing without holding a meeting (per rollam). In such case, the voting persons shall be regarded as present.

The Supervisory Board established the Remuneration Committee, which consists of three members of the Supervisory Board (Mirko Bianchi, Heinz Meidlinger and Miloš Bádal). The competence of the Remuneration Committee includes preparation of draft resolutions on remuneration, including those adopted by the Bank's Supervisory Board and having impact on the obligor's risks and risk management. When preparing those resolutions, the Remuneration Committee takes into consideration long-term interests of the Bank's shareholders, investors and other stakeholders and the public interests. Under direct supervision of the Remuneration Committee is remuneration of managers responsible for risk management, internal audit and compliance functions.

The Supervisory Board further established the Appointment Committee, which consists of three members of the Supervisory Board (Mirko Bianchi, Heinz Meidlinger and Miloš Bádal). The competence of the Appointment Committee includes selection and submitting for approval by the Supervisory Board candidates for vacancies in the Board of Directors. In discharge of this task the Appointment Committee assesses, inter alia, proper proportion in competence, skills and diversity in composition of the bank's body as a whole. The Appointment Committee develops draft job descriptions including skills required for the position and estimated the time schedule for meeting the goals related to exercise of the office. Additionally, the Appointment Committee recommends the target gender proportion in the Board of Directors and the principles as to how the share of less represented gender in the Board of Directors can be increased to match the target goal;

b) regularly, at least on an annual basis, evaluates the structure, size, composition and activities of the Board of Directors and submits recommendations to the Supervisory Board regarding amendments, if any,
c) regularly, at least on an annual basis, evaluates the integrity, professional competence and skill of each member of the Board of Directors and the Board of Directors as a whole and submits the evaluation reports to the Supervisory Board,
d) regularly reviews policies of the Board of Directors as to the selection and appointment of a candidate to top management and submits recommendations to the Supervisory Board.

The Supervisory Board further established the Risk Management Committee, which consists of three members of the Supervisory Board (Enrico Minniti, Susanne Malibas and Heinz Meidlinger).

The competence of the Risk Management Committee includes, in particular, the following activities:

a) provides consulting to the Supervisory Board as to the Bank's overall present and future approach to risk management, the risk management strategy and the level of acceptable risk and assists in the Supervisory Board's reviews over implementation of the aforementioned strategy by the top management; which is without prejudice to the Board of Directors' general responsibility for risk management; and
b) examines whether valuation of assets, liabilities and off-balance sheet items reflected in the offer to the clients fully complies with the Bank's business model and its risk management strategy. If the existing risks are not properly reflected in prices in accordance with the existing business model, then the Risk Management Committee submits a corrective plan to the Supervisory Board.

The Supervisory Board:

a) reviews the specific directions of the Bank's activities and business policy and supervises its implementation,
b) is authorised to verify any steps taken in the Bank's affairs,
c) reviews regular, extraordinary and consolidated financial statements, and, as the case may be, the interim financial statements, as well as the proposal for distribution of profits or settlement of loss and presents its opinion to the General Meeting,
d) is authorised, through any of its members, to inspect any documents and records regarding the Bank's activities,
e) monitors whether accounting records are properly maintained in accordance with reality and whether the Bank's business activities comply with legal regulations and the Articles of Association,
f) convenes the General Meeting if the Bank's interests so require and proposes necessary measures to be taken by the General Meeting,
g) appoints one of its members to represent the Bank in proceedings held before courts and other authorities against a member of the Board of Directors,
h) issues, if it is deemed appropriate, rules of procedure for the Supervisory Board, which may not contradict the Articles of Association,
i) approves the rules of procedure (if any) for the Board of Directors,
j) elects and dismisses members of the Board of Directors. New members of the Board of Directors are elected from among candidates who may be nominated by any member of the Supervisory Board. Removal of members of the Board of Directors from their office is also decided by the Supervisory Board upon motion of any member of the Supervisory Board,
k) nominates candidates for Chairman and Vice-Chairman of the Board of Directors,
l) stipulates general terms and conditions for the Bank's activities and terms and conditions for maintaining its credit risk exposure in accordance with decrees of the Czech National Bank and legal norms published in the Collection of Laws of the Czech Republic,

m) approves the establishment and dissolution of the Bank's subsidiaries and their transfer to other entities,
n) approves management agreements concluded between the Bank and members of its Board of Directors and any payments to be made by the Bank to the members of its Board of Directors pursuant to Section 61, par. 1 of the Act on Business Corporations,
o) decides on remuneration of members of the Board of Directors and stipulates rules for remunerating the Director of the Internal Audit Department,
p) establishes committees of the Supervisory Board and defines their responsibilities,
q) oversees the effectiveness and efficiency of the Bank's management and control system,
r) gives prior approval to the appointment and dismissal of the Bank's proxies,
s) can ask the Chairman of the Audit Committee to convene a meeting of the Audit Committee, and
t) discharges further responsibilities stipulated by law, the Articles of Association and the Group's rules.

MIRKO BIANCHI
Chairman of the Supervisory Board
Born on: 10 June 1962
Domicile: Vienna, Morzinplatz 1, 1010, Austria

HEINZ MEIDLINGER
Vice-Chairman of the Supervisory Board
Born on: 6 September 1955
Domicile: Vienna, Kalmusweg 46/Haus 107, 1220, Austria

SUSANNE MALIBAS
Born on: 14 July 1967
Domicile: Vienna, Pfarrwiesengasse 21/6, A–1190, Austria

BENEDETTA NAVARRA
Born on: 24 March 1967
Domicile: 00187 Rome, Via del Gambero 23, Italy

CSILLA IHÁSZ
Born on: 10 January 1968
Domicile: 1010 Vienna, Franz Josef Kai 39, Austria

ENRICO MINNITI
Born on 7 November 1970
1040 Vienna, Schleigmuhlgasse 4/23, Austria

EVA MIKULKOVÁ
Born on: 29 January 1957
Domicile: Kladno, Kročehlavy, Dlouhá 512

Ing. JANA SZÁSZOVÁ (from 13 May 2014)
Born on: 17 January 1963
Domicile: Bratislava, Hany Meličkovej 2989/18,
84105 Slovak Republic

Mgr. MILOŠ BÁDAL (from 24 July 2014)
Born on: 11 April 1970
Podhorská 88/19, Motol, 150 00 Prague 5

<u>Changes in the Supervisory Board in 2015</u>
As at 15 July 2015, Francesco Giordano resigned from the Supervisory Board. As at 30 August 2015, Giorgio Ebreo. As at 24 September 2015, Mauro Maschio and Gianfranco Bisagni resigned from the Supervisory Board. On 24 September 2015, they were replaced, based on a decision of the General Meeting, by Mirko Bianchi, Enrico Minniti, Benedetta Navarra and Csilla Ihász, with effect from the date of approval of the appointment by the Czech National Bank. Such approval was granted on 4 November 2015.

7.4 Audit Committee

1. The Audit Committee is an independent committee with the task to oversee, monitor and advise in matters of concern regarding accounting and financial reporting, the internal control, audit and risk management, the external audit, and monitoring compliance with laws, the Bank's regulations and the Code of Conduct.
2. The Audit Committee consists of 3 (three) members appointed and dismissed by the General Meeting for a term of 3 (three) years from among the Supervisory Board members or third persons. At least one member of the Audit Committee must be independent from the Bank and must have at least 3 years of practical experience in accounting or statutory auditing.
3. The Audit Committee can order inspections and specifically focused audit investigation of the Bank's functions, other Bank's units and their subsidiaries. Additionally, the Audit Committee can be asked to assess interbank transactions and intragroup transactions and other transactions involving direct or indirect conflict of interests. Upon conduct of its business, the Audit Committee can ask the Group Audit function for consulting. In such case, the Group Audit staff will be obliged to comply with all non-disclosure provisions.
4. Without prejudice to the responsibilities of the Board of Directors and Supervisory Board members, the Audit Committee in particular shall:
   a) monitor the procedure of preparing the financial statements and consolidated financial statements,
   b) assess the effectiveness and efficiency of the Bank's internal control system, internal audit and risk management system,
   c) monitor the statutory audit process for the financial statements and consolidated financial statements,
   d) assess the independence of the statutory auditor and audit company, in particular, provision of supplementary services to the Bank which go above the scope of the annual audit, and
   e) recommend an auditor to be appointed by the General Meeting.

5. Meetings of the Audit Committee shall have a quorum if attended in person or via teleconference by the majority of its members. Decisions of the Audit Committee are passed by a simple majority of votes of the attending members of the Audit Committee, unless the decisions are taken "per rollam", which must be approved by all Audit Committee members.
6. The Audit Committee appoints and dismisses a chairman from among its members. The Chairman coordinates and plans activities of the Audit Committee, convenes the meetings and chairs the meetings.
7. The Auditor shall keep the Audit Committee informed, by reports submitted on an ongoing basis, of material facts resulting from the statutory audit, mainly of material defects in the internal control system with respect to the process of preparation of the financial statements or consolidated financial statements.

A detailed description of functions of the Audit Committee, its procedures for organisation, convening the meetings and adoption of resolutions is provided in the Audit Committee's Rules of Procedure approved by the General Meeting.

STEFANO COTINI
Chairman of the Audit Committee
Born: 31 March 1951
Domicile: Viale Zugna 6, 38068 Rovereto Tn, Italy

HEINZ MEIDLINGER
Born: 6 September 1955
Domicile: Kalmusweg 46/Haus 107, Vienna, 1220, Austria

BENEDETTA NAVARRA
Born: 24 March 1967
Domicile: 00187 Rome, Via del Gambero 23, Italy

<u>Changes in the Audit Committee in 2015</u>
On 24 September 2015, Mr Giorgo Ebreo, who resigned as at 30 August 2015, was replaced by Ms Benedetta Navarra in the Audit Committee.

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

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

7.6 Information on company management and administration codes

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

8. Legal and arbitration proceedings

As at 31 December 2015, the Bank reviewed the pending legal disputes against the Bank and created provisions for the litigation. In addition to those disputes, the Bank was also subject to other claims resulting from the Bank's regular business activities. The Bank is not, and during the past 12 months was not, involved in any judicial, administrative or arbitration proceedings which, in the Bank's opinion, could have, or in the past 12 months had, a material impact on the Bank's financial situation or profitability.

9. Material change in the issuer's financial situation

Since the publishing date of the audited financial statements for the year ended 31 December 2015, no significant change has occurred in the financial situation of the issuer.

