

# INTRODUCTION OF CREDIT UNION CREDITAS

Záložna CREDITAS, spořitelní družstvo (hereinafter referred to as „Credit union“), has been in operation on the financial market since 1996. From a company with regional operations, it transformed into the financial institution with nationwide operations. Credit union is a stable company with a branch network throughout the whole Czech Republic with a complete portfolio of products for both individuals and legal entities, including current accounts administration, advantageous savings, loan products, free internet banking and MasterCard payment cards. For our members, we also offer foreign payment services, the purchase and sale of foreign currencies and, at some branches, we also offer exchange services of selected currencies. Currency conversions for advantageous and individually negotiated exchange rates with immediate realisation of spot currency is also one of our desired products.

Credit union is a financial company with a cooperative legal form, established according to Act no. 87/1995 Coll., on credit unions. Credit union does not have any organisational branch abroad.

## NUMBER OF BRANCHES AS AT 31 DECEMBER 2014



Pekařská 72, 602 00 **Brno**

B. Smetany 2719/1a, 370 01 **České Budějovice**

Krála Jana 1713, 583 01 **Chotěboř**

Soukenné náměstí 115/6, 460 07 **Liberec**

tr. Svobody 1194/12, 779 00 **Olomouc**

Hlavní třída 702, 708 00 **Ostrava**

K Polabinám 1894, 530 02 **Pardubice**

U Zvonu 4/9, 301 00 **Plzeň**

Opletalova 1418/23, 110 00 **Praha 1**

Karla Engliša 3211/1, 150 00 **Praha 5**

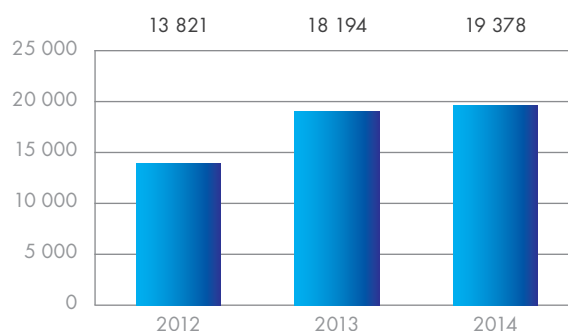
Hasskova 97/12, 674 01 **Třebíč**

Velká hradební 238/10, 400 01 **Ústí nad Labem**

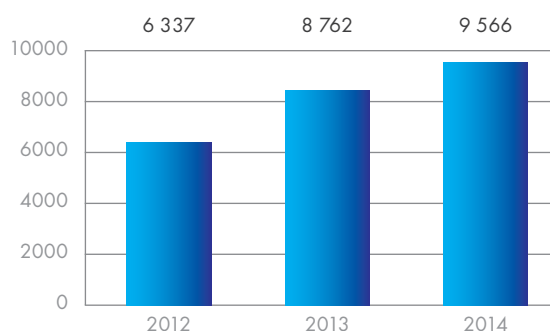
tr. Tomáše Bati 1547, 760 01 **Zlín**

# GRAPHICAL OVERVIEW OF SELECTED INDICATORS

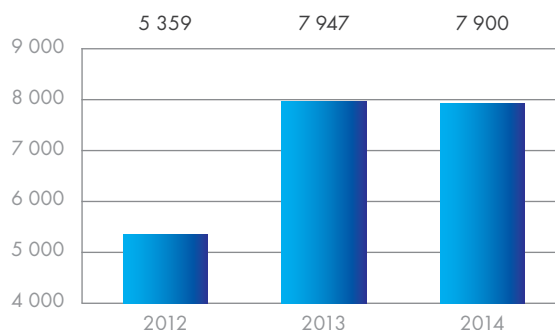
## NUMBER OF MEMBERS (NUMBER)



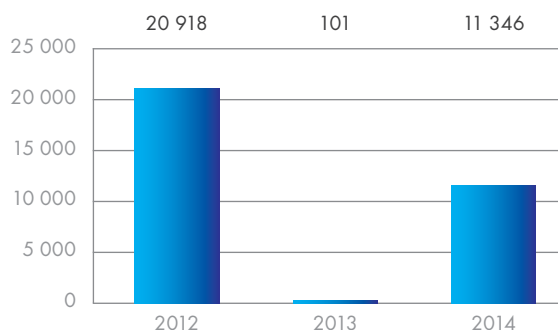
## THE VOLUME OF DEPOSITS (CZK MILLION)



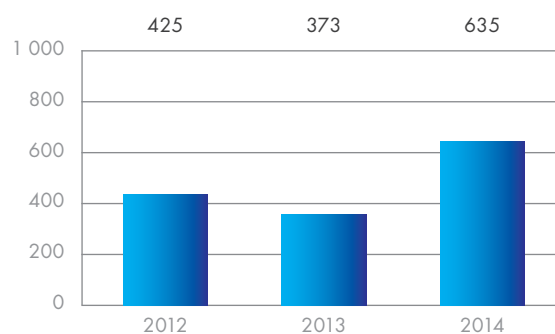
## THE VOLUME OF LOANS (CZK MILLION)



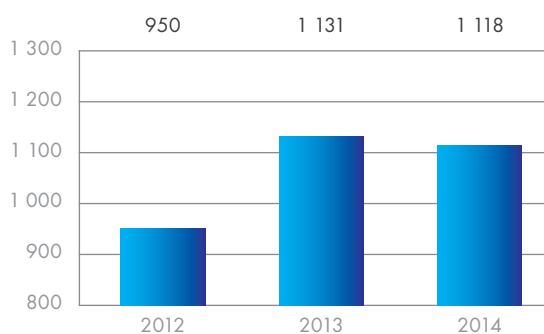
## PROFIT FOR THE ACCOUNTING PERIOD (CZK THOUSANDS)



## THE VOLUME OF BONDS HELD (CZK MILLION)



## REGULATORY CAPITAL AMOUNT (CZK MILLION)



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# THANK YOU FOR YOUR TRUST

THANKS TO YOU WE SOW A GOOD START  
AND THUS YOU CAN RECEIVE THE BENEFITS  
OF THE GOOD WORK.





## LETTER FROM THE CHAIRMAN OF THE BOARD

Dear members,

You can recognise the health of a company in the year when it stops growing and consolidates its activities. We have just successfully completed such a year. It was a complicated one as we were subject to detailed monitoring from public and regulator sites. Also, regarding this fact, we consider the results of 2014 as surprisingly good, as those results are also allowing us to develop our activities for the next years.

The next two years, 2015 and 2016, will be crucial in the life of Credit union. These will be the decisive years, if our Credit union is able to transform into our bank. We are convinced that in 2014 we did everything we could in order to be successful in this transition.

Please, let me at this point thank you, our clients, but also our employees and business partners. We appreciate the trust with which you have embraced us and, in the next years, we will do our bests to maintain it this way.

Yours,



**Ing. Vladimír Hořejší, MBA**  
Chairman of the Board

In Olomouc, 17 April 2015

## SELECTED EVENTS OF 2014

### NEW SEAT OF CREDIT UNION CREDITAS

The Head Office and branch in Olomouc moved to new premises. The grand opening of the reconstructed building on tř. Svobody in Olomouc was held on 31 October 2014. Credit union got a new look, a modern interior and technological and safety features appropriate for a financial institution. For clients this modernisation brought longer opening hours and of course it is also wheelchair accessible.



## CARE PROGRAM FOR IMPORTANT MEMBERS

In 2014, Credit union offered a new program to selected members that is analogous to private banking - Care program for important members. The aim of this program is to provide clients with above-standard complex care, from solving everyday financial needs to specialised counselling. This approach emphasizes mainly the individual approach based on professionalism, discretion, helpfulness and a long-term relationship.



## TERM DEPOSIT

In November 2013, Credit union offered a new product - Term deposit CREDITAS with a duration of 7 or 10 years with appreciation up to 4% p.a. Those term deposits are mainly meant for individuals not involved in business with opportunity of placing a deposit from CZK 5,000 with interest credited monthly or at the end of deposit period. Term deposits are the most popular and most common settled product of Credit union.

## TERMÍNOVANÝ VKLAD

4,0%



## CURRENCY EXCHANGE

Credit union has broadened its currency exchange services portfolio. New clients of Credit union can use exchanges in branches in Prague and Olomouc, where they have the possibility of exchanging small amounts of EUR and HRK (Croatian Kuna) at very advantageous terms.

## DOVOLENÁ S NÁMI BEZ POPLATKŮ

KDEKOLIV V EVROPĚ

- ✓ pro naše členy nabízíme  
EUR a CHORVATSKÉ KUNY  
bez poplatků
- ✓ na pobočkách v Olomouci  
a v Praze



## OPTIMISATION OF BRANCH NETWORK

As a part of planning the future strategy and according to a revision of the operating regime, Credit union is realising the optimisation of its branch network. Branches are still situated mainly in regional cities to further ensure the availability for members from catchment areas. The result of this step is greater efficiency in Credit union's internal processes which result in cost savings mainly on personnel, marketing and administrative costs.







WE ARE WORKING HARD ON FURTHER  
DEVELOPMENT. THAT'S WHY WE ARE  
THOROUGHLY PREPARING FOR

**THE TRANSITION  
INTO A BANK.**

# BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Dear members, business partners and friends,

Traditionally, this is the time of year we submit the annual report of the Board on the results of the operations and financial position of Credit union for the past year.

To begin with, we would like to point out that 2014 was successful for Credit union despite complicated conditions and our ambitious overall targets. Despite there still not being a very favourable economic situation in some sectors and the strong competitive environment in the financial services sector in general, Credit union in 2014 remained strong and had a stable financial position with an overall balance figure of CZK 10,533 mil and recorded a net profit after tax in the amount of CZK 11 mil. The independent auditor's opinion and financial statement with detailed information about the financial position and net profit after tax are integral parts of this report.

The year 2014 was characterised by fundamental developments in the credit union sector, which is naturally reflected in increased interest of the professional and non-professional public and also had an impact on our own position and the formation of Credit union. The main topic that was also frequently covered by media was the amendment to Act no. 87/1995 Coll., on credit unions. This amendment constitutes a fundamental transformation tool for the alteration of the functioning of the credit union sector and immediately affects the further functioning of Credit union. Given the importance of the impact of legislative changes and the relatively complicated course of their approval process, it is appropriate on this occasion to carry out a brief recap.

The original wording of the proposed amendment to Act on credit unions approved by the former government shortly before its demise in mid-2013, as a result of subsequent political developments (dissolution of the Chamber of Deputies, an interim government of officers, early elections) has not undergone any other necessary legislative approval process.

The resumption of this process occurred in the first half of 2014 after the formation of a new government. Compared to the original proposal, it stipulated even stricter conditions for the cultivation of the credit union sector in line with the intentions of the Czech National Bank („CNB“) and the Ministry of Finance as well as some earlier recommendations issued by the International Monetary Fund and the World Bank. This proposal was relatively smoothly approved in September 2014 by the Chamber of Deputies, but the Senate did not approve the proposed amendments to the draft at the end of October 2014 and returned the proposal to the Chamber of Deputies for reconsideration. Thus, the proposal was after various controversies finally approved at the very end of 2014.