10. Loans outstanding, accepted borrowings and other liabilities

Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	EUR 54,392 thousand
Interest rate:	4.699%
Loan origination date:	16 June 2008
Maturity date:	15 June 2016
Collateral:	No collateral*
Creditor:	**European Bank for Reconstruction and Development, London**
Debtor:	UniCredit Bank Slovakia, a.s.
Loan amount:	EUR 428.6 thousand
Interest rate:	6M EURIBOR + 1.1%
Loan origination date:	1 June 2011
Maturity date:	5 February 2016
Collateral:	No collateral

Creditor:	**European Bank for Reconstruction and Development, London**
Debtor:	UniCredit Bank Slovakia, a.s.
Loan amount:	EUR 428.6 thousand
Interest rate:	6M EURIBOR + 1.1%
Loan origination date:	2 September 2011
Maturity date:	5 February 2016
Collateral:	No collateral
Creditor:	**European Bank for Reconstruction and Development, London**
Debtor:	UniCredit Bank Slovakia, a.s.
Loan amount:	EUR 428.6 thousand
Interest rate:	6M EURIBOR + 1.1%
Loan origination date:	30 December 2011
Maturity date:	5 February 2016
Collateral:	No collateral
Creditor:	**European Bank for Reconstruction and Development, London**
Debtor:	UniCredit Bank Slovakia, a.s.
Loan amount:	EUR 428.6 thousand
Interest rate:	6M EURIBOR + 1.1%
Loan origination date:	9 October 2012
Maturity date:	5 February 2016
Collateral:	No collateral
Creditor:	**European Bank for Reconstruction and Development, London**
Debtor:	UniCredit Bank Slovakia, a.s.
Loan amount:	EUR 428.6 thousand
Interest rate:	6M EURIBOR + 1.1%
Loan origination date:	7 December 2012
Maturity date:	5 February 2016
Collateral:	No collateral
Creditor:	**Council of Europe Development Bank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	EUR 12,857 thousand
Interest rate:	3M EURIBOR + 0.33%
Loan origination date:	28 July 2014
Maturity date:	27 July 2021
Collateral:	Collateralised by bonds
Creditor:	**Council of Europe Development Bank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	EUR 20,000 thousand
Interest rate:	3M EURIBOR + 0.03%
Loan origination date:	16 November 2015
Maturity date:	16 November 2022
Collateral:	Collateralised by bonds
Creditor:	**The Export-Import Bank of the Republic of China**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	USD 1,742 thousand
Interest rate:	6M USD LIBOR + 0.75%
Loan origination date:	5 June 2014
Maturity date:	5 June 2019
Collateral:	No collateral
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 6,000 thousand
Interest rate:	3.321%
Loan origination date:	17 September 2009
Maturity date:	17 September 2016
Collateral:	Collateralised by bonds

Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 7,059 thousand
Interest rate:	1.835%
Loan origination date:	30 August 2010
Maturity date:	30 August 2016
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 15,000 thousand
Interest rate:	3M EURIBOR + 0.421%
Loan origination date:	29 June 2011
Maturity date:	29 June 2018
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 10,395 thousand
Interest rate:	3M EURIBOR + 0.559%
Loan origination date:	30 September 2011
Maturity date:	30 September 2023
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 6,000 thousand
Interest rate:	0.809%
Loan origination date:	22 January 2014
Maturity date:	31 December 2018
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 10,312.5 thousand
Interest rate:	0.41%
Loan origination date:	28 August 2014
Maturity date:	31 August 2018
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 10,000 thousand
Interest rate:	3M EURIBOR + 0.066%
Loan origination date:	29 September 2014
Maturity date:	29 September 2017
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 11,250 thousand
Interest rate:	0.229%
Loan origination date:	25 November 2015
Maturity date:	30 November 2018
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 17,000 thousand
Interest rate:	0.150%
Loan origination date:	26 February 2015
Maturity date:	26 February 2020
Collateral:	Collateralised by bonds

Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 13,125 thousand
Interest rate:	0.003%
Loan origination date:	29 April 2015
Maturity date:	30 April 2019
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	EUR 13,500 thousand
Interest rate:	0.326%
Loan origination date:	29 June 2015
Maturity date:	30 June 2020
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	CZK 154,954 thousand
Interest rate:	2.328%
Loan origination date:	10 August 2010
Maturity date:	15 September 2016
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	EUR 1,034 thousand
Interest rate:	2.565%
Loan origination date:	30 June 2011
Maturity date:	30 June 2016
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	CZK 288,592.5 thousand
Interest rate:	0.787%
Loan origination date:	22 January 2014
Maturity date:	22 January 2019
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	CZK 846,488 thousand
Interest rate:	0.545%
Loan origination date:	10 September 2014
Maturity date:	10 September 2019
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	EUR 9,600 thousand
Interest rate:	0.524%
Loan origination date:	10 September 2014
Maturity date:	10 September 2019
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	CZK 331,920 thousand
Interest rate:	0.297%
Loan origination date:	15 December 2014
Maturity date:	12 December 2019
Collateral:	Collateralised by bonds

Creditor:	European Investment Bank, Luxembourg
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	CZK 249,120 thousand
Interest rate:	0.188%
Loan origination date:	26 February 2015
Maturity date:	26 February 2020
Collateral:	Collateralised by bonds
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing Czech Republic, a.s.
Loan amount:	EUR 9,000 thousand
Interest rate:	0.177%
Loan origination date:	26 February 2015
Maturity date:	26 February 2020
Collateral:	Collateralised by bonds
*) The loan is guaranteed by UniCredit Bank Austria AG, Vienna.	
Total loans as at 31 December 2015	**CZK 8,108,651 thousand**

11. Material contracts

UniCredit Bank has not concluded any such contracts which could give rise to an obligation or a claim of any member of the Group that would be material to the Bank's ability to settle its liabilities to securities holders based on the issued securities.

12. Third party information and experts' opinions and declarations of any interests

The annual report does not include any representations or report of an entity acting as an expert. Additionally, it does not include any information from a third party, unless expressly stated otherwise.

13. Total amount of outstanding bond issues

Total amount of outstanding bond issues, including EUR and USD bonds converted using the CNB exchange rate valid as at 31 December 2015: CZK 65,019,102,488.

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

The number of shares issued by the issuer under the ownership of managers or persons close to these persons is zero. There are no options or comparable investment instruments, the values of which relate to shares or similar securities representing an ownership interest in the issuer.

14. Principles of remunerating the issuer's managers

Remuneration policy
The remuneration policy for managers is established in accordance with "UniCredit Group's Remuneration Policy" and with Decree No. 163/2014 Coll. and consists of the basic salaries policy, the "Group Incentive System", and the benefits system. The key pillars of the remuneration policy are: clear and transparent governance, compliance with regulatory requirements & ethical rules, continuous monitoring of market trends & practices, sustainable pay for sustainable performance, and motivation & retention of all employees with particular focus on promising staff members and those who are critical for fulfilling the company mission.

Board of Directors
The Remuneration Committee of the Supervisory Board of UniCredit Bank Czech Republic, a.s. (hereinafter the "Remuneration Committee") approves the remuneration for each calendar year for members of the Board of Directors on the basis of the supporting materials submitted by the Human Resources Department and prepared in cooperation with the Human Resources Department of the Central and Eastern Europe division of UniCredit Group. The Remuneration Committee in 2015 consisted of Francesco Giordano (till 15 July 2015), Heinz Meidlinger, Miloš Bádal and, as at 4 November 2015, Mirko Bianchi. Starting from May 2014, in line with the new civil code, members of the Board of Directors perform work according to the Agreement on Discharge of Office of Members of the Board of Directors and receive the remuneration that is set as a fixed amount paid monthly, an annual variable bonus, and are

granted certain additional benefits. Foreign members of the Board of Directors are not entitled to local remuneration for executing their offices.

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

The particular amounts of the contractual salaries for the Bank's members of the Board of Directors, Head of Compliance, and Head of Internal Audit are approved by the Remuneration Committee each year on the basis of the supporting materials submitted by the Human Resources Department and prepared in cooperation with the Human Resources Department of the Central and Eastern Europe division of UniCredit Group.

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

Variable annual bonuses of the Bank's executive managers
The target variable bonus for the Bank's members of the Board of Directors is approved by the Remuneration Committee on the basis of the supporting materials submitted by the Human Resources Department and prepared in cooperation with the Human Resources Department of the Central and Eastern Europe division of UniCredit Group. The target variable bonus of each executive manager is determined individually and comprises 50–100% of his or her annual contractual salary. A portion of the remuneration is in the form of shares and non-monetary instruments.

UniCredit Group's "2015 Group Incentive System" (hereinafter the "System") was approved by the Remuneration Committee of UniCredit Bank Czech Republic, a.s., as a binding regulation for the variable bonuses of executive managers.

The variable bonus amount thereof and method of payment are established in accordance with the System using the following components:

1. **"Bonus pool";**
2. **"Entry Conditions";**
3. **"Performance & Risk Factor Adjustments";**
4. **"Performance Screen";**
5. **"Bonus cap";**
6. **"Compliance Assessment", "Continuous Employment Condition" and "Claw Back";**
7. **"Personal hedging".**

Ad 1.
Bonus pool is based on Country risk-adjusted results. Bonus pool is defined in the budget phase for each Country as a percentage of the respective funding KPI, considering: historical data analysis, expected profitability, business strategy, and market context/external benchmarking.

Ad 2.
Specific indicators are set as "Entry Conditions", measuring annual profitability, solidity, and liquidity results. The "Entry Conditions" is the mechanism that verifies the possible application of the malus condition (Zero Factor) based on the level of achievement of the indicators. In order to align to regulatory requirements, in case the "Entry Conditions" are not met, a Zero Factor will apply to the Executives/Identified Staff population.

In case the Entry Conditions are met, Zero Factor is not activated, and further adjustments are performed pursuant to Performance & Risk Factor Adjustments.

Ad 3.
Performance & Risk Factor Adjustments ensures that the bonus pools are aligned with the overall performance and risk assessment.

Application of the "Performance & Risk Factor Adjustments" parameters affirms, reduces or entirely terminates an executive manager's bonus payment.

In accordance with applicable regulatory requirements, final evaluation of sustainable performance parameters and risk-reward alignment is reviewed by the Remuneration Committee of UniCredit and defined under the responsibility and governance of the Board of Directors.

In 2015, Entry conditions were defined using the following parameters:

Group	Local
Net Operating Profit (NOP)	Net Operating Profit (NOP)
Net Profit (NP)	Net Profit (NP)
capital adequacy indicator (Core Tier 1 Ratio)	
short-term liquidity indicator, i.e. cash horizon	

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

Ad 4.
The "Performance Screen" is a table of the executive managers' performance objectives set each year by the Remuneration Committee of the Bank's Supervisory Board. The performance objectives are

closely related to the Bank's strategic plan. The Remuneration Committee approves the level of their fulfilment based on the proposal of the executive managers' direct superiors for each calendar year and each executive manager separately.

The "Performance Screen" should contain 4 – 8 performance goals, of which at least half are sustainability. The executive managers may have assigned other goals in addition to performance goals. Such additional targets may range from individual tasks, projects, activities or any other goals or behaviours.

"Performance Screen" parameters approved by the Remuneration Committee for executive managers for 2015 for example included:
– economic profit (EVA) and
– gross operating profit,
– average probability of default of managerial portfolio.

Other goals were quantitative and qualitative and differed for each individual executive manager depending on the priorities of the segment for which the particular executive manager is responsible. These included, for example: successful advancement of the projects supporting the CEE 2020 Program, successful implementation of MACH program.

Ad 5.
The Capital Requirements Directive (CRD IV) approved by the European Parliament introduced a cap on bonuses with an effective date of 1 January 2014. The bonus cap has been set at a one-time yearly fixed compensation, with the possibility to increase to two-times yearly fixed compensation, if allowed by local regulators and subject to shareholders' approval with a qualified majority. For the company Control Functions, a more conservative approach applies, providing for a bonus cap set at one-time yearly fixed compensation, or in any case a more stringent approach if set by regulators.

Ad 6.
Any payment of the variable component of remuneration for an executive manager is subject to the "Compliance Assessment", which confirms, reduces or entirely cancels the payment to which an employee is entitled in each year of deferred remuneration. An executive manager's direct superior shall assess whether the executive manager acted in accordance with the principles of UniCredit Group's Integrity Charter and Articles of Association during the evaluated period; whether he or she committed serious errors, including errors, which could have a tangible impact on banking risk or the balance sheet; as well as whether or not he or she breached legal norms, UniCredit Group's rules or UniCredit Bank's internal regulations, regardless of whether a disciplinary hearing is taking place or other disciplinary sanctions have already been imposed. This evaluation is carried out by the executive manager's direct superior and approved by the Remuneration Committee.

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

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

Any remuneration that a worker can get in any year pursuant to the System is subject to the Clawback application in compliance with the legislation in force, including payment of remunerations effected on a basis later proved to be incorrect.

Ad 7.
Executive managers are required to undertake not to use personal hedging strategies on remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Involvement in any form of hedging transaction shall be considered as a breach of Compliance policies and therefore any right to receive variable remuneration pursuant to the System shall expire.

Bonus Plan
Payment of the bonus for the given period (2015) is spread out over a multiple-year period:

<u>Executive Vice-Presidents</u>
– The first part (2016) is payable in cash and comprises 20% of the bonus established for the given period. It is adjusted using the Performance & Risk Factor Adjustments parameters valid for the first year of the accrual period.
– The second part (2017) is payable in cash and comprises 10% of the bonus established for the given period. It is adjusted using the Zero Factor valid for the second year of the accrual period.
– The third part (2018) is payable in non-monetary instruments and comprises 20% of the bonus established for the given period. This payment is also adjusted using the Zero Factor, valid for the third year of the accrual period.
– The fourth part (2019) is payable in non-monetary instruments equal to 10% of the bonus established for the given period. This payment is also adjusted using the Zero Factor valid for the fourth year of the accrual period.
– The fifth part (2020) is payable in non-monetary instruments equal to 10% of the bonus established for the given period. This payment is also adjusted using the Zero Factor valid for the fifth year of the accrual period.
– The sixth part (2021) is payable in non-monetary instruments equal to 10% of the bonus established for the given period and is payable in cash and comprises 20% of the bonus established for the given period. This payment is also adjusted using the Zero Factor valid for the sixth year of the accrual period.

Senior Vice-Presidents & Other Identified Staff

– The first part (2016) is payable in cash and comprises 30% of the bonus established for the given period. It is adjusted using the Performance & Risk Factor Adjustments parameters valid for the first year of the accrual period.
– The second part (2017) is payable in cash and comprises 10% of the bonus established for the given period. It is adjusted using the Zero Factor valid for the second year of the accrual period.
– The third part (2018) is payable in non-monetary instruments and comprises 30% of the bonus established for the given period. This payment is also adjusted using the Zero Factor, valid for the third year of the accrual period.
– The fourth part (2019) is payable in non-monetary instruments equal to 10% of the bonus established for the given period and is payable in cash and comprises 10% of the bonus established for the given period. This payment is also adjusted using the Zero Factor valid for the fourth year of the accrual period.
– The fifth part (2020) is payable in non-monetary instruments equal to 10% of the bonus established for the given period. This payment is also adjusted using the Zero Factor valid for the fifth year of the accrual period.

In each of the years of deferral, payment of the given portion of the bonus is conditioned for both categories of executive managers by completion of the Compliance Assessment, which confirms, reduces or entirely cancels the payment.

The Remuneration Committee approves the fulfilment of the payment conditions in each year and the release of the deferred bonus payment on the bases of a proposal from UniCredit Group's Board of Directors.

Benefits of the Bank's executive managers

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

- The following benefits are provided to executive managers by virtue of their Agreement on discharge of office of members of the Board of Directors with the Bank: contribution to supplementary pension insurance, contribution to capital life insurance.
- By virtue of their managerial position, executive managers are provided a company car for business as well as private purposes.
- In accordance with the standards for relocating top managers in UniCredit Group to a foreign country, and by virtue of their temporary relocation to the Czech Republic from other companies within UniCredit Group, foreign executive managers receive benefits connected with their long-term stay abroad.

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

Supervisory Board

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

Fixed contractual remuneration may only be agreed on with those members of the Supervisory Board who at the same time do not hold executive positions within UniCredit Group by virtue of an employment contract. The remuneration is valid for the entire period of office of the Supervisory Board member and it is approved based on the Bank's Board of Directors proposal by the general meeting of UniCredit Bank Czech Republic and Slovakia, a.s

The remuneration to members of the Supervisory Board stated in the remuneration summary comprises the incomes received by three members of the Supervisory Board, who are employed with the Bank and who received the payments by virtue of their employment contracts in accordance with the Labour Code, and by one foreign member of the Supervisory Board with whom the shareholder agreed fixed contractual remuneration based on the aforementioned regulations. The remaining members of the Supervisory Board are not remunerated by the issuer.

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

The principles of remuneration to members of the Supervisory Board employed within the Bank and the components of their remuneration, which are paid to them by virtue of their employment contracts including the variable remuneration, are defined by the Bank's internal regulation. The variable annual bonus payment is determined for employees as a percentage of the target variable annual bonus (0–150%) on the basis of fulfilling quantitative and qualitative performance indicators which are defined in the "Goal Card", which is part of the system of variable remuneration of the Bank's employees based on an evaluation of individual and team targets. The performance parameters in the "Goal Card" of Supervisory Board members who are employed with the issuer are dependent on the job positions they perform by virtue of their employment contracts in accordance with the Labour Code and in no way relate to the execution of the office of Supervisory Board member. The amounts of the final annual variable bonuses paid to members of the Supervisory Board who are employed with the issuer are proposed and approved by their direct superiors according to the issuer's organizational structure.

Audit Committee

The Audit Committee consists of three persons, none of whom are employed by the issuer. Fixed contractual remuneration may be agreed for executing the office of Audit Committee member. The remuneration is valid for the entire period of office of the Audit Committee member, and is approved based on the Bank's Board of Directors proposal by the general meeting of UniCredit Bank Czech Republic and Slovakia, a.s

In 2015, the aforementioned fixed contractual remuneration was agreed with two members of the Audit Committee, and the total amount thereof is stated in the remuneration summary. The remaining member of the Audit Committee is not remunerated by the issuer.

15. Information on remuneration to auditors recognised in the reporting period

(CZK thousand)	Bank	Consolidated companies	Total consol. group
Audit	17,285	6,410	23,695
Tax advisory			0
Other advisory services			0
Total	**17,285**	**6,410**	**23,695**

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

Members of the Board of Directors				
Amounts in CZK		Remuneration for discharge of office of member of the Board of Directors		
	Total income	Fixed remuneration	Variable remuneration *)	Non-monetary remuneration
	85,145,346	52,700,818	29,753,918	2,690,610

Members of the Supervisory Board					
Amounts in CZK	Total income	Remuneration for discharge of office of member of the Supervisory Board	Salaries	Variable remuneration *)	Non-monetary remuneration
	3,240,957	270,250	2,544,858	388,746	37,103

Members of the Audit Committee					
Amounts in CZK	Total income	Remuneration for discharge of office of member of the Audit Committee	Salaries	Variable remuneration *)	Non-monetary remuneration
	675,625	675,625	0	0	0

Other executive managers				
	Total income	Salaries	Variable remuneration *)	Non-monetary remuneration
	103,479,504	77,044,445	18,682,023	7,753,036

*) The amounts differ from the amounts presented in the financial statements presenting the costs for the year ended 31 December 2015.,

17. Major future investments other than financial investments (planned for 2016)

Other investments (excl. financial investments)	CZK 2.255 billion

Half of the investments (MCZK 1.119) will be spent on the implementation of a new or the adjustment of the existing information system of the Bank and its lease. It is only a part of the total IT investments because IT services on the part of the Bank are primarily supplied on an outsourcing basis and recognised in operating costs.

Another major group of investments (MCZK 917) is the acquisition of assets for lease in the form of operating lease by companies of the UniCredit Leasing Group. The rest of the investments are focused mainly on the development and renovation of the distribution network.

18. Guarantees provided by the insurer

(CZK thousand)	31 Dec 2015	31 Dec 2014
Granted guarantees and collaterals	44,413,583	34,203,700
Guarantees granted under L/Cs	1,918,884	1,431,501
Total	**46,332,467**	**35,635,201**

19. Internal audit policy and procedures and rules for the issuer's approach to risks associated with the financial reporting

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

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

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

20. Licences and trademarks

UniCredit Bank uses dozens of trademarks for identification and protection of its products on banking markets in the Czech Republic and Slovakia. The Bank, as owner, has the trademarks registered with the Industrial Property Office of the Czech Republic and the Industrial Property Office of the Slovak Republic.

Daddy, are you done working yet?

Let’s talk about lending a hand to entrepreneurs.

Being an entrepreneur often means that the line between work and private life is very thin. Sometimes it just does not exist, as is the case with Matteo and Giacomo’s father: He wants to balance everything by himself, but often he just can’t make that happen.

But help is closer than it looks. When you think about the ways banks can support private businesses, you probably think about financing, or special current accounts for small enterprises.

Our Italian colleagues were able to look beyond that when they created My Business Manager. To help small entrepreneurs in their everyday lives, My Business Manager is an online report that enables them to continuously monitor and forecast flows, transactions, payments, receipts, invoices and credit.

It’s just like having a personal manager who handles the administration while you take care of your business. Easy, isn’t it?

Thanks to this simple interface, entrepreneurs like Matteo and Giacomo’s dad can check their business at a glance and be faster in all of their transactions and, above all, spend more time with their families.

Report on relations

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

Pursuant to Article 82 et seq. of Act No. 90/2012 Coll. on Commercial Corporations, the Board of Directors of **UniCredit Bank Czech Republic and Slovakia, a.s.** having its registered office at Prague 4, Želetavská 1525/1 Postcode: 140 92, Reg. No. 64948242, registered in the Commercial Register maintained by the Prague Metropolitan Court, Section B, Insertion 3608 (" UCB CS"), for the **period between 1. 1. 2015 and 31. 12. 2015** (hereinafter referred to as the "Period") prepared a **report on relations**.

1. Structure of Relations between UCB CS and the Controlling Person and Persons Controlled by the same Controlling Person

During the Period stated above, UCB CS was controlled by **UniCredit Bank Austria AG** having its registered office at Schottengasse 6-8, 1010 Vienna, the Republic of Austria.

UCB CS was controlled simultaneously indirectly by **UniCredit, S.p.A.** having its registered office at Via Specchi, 16 00186 Rome, Italy.