Different attitudes to the new systematic adjustment are also reflected in the responses of individual unions. In addition to various media reports, this situation was also reflected by the resignations of several members, including Credit union, from the Association of credit unions. The reason for this step was that, within the association, it was no longer possible to achieve a unified approach, particularly in relation to the new legislation, further operation of the sector and the views of the association have stopped reflecting the opinions and views of its individual members. The subjects that left the Association, including Credit union subsequently founded a new association of credit institutions, which represents a significant representation of the sector with Credit union being the largest credit union.

Overall, it is possible to note that the new conditions will eventually lead either to a transformation of existing credit unions into banks or conversely force them to adapt to new restrictive conditions, with the most likely path leading to marginalisation, because aside for limitations the amendment does not produce any competitive or other advantages for credit unions.

Effective from 1 January 2015, the approved amendment doubles the contribution of the credit unions to the Deposit Insurance Fund. It also increases the mandatory payment of profitable credit unions to the risk fund. Starting from the same date, credit unions are also required to provide products and services to their members only, which is normal in this sector in foreign practices.

The new amendment also introduces measures to promote greater involvement by members of the union on the credit union itself, by setting the minimum membership contribution (sum of basic and other membership contributions) in the amount of one tenth of the sum of interest-bearing deposits of that member. This rule means that deposits over ten times the aggregate of the member deposits of that member will generally be allowed, but will not bear interest. The rule will be effective for deposits deposited after 1 July 2015. For deposits deposited before that date, this rule „one in ten“ will apply (under certain conditions) as from 1 January 2018, moreover, in a milder form.

Within the group of measures effective from the beginning of 2018, the boundaries defining the size limit of the credit union are established as CZK 5 billion in total assets. In the event that the limit is exceeded, the credit union will be forced to transform itself into a bank, or to continue its activities without any opportunities for further growth, and will be obliged to reduce its size below this limit. In the case of initiation transformation, the 2015 amendment offers milder conditions, which motivates particularly large unions to head this way as soon as possible.

Finally, there is a tightening of credit unions business in providing loans that introduce a limit for loans granted to a member of the union to amount of CZK 30 mil. This measure will come into effect as of 1 January 2018, and for contracts concluded before that date a three year transitional period will be applied. Since 2018, the rule will also apply to the minimum amount of the membership contribution in the amount of CZK 1,000.

Regarding our own attitude and approach to the new legal requirements, Credit union generally supports legislative changes since transformation of the existing sector and achieving a qualitatively higher level is in the overall public interest, the interest of Credit union as an institution and its members as clients and owners. Credit union is in each case also ready to adapt its activities to properly ensure compliance with current and future legislative framework. Credit union's Board believes that in the current situation the only meaningful option enabling further development of the institution is to leave the segment of credit unions and to obtain a banking license and convert Credit union into a bank. This task is the most important strategic task for Credit union in the years 2015 and 2016.

Credit union in this regard has already announced its strategic plan to transform itself into a bank and the launch of preparatory work on the project with the goal of obtaining a banking license. Due to the considerably complicated process naturally resulting in uncertainties, it however seemed preferable to wait with specific transformation steps until the final form of the new legislation is known. The complicated legislative process indeed showed that Credit union was reasonably precautionous, as during the actual process it was not possible to undertake any crucial decisions without the increased risk of having to make subsequent adjustments.

The changes of ownership structure of Credit union are also connected to the above changes and future strategies mentioned. Based on agreements on the transfer of other members' shares from certain existing members that were approved by general meeting of Credit union as its highest authority on 7 November 2014, also subject to approval by the CNB, on 19 November 2014 one natural person and three legal entities mutually submitted a request for acquisition of Credit union to CNB, in other words to increase the qualifying holdings and to take control over Credit union. As a result of these transfers, one natural person will acquire equity participation in the form of direct and indirect share capital of Credit union in excess of 50% of the share capital and take control of Credit union. CNB approved the request on 1 April 2015. Although the transfer of member deposits are not within Credit union's authority because they concern certain members such as owners / shareholders, it is in the general interest of Credit union to have a strong and transparent ownership structure and capital position. The Board therefore welcomes and supports all the actions and activities which help to reach this state, while it is one of the necessary and fundamental prerequisites for a successful conversion to a bank and ongoing operation in further periods.

Due to historical development and higher systematic risks associated with the credit union sector, it is also the subject of CNB's increased attention as the supervisory authority over the financial market in the country. Due to this fact, Credit union is almost continuously subject to certain forms of control - remote or local. In 2014, CNB carried out on-site inspections in Credit union aimed at verifying credit risk management and risks associated with credit activities, management of market risk, liquidity risk management, the process of processing and settlement of transactions in financial markets, system of

internal capital, risk management of IS / IT and remuneration policies and practices. As at the date of preparation of this report, the inspection has not yet been formally concluded; however, Credit union has in the meantime adopted a system of internal measures leading to the correction of identified deficiencies. A previous similar inspection was conducted by the CNB in 2011.

Regarding its own business, the year 2014 was marked by the interruption of significant growth dynamics from the past few years for Credit union. This change reflects both a targeted correction of the previous period growth and the natural need for stabilising mainly the risk profile of the loan portfolio. Another factor limiting the current rate of growth in current market conditions is the limited number of opportunities for placing free funds, which would appropriately provide the desired profit

potential with the corresponding acceptable risk and compliance of cautious requirements. Lastly, the cause of the growth decrease is also the intention to transform the business into a bank in the future, because with the high rate of growth of institutions there are requirements for the successful conversion and its resources are generally more demanding. Credit union thus plans to maintain a steady or slightly declining state and proceed to restore the growth rate after successful transformation into a bank.

The main activity of Credit union was the same as in prior years – provision of loans and receiving deposits from members and the presented values reflect the above-mentioned correction of dynamic growth of previous years to some extent.

The most important component of the assets are receivables from loans to members, where the balance sheet amount as at 31 December 2014 is CZK 7,647 mil. With an annual decrease of 1%. Credit union was able to keep the so-called threatened loans in the same relative proportion compared with the situation as at the end of year 2013 at level 17.5%.

Regarding the lending activities, Credit union is long focused primarily on corporate financing of selected business entities and projects, and utilises the expertise and knowledge of its credit specialists. In given market conditions, it is mainly about the search for and realisation of promising business opportunities that in appropriate manner combine volume size factors, risks factors and profit potential. Credit union seeks the systematic implementation of an active client approach and deliver solutions that meet the specific needs of individual credited members. The purpose is also to achieve a competitive advantage in comparison with other lenders who cannot or are unwilling to address the specific needs of clients.

Traditionally, our clients are most interested in the deposit savings products of Credit union which are used by the vast majority of its clients. The most significant item of liabilities is therefore the volume of received deposits from members reaching CZK 9,566 million as of 31 December 2014, which represents an annual increase of 9% and indicates the ongoing credibility of Credit union. The number of Credit union's members reached 19 378 members at the end of 2014; compared to the end of 2013, this number shows an increase of 6.5%. With respect to the changes arising from the new legislation, Credit union introduced limited and specific offers for its members in order to best appreciate their deposits while still under existing legislation.

In accordance with the business strategy, Credit union intend to gradually move its focus from a historical orientation on deposits and credit products to a full-fledged menu of financial products and services. The increasing demands of members for services such as an active system of payments through current account, system of foreign payments, system for trading with foreign currencies and for using payment cards and internet banking - is therefore very pleasing. In 2014, Credit union expanded the variety of services offered for members by introducing the foreign exchange in cash. Now, clients can take advantage of currency exchange at the selected branch office under very favourable conditions. Our specialists evaluate and prepare information daily about predictions about future developments on foreign exchange markets in order to make our clients more oriented in this field. Moreover, we are pleased to say that, currently, more than 1 500 clients are using the service of buying and selling foreign currencies, and that more than CZK 20 billion was traded via Credit union in 2014.

Credit union still considers its culture of negotiating with members and clients as its greatest competitive advantage. This culture is based on a personal and professional approach allowing individual assessments of specific needs of members and the consequent provision of appropriate products and services. Furthermore, Credit union ensures its high professional standards and enforces a disciplined approach corresponding with the level and requirements for financial institutions. Credit union appreciates the confidence of its members and conducts continuous satisfaction research, because this direct feedback is a very valuable stimulus for further improvements of the products and services of Credit unions as well as the company's further expansion and growth. As a client-oriented institution, in 2014, Credit union continued to develop training programs for employees and invested resources to improve the quality of services offered to its members and to improve the perception of the CREDITAS brand.

In the framework of revising and planning the future strategy, in 2014, it was necessary to take some difficult decisions and unpopular measures. On the basis of an evaluation of the existing operations and the branch network – the usage and the potential for reaching future goals - in the first half of 2014 Credit union reduced the number of branch offices, predominantly in smaller cities. Branch offices remained situated mainly in county towns in order to provide acceptable physical availability even for members from the regions where branch offices were closed down in previous years. The resulting framework covers



the whole area of the Czech Republic. Given the possibility to become a member and arrange a variety of deposit product contracts without the need for a personal visit at a branch, moreover, with respect to the capabilities of internet banking, the possible negative impact on clients was further minimised. As a result of previous dynamic growth of Credit union, the internal operative processes of Credit union were partly streamlined. This was reflected in expenditure savings, in particular in the area of wages, number of employees, marketing expenditures and other administrative costs. The reason these measures were performed is to ensure more efficient operating modes while ensuring adequate functioning of the internal controlling system and to maintain future growth potential for Credit union.

With respect to the renowned standards and principles of managing financial institutions, Credit union stresses efficient risk management and internal controlling mechanisms. Credit union continually maintains stable financial positions and its internal procedures ensure consistency with widely accepted principles of prudential financial management which is important particularly considering the liabilities to clients and their deposits.

In 2014, Credit union increased its basic capital by CZK 33 million in order to maintain its stable capital position and fund its further development. As of 31 December 2014, Credit union had CZK 1,118 mil in capital at its disposal accepted by regulations and the value of the total capital ratio reached 11.13%.

Credit union is persistently mindful about its responsible approach to the community by actively promoting widely accepted principles of economic and social area, environment and employment relationships. The specific steps leading to fulfilment of these principles contain inter alia steps for following ethical standards, supporting non-profit organisations and charitable institutions, stressing the transparency of entrepreneurship, providing equal opportunities, taking care of employees, sorting waste and restricting activities damaging the environment.

As a result of newly proposed legislative conditions, as mentioned above, the years 2015 and 2016 are going to represent a crucial transformation period certainly affecting Credit union's trade policy and internal structure. The transformation into a bank means a demanding process which inter alia includes a conversion of the current credit union into a joint-stock company. This part is conditional on fulfilment of a complex list of criteria for gaining a CNB license. On the other hand, this strategic change is objectively inevitable and must be undertaken by Credit union to ensure its further functioning under the new conditions.