On the contrary, during the Period, UCB CS controlled companies **UniCredit Leasing CZ, a.s.,** Reg. No. 15886492, Želetavská 1525/1, 140 10 Prague 4**, UniCredit Factoring Czech Republic and Slovakia, a.s.** Reg. No.: 15272028, Želetavská 1525/1, Michle, 140 00 Prague 4 (from 20 January 2015) and indirectly (through UniCredit Leasing CZ, a.s.) also **UniCredit Leasing Slovakia, a.s.,** Reg. No. 35730978, Plynárenská 7/A, 814 16 Bratislava.

UniCredit Leasing CZ, a.s. is still the sole member of the following companies: **UniCredit Fleet Management, s.r.o.**, Reg. No.:62582836, Želetavská 1525/1, Michle, 140 00 Prague 4, **UniCredit pojišťovací makléřská spol. s r.o.**, Reg. No.: 25711938, Želetavská 1525/1, Michle, 140 00 Prague 4, **INPROX Chomutov, s.r.o.**, Reg. No.: 25670981, Želetavská 1525/1, Michle, 140 00 Prague 4, **HVB Leasing Czech Republic s.r.o.**, Reg. No.: 62917188, Želetavská 1525/1, Michle, 140 00 Prague 4, **CA-Leasing EURO, s.r.o.**, Reg. No.: 49617044, Želetavská 1525/1, Michle, 140 00 Prague 4, **BACA Leasing Gama s.r.o.**, Reg. No.: 25737201, Želetavská 1525/1, Michle, 140 00 Prague 4, **BACA Leasing Alfa s.r.o.**, Reg. No.:25751841, Želetavská 1525/1, Michle, 140 00 Praha 4, **CA-Leasing OVUS s.r.o.**, Reg. No.: 25714538 Želetavská 1525/1, Michle, 140 00 Prague 4, **ALLIB Leasing s.r.o.,** Reg. No.: 25708376, Praha 4 – Michle, Želetavská 1525/1, Postcode 14010, **INPROX Kladno, s.r.o.** Reg. No.: 25727435 Prague 4 – Michle, Želetavská 1525/1, Postcode 14010, until 15. 6. 2015, they were the sole partner of CAC Real Estate, s.r.o., Reg. No.: 25737244, Želetavská 1525/1, Michle, 140 00 Prague 4.

UniCredit Leasing Slovakia, a.s. is still the sole member of the following companies: **UniCredit Leasing Insurance Services, s. r. o.**, Reg. No.: 47926481, Plynárenská 7/A, Bratislava 821 09, **UniCredit Broker, s. r. o.**, Reg. No.: 35800348, Plynárenská 7/A, Bratislava 814 11 a **UniCredit Fleet Management, s.r.o.**, Reg. No.: 35820381, Plynárenská 7/A, Bratislava 814 12. **Inprox Poprad, spol. s.r.o.**, Reg. No.: 35 859 105, Plynárenská 7/A, Bratislava 821 09, **Inprox SR I, spol. s.r.o.** Reg. No.: 35 758 236, Plynárenská 7/A, Bratislava 821 09, and until 8 January 2015 also **UniCredit Leasing Real Estate s.r.o.**, Reg. No.: 35 696 796, Plynárenská 7/A Bratislava 821 09.

The structure of the UniCredit Group is described in detail in Annex No. 1 of this Report. The structure of relations between UCB CS and companies which they control directly or indirectly, is described in detail in Annex No. 2 of this Report.

2. UCB CS's Role within UniCredit Group:

Within the CEE division of the UniCredit Group, the Czech and the Slovak Republics are among 4 key markets the UniCredit Group intends to develop in the long term. The merged entity UCB CS is the third largest bank within the CEE region in terms of the volume of assets and generated profits (data from 2014).

UCB CS performs the role of universal bank in Slovak and Czech markets; within the CEE region it often has a role of product innovator. Group-wide solutions in the area of products, processes or sales channels, which are confirmed as successful after implementation within UCB CS, are later implemented in other UniCredit banks in the central and eastern Europe divisions.

In the area of standard banking activities, in addition to the contracts provided below, the controlled person concluded with the controlling person and with related parties, interbank, derivative and other banking transactions, and these persons cooperated in the issue of bonds, and also entered into client operations (payment cards, current accounts, deposit products, cash payment system, etc.), all this in standard market conditions. Within standard banking relations, some lending business of controlled persons is backed by bank guarantees provided by UniCredit Bank Austria AG and UniCredit Bank AG. Within the Group, there is also the provision of credit products and guarantees by UCB CS, on standard conditions.

3. Method and Means of Control

UniCredit, S.p.A. holds 99.996% of shares of UniCredit Bank Austria AG, which holds 99.96% of shares of UCB CS. The general meeting is the supreme body of UCB CS. UniCredit Bank Austria AG manifests its will in the general meeting through the exercise of its shareholder rights.

According to UCB CS Articles of Association, also the election of Supervisory Board members falls within the competence of the general meeting. The Supervisory Board monitors the conduct of Bank business and the exercise of Board of Directors responsibilities. The Supervisory Board also elects and removes the members of the Board of Directors and recommends candidates for the Chairman and Vice-Chairman of the Board of Directors. However, the members of the Board of Directors are not bound by such a recommendation in their election.

Controlling persons have their representative both in the Bank Supervisory Board and in the Board of Directors.

UCB CS as a member of the UniCredit Group must, subject to relevant legal regulations, perform the regulations issued by UniCredit Bank Austria AG as of a subholding group of the UniCredit Group (the "Subholding Company"). The Subholding Company supervises

due performance and compliance with directives (the "Directives of the Holding") issued by UniCredit S.p.A (the "Holding Company") within the Bank and all companies controlled by it. The Directives of the Holding means rules defining the management, the organisation chart and responsibilities of the managers within key processes in the UniCredit Group, which are issued in the exercise of Holding Company's powers in the area of supervision of the UniCredit Group and coordination of the UniCredit Group, all this according to instructions issued by Italian supervisory body in order to maintain the stability of the UniCredit Group.
UCB CS performs its influence on its subordinate companies through the exercise of its shareholder rights and also through its representatives in the bodies of some of these companies, in particular in their supervisory bodies.

4. An overview of mutual contracts between UCB CS and the controlling person or between controlled persons

4.1. Between UCB CS and **UniCredit S.p.A.,** Via Specchi, 16 00186 Rome, Italy

Contract name	Subject-matter of contract	Contract concluded on
MACH Core Migration Project	Support of the project Migration to single banking system (the MACH project)	7.1.2015
Interadvisory Agreement	Advisory services related to M&A advisory for specific clients for specific acquisition with respect to the Czech Republic (jointly with UniCredit Bank Austria AG)	2.2.2015
Intercompany services agreement	Advisory services in the area of methodological group management	11.12.2015

4.2. Between UCB CS and **UniCredit Bank Austria AG,** Schottengasse 6-8, 1010 Vienna, the Republic of Austria:

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Custody and administration of securities (a branch in Slovakia)	24.11.1995
Subcustody Agreement	Custody, administration and settlement of securities	1.8.1997
Brokerage Agreement	Securities trading	2.1.2002
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	24.5.2012
Consultancy Service Agreement	Learning and Development Consultancy Services in the area of special professional skills, soft skills training and development and talent management	2012
Service Level Agreement	Management and assessment of risks Netting Agreements	5.9.2008
Risk Sharing Instrument (RSI) Guarantee Agreement	Tripartite agreement with the European Investment Fund for the provision of guarantees within the RSI programme (Risk Sharing Instrument)	24.6.2014
Agreement Funds Advisory	Purchase and sale of fund units through the platform UC Bank Austria	25.3.2005
Swapclear Dealer Clearing Agreement	Contract for settlement of swap transactions with central counterparties	7.7.2014
Subcustody Agreement	Management and custody of foreign securities	10.11.2014
Interadvisory Agreement	Advisory services related to M&A advisory for specific clients for specific acquisition with respect to the Czech Republic	27.2.2015
Intercreditor Agreement	Setting of relations between creditors with respect to a syndicated loan extended	16.7.2015
Intercreditor Agreement	Setting of relations between creditors with respect to a syndicated loan extended	11.12.2015

4.3. Between UCB CS and **UniCredit Bank AG**, Kardinal-Faulhaber-Str.1, 80333 Munich

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Management and custody of securities	1.7.2004
Securities Account and Custody Agreement	Management and custody of securities	19.9.2007
Brokerage agreement	Procurement of purchases and sale of foreign securities for Bank clients	6.7.2009
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	3.3.2010
Master Agreement – Global Debt Capital Markets	Conditions of cooperation of both banks in euro bond issues of clients.	30.6.2011
Agreement on the application service providing for the cash pool engine	Provision of services for cash pooling	9.5.2012
Subcustody Agreement	Custody, management and settlement of securities (the London branch)	17.5.2012
Agreement on reporting to a trade repository in accordance with Art.9 EMIR	Performance of duty to report according to EMIR	20.3.2014
Distribution agreement	Distribution of investment vehicles issued by UniCredit Bank AG through the Bank	10.4.2014
Agreement on reporting to a trade repository in accordance with Art.9 EMIR	Performance of duty to report according to EMIR	15.4.2014
Agreement	Distribution of investment vehicles issued by UniCredit Bank AG through the Bank using electronic platform	3.11.2014
SLA for certain co-operative activities	The subject is cooperation in the development and distribution of analytical source materials.	1.10.2015

4.4. Between UCB CS, **UniCredit S.p.A**, **UniCredit Bank AG** and **UniCredit Bank Austria AG**

Contract name	Subject-matter of contract	Contract concluded on
UniCredit Group – Master Cost Sharing Agreement	Cost allocation for seconded employees	19.5.2010

4.5. Between UCB CS and **UniCredit Business Integrated Solutions S.C.p.A.,** Via Livio Cambi 1, 201 51 Milan, Italy

Contract name	Subject-matter of contract	Contract concluded on
Data Processing Agreement	An agreement concerning the processing and security of data, data protection and duty not to disclose confidential information	5.11.2007
Contract for outsourcing and provision of services Operations and Back Office	Provision of back-office services – in the area of payment system and keeping of accounts	5.11.2007
Contract for outsourcing and provision of services Operations and Back Office	Provision of back-office services – in the area of treasury	5.11.2007
Contract for outsourcing and provision of services Operations and Back Office	Provision of back-office and ICTservices – in the area of card processing	5.11.2007
Contract for outsourcing and provision of services Operations and Back Office	Provision of back-office and ICTservices – in the area of foreign payment system	5.11.2007
Coordination Agreement	Agreement to secure communication with third parties with respect to the Contract for outsourcing of services Operations and Back Office dated 5.11.2007	5.11.2007
Fleet Management Agreement	Agreement to supply HW and SW components and related services	1.1.2008
Service Level Agreement no BTS 2008-006	A foreign payment system for UCB SK	1.1.2008
Contract for outsourcing and provision of ICTservices	ICTServices – Provision of services in the area of information systems (UniCredit Bank) – contracts with foreign companies and Czech spin-off enterprise	28.6.2010
Contract for outsourcing and provision of ICTservices	ICTServices – Provision of services in the area of information systems (UniCredit Bank SK)	23.12.2010
Non-residential Lease Agreement No. 018/PP-2010/3560	Lease of non-residential premises in Šancova Street Bratislava	31.12.2010
Agency Contract	Sharing of the provision of services of Bank suppliers	1.1.2012
Sublease contract	Sublease of premises in the building no. 1525, Želetavská 1, Prague 4	29.6.2012
Operating manual ATM	Operating manual for ATM services	30.11.2012
Data Processing Agreement	An agreement concerning the processing and security of data, data protection and duty not to disclose confidential information from the contract with a foreign company and Czech spin-off enterprise	30.9.2013
Coordination Agreement	Agreement to secure communication with third parties with respect to the Contract for outsourcing of services Operations and Back Office dated 1.4.2014	1.4.2014
Contract for outsourcing and provision of services Operations and Back Office	Outsourcing contract related to a Slovak branch – provision of back office services in the area of payment system, keeping of accounts, treasury, card processing	1.4.2014
Non-residential Lease Agreement dated 20.5.2014	Lease of non-residential premises in Zvolen (from 1.4.2014)	20.5.2014
MACH Implementation Project IT-Services Agreement	Standard conditions for ITservices for the implementation project MACH	18.12.2015

4.6. Between UCB CS and **UniCredit Leasing CZ, a.s.**, Reg. No.: 15886492, Prague 4 – Michle, Želetavská 1525/1, Postcode 14010

Contract name	Subject-matter of contract	Contract concluded on
Contract on owner's account and management of securities	Custody and management of securities	27.7.2006
Contract on lease of premises for business purposes	Lease of premises in building no. 28, Široká 5, Liberec	28.7.2015
Non-residential Sublease Agreement	Sublease of premises in building no. 1176-1177, Dr. Davida Bechera 26, Karlovy Vary	23.3.2010
Contract for Lease of Security Equipment and Camera System	Lease of system owned by Bank installed on leased premises of UniCredit Leasing CZ, a.s.	1.4.2012
Agency Contract	Sharing of the provision of services of Bank suppliers	2.4.2012
Sublease contract	Sublease of parking spaces in building no. 1525, Želetavská 1, Prague 4	13.3.2013
Non-residential Lease Agreement	Lease of premises in building no. 545, Divadelní 2, Brno	30.5.2013
Contract for Right to Position for Logo	Use of a position for logo on the building no. 1525, Želetavská 1, Prague 4	3.6.2013
Contract for Search for Prospective Clients	Contract for mediation of consumer loans for UCB	13.1.2014
Contract for Sublease of Premises for Business Purposes	Sublease of premises for business purposes in building no. 3348, 28. října 65, Ostrava	1.3.2014
Contract for the Provision of Services and Contract of Mandate	UCL CZ outsourced certain its activities into the Bank	6.8.2014
Contract for Processing of Personal Data	Processing of personal data of UCL CZ by the Bank with respect to outsourcing	6.8.2014

4.7. Between UCB CS and **UniCredit Factoring Czech Republic and Slovakia**, Reg. No.: 152 72 028, Prague 4 – Michle, Želetavská 1525/1, Postcode: 14000

Contract name	Subject-matter of contract	Contract concluded on
Contract for Loan and Other Banking Services Provided in the Form of Multi-Purpose Line	Banking services	25.6.2010
General Contract for Trading in Financial Market	Trading in financial market	21.1.2015
Contract for Exchange of Parking Places	Mutual exchange of parking spaces in building Filadelfie, Želetavská 1525/1, Prague 4	4.6.2015

4.8. Between UCB CS and **UCTAM Czech Republic s.r.o.**, Reg. No.: 24275671, Prague 1 – Nové Město, Náměstí Republiky 2090/3a, Postcode 11000

Contract name	Subject-matter of contract	Contract concluded on
Non-residential Lease Agreement	Lease of premises in building no. 2090, náměstí Republiky 3a, Prague 1	12.6.2013

4.9. Between UCB CS and **CAC LEASING Slovakia, a.s.**, Reg. No.: 35 730 978, Plynárenská 7/A, Bratislava, 814 16, Slovak Republic

Contract name	Subject-matter of contract	Contract concluded on
Non-residential Sublease Agreement	Sublease of non-residential premises in Plynárenská 7/A in BBC building	28.3.2007

4.10. Between UCB CS and **UniCredit Leasing Slovakia, a.s.**, Reg. No.: 35 730 978, Plynárenská 7/A, Bratislava, 814 16, Slovak Republic

Contract name	Subject-matter of contract	Contract concluded on
Non-residential Sublease Agreement No. 173/3563/2011	Lease of non-residential premises in Prešov in Hlavna Street	14.4.2011
Non-residential Lease Agreement No. 301/3563/2011	Lease of non-residential premises in Nitra in Štefánikova Street	27.6.2011
Non-residential Lease Agreement No. 302/3563/2011	Lease of non-residential premises in Košice in Rooseveltova Street	27.6.2011
Non-residential Lease Agreement No. 214/3563/2012	Lease of non-residential premises in Žilina in Národna Street	15.6.2012
Contract for the Provision of Services and Contract of Mandate	UCL SK outsourced certain its activities into the Bank	6.8.2014
Contract for Processing of Personal Data	Processing of personal data of UCL SK by the Bank with respect to outsourcing	6.8.2014
Non-residential Lease Agreement dated 31.10.2014	Lease of non-residential premises in Šancova 1/A BA (from 1.11.2014)	31.10.2014
Non-residential Lease Agreement	Lease of non-residential premises in Plynárenská, BA	31.10.2014
Non-residential Sublease Agreement	Lease of non-residential premises in Svätoplukova Street, Bratislava	1.9.2015
Non-residential Sublease Agreement	Sublease of non-residential premises in Svätoplukova Street, Bratislava	01.07.2015

4.11. Between UCB CS and **Pioneer Asset Management, a.s.**, Reg. No.: 25684558, Želetavská 1525/1, Michle, 140 00 Prague 4

Contract name	Subject-matter of contract	Contract concluded on
Contract for Custody and Administration of Securities	Custody and administration of securities	16.1.2007
Agency Contract for Securities Settlement	Settlement of securities	16.1.2007
Contract for Mediation of Management Contracts	Regulation of conditions for mediation of management contracts.	19.1.2007
Contract for Mediation of Participation in SKD	Mediation of participation in the system of short-term bonds in the Czech National Bank	22.2.2008
Non-residential Lease Agreement	Lease of premises in building no. 2090, náměstí Republiky 3a, Prague 1	31.8.2012
Contract for Distribution of Rentier Invest, Zlatá rybka, Pioneer Invest	Distribution of products Rentiér Invest and Zlatá rybka through the Bank	22.11.2012
Contract for Receipt and Processing of Instructions	Receipt and processing of instructions related to mutual fund certificates within products Rentier Invest, Zlatá rybka through Arbes TA web	1.7.2013
Distribution Agreement	Distribution of products Pioneer Invest, U Invest, Rytmus through the Bank	20.3.2015
Contract for Promotion of Investment Services	Promotion of investment services	15.5.2015
Contract for Promotion of Investment Services SK	Promotion of investment services through a branch in Slovakia	1.5.2015

4.12. Between UCB CS and **Pioneer Asset Management S.A.**, 8-10, rue Jean Monnet, L-2180 Luxembourg

Contract name	Subject-matter of contract	Contract concluded on
Agreement according to Section 269 (2) of the Slovak Act No. 513/1991 Coll., the Commercial Code	contact bank and payment agent (PIONEER FUNDS)	28.1.2005
Agreement according to Section 269 (2) of the Slovak Act No. 513/1991 Coll., the Commercial Code	contact bank and payment agent (PIONEER NEW EUROPE FUNDS)	28.1.2005
Agreement according to Section 269 (2) of the Slovak Act No. 513/1991 Coll., the Commercial Code	contact bank and payment agent (PIONEER P.F.)	7.12.2006
Distribution Agreement	distribution agreement – lux. funds, exclusivity of UCB as the distributor between banks, exclusivity of Pioneer funds in the offer of collective investment schemes	1.4.2007 / 8.1.2008
Operational Memorandum	supplementary provisions of the agreement, PAM a.s., like a processing agent, nominee arrangement	1.4.2007 / 8.1.2008

4.13. Between UCB CS and **Pioneer investiční společnost, a.s.,** Reg. No. 63078295, Želetavská 1525/1, Prague 4

Contract name	Subject-matter of contract	Contract concluded on
Agreement on promotion of participation certificates of open-end mutual funds	Distribution of participation certificates of Czech funds Pioneer through the Bank	2.10.2006
Contract for Mediation of Participation in SKD	Mediation of participation in the system of short-term bonds in the Czech National Bank	15.11.2007
Agreement to perform activities related to offer of participation certificates	Distribution of participation certificates of Czech funds Pioneer through the Bank	1.4.2008
Contract for Custody and Management of Securities	Custody and management of securities	15.9.2008
Agency Contract for Securities Settlement	Securities settlement	15.9.2008
Depositary Agreement	Obligation of depositary to carry out depositary's activities for the client	6.6.2014
Indemnification Agreement	Compensation of damage as a result of failure of the Bank as a custodian	25.11.2015

4.14. Between UCB CS and **Pioneer Global Funds Distributor Ltd.**, Mercury House, 2nd Floor, 101 Front Street, Hamilton HM12, Bermuda

Contract name	Subject-matter of contract	Contract concluded on
Purchase Conditions for Pioneer Alternative Investments mutual funds Pioneer Alternative Investments based in Ireland and in Bermuda through the Bank	investment funds according to Irish and Bermudan Law	Distribution of 19.12.2006
Contract "Purchase conditions" for Hedged funds 5.10.2005 Živnobanka, 28.2.2007 HVB	Business terms and conditions for investment funds according to the Irish and Bermuda legislation	

4.15. Between UCB CS and **Pioneer Global Funds Distributor, Ltd.** a **Pioneer Global Investments Limited,** 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland

Contract name	Subject-matter of contract	Contract concluded on
Novation Agreement	Transfer of rights and obligations under distribution agreements of collective investment securities	1.9.2014
Novation Agreement	Transfer of rights and obligations under distribution agreements of collective investment securities	1.9.2014
Novation Agreement	Transfer of rights and obligations under distribution agreements of collective investment securities	1.9.2014

4.16. Between UCB CS **Pioneer Global Investments Limited,** 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland

Contract name	Subject-matter of contract	Contract concluded on
Distribution Agreement	Distribution of participation certificates of funds Pioneer Investments based in Luxembourg through the Bank	29.3.2004
Purchased conditions for Pioneer Alternative Investments investment funds	Distribution of fund units Pioneer Alternative Investments based in Ireland and in Bermuda through the Bank	5.10.2005
Distribution Agreement	Distribution of participation certificates of funds Pioneer Investments based in Luxembourg through the Bank	17.10.2006
Purchased conditions for Pioneer Alternative Investments investment funds	Distribution of fund units Pioneer Alternative Investments based in Ireland and in Bermuda through the Bank	15.2.2007

4.17. Between UCB CS, **Pioneer Asset Management, a.s.**, and **Pioneer investiční společnost, a.s.**

Contract name	Subject-matter of contract	Contract concluded on
Contract for Mutual Cooperation and Keeping of Accounts	Distribution of participation certificates of Czech funds Pioneer, conditions for keeping of client accounts	29.10.2013