We are convinced that Credit union will successfully undergo all of the incoming changes and will be able to provide its products and services to clients on an increasingly advanced level even in the future. In this regard, we fully believe that the previous results of Credit union along with its stable financial positions, business plans for the future, abilities and effort of employees and the continuous support and confidence of its members are the reason for our optimistic outlook for future years.

At the same time, we would like to assure you that all the activities and the accepted decisions are made with the maximum effort to further expand Credit union and make it more competitive in the very challenging financial entrepreneurship market in the Czech Republic as a future bank with a positive perception of the CREDITAS brand.

At the end, we would like to thank all our members for their expressed confidence. We remain committed to making the maximum effort and taking proper care to continuously improve and broaden the products and services of Credit union, in order to ensure its financial stability and to reach the next phase of its development.

In Olomouc, 17 April 2015



**Ing. Vladimír Hořejší, MBA**  
Chairman of the Board



**Kamil Rataj, MBA**  
Deputy Chairman of the Board





# ACHIEVED RESULTS

ARE ALWAYS PLEASANT AND THE CONSEQUENT  
KNOWLEDGE THAT WE CAN GROW FURTHER  
MOVES US AHEAD.

# REPORT ON THE ACTIVITIES OF CREDIT COMMISSION FOR THE YEAR ENDED 31 DECEMBER 2014

Dear members and business friends,

I am pleased to present the report on the activities of the credit commission of Credit union (hereinafter also referred to as „Credit union“) for the past year.

During the year, the credit commission performed its activity with the stable composition of Mgr. and Bc. Jan Andrš, DiS., Mgr. Radek Fotr and Ing. Tomáš Vojkúvka, DiS.

The credit commission fulfils the important role in the formation of Credit union's financial position, financial results and risk-taking, but especially credit risk.

When acting, the credit commission of Credit union follows the resolution of the Board of Credit union with the exception of those competencies entrusted to the credit commission via the code of rules or by legal norms. The credit commission in this regard:

- decides about
  - providing loans to members
  - providing guarantees in the form of responsibility or bank guarantees for members
  - securing or hedging loans
- proposes changes to general trade conditions to the Board, in particular it proposes changes in deposit and loan interest
- has other activities set by the code of rules or by general obligatory legal norms

The credit commission acted for the whole year 2014 in accordance with appropriate legal norms, statutes and other internal regulations and principles of Credit union.

Throughout the year 2014, a total of 97 meetings of the credit commission took place. The credit commission always meets with respect to actual needs in order to discuss the admitted cases and, in accordance with the procedural rules of the credit commission, the regular meetings or meetings with remote voting were carried out. Written records were made on all the meetings and all the accepted decisions. The most essential points of meetings were in particular to assess requests of clients – providing loans, increasing loans, changing loan contracts in terms of the postponement of repayments, prolongation of originally set loan maturities, hedging loans or other obligations resulting from a specific loan contract or from a contract on a specific hedge instrument.

Within the decision making of the credit commission during the year 2014, the impact of the certain correction of current loan expansion of the last few years and also a targeted stabilisation of the size of Credit union at a specific volume level before its planned transformation to bank. The credit commission in 2014 accepted the decision to provide 79 loans with a total volume of CZK 2 802 mil including the increase and prolongation of current loans, which represents a 39% decrease in annual comparisons. The balance sheet value of the portfolio of credit liabilities for members comes to CZK 7 647 million as 31 December 2014 with an annual decrease of 1%. The average interest rate for loans provided in 2014 reached 7.25% annually reflecting market conditions and risk profile of credited members, including their solvency and creditworthiness. The total structure and quality of the credit portfolio is a result of external demand factors of the targeted client segment for credit resources in combination with specifically required higher return potential along with the more risky profile of Credit union. The share of so-called performing receivables in the portfolio as at 31 December 2014 was kept at the same relative proportion in comparison with the status of the last day of 2013, exactly on the level of 17.5%.

Next, during the year 2014, the credit commission proposed to the Board the purchase of 9 corporate bonds with the total value of CZK 502 million.

As a result of market developments and the total decline in interest rates, the credit commission suggested repetitive adjustments to interest rates of deposit products, consisting mainly of current accounts, saving accounts and term deposits.

In Olomouc, 17 April 2015



**Mgr. and Bc. Jan Andrš, DiS.**  
Chairman of the Credit Commission



# REPORT ON THE ACTIVITY OF CONTROL COMMISSION FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Ladies and Gentlemen,

I would like to present you the report on the activities of the control commission of Credit union, savings association (hereinafter also referred to as „Credit union“) for the past year.

The control commission acted fully in accordance with appropriate legal norms, statutes and other internal regulations and principles of Credit union.

For the whole period of the year 2014, the control commission was composed of JUDr. Alena Síkorová and Mgr. Martin Tomeš. The number of members of the control commission had been set at three members, the full state, since 26 June 2014 by the election of Ing. Jitka Plašilová to the commission.

The control commission controls every activity of Credit union, discusses complaints of members and it is authorised to request all possible information and evidence about the economy of Credit union.

The control commission ex ante comments on the proposals of authorising an individual or a legal entity for ensuring an executive function in risk management, compliance, internal audit. Moreover, the control commission evaluates the actions of these people. Without permission from the control commission, it is not possible to withdraw a person from such a position.

Next, the control commission evaluates the activities of the members of the Board of Credit union. During the evaluation process and possible search for new members, the control commission takes into account a sufficiently large range of characteristics and abilities and also applies the principle supporting a purposeful and reasonable diversity in the composition of the Board of Credit union.

In 2015, the control commission carried out 15 meetings and, within its field of activities, it focused on areas which have essential meaning or are crucial for the functioning of Credit union as an unregulated institution.

These fields and activities are as follows:

- executing supervision over the functioning and efficiency of the management and controlling system of Credit union and providing periodic evaluations thereof
- supervising the fulfilment of the accepted strategies of Credit union, including risk management strategy, accounting system and financial reporting integrity along with the reliability of financial and operative controls, following the legal duties and appropriate standards of Credit union, and the adequacy of the communication system and published information
- critical and constructive participation in evaluating total strategic and financial risk management, Compliance and on directing, planning and assessing the activities of the internal audit of Credit union
- periodic controlling of the financial position and financial results of Credit union
- controlling principles, procedures and activities connected with preventing the legalisation of returns from criminal activities and the funding of terrorism
- setting benefit principles for the person executing the function of risk management, Compliance function, internal audit and for members of the Board of Credit union and evaluating the total reward system
- notifying the Board of the extent of identified failures and supervising the execution of remedies

On the basis of executed actions and related findings in supervised areas, the control commission constantly identified and reported its suggestions to the Board for the further improvement of managing and controlling mechanisms. The control in this regard can state that Credit union has set up functional and efficient management and controlling systems, which are adequate to the scale, nature and difficulty of the activities performed. With respect to the new legal conditions and the intention to switch the form of Credit union to a bank, it is useful to note that, for a successful transformation and subsequent functioning on the level of so-called higher banking standards, other improvements of the current management and controlling systems are needed.

Throughout the year 2014, the control commission discussed 4 complaints of members in total, identifying 1 as adequate, along with a suggestion for resolution, and the remaining 3 as unreasonable.

Because of the small institutional size of Credit union, Credit union does not have any established audit committee; therefore, the standard audit functions are also supplied by the control commission. The execution of this function lies in:

- observing and creating financial statements
- assessing the efficiency of internal controls, internal audit and risk management system
- supervising the process of obligatory financial statement audits
- evaluating the independency of the statutory audit and the audit company, in particular in terms of providing additional information to the auditing person(s)
- recommendations on an auditor

In regard to the execution of the auditing function of the audit unit in Credit union, the control commission recommended the company PricewaterhouseCoopers Audit, s. r. o. (IČ 40765521) to the meeting of members of Credit union, as its highest organ, to perform the verification of the financial statement and the annual report for the year 2014.

The control commission likewise reviewed the financial statement for the year ended 31 December 2014, verified by an independent auditor, and decided to recommend it to the member meeting of Credit union, as its highest organ, for approval.

In Olomouc, 17 April 2014



**JUDr. Alena Sikorová**  
Chairman of the Control Commission





WE ARE CREATING  
**A STABLE BACKGROUND**  
WITH HEALTHY AND STRONG FOUNDATION.



## BOARD OF DIRECTORS OF CREDIT UNION CREDITAS



Kamil Rataj

Vladimír Hořejší

Radim Synek

### ING. VLADIMÍR HOŘEJŠÍ, MBA

He is Chairman and member of the senior management. He served as a member of the Board since 4 September 2012 and has been Chairman of the Board since 2 May 2013. During his professional career he held a number of senior positions and functions, including director of the department of information services and settlement in the Consolidation Bank Praha, s.p.ú. and the Czech Consolidation Agency, Deputy Minister of Informatics in the Czech Republic in the department of e-Government and Vice Chairman and Director of Finance and ICT in European-Russian Bank, a.s. After joining Credit union in March 2012, first as advisor to the Board, since September 2012 he worked as director of risk management and, since May 2013, he has been Director of Sales. He is the owner (shareholder) of 4H Consulting s.r.o.

### KAMIL RATAJ, MBA

He is Vice Chairman and a member of the senior management. He served as Vice Chairman since 5 June 2012, he served as a board member since 2 May 2013 and, since 26 June 2014, he performs the function of Vice Chairman of Credit union. He has worked in the banking sector since 1999. He worked in management positions in the company eBanka a.s. and Raiffeisenbank, a.s. He was actively involved in the successful merger project of the two banks, where he directed major centralisation of back-office activities and optimisation of selected branch processes. From 2008 to 2010, he held a senior position within the implementation of the banking system, CRM and IB. After joining Credit union in February 2010 as a project manager, he has held the position of Director of Operations and ICT since June 2010. He is not a member of any body of other legal entities.

### RADIM SYNEK

He is a member of the board of directors and senior management. He operates in the position of Director of Financial Markets since January 2012, as the Board of Directors since 26 June 2014. Before joining Credit union he worked in the banking industry for 20 years. Since 1998, he worked as Vice President of Citibank and Head of the trading department on the interbank markets; since 2004 as director of trading department on the interbank markets for the Czech and Slovak Republics. From 2007 to 2009 he worked at Citibank in London, where he was in charge of trading on the interbank markets in the Czech Republic, Slovak, Romania, Hong Kong, Iceland and Serbia. He is the owner (shareholder) of the company NASEB spol. s.r.o. and Prague Wellness, s.r.o.



## MEMBERS OF THE CREDIT COMMITTEE OF CREDIT UNION CREDITAS

### **MGR. AND BC. JAN ANDRŠ, DIS.**

He is a member of the credit committee since 20 August 2010 and was reappointed as a member of the credit committee on 20 May 2013. From 7 June 2012, he performs the function of Chairman of the credit committee. After finishing his studies of Law at Palacký University in Olomouc, he worked as a lawyer in the real estate sector, followed by financial companies with a focus on credit and bankruptcy issues. He currently works in Credit union in the position of advisor to the Board. He is not a member of the bodies of any other legal entities.