4.18. Between UCB CS, **Pioneer Investments Austria GmbH,** Lassallestraße 1 Vienna, A-1020

Contract name	Subject-matter of contract	Contract concluded on
Vertriebstellenvertrag	Exclusive authorization of HVB bank Slovakia, a.s. for all activities related to the sale of shares in the SR	25.11.2002

4.19. Between UCB CS and **UniCredit Bank Hungary Zrt.**, Szabadság tér 5–6, Budapest, 1054, Hungary

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Custody, management and settlement of securities	9.1.1999
Subcustody Agreement	Management and custody of securities (a branch in Slovakia)	23.1.2003
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	23.5.2007
Subcustody Agreement	Management and custody of foreign securities	21.12.2007

4.20. Between UCB CS and **Pioneer Asset Management, a.s.**, Reg. No.: 25684558, Želetavská 1525/1, Michle, 140 00 Prague 4, **Pioneer investiční společnost, a.s.,** Reg. No. 63078295, Želetavská 1525/1, Prague 4, CS **Pioneer Global Investments Limited,** 1 George's Quay Plaza, George's Quay, Dublin 2, Ireland, **Pioneer Asset Management S.A.**, 8-10, rue Jean Monnet, L-2180 Luxembourg

Contract name	Subject-matter of contract	Contract concluded on
Agreement on deepening Commercial Relationship	Agreement on deepening existing commercial cooperation established based on separate distribution agreements	1.1.2015

4.21. Between UCB CS and **Bank Polska Kasa Opieki S. A.**, Warsaw, Grzybowska 53/57, Poland

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Management and custody of foreign securities	24.10.2006
Subcustody Agreement	Custody, management and settlement of securities	15.11.2007

4.22. Between UCB CS and **Pekao Investment Banking S.A.**, Warsaw, Wołoska 18, Poland

Contract name	Subject-matter of contract	Contract concluded on
Service Level Agreement	Advisory services related to M&A advisory for specific clients for specific acquisition with respect to the Czech Republic	25.6.2015

4.23. Between UCB CS and **UniCredit banka Slovenija d.d.**, Šmartinska cesta 140, 1000 Ljubljana, Slovenia

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Custody and management of foreign securities	10.11.2014

4.24. Between UCB CS and **UniCredit Broker, s.r.o.**, Reg. No.: 35 800 348, Plynárenská 7/A, 814 11 Bratislava

Contract name	Subject-matter of contract	Contract concluded on
Cooperation Agreement	Mediation of clients	1.1.2011

4.25. Between UCB CS and **UniCredit Fleet Management, s.r.o.**, Reg. No.: 62582836 Prague 4 – Michle, Želetavská 1525/1, Postcode 14010

Contract name	Subject-matter of contract	Contract concluded on
General Contract for Hire of Vehicles	Specification of general conditions for making individual Lease agreement and Agreement to Amend SLA	4.3.2013
Contract for Hire of Transport Facility	Contracts for hire of vehicles – 85 cars	1.1.–31.12.2015

4.26. Between UCB CS and **UniCredit Fleet Management, s.r.o.**, Reg. No.: 35 820 381, Plynárenská 7/A, Bratislava 814 12, Slovak Republic

Contract name	Subject-matter of contract	Contract concluded on
Operating Lease Contract	Conditions for operating lease of motor vehicles	30.8.2007

4.27. Between UCB CS and **UniCredit Tiriac Bank SA**, Sediul Central Bd., Expozitiei Nr.1F, Sect 1, Bucharest, 012101, Romania

Contract name	Subject-matter of contract	Contract concluded on
Service Agreement	Temporary advisory actions and support in banking services related to CEE 2020 Trade Finance Back and Project	26.1.2015

4.28. Between UCB CS and **Schoellerbank AG**, Renngasse 3, Vienna, Austria:

Contract name	Subject-matter of contract	Contract concluded on
Cooperation agreement	Offer and mediation of services of Schoellerbank through UCB CS	23.11.2012

4.29. Between UCB CS and **Diners Club CS, s.r.o., organizační složka (a branch)**, Reg. No.: 24768669 Prague 1, Široká 36/5, Postcode 11000

Contract name	Subject-matter of contract	Contract concluded on
Intermediation Contract + Contract for Processing of Personal Data	The content is cooperation concerning the mediation of the issue of charge cards Diners Club.	21.10.2009

4.30. Between UCB CS and **UniCredit Business Integrated Solutions Austria GmbH**, Nordbergstraße 13, 1090 Vienna, Austria

Contract name	Subject-matter of contract	Contract concluded on
Standard Terms and Conditions	Standard contract terms and conditions for provision of ITservices	18.12.2015
Agreement on implementation of CEE2020 projects	Cooperation in implementation of ITprojects	18.12.2015
Standard Terms and Conditions	Standard contract terms and conditions for provision of ITservices (a branch in Slovakia)	18.12.2015
Agreement on implementation of CEE2020 projects	Cooperation in implementation of ITprojects (a branch in Slovakia)	18.12.2015

4.31. In addition to the above stated contracts, in the last financial year, also other contracts were effective between UCB CS and some other companies of the Group, which, however, are subject to the obligation of banking secrecy. These contracts relate to interbank, derivative and other banking transactions. UCB CS cooperated with such companies in the issue of bonds, and also entered into client banking transactions (payment cards, current accounts, deposit products, cash payment system, etc.), all this in standard market conditions. Within standard banking relations, some lending business of UCB CS is backed by bank guarantees provided by UniCredit Bank Austria AG and UniCredit Bank AG. Within the Group, there is also the provision of credit products and guarantees by UCB CS, on standard conditions.

5. *Acts occurring in the last financial year, which were made on the initiative of or in the interest of the controlling person or its controlled persons, if such acts related to assets exceeding 10% of equity of the controlled person ascertained according to the most recent financial statements,*

The limit of 10% of UCB CS equity, according to the financial statements at the end of 2014, was 56.239 mil. CZK, exceeded in 2015 the funding provided by UCB CS to UniCredit Leasing CZ, a.s. and to its subsidiaries. The funding was provided on standard market conditions.

In the course of 2015, the controlling person deposited amounts on its accounts kept at UCB CS for a short period of time, and the aggregate of these amounts exceeded 10% of UCB CS equity. The deposits were provided on conditions which are standard in the interbank market for the relevant currency.

6. *Evaluation of whether any loss was caused to the controlled person, and assessment of the compensation pursuant to Articles 71 and 72 of Act on Commercial Corporations*

The UCB CS Board of Directors declares that no loss was caused to UniCredit Bank Czech Republic and Slovakia, a.s. under the concluded contracts and arrangements.

7. *Evaluation of advantages and disadvantages arising from relationships between persons under paragraph 82 par. 1 of Act on Commercial Corporations*

Advantages of integration of UniCredit bank CS into the structure of the UniCredit Group:

– A brand known internationally and reputational benefit resulting from the integration of the UniCredit Group into SIFI (Systemically Important Financial Institution).
– Sharing of IT infrastructure, development, maintenance within the UniCredit Group and resulting economies of scale in the following areas:
– Sharing of know-how of a major European bank and one of the most active and most significant banks in Central and Eastern Europe in the commercial area, i.e. in the development of products, introduction of business innovations and management of sales network.
– Possible involvement in growth initiatives of the UniCredit Group, e.g., CEE2020 Plus, to whom UCB CS provides support and know-how in the area of development of a strong position of a universal bank in the Czech and Slovak markets.
– Human Resources Development associated with sharing the UniCredit Group's experience in European markets, possible for employees to gain practical experience in other banks or Holding's management structures, career opportunities within the UniCredit Group.
– Possible to apply, in local conditions, the Sponsoring and Marketing of the UniCredit Group on the European level (e.g., sponsoring of UEFA Champions League and of UEFA European League).
– Participation of UniCredit CS in a sophisticated system of services for international clients through International desk / International clients Units in relevant countries, and mutual cooperation of these Units in handling and dealing with the needs of international clients.

We can include the following in possible disadvantages of integration of UniCredit bank CS into the structure of the UniCredit Group:

– A comprehensive organisational structure of a transnational banking group.
– Possible mutual influence from other countries, mainly in the area of reputation and perception of the UniCredit brand (Cross-border sentiment).

When assessing a total influence of the integration of UniCredit bank CS into the UniCredit Group, the advantages resulting from this position significantly outweigh the disadvantages. The Bank prevents actively the possible above stated disadvantages both in the form of operational measures in local management of UCB CS and communication, and by building a strong 'brand' on the local level.

In Prague, on 22 March 2016

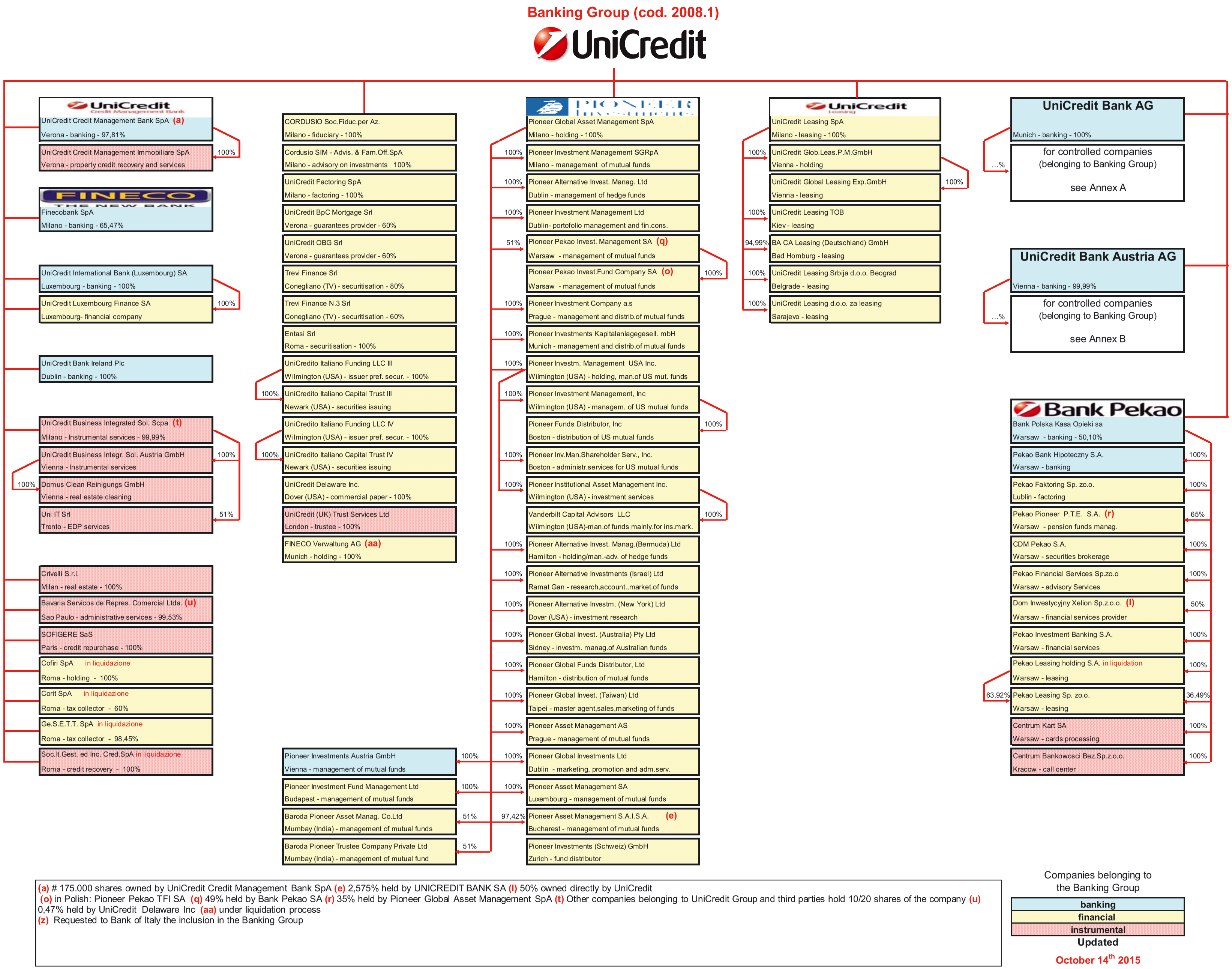
On behalf of the Board of Directors of
UniCredit Bank Czech Republic and Slovakia, a.s.

Ing. Jiří Kunert
Chairman of the Board of Directors

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

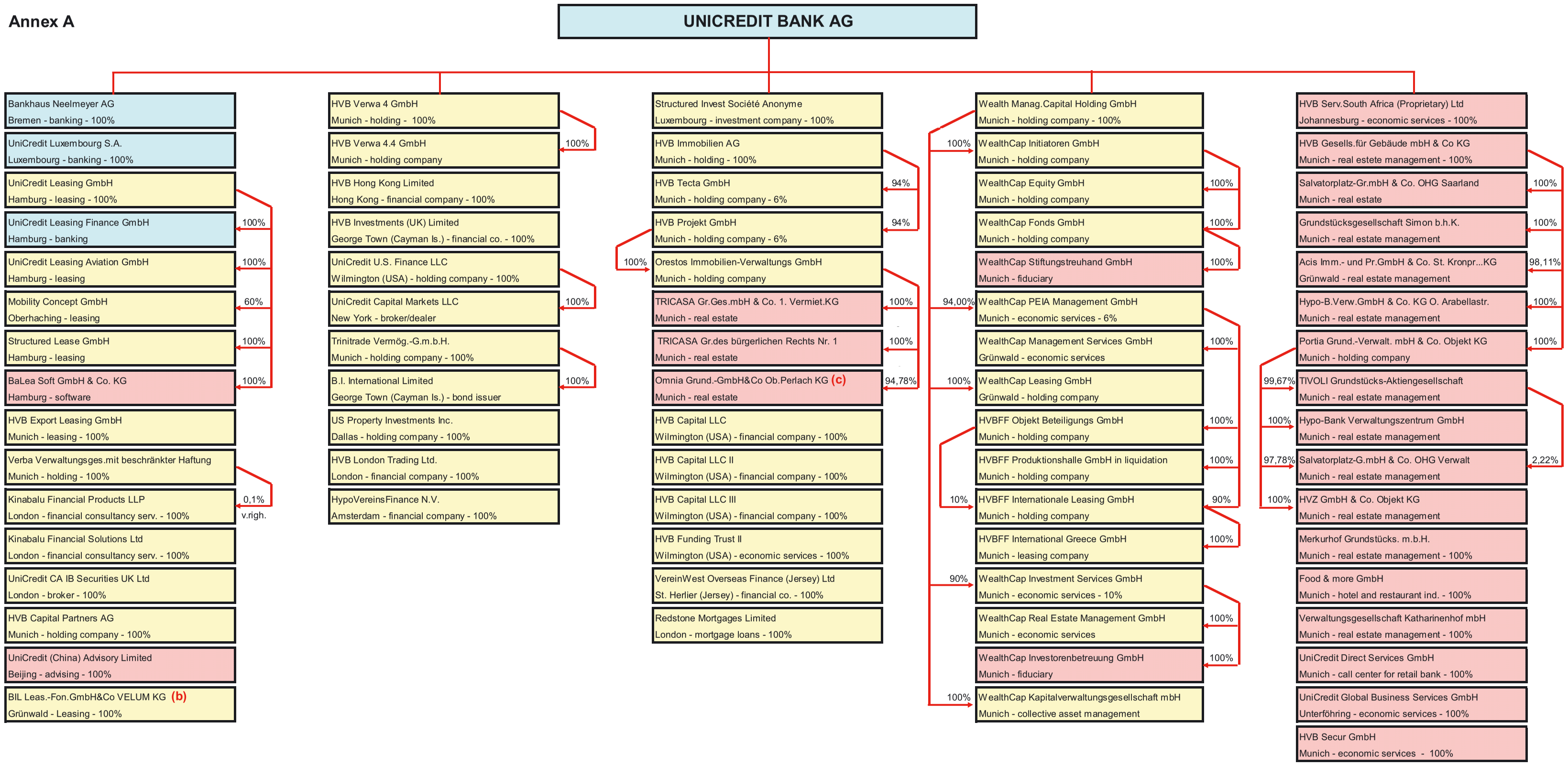
Annexes:
1. Organisation Chart of the UniCredit Group
2. Organisation Chart of Companies Controlled by UCB CS

Organizational structure of UniCredit Group



(a) # 175.000 shares owned by UniCredit Credit Management Bank SpA (e) 2,575% held by UNICREDIT BANK SA (l) 50% owned directly by UniCredit
(o) in Polish: Pioneer Pekao TFI SA (q) 49% held by Bank Pekao SA (r) 35% held by Pioneer Global Asset Management SpA (t) Other companies belonging to UniCredit Group and third parties hold 10/20 shares of the company (u) 0,47% held by UniCredit Delaware Inc (aa) under liquidation process
(z) Requested to Bank of Italy the inclusion in the Banking Group

Annex A



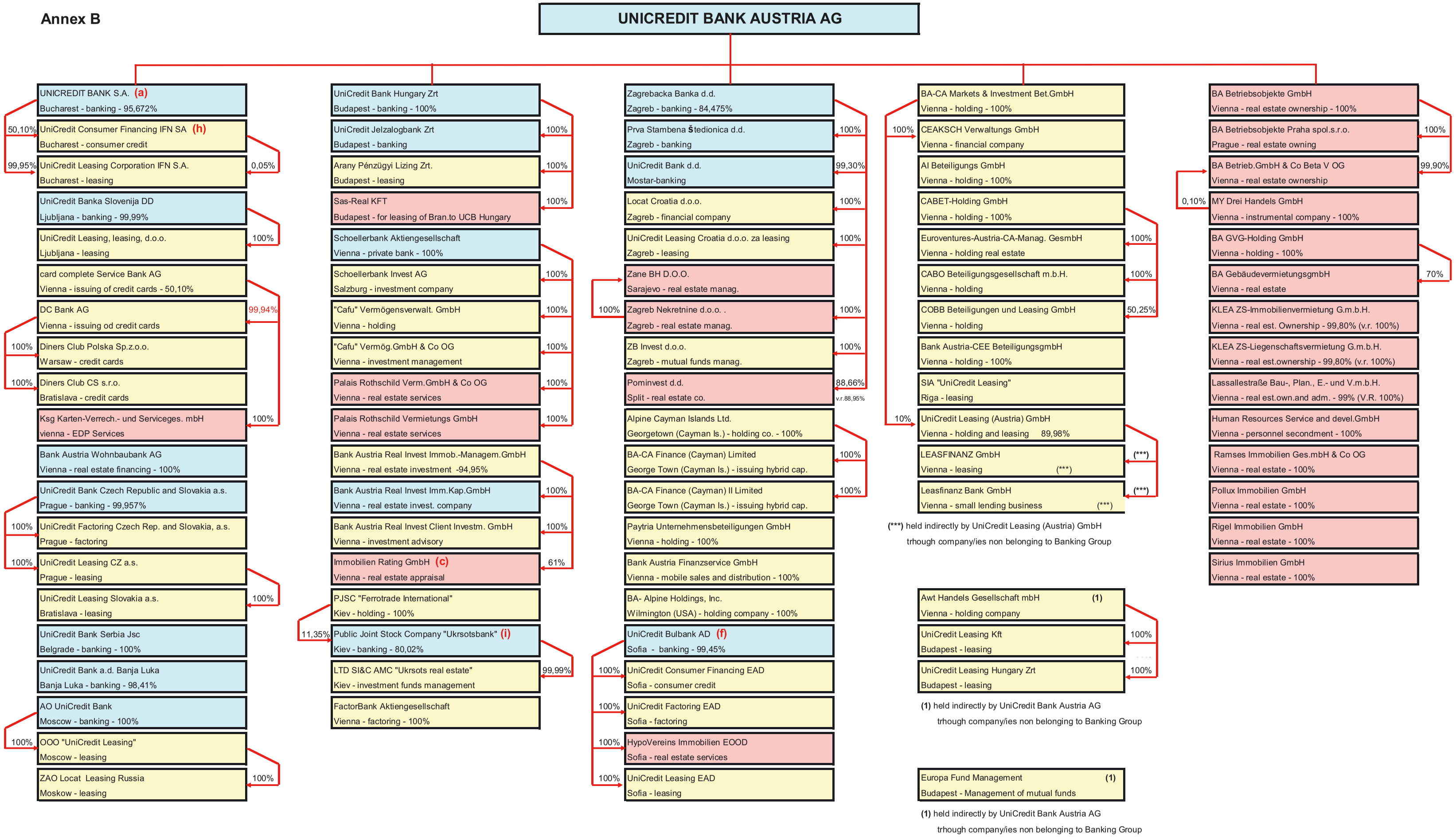
(b) Voting rights held by UCB AG (33,33%) and by BIL Leasing-Fonds Verwaltungs GmbH (33,33%) (c) 5,22% held by WealthCap Leasing GmbH
(z) Requested to Bank of Italy the inclusion in the Banking Group

Companies belonging to the Banking Group

banking
financial
instrumental

Updated
October 14th 2015

Annex B



Companies belonging to the Banking Group

banking
financial
instrumental

(a) % considering shares held by other Companies controlled by BA (c) 19% held by BA and 19% held by UniCredit Leasing (Austria) GmbH (f) 0,004% held by Unicredit SpA (h) 49,9% held by UniCredit SpA (i) 8,44% held by UniCredit SpA
(z) Requested to Bank of Italy the inclusion in the Banking Group

Updated
October 14th 2015

Structure of relations between UniCredit Bank Czech Republic and Slovakia, a.s. and entities controlled by it

UniCredit Bank Czech Republic and Slovakia, a.s.