### **ING. TOMÁŠ VOJKŮVKA, DIS.**

He performs the function of a member of the credit committee since 20 August 2010 and he was reappointed as a member of the credit committee at 20 May 2013. Previously, he worked in the business company as a manager responsible for economy of trade and marketing. His task was to fulfil the concept of business policy, which should have ensured the maximum economic effect of completed transactions using marketing tools. He currently works in a finance company as an economic and marketing manager. He is a member of the Board of Housing Cooperative Neherovy domy.

### **MGR. RADEK FOTR**

He performs the function of a member of the credit committee since 5 June 2012 and was reappointed as a member of the credit committee as at 20 May 2013. He has a long history in banking. He built up credit expertise gained over 5 years as a corporate consultant in the Česká spořitelna, a.s. Previously, he worked in the Živnostenská banka in the position of branch manager. He has been working at Credit union since March 2011 and holds the position of Head of Operational Risk and Security since 1 October 2014. He is not a member of the bodies of any other legal entities.

## MEMBERS OF THE CONTROL COMMISSION OF CREDIT UNION CREDITAS

### **JUDR. ALENA SIKOROVÁ**

She performs the function of Head of the Control Commission from 3 October 2013. From 26 May 2008 to 5 June 2012, she served as Vice-Chairman. In the past, she worked in Česká spořitelna, a.s. as a lawyer in risk management of the banking activities and as a firm lawyer. She was also chairperson of the damage commission. In her previous experience, she also worked in the segment on the provision of loans, receivables management and executor activities. From July 2010 to March 2014, she held the position of Director of Legal Support and Compliance, and, from May 2013 until March 2014, she was also a member of senior management. She is not a member of the bodies of any other legal entities.

### **MGR. MARTIN TOMĚŠ**

He performs the function of a member of the Control Committee since 20 August 2010 and was again appointed as a member of the Control Committee as at 12 November 2012. After graduating from the Law Faculty of Palacký University in Olomouc he has worked as a commercial lawyer focusing on the issue of loans, collection and administration of receivables. Then, from the position of trainee lawyer, he worked with Credit union under a mandate agreement whose object was, in particular, the provision of legal services for deposit and credit products. After passing the bar exams as an independent attorney, he is focusing inter alia on the area of cooperative law. He is Chair of the Community of owners, Olomouc, Nové Sady, Rooseveltova 752/122, Postal Code 779 00.

### **ING. JITKA PLÁŠILOVÁ**

She performs the function of a member of the Credit Committee since 26 June 2014. She has worked in the financial sector since 1999, as she held a position of an acquirer and a merchant in the company CAC Leasing, a.s., she also worked in the position of acquirer, merchant and deputy branch manager at ČSOB Leasing, a.s. She also gained further work experience at a position in the company CREDIT Merchant Financial Ltd., where she focused primarily on processing loans, including collateral management and receivables administration and collection. Since 2006 she works as a manager in the company SMART HYPO s.r.o., where she focuses on administration and collection of receivables, auctioning real estate and insolvency proceedings. She is not a member of the bodies of any other legal entities.

# MEMBERS OF SENIOR MANAGEMENT OF CREDIT UNION CREDITAS

## ING. VLADIMÍR HOŘEJŠÍ, MBA

He is Chairman and member of the senior management. He served as a member of the Board since 4 September 2012 and has been Chairman of the Board since 2 May 2013. During his professional career he held a number of senior positions and functions, including director of the department of information services and settlement in the Consolidation Bank Praha, s.p.ú. and the Czech Consolidation Agency, Deputy Minister of Informatics in the Czech Republic in the department of e-Government and Vice Chairman and Director of Finance and ICT in European-Russian Bank, a.s. After joining Credit union in March 2012, first as advisor to the Board, since September 2012 he worked as director of risk management and, since May 2013, he has been Director of Sales. He is the owner (shareholder) of 4H Consulting s.r.o.

## KAMIL RATAJ, MBA

He is Vice Chairman and a member of the senior management. He served as Vice Chairman since 5 June 2012, he served as a board member since 2 May 2013 and, since 26 June 2014, he performs the function of Vice Chairman of Credit union. He has worked in the banking sector since 1999. He worked in management positions in the company eBanka a.s. and Raiffeisenbank, a.s. He was actively involved in the successful merger project of the two banks, where he directed major centralisation of back-office activities and optimisation of selected branch processes. From 2008 to 2010, he held a senior position within the implementation of the banking system, CRM and IB. After joining Credit union in February 2010 as a project manager, he has held the position of Director of Operations and ICT since June 2010. He is not a member of any body of other legal entities.

## RADIM SYNEK

He is a member of the board of directors and senior management. He operates in the position of Director of Financial Markets since January 2012, as the Board of Directors since 26 June 2014. Before joining Credit union he worked in the banking industry for 20 years. Since 1998, he worked as Vice President of Citibank and Head of the trading department on the interbank markets; since 2004 as director of trading department on the interbank markets for the Czech and Slovak Republics. From 2007 to 2009 he worked at Citibank in London, where he was in charge of trading on the interbank markets in the Czech Republic, Slovak, Romania, Hong Kong, Iceland and Serbia. He is the owner (shareholder) of the company NASEB spol. s.r.o. and Prague Wellness, s.r.o.

## ING. JOSEF HOLUB, FCCA

He is a member of senior management. He graduated from Electrical Engineering at Plzeň, majoring in economics and management and is a qualified member of the Association of Chartered Certified Accountants ACCA (UK). In his previous practice he worked from 1992 to 1997 at PriceWaterhouse and then in 2010 as CFO and member of the Board of Directors of Aviva Životní pojišťovna a.s. and subsequently as an independent advisor and consultant. Since joining Credit union in January 2012, he holds the position of Director of Finance. Since 3 October 2013 to 10 December 2013, he also served as a member of the Control Committee. He is not a member of the bodies of any other legal entities.

## MGR. MIROSLAV MORHÁČ, MBA

He is a member of senior management. He has been in the Credit union since joining as at 1 October 2014 and holds the position of Director of Risk Management. He graduated from the Faculty of Mathematics and Physics of Comenius University in Bratislava and then completed a training program MBA at CMC Čelákovice Depaul University with a focus on finance and marketing. During his career, first he served in various positions in trading on financial markets in Slovenská spořitelna a.s. and Hypovereinsbank. He then successively held the position of Treasury Sales, product and project manager at Raiffeisenbank a.s. Prior to joining Credit union, he was responsible for the overall business design and development of banking systems in the company SUNGUARD. He is not a member of the bodies of any other legal entities.

**JAROMÍR HOŠEK, MBA**

From 1 April 2014, he is a member of senior management. Before entering Credit union he served as the director of 1. Úvěrní družstvo Chotěboř. Since 2004, he held the position of branch manager and deputy director of Credit union. In years 2004 to 2007 also served as a member of the credit committee of Credit union. He served as a board member from 14 June 2007 to 4 September 2012. Since 1 February 2013, he holds the position of Director of Internal Audit. He is not a member of the bodies of any other legal entities.

**BC. RADEK HELOŇA, DIS.**

From 1 April 2014, he is a member of senior management. He has a long history in banking. He gained experience in risk management as Manager of Collections at Raiffeisenbank, a.s., where he worked from 2008 to 2010. Previously, he worked for five years at eBanka as a supervisor of client services. Since January 2011, he worked as a specialist in Compliance at Credit union, from October 2011 as Head of Compliance and at the position of Director of Compliance and AML from 1 April 2014. He is the authorised representative of the owners' union for Community House Norská 239/37, 240/39 in Olomouc.

**ING. LENKA NĚMEČKOVÁ**

From 1 April 2014, she is a member of senior management. In the past, she worked as Office Manager at NextiraOne Czech s.r.o. and as director of the office of AK Koutná, Slušná & Bělohávek v.o.s. She has been working at Credit union since 2012, where she first worked as an assistant to the Chairman of the Board and, since 2013, was the project manager. She operates in the position of Director of Office Management Board since 1 April 2014. She is not a member of bodies of any other legal entities.

**JUDR. ALENA SIKOROVÁ**

She performs the function of Head of the Control Commission from 3 October 2013. From 26 May 2008 to 5 June 2012, she served as Vice-Chairman. In the past, she worked in Česká spořitelna, a.s. as a lawyer in risk management of the banking activities and as a firm lawyer. She was also chairman of the damage commission. In her previous experience, she also worked in the segment on the provision of loans, receivables management and executor activities. From July 2010 to March 2014, she held the position of Director of Legal Support and Compliance, and, from May 2013 until March 2014, she was also a member of senior management. She is not a member of the bodies of any other legal entities.

**DANIEL SKARPÍŠEK, MBA**

Until February 2014, he was a member of senior management. He served as Chairman of the Board since 27 January 2012 and, from 2 May 2013 to 26 February 2014, he served as Vice Chairman. Before he started working for the Credit union, he worked for 11 years in banking. Since 2001, he served as Director of Client Services and later as director of division for alternative distribution channels in eBanka a.s. During the merger with Raiffeisenbank, a.s., he worked on the project of merging these two banks, then on projects focused on the quality of services provided to clients. Since July 2009, he served as director of Credit union and, from February 2012 to February 2014, he served as Managing Director.

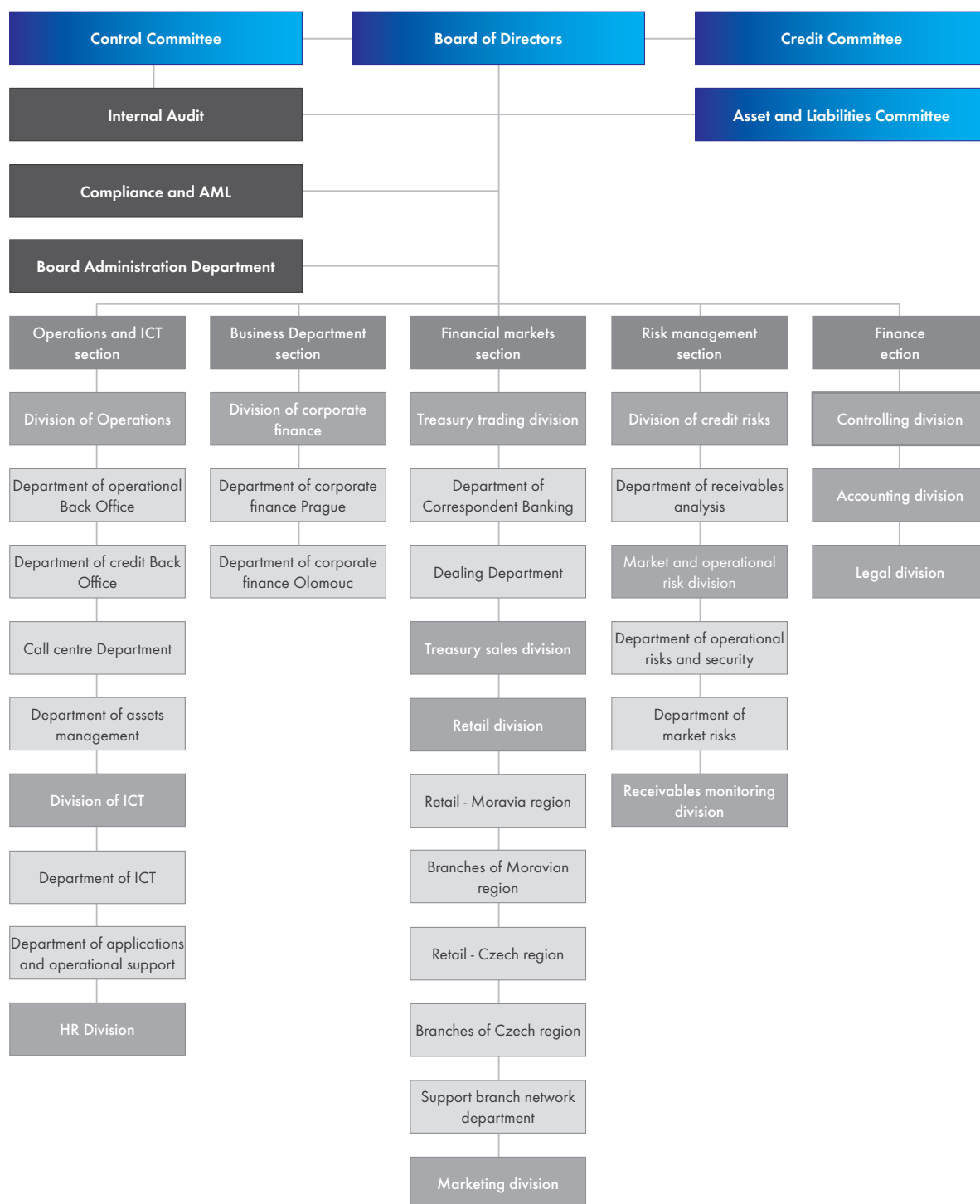




A hand with light pink manicured nails is visible on the left side, holding a thin branch with small yellow flowers. The background is a soft-focus outdoor scene with trees and a blue sky. The text is overlaid in the lower right quadrant.

WE OFFER  
**A VARIETY OF PRODUCTS**  
FOR YOUR SATISFACTION AND PROVIDE YOU  
WITH THE BEST CARE.

# ORGANIZATION STRUCTURE (VALID AS AT 31. 12. 2014)

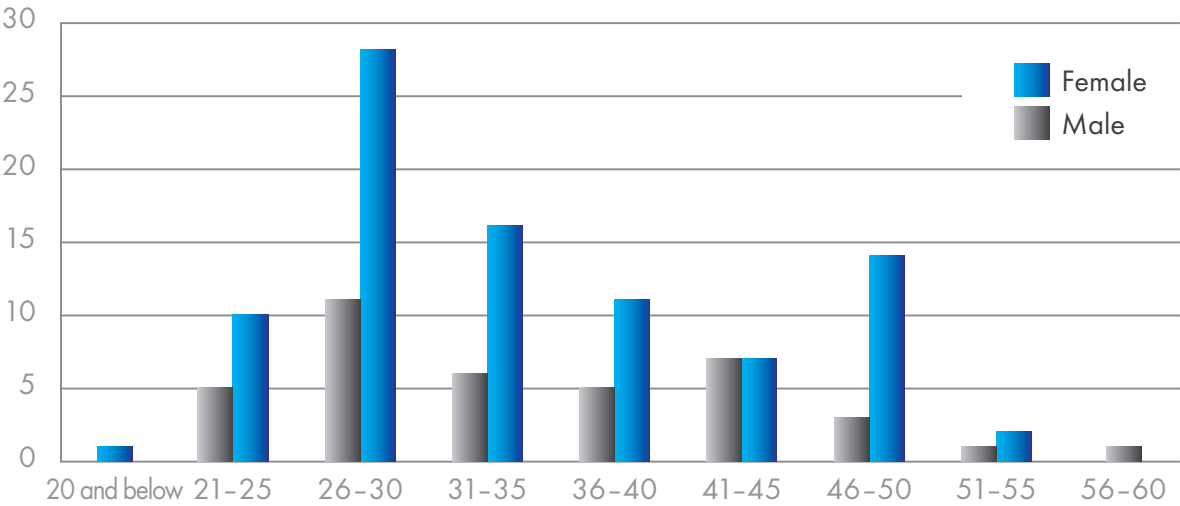


## Information about members with qualified participation

As at 31 December 2014, there were no members with qualified participation in Credit union.

# EMPLOYEES

AGE STATISTICS OF STAFF OF THE ORGANISATION  
(AS AT 31.12.2014)



 **89**  
FEMALES

 **39**  
MALES

  **128**  
TOTAL \*

\* figures do not include employees on maternity leave









WE SUPPORT

WHERE IT IS NEEDED. THE ART OF SHARING  
IS A MATTER OF COURSE TO US.

## SOCIAL RESPONSIBILITY

Over the long term, Credit union has strengthened its position as a socially responsible company actively involved in many projects. As in previous years, in 2014 it focused on both arts and cultural heritage, as well as support of sporting activities.

### SPORT

#### **Association TREND VOZÍČKÁŘŮ Olomouc**

Purchasing registration with the Association TREND VOZÍČKÁŘŮ Olomouc to participate in the Mattoni 1/2 Marathon Olomouc race, Credit union supported activities in favour of severely handicapped people.

#### **TJ Sokol Slavonín, o.s.**

Support and service of children's playground.

#### **Equine Sport Centre Olomouc o.p.s.**

Financial support for physical education and sports services in the field of sports and racing operations.

#### **Czech Wheelchair Tennis Association**

Financial support of costs associated with the international wheelchair tennis tournament organisation in Prostějov – VINCI Wheelchair Czech Open 2014.

### CHARITY

#### **Šance o.p.s.**

Supporting seriously ill children at the Children's Clinic of the University Hospital Olomouc through involvement in the charitable collections league and by buying poinsettias.

### CULTURE

#### **ASPEKT FOUNDATION 2000**

Support for artistic work in painting, sculpture, glass and graphics.

#### **KSPS Collegium Vocale Olomouc**

Support while organising the LAUDATE DOMINIUM spiritual concert for the public.







*English translation*

## ***Independent auditor's report***

### **to the members of Záložna CREDITAS, spořitelní družstvo**

We have audited the accompanying financial statements of Záložna CREDITAS, spořitelní družstvo, identification number 634 92 555, with registered office at tř. Svobody 1194/12, Olomouc ("Credit Union") for the year ended 31 December 2014 disclosed in the annual report on pages 36-63 and issued the opinion dated 3 April 2015 and disclosed on page 35 of the annual report.

#### **Report on the Annual Report**

We have verified that the other information included in the annual report of the Credit union for the year ended 31 December 2014 is consistent with the financial statements which are included in this annual report. The Statutory Body is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

#### *Auditor's Responsibility*

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

#### *Opinion*

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2014 is consistent, in all material respects, with the financial statements.

17 April 2015

PricewaterhouseCoopers Audit, s.r.o.  
represented by partner

Petr Kříž  
Statutory Auditor, Licence No. 1140

#### *Translation note*

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation

*PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic T: +420 251 151 111, F: +420 251 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)*

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.





English translation

## ***Independent auditor's report***

### **to the members of Záložna CREDITAS, spořitelní družstvo**

We have audited the accompanying financial statements of Záložna CREDITAS, spořitelní družstvo, identification number 634 92 555, with registered office at tř. Svobody 1194/12, Olomouc ("Credit union"), which comprise the balance sheet as at 31 December 2014, the income statement for the year then ended, equity movement table and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

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

The Statutory Body is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation, and for such internal control as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Credit union's preparation of the financial statements that give a true and fair view 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 Credit union's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Credit union as at 31 December 2014 and its financial performance for the year then ended in accordance with Czech accounting legislation.

3 April 2015

PricewaterhouseCoopers Audit, s.r.o.  
represented by partner

Petr Kříž  
Statutory Auditor, Licence No. 1140

#### Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

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# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### BALANCE SHEET AND OFF-BALANCE SHEET AS AT 31 DECEMBER 2014

(CZK thousand)	Note	31 December 2014	31 December 2013
<b>ASSETS</b>			
Cash and cash deposits with central banks	3	1,370,652	908,094
Due from banks	4	756,148	614,264
a) repayable on demand		245,937	119,791
b) other receivables		510,211	494,473
Due from customers – members of credit unions	5	7,646,900	7,717,673
Debt securities	6	635,381	373,098
Long-term intangible assets	7	13,534	17,229
Long-term tangible fixed assets	7	11,765	13,758
Other assets	8	59,915	60,163
Deferred tax asset		23,984	27,584
Unpaid receivables from subscribed share capital	12	–	10,001
Prepayments and accrued income	8	38,250	961
<b>Total assets</b>		<b>10,532,545</b>	<b>9,715,241</b>
<b>LIABILITIES</b>			
Due to customers – members of credit union	10	9,272,419	8,468,266
a) repayable on demand		977,188	797,386
b) other payables		8,295,231	7,670,880
Other liabilities	11	58,763	88,360
Subordinated liabilities	10	294,126	294,126
Share capital	12	865,246	833,792
Share capital		865,246	823,791
Unpaid share capital		–	10,001
Obligatory reserve funds and Risk funds	12	13,928	13,878
Retained earnings from previous periods		16,717	16,718
Profit for the accounting period		11,346	101
<b>Total liabilities</b>		<b>10,532,545</b>	<b>9,715,241</b>

(CZK thousand)	Note	31 December 2014	31 December 2013
<b>OFF-BALANCE SHEET ASSETS</b>	13		
Commitments and guarantees given		111,852	356,249
Collateral and pledges given		377,472	231,000
Receivables from spot transactions		192,788	43,197
Receivables from term instruments		1,192,217	940,734
<b>Total off-balance sheet assets</b>		<b>1,874,329</b>	<b>1,571,180</b>
<b>OFF-BALANCE SHEET LIABILITIES</b>	13		
Commitments and guarantees received		285,000	190,000
Collateral and pledges received		4,928,839	4,719,120
Payables from spot transactions		189,989	43,193
Payables from term instruments		1,198,625	967,841
<b>Total off-balance sheet liabilities</b>		<b>6,602,453</b>	<b>5,920,154</b>

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK thousand)	Note	2014	2013
Interest and similar income	14	624,750	608,716
Interest and similar expense	15	(285,389)	(261,006)
Fee and commission income		4,393	2,385
Fee and commission expense	15	(6,032)	(5,179)
Gains less losses from financial transactions	16	(675)	759
Other operating income	17	(1,528)	58,606
Other operating expense	18	(99,619)	(106,812)
Administrative expense	19	(155,889)	(176,167)
of which: a) staff costs		(93,608)	(107,501)
of which: aa) wages and salaries		(68,174)	(77,342)
ab) social and health insurance		(20,579)	(23,245)
b) other administrative expenses		(62,281)	(68,666)
Depreciation/amortisation for long-term tangible and intangible fixed assets	7	(15,544)	(12,198)
Allowances and provisions for amounts due from clients	9	(24,243)	(94,805)
<b>Profit on ordinary activities before taxation</b>		<b>43,280</b>	<b>14,299</b>
Income tax	20	(31,934)	(14,198)
<b>Profit for the accounting period</b>		<b>11,346</b>	<b>101</b>



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(CZK thousand)	Share capital	Reserve fund	Risk fund	Retained earnings	Total
<b>Balance as at 1 January 2013</b>	<b>764,189</b>	<b>3,939</b>	<b>5,739</b>	<b>20,918</b>	<b>794,785</b>
Profit for the accounting period	-	-	-	101	101
Transfer to funds	-	2,100	2,100	(4,200)	-
Termination or decrease of member contributions	(3,021)	-	-	-	(3,021)
Increase of member contributions	72,624	-	-	-	72,624
<b>Balance as at 31 December 2013</b>	<b>833,792</b>	<b>6,039</b>	<b>7,839</b>	<b>16,819</b>	<b>864,489</b>
Profit for the accounting period	-	-	-	11,346	11,346
Transfer to funds	-	25	25	(50)	-
Settlement shares (Note 12.3)	-	-	-	(51)	(51)
Termination or decrease of member contributions	(1,619)	-	-	-	(1,619)
Increase of member contributions	33,073	-	-	-	33,073
<b>Balance as at 31 December 2014</b>	<b>865,246</b>	<b>6,064</b>	<b>7,864</b>	<b>28,064</b>	<b>907,238</b>

## 1. GENERAL INFORMATION

Záložna CREDITAS, spořitelní družstvo (hereinafter referred to as „Credit union“) was incorporated on 26 February 1996 and has a registered office at tř. Svobody 1194/12, 779 00 Olomouc. Within the internal organisational structure, Credit union is divided into the headquarters and 13 regional branches represented by local business points in the Czech Republic.

Credit union is a regulated credit institution and, in performing its activities, is obliged to comply with appropriate prudential rules. Credit union is a subject to supervision by Czech National Bank („CNB“), which is the authority supervising the financial market in the Czech Republic. Credit union, in the scope of its license to operate as a credit union under Act no. 87/1995 Coll., On Credit unions as amended by the applicable regulations (hereinafter „AoCU“), is entitled to carry out the following activities:

- accepting deposits from its members;
- providing loans to its members;
- payments, clearing, issuing and administration of payment means for members;
- providing guarantees in the form of insurance or a bank guarantee for members;
- providing money collecting services for members;
- buying and selling foreign currency for members;
- renting safe-deposit boxes to members \*;
- financial leasing for members \*;
- opening letters of credit for members \*;

*\*Note: The Credit union does not perform these permitted activities yet*

and exclusively for the purpose of provision of the permitted activities Credit union is authorised to perform the following activities:

- place deposits in credit unions and banks and branches of foreign banks;
- accept loans from credit unions and banks;
- acquire assets for the purpose of ensuring own operational activities and disposing of it;
- trading on its own account with foreign exchange instruments and interest rates in order to hedge risks arising from authorised activities;
- trading on its own account in securities approved to trading on a European regulated market;
- trading on its own account with bonds issued by a member state of the Organisation for Economic Cooperation and Development or the Central bank of this country, bonds guaranteed by a member state of the Organisation for Economic Cooperation and Development, and bonds issued by the European Investment Bank, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development or another international financial institution of which the Czech Republic is a member;
- execute trades with the CNB in accordance with the law governing the activities of the CNB

At the end of 2014, an amendment to the AoCU was approved, which fundamentally adjusts the conditions for further activities of credit unions. Consequently, from 1 January 2015, that led to the increase in contributions to the Deposit Insurance Fund, and over time it will further lead to toughening of the conditions for provision of loans, setting interest on deposits and increasing the level of involvement of members in operation of credit unions. Since the beginning of 2018, the new boundaries will be introduced defining the size limit of credit unions to the amount of CZK 5 bil. of the total assets.

In the event of exceeding the limit, the credit union must either be transformed into a bank, or to continue its activities without options for further growth, respectively with the obligation to reduce its size below this limit. In the case of initiating the transformation into a bank, the 2015 amendment specifies milder conditions. Credit union has already announced its strategic plan to transform into the bank and is launching preparatory work for a project leading to obtaining a banking license. Given the course of the legislative process and the uncertainty resulting from it, it appeared to be appropriate to wait on any specific transformation steps until the final form of the new legislation is in force.

As a regulated institution, Credit union is almost continuously subject to certain forms of checks, whether it is in the form of remote supervision or on-site. In 2014, CNB performed on-site inspections aimed at verifying the credit risk management and

risks associated with credit activities, market risk management, liquidity risk management, the process of processing and settling transactions in financial markets, the system of internal capital adequacy assessment, IS / IT risk management and remuneration policies and practices. As at the date of these financial statements, the inspection has not yet been formally concluded; however, in the meantime, Credit union itself has adopted a system of internal measures leading to the correction of the identified deficiencies. A previous similar inspection was conducted by CNB in 2011.

## 2. ACCOUNTING POLICIES

### 2.1. BASIS OF PREPARATION

The financial statements, comprising a balance sheet, statements of income and of changes in equity and accompanying notes, are prepared in accordance with the Act on accounting and the applicable accounting rules set by the Ministry of Finance of the Czech Republic and Czech accounting standards for financial institutions. The financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments at fair value through profit or loss and

available-for-sale to fair values. Management believes that Credit union has adequate resources to continue its business activities in the foreseeable future. As a result, these financial statements are prepared on a going-concern basis.

The financial statements are rounded to thousands of Czech Crowns ("CZK thousand") unless otherwise stated.

The financial statements are not consolidated and the Credit union is not a part of any consolidated group.

### 2.2. RECOGNITION AND DERECOGNITION OF THE FINANCIAL ASSETS AND LIABILITIES

The following rules apply for the recognition of the financial assets and liabilities:

The settlement date is the date of payment or receipt of cash, the day of purchase or sale of foreign currency or securities, the date of payment or debiting client the account, the date of order to a correspondent to make a payment, settlement date of the bank's orders with the CNB clearing centre.

The settlement date principles for other financial operations is stated in notes below.

The following rules apply for the derecognition of financial assets and liabilities:

Credit union derecognises a financial asset or its part when it loses control over the asset or its part. The difference between the carrying amount of an asset (or a portion thereof) extinguished or transferred and the amount received for is recognised net in profit.

Credit union removes a financial liability (or a part of a financial liability) from its balance sheet when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a liability (or a portion thereof) extinguished or transferred and the amount paid for it is recognised net in profit.

### 2.3. FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated and recorded at the exchange rate valid as at the time of the transaction.

Financial assets and liabilities denominated in foreign currencies as at the balance sheet date are translated to Czech Crowns at the exchange rate announced by the CNB.

Resulting foreign exchange gains and losses are recognised in the income statement. For assets and liabilities at fair value as at balance sheet date, the foreign Exchange difference is then part of the revaluation to fair value.

### 2.4. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognised for all interest-bearing instruments on an accrual of daily interest calculation basis using the linear interest rate method.

Interest income also includes income fees, which in nature represents interest income.

Income on non-performing receivables is also accrued and capitalised into the related loan balance. Such amounts are considered when estimating the provision for non-performing receivables.

### 2.5. PENALTY INTEREST

Penalty income, which has the nature of contractual penalties or interest on overdue payments, is recorded on the basis of its repayment or collection.



## 2.6. FEE AND COMMISSION INCOME

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

## 2.7. RECEIVABLES

Receivables are stated at nominal value, which reflects the principal, accrued interest income or other related payments less of allowances. Bad debts are written off after insolvency proceedings against the debtor or, prior to insolvency based on the internal decision about the uncollectibility of the receivable made by Credit union.

Individual receivables from financial activities are classified in categories and subcategories according to the definitions of prudential rules of CNB, which can be summarised as follows:

Receivables in the category „non-impaired“ (a subcategory of „standard“ and „watched“) are not overdue more than 30 days in case of standard receivables, or 90 days in case of watched receivables. With regard to the financial and economic situation of the debtor for these receivables, their full repayment is likely without proceedings taken by Credit union to satisfy its claim on collateral. The claim cannot be included in the category „non-impaired“, specifically to the subcategory „standard“ if it was restructured in the last 2 years due to the worsening of the financial situation of the debtor, in other words to the subcategory „watched“ if the restructuring has occurred in the last 6 months.

The receivable is considered restructured if the forced restructuring of the loan occurs, which is likely to lead to a reduction in value caused by substantial remission or postponement of principal repayment, interest repayment or, where applicable, payment of charges. Receivables resulting from the renewal of the short-term loan are not considered restructured, if the borrower fulfilled the obligations arising out of the credit agreement.

Receivables in the category „impaired“ (subcategory of „substandard“, „doubtful“ and „loss“ receivables) are overdue more than 90 days or show any of the failure indicators pursuant to Art. 178 of EU Regulation 575/2013 (CRR), or CNB Decree no. 163/2014 Coll., on the basis of the application of the prudential principle. In this case, therefore, this does not necessarily have to lead to a de facto failure in terms of the proper repayment of the debt or delay in repayments.

If Credit union has more receivables from the same borrower, and some of them meet the definition of failure, all claims against the debtor are classified as defaulted receivables and within the same subcategory of receivables. If the claim meets the same criteria for inclusion in several sub-categories, it is classified in the worst of these subcategories.

## 2.8. ALLOWANCES

Allowances to receivables reduce the carrying value of the individual receivables, particularly for loans provided. The amount of allowance is determined based on evaluation of the recoverable amount of receivables as at the balance sheet date, taking into account the current value of the collateral at forced sale.

Additions to the allowances and their utilisation or release of the allowances are recognised in the income statement. In the case of the utilisation of allowance, the expenses and losses related to the decrease in assets are also recognised in the income statement.

Due to the nature of its activities, the structure and volume of the loan portfolio exposures, Credit union applies standardised individual approach to assessment of receivables and determining the allowances amounts.

Portfolio-based approach is not applied.

Allowances for loans denominated in a foreign currency are created in that foreign currency.

## 2.9. DEBT SECURITIES

Credit union trades on its own account with debt securities approved to trading on a regulated European market.

All securities are classified under the category of securities at fair value through profit or loss accounts.

Purchases and sales of debt securities are recorded as at the date of trading. At the settlement date, they are thereafter recorded in the balance sheet. For the valuation of losses arising from the sale, the weighted average calculation method is used.

Securities are valued at acquisition cost. The acquisition cost includes the purchased aliquot interest and the direct costs relating to acquisition (e.g. the fees and commissions paid to brokers and stock exchanges). As at the balance sheet date, securities are revalued at their fair value and any differences on revaluation are recognised in the profit or loss account. The fair value of a security is determined as the market „mid“ price quoted by the relevant stock exchange or other active public market. For securities denominated in foreign currencies, their value is translated to Czech Crowns at the current exchange rate announced by the CNB and foreign exchange differences are treated as part of the revaluation to fair value.

In the case of certain debt securities, the issuer has the right (option) to early repayment. These options represent an embedded derivatives that are not treated as separate derivatives, as their risks and characteristics are closely linked to the characteristics and risks of the host contract (debt security) and the host contract is carried at fair value through profit or loss.

## 2.10. SPOT FOREIGN EXCHANGE TRANSACTIONS

Spot foreign exchange transactions refer to operations of purchasing and selling foreign currency financial assets when the period of time between the transaction date and the settlement date is no longer than 2 days, or another period depending on market practices.

Foreign exchange spot transactions are recorded as at the trading day, and receivables and payables arising from spot transactions between the date of negotiation and trade settlement date are recorded on off-balance sheet at their nominal contract value. All open spot positions are revalued as at the balance sheet date at their fair value. Gains or losses arising from changes in fair value of spot transactions are recorded at the balance sheet and in the profit and loss account.

## 2.11. DERIVATIVES

Derivative financial instruments are represented by fixed term currency swap operations, also called "OTC - Over The Counter". Credit union classifies all derivatives as «held for trading» and does not apply hedge accounting.

Derivatives are recorded as at the trading day and are recorded in off-balance sheet at their nominal contract value. Financial derivatives are initially recognised at cost and are subsequently measured at fair value. All derivatives are presented in other assets if they have a positive fair value, or in other liabilities when their fair value for the Credit union is negative.

Changes in the fair value of derivatives held for trading are included in profit or loss from financial operations.

Fair values are derived from the discounted cash flow model using quoted market data. The valuation models reflect current market conditions as at the assessment date which may not reflect the situation on the market before or after that date. As at the balance sheet date, management of the Credit union has reviewed these models and ensured that they appropriately reflect current market conditions, including relative market liquidity and credit spreads.

## 2.12. LONG-TERM TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible assets are recorded at cost and depreciated over their estimated useful lives applying annual depreciation rates that are consistent with the tax depreciation rates.

Group of assets	Depreciation time in years
Buildings, halls and leasehold improvements of rented assets	50
Equipment	3 - 10
Other	5 - 10
Software	4

Technical improvements of already recorded tangible and intangible assets, with the acquisition price in the aggregate for the entire accounting period exceeding CZK 40 thousand, is activated and represents the increase of input price or the residual value of these assets. Depreciation is calculated according to individual categories of assets from this increased price. Technical improvements, where the value in the current period does not exceed CZK 40 thousand, are expensed directly at the acquisition.

Costs of repairs and maintenance expenditures are expensed as incurred.

Assets held under finance lease agreements are not capitalised and are accounted for similarly as operating leases, where rental charges are expensed evenly over the contract period. Also, the total leasing liabilities are recorded in liabilities.

Tangible assets with a unit cost of less than CZK 40 thousand comprising of sets of furniture and equipment are capitalised and subsequently amortised on a straight lump sum principle directly to costs with the rate of 25% corresponding to the expected time span of 4 years.

Other tangible fixed assets with a unit cost of less than CZK 40 thousand with a useful life longer than one year and intangible fixed assets with a unit cost of less than CZK 60 thousand with a useful life longer than one year are fully expensed upon acquisition.

### 2.13. VALUE ADDED TAX

Credit union is not registered for value added tax ("VAT"). VAT is therefore part of the cost of services received and other transactions and tangible and intangible assets are stated at cost, including VAT.

### 2.14. DEFERRED TAXATION

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method. A deferred tax asset is recognised to the extent of probable future available taxable profit against which this asset can be utilised.

The approved tax rate for the period in which the Credit union expects to utilise the asset or settle the liability is used for the deferred taxation calculation.

### 2.15. STAFF COSTS, PENSIONS AND SOCIAL FUND

Staff costs are included in administrative expenses and comprise the remuneration of the Board of directors, Credit committee and Control committee.

Credit union regularly pays statutory payments to the state budget for funding the state pension plan and health insurance, and beyond these limits Credit union does not provide its employees with additional pension contributions nor contributions to any other pension funds or plans.

### 2.16. RELATED PARTIES

Organisations or individuals with a special relationship to Credit union based on the AoCU are considered members of Credit union, members of the elected bodies of Credit union and persons close to them under the Civil Code (hereinafter referred to as "related parties"). In accordance with the AoCU and statutes, Credit union is entitled to undertake actions solely for its members. Consequently, virtually all financial activities of Credit union, except for transactions with counterparties whose membership is excluded based on specific legislation, are carried out with related parties.

Selected transactions, balances and pricing policies with selected related parties are disclosed in Note. 5.3

### 2.17. SUBSEQUENT EVENTS

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the event that these events provide further evidence of conditions, which existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to preparation of the financial statements that are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed in the notes to the financial statements, but are not themselves reflected in the financial statements.

## 3. CASH AND CASH DEPOSITS WITH CENTRAL BANKS

(CZK thousand)	31 December 2014	31 December 2013
Cash on hand	3,886	8,713
Cash in transit	335,813	4,146
Deposits held with the Central bank	1,030,953	895,235
<b>Total cash and cash deposits with central banks</b>	<b>1,370,652</b>	<b>908,094</b>

In the context of central bank deposits, Credit union also maintains the minimum obligatory reserves. Credit union properly maintained this obligation during the whole accounting period.

## 4. DUE FROM BANKS

(CZK thousand)	31 December 2014	31 December 2013
Term deposits including the accrued interest	509,611	493,685
Current and saving accounts	245,961	119,791
Other receivables	576	788
<b>Total due from banks</b>	<b>756,148</b>	<b>614,264</b>



## 5. DUE FROM CUSTOMERS AND MEMBERS

### 5.1. RECEIVABLES BY TYPE OF DEBTOR

(CZK thousand)	31 December 2014	31 December 2013
Due from customers and members – individuals	257,311	339,063
Due from customers and members – entrepreneurs	12,680	64,523
Due from customers and members – legal entities	7,630,419	7,543,355
<b>Total due from customers and members</b>	<b>7,900,410</b>	<b>7,946,941</b>
Allowance for impaired loans (Note 9)	(253,510)	(229,268)
<b>Total due from customers and members, net</b>	<b>7,646,900</b>	<b>7,717,673</b>

### 5.2. QUALITY OF RECEIVABLES PORTFOLIO

Receivables from clients and members and the relating allowances according to the definitions of the categories and subcategories issued by the CNB can be analysed as follows:

31 December 2014 (CZK thousand)	Receivables gross	Allowances	Receivables net
Non-impaired:			
- standard	2,771,889	-	2,771,889
- watched	3,551,311	17,950	3,533,361
<b>Total non-impaired</b>	<b>6,323,200</b>	<b>17,950</b>	<b>6,305,250</b>
Impaired:			
- substandard	1,024,956	82,577	942,379
- doubtful	203,686	68,766	134,920
- loss	348,568	84,217	264,351
<b>Total impaired</b>	<b>1,577,210</b>	<b>235,560</b>	<b>1,341,650</b>
<b>Total receivables</b>	<b>7,900,410</b>	<b>253,510</b>	<b>7,646,900</b>

31 December 2013 (CZK thousand)	Receivables gross	Allowances	Receivables net
Non-impaired:			
- standard	3,341,411	0	3,341,411
- watched	3,004,587	25,733	2,978,854
<b>Total non-impaired</b>	<b>6,345,998</b>	<b>25,733</b>	<b>6,320,265</b>
Impaired:			
- substandard	777,083	74,966	702,117
- doubtful	548,029	83,331	464,698
- loss	275,831	45,238	230,593
<b>Total impaired</b>	<b>1,600,943</b>	<b>203,535</b>	<b>1,397,408</b>
<b>Total receivables</b>	<b>7,946,941</b>	<b>229,268</b>	<b>7,717,673</b>

To mitigate the losses in case of default of receivables, Credit union accepts pledge collateral for receivables. (See Note 21.4).

Property and personal collateral represent accepted pledges. Property collateral includes real estate, movable assets, securities, shares, trademarks and receivables. Personal collateral includes personal guarantees, bills of exchange and bank guarantees.

Value of collateral is determined based on an internal valuation prepared by Credit union, which is based on valuers' reports or external observable data of the prices of individual types of collateral. This value is further discounted to determine the present value in the event of a forced sale (realisation of collateral), and thus reduced value is also taken into account as part of the calculation of allowances. (see Note 9). The value of the collateral is regularly reassessed during the duration of credit relations.

The structure of received collateral for loans provided to customers and members can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Real estate	2,834,384	2,381,920
Receivables	924,693	1,289,356
Movable assets	764,334	611,534
Securities, trade shares and other collateral	405,428	436,310
<b>Total collateral accepted (see Note 13)</b>	<b>4,928,839</b>	<b>4,719,120</b>

In 2014, the total amount of restructured debts equalled CZK 522,915 thousand (2013: CZK 516,347 thousand).

The total overdue amount of loans including related payments as at 31 December 2014 amounted to CZK 158,716 thousand (31 December 2013: CZK 90,715 thousand).

### 5.3. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Receivables from members or other assets include balances of loans provided to important members, employees, members of elected bodies and their relatives and are as follows:

(CZK thousand)	31 December 2014	31 December 2013
Loans provided to the important member of the Credit union	240,500	276,500
Interest and fees related to the loan provided to the important member of the Credit union	19,788	18,650
Loans provided to employees and members of elected bodies of the Credit union	28	376

All the loans to employees, members of elected bodies and important members of Credit union were provided in the ordinary course of business under similar conditions and interest rates, which were used for comparable transactions with other members, and they also were not connected to higher than normal market risk or show other unfavourable features. None of these individuals has been given any further benefits beyond the standard conditions of providing the services and products of Credit union, including deposits, which were accepted under the same terms and conditions as comparable transactions with other customers realised in the same time period.

## 6. DEBT SECURITIES

(CZK thousand)	31 December 2014	31 December 2013
Corporate bonds accepted for trading at:		
- Stock exchanged in CR	318,591	109,467
- Other regulated market in EU	316,790	263,631
<b>Total debt securities</b>	<b>635,381</b>	<b>373,098</b>

## 7. LONG-TERM INTANGIBLE AND TANGIBLE FIXED ASSETS

### 7.1. LONG-TERM INTANGIBLE ASSETS

(CZK thousand)	Software	Investments in progress	Total
<b>As at 1 January 2013</b>			
Acquisition cost	18,030	-	18,030
Accumulated amortisation	(3,362)	-	(3,362)
<b>Net book amount</b>	<b>14,668</b>	<b>-</b>	<b>14,668</b>
<b>Overview of changes in the year ended 31 December 2013</b>			
Additions	9,972	17	9,989
Amortisation	(7,428)	-	(7,428)
<b>Total changes</b>	<b>2,544</b>	<b>17</b>	<b>2,561</b>
<b>Amount as at 31 December 2013</b>			
Acquisition value	28,003	17	28,020
Accumulated amortisation	(10,791)	-	(10,791)
<b>Net book amount</b>	<b>17,212</b>	<b>17</b>	<b>17,229</b>

(CZK thousand)	Software	Investments in progress	Total
<b>Overview of changes in the year ended 31 December 2014</b>			
Additions	6,669	-	6,669
Disposals	-	(17)	(17)
Amortisation	(10,347)	-	(10,347)
<b>Total changes</b>	<b>(3,678)</b>	<b>(17)</b>	<b>(3,695)</b>
<b>Amount as at 31 December 2014</b>			
Acquisition value	34,607	17	34,624
Accumulated amortisation	(21,073)	(17)	(21,090)
<b>Net book amount</b>	<b>13,534</b>	<b>-</b>	<b>13,534</b>

## 7.2. LONG-TERM FIXED ASSETS HELD UNDER FINANCE LEASE CONTRACTS

(CZK thousand)	Buildings and land	Technical improvements of leased assets	Equipment	Other	Set of furniture and equipment	Total
<b>Amount as at 1 January 2013</b>						
Acquisition value	56,012	2,923	2,382	7,139	5,535	73,991
Accumulated depreciation	(2,013)	(55)	(869)	(1,847)	-	(4,784)
<b>Net book amount</b>	<b>53,999</b>	<b>2,868</b>	<b>1,513</b>	<b>5,292</b>	<b>5,535</b>	<b>69,207</b>
<b>Overview of changes for the year ended 31 December 2013</b>						
Additions	1,685	786	999	2,023	527	6,020
Disposals	(55,345)	-	-	(1,354)	-	(56,699)
Depreciation/amortisation	(339)	(68)	(722)	(1,664)	(1,977)	(4,770)
<b>Total changes</b>	<b>(53,999)</b>	<b>718</b>	<b>277</b>	<b>(995)</b>	<b>(1,450)</b>	<b>(55,449)</b>
<b>Amount as at 31 December 2013</b>						
Acquisition value	-	3,709	3,331	7,234	4,085	18,359
Accumulated depreciation	-	(123)	(1,541)	-2,937	-	-4,601
<b>Net book amount</b>	<b>-</b>	<b>3,586</b>	<b>1,790</b>	<b>4,297</b>	<b>4,085</b>	<b>13,758</b>
<b>Overview of changes for the year ended 31 December 2014</b>						
Additions	-	367	2 796	527	2 349	6 039
Disposals	-	(2,141)	0	(568)	(126)	(2,835)
Depreciation/amortisation	-	(62)	(1,194)	(1,441)	(2,500)	(5,197)
<b>Total changes</b>	<b>-</b>	<b>(1,836)</b>	<b>1,602</b>	<b>(1,482)</b>	<b>(277)</b>	<b>(1,193)</b>
<b>Amount as at 31 December 2014</b>						
Acquisition value	-	1,847	6,127	6,186	3,808	17,968
Accumulated depreciation	-	(97)	(2,735)	(3,371)	-	(6,203)
<b>Net book amount</b>	<b>-</b>	<b>1,750</b>	<b>3,392</b>	<b>2,815</b>	<b>3,808</b>	<b>11,765</b>

During the year 2013, Credit union entered into an agreement to sell a building and associated land with a total net book value as at the time of sale of CZK 54.7 mil for the selling price of CZK 56.0 mil. Given the intention to perform reconstruction, Credit union incurred costs in the amount of CZK 3.3 mil for design works and engineering studies associated with the planned reconstruction of the building. Payment of the sales price was negotiated in the form of a loan to partially cover the sales price and the renovation of the building to a total of CZK 130.0 mil. The loan was drawn down in tranches based on compliance with conditions during the reconstruction up to the total of CZK 124.9 mil, which bears a floating rate of 12M PRIBOR + 3.28% pa with the annual fixation and with a minimum interest rate fixed at 4.00% pa. The loan, including related payments, was concluded with an initial maturity through a total of 234 monthly annuity payments, the number of which due to the following extraordinary instalment subsequently dropped to 131. Credit union also entered into a future lease agreement for the renovated premises with the same counterparty for the period of 10 years at a total annual lease amount of CZK 18.2 million and provided the counterparty with an interest-free security deposit

for future lease in the amount of CZK 4.6 mil with the duty to maintain this security deposit for the duration of the lease. (See Note 8).

In 2014, Credit union has negotiated a reduction in the leased premises and the annual rent to CZK 13.5 million per year for the next 3 years. Credit union also provided the landlord with the rent payment for three years in advance amounting to CZK 40.4 mil, which is linearly accrued to costs (See Note 8). As a result of this arrangement, Credit union received the contractual right for an option to expand the leased office space, which is exercisable at any time over the lease term, at least two years prior to the intended use of the space in question. The counterparty in this context also made an early repayment of the loan of CZK 40.4 million. Credit union did not use any assets under finance lease contracts in 2014 or in 2013.

### 7.3. DEPRECIATION AND AMORTISATION OF TANGIBLE AND INTANGIBLE ASSETS

(CZK thousand)	2014	2013
Depreciation of tangible fixed assets	2,697	2,793
Amortization of intangible fixed assets	10,347	7,428
<b>Depreciation/amortization total</b>	<b>13,044</b>	<b>10,221</b>
Amortisation of set of furniture and equipment with the unit price below CZK 40 thousand	2,500	1,977
<b>Depreciation/amortization total</b>	<b>15,544</b>	<b>12,198</b>

### 8. OTHER ASSETS AND PREPAID EXPENSES

(CZK thousand)	31 December 2014	31 December 2013
Deferred tax asset (see Note 20)	23,984	27,584
Income tax advances (see Note 20)	21,621	14,981
Operating advances paid – rent and utilities (see Note 7.2)	8,957	9,906
Advances paid for financial operations	4,613	5,564
Positive value after revaluation of spot transactions (see Note 2.10)	105	43
Positive fair value of derivatives (see Note 2.11)	-	1,264
Estimated receivables	-	108
Other assets	635	713
<b>Total other assets</b>	<b>59,915</b>	<b>60,163</b>
Prepaid rent (see Note 7.2)	37,018	-
Other deferred expenses	1,232	981
<b>Total deferred expenses</b>	<b>38,250</b>	<b>981</b>

### 9. ALLOWANCES

Allowances for risky assets can be analysed as follows:

(CZK thousand)	Loan receivables
<b>As at 1 January 2013</b>	<b>134,462</b>
Additions nettonet	189,497
Release	(59,146)
Utilisation (see Note 18)	(35,545)
<b>As at 31 December 2013</b>	<b>229,268</b>
Additions nettonet	110,437
Release	(5,468)
Utilisation (see Note 18)	(80,727)
<b>As at 31 December 2014</b>	<b>253,510</b>

In 2014, debts written off amounted to CZK 948 thousand (2013: CZK 1 thousand), which were covered by revenues from utilisation of allowances in the amount up to CZK 659 thousand (2013: CZK 1 ths). Allowances were also used to cover losses from the cession and transfer of receivables in the amount of CZK 80,068 thousand (2013: CZK 35,544 thousand).



## 10. DUE TO CUSTOMERS – MEMBERS OF CREDIT UNIONS

(CZK thousand)	31 December 2014	31 December 2013
Due to customers – members of credit unions		
- term deposits	6,667,936	5,322,033
- savings deposits incl. deposits on savings books	1,627,295	2,348,847
- current accounts	977,188	797,386
<b>Total due to customers – members of credit unions</b>	<b>9,272,419</b>	<b>8,468,266</b>
Subordinated term deposits of clients - members of credit unions	294,126	294,126
<b>Total subordinated debts</b>	<b>294,126</b>	<b>294,126</b>

Deposits of individuals and legal entities at the Credit union are insured by the rules of the Act no. 21/1992 on banks, as amended, and the Credit union guided by those rules duly pays the contributions to the Deposit Insurance Fund (See Note 18).

Amounts due to clients and members do not include the basic and additional member deposits, which constitute capital of the Credit union and are presented in Note 12.

All subordinated deposits were negotiated in 2012 or 2013, have a contractual maturity of 6 years, fixed interest rate of 5% pa and meet the conditions for inclusion in the capital of the Credit union as Tier 2. Based on the regulatory rules under Art. 64 of EU Regulation 575/2013 (CRR) for inclusion in the capital the linear amortisation on daily basis for the period of over five years up to the maturity date is applied (see Note 21.2). This rule relating to reduction for the purpose of inclusion into the capital has no impact on the agreed maturity of these deposits and the resulting liquidity risk.

## 11. OTHER LIABILITIES

(CZK thousand)	31 December 2014	31 December 2013
Liability from income tax for the taxable period (Note 20)	28,918	29,171
Negative fair value of derivatives (Note 2.11)	6,781	28,460
Estimated payables	4,893	5,027
Liabilities to employees	3,867	7,540
Liabilities to the Deposit Insurance Fund	3,699	3,414
Liabilities arising from client transfers and received un-identified payments	1,960	810
Health and social insurance	1,950	3,088
Withholding tax on debited interest	1,892	2,383
Liabilities to suppliers	1,644	2,668
Liabilities from settlement shares (Note 12.3)	1,632	3,031
Income tax liability	716	1,738
A negative value of the revaluation of spot positions (Note 2.10)	135	37
Other liabilities from operating activities	676	993
<b>Total other liabilities</b>	<b>58,763</b>	<b>88,360</b>

Credit union did not have any overdue obligations to the tax authorities, social security institutions, health insurers or the Deposit Insurance Fund as at 31 December 2014 and 2013.

As at 31 December 2014 and 2013, Credit union was a passive participant in one litigation where the counterparty as plaintiff claimed payment of the amount of CZK 9 million including related payments under one cessed receivable which this counterparty deemed as non-existent, while the amount represents a payment and cession of the receivable. Credit union believes that the legal defence of such a claim to be entirely justified and, in this case, did not identify the reason for the creation of reserves for potential liabilities from litigation.

## 12. EQUITY AND PROFIT DISTRIBUTION

### 12.1. PROFIT DISTRIBUTION

(CZK thousand)	31 December 2014	31 December 2013
Basic member deposits	1,938	1,819
Other member deposits – paid up	863,308	821,972
<b>Total paid up share capital</b>	<b>865,246</b>	<b>823,791</b>
Unpaid share capital	-	10,001
<b>Total share capital</b>	<b>865,246</b>	<b>833,792</b>

The amount of registered capital of Credit union as at 31 December 2014 amounted to CZK 500 thousand (31 December 2013: CZK 500 thousand).

The basic membership contribution is the same for each member, regardless of whether it is a natural or legal person and equals to CZK 100.

With the consensus of the general meeting of Credit union, a member can contribute additional capital to the share capital of Credit union. An additional deposit by a member can only be in the form of money and its amount must be an integer