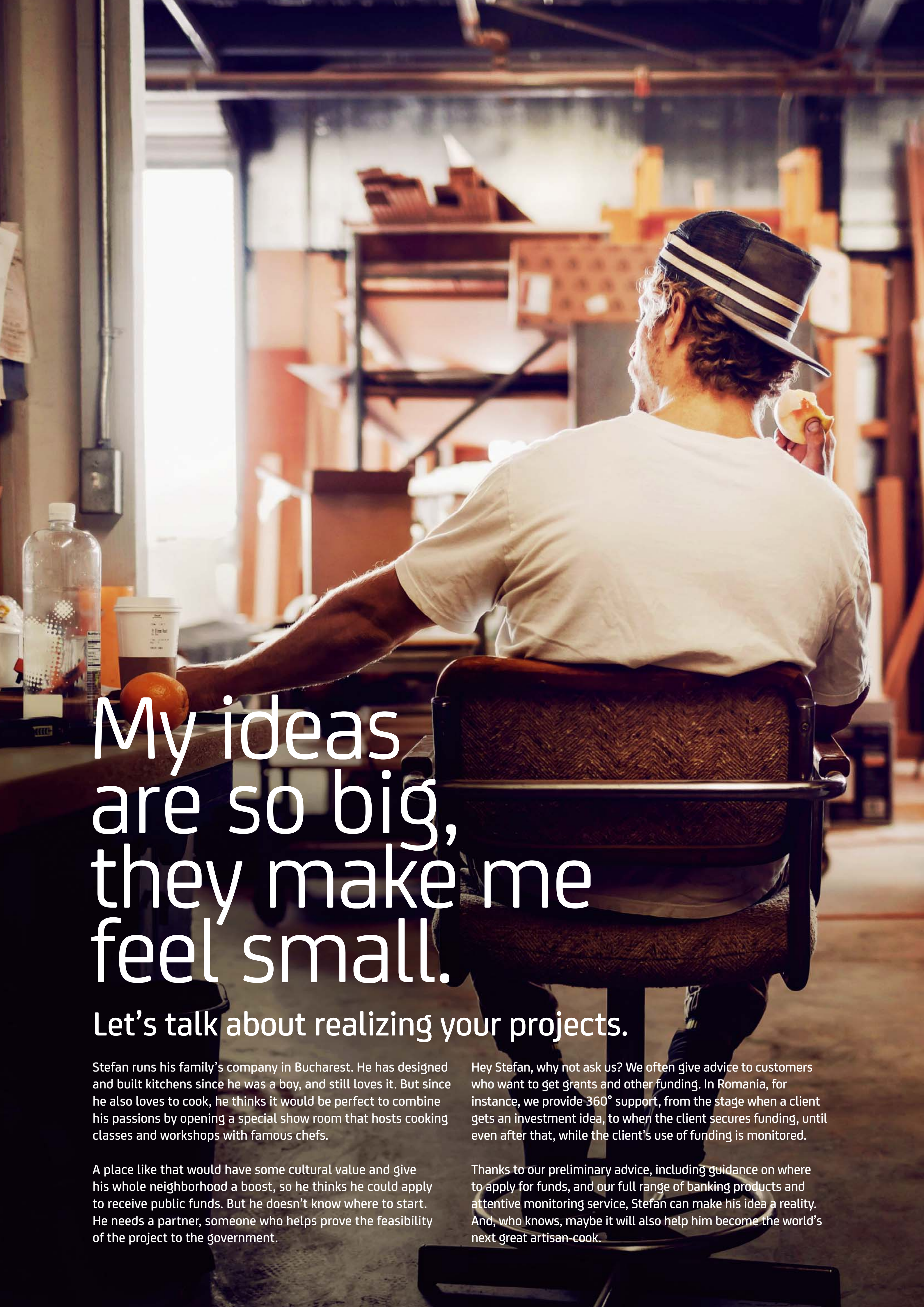
↓ 100 %

UniCredit Factoring Czech Republic and Slovakia, a.s.

UniCredit Leasing CZ, a.s. → 100 % → **UniCredit Leasing Slovakia, a. s.**

UniCredit Fleet Management, s.r.o., IČ:62582836, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
INPROX Chomutov, s.r.o., IČ: 25670981, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
UniCredit pojišťovací makléřská spol. s r.o., IČ: 25711938, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
CAC Real Estate, s.r.o., IČ: 25737244, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
HVB Leasing Czech Republic s.r.o., IČ: 62917188, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
CA-Leasing EURO, s.r.o., IČ: 49617044, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
BACA Leasing Gama s.r.o., IČ: 25737201, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
BACA Leasing Alfa s.r.o., IČ:25751841, Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
CA-Leasing OVUS s.r.o., IČ: 25714538 Želetavská 1525/1, Michle, 140 00 Praha 4	(100 %)
ALLIB Leasing s.r.o., IČ: 25708376, Praha 4 – Michle, Želetavská 1525/1, PSČ 140 10	(100 %)
INPROX Kladno, s.r.o., IČ: 25727435 Praha 4 – Michle, Želetavská 1525/1, PSČ 140 10	(100 %)

UniCredit Leasing Insurance Services, s. r. o., IČ: 47926481, Plynárenská 7/A, Bratislava 821 09,	(100 %)
UniCredit Broker, s. r. o., IČ: 35800348, Plynárenská 7/A, Bratislava 814 11	(100 %)
UniCredit Fleet Management, s.r.o., IČ: 35820381, Plynárenská 7/A, Bratislava 821 09	(100 %)
Inprox Poprad, spol. s.r.o., IČ: 35 859 105, Plynárenská 7/A, Bratislava 821 09	(100 %)
Inprox SR I, spol. s.r.o., IČ: 35 758 236, Plynárenská 7/A, Bratislava 821 09	(100 %)
UniCredit Leasing Real Estate s.r.o., IČ: 35696796, Plynárenská 7/A, Bratislava 821 09	(100 % do 8. ledna 2015)



My ideas are so big, they make me feel small.

Let's talk about realizing your projects.

Stefan runs his family's company in Bucharest. He has designed and built kitchens since he was a boy, and still loves it. But since he also loves to cook, he thinks it would be perfect to combine his passions by opening a special show room that hosts cooking classes and workshops with famous chefs.

A place like that would have some cultural value and give his whole neighborhood a boost, so he thinks he could apply to receive public funds. But he doesn't know where to start. He needs a partner, someone who helps prove the feasibility of the project to the government.

Hey Stefan, why not ask us? We often give advice to customers who want to get grants and other funding. In Romania, for instance, we provide 360° support, from the stage when a client gets an investment idea, to when the client secures funding, until even after that, while the client's use of funding is monitored.

Thanks to our preliminary advice, including guidance on where to apply for funds, and our full range of banking products and attentive monitoring service, Stefan can make his idea a reality. And, who knows, maybe it will also help him become the world's next great artisan-cook.

List of branches

CZECH REPUBLIC

PRAGUE – BANKOVNÍ DŮM
EXPRESNÍ SLUŽBY
náměstí Republiky 3a
110 00 Praha 1
tel.: +420 955 959 835
fax: +420 221 159 622
bankovnidum@unicreditgroup.cz

PRAGUE – BANKOVNÍ DŮM
SLUŽBY NA MÍRU 1
náměstí Republiky 3a
110 00 Praha 1
tel.: +420 955 959 835
fax: +420 221 159 622
bankovnidum@unicreditgroup.cz

PRAGUE – BANKOVNÍ DŮM
SLUŽBY NA MÍRU 2
náměstí Republiky 3a
110 00 Praha 1
tel.: +420 955 959 835
fax: +420 221 159 622
bankovnidum@unicreditgroup.cz

PRAGUE – BANKOVNÍ DŮM
SVOBODNÁ POVOLÁNÍ
náměstí Republiky 3a
110 00 Praha 1
tel.: +420 955 959 835
fax: +420 221 159 622
bankovnidum@unicreditgroup.cz

PRAGUE – BANKOVNÍ DŮM
INTERNATIONAL CLIENTS CENTER
náměstí Republiky 3a
110 00 Praha 1
tel.: +420 955 962 060-3
fax: +420 221 159 622
icc@unicreditgroup.cz

PRAGUE – ADRIA
Jungmannova 31
110 00 Praha 1
tel.: +420 955 959 840
fax: +420 221 153 101
praha.adria@unicreditgroup.cz

PRAGUE – ARBES
Štefánikova 32
150 00 Praha 5
tel.: +420 956 959 851
fax: +420 221 153 001
praha.arbes@unicreditgroup.cz

PRAGUE – HAVELSKÁ
Havelská 19
110 00 Praha 1
tel.: +420 955 959 836
fax: +420 221 153 501
praha.havelska@unicreditgroup.cz

PRAGUE – VÍTĚZNÉ NÁMĚSTÍ
Vítězné náměstí 10
160 00 Praha 6
tel.: +420 955 959 852
fax: +420 221 153 301
praha.vitezne@unicreditgroup.cz

PRAGUE – ANDĚL
Štefánikova 281/4
150 00 Praha 5
tel.: +420 955 959 850
fax: +420 221 155 660
praha.andel@unicreditgroup.cz

PRAGUE – DEJVICKÁ
Dejvická 30
160 00 Praha 6
tel.: +420 955 962 425
fax: +420 221 155 640
praha.dejvicka@unicreditgroup.cz

PRAGUE – HLAVNÍ NÁDRAŽÍ
Wilsonova 300/8
120 00 Praha 2
tel.: +420 955 959 890
fax: +420 221 155 165
praha.hlavninadrazi@unicreditgroup.cz

PRAGUE – HOLEŠOVICE
Komunardů 883/24
170 00 Praha 7
tel.: +420 955 959 854
fax: +420 221 155 670
praha.komunardu@unicreditgroup.cz

PRAGUE – KOBYLISKÉ NÁMĚSTÍ
Horňátecká 447/1
180 00 Praha 8
tel.: +420 955 959 857
fax: +420 221 155 700
praha.kobylisy@unicreditgroup.cz

PRAGUE – LAZARSKÁ
Spálená 82/4
110 00 Praha 1
tel.: +420 955 962 323
fax: +420 221 155 520
praha.lazarska@unicreditgroup.cz

PRAGUE – NA POŘÍČÍ
Na Poříčí 1933/36
110 00 Praha 1
tel.: +420 955 959 838
fax: +420 221 155 500
praha.porici@unicreditgroup.cz

PRAGUE – STROSSMAYEROVO NÁM.
Pplk. Sochora 693/23
170 00 Praha 7
tel.: +420 955 959 855
fax: +420 221 155 680
praha.strossmayerovo@unicreditgroup.cz

PRAGUE – VÁCLAVSKÉ NÁMĚSTÍ
Václavské náměstí 815/53
110 00 Praha 1
tel.: +420 955 959 842
fax: +420 221 155 730
praha.vaclavske@unicreditgroup.cz

PRAGUE – VALDEK
Jugoslávská 29
120 00 Praha 2
tel.: +420 955 962 215
fax: +420 221 159 722
praha.valdek@unicreditgroup.cz

PRAGUE – BUDĚJOVICKÁ
Olbrachtova 1946/64
140 00 Praha 4
tel.: +420 955 959 848
fax: +420 221 155 580
praha.budejovicka@unicreditgroup.cz

PRAGUE – BUTOVICE
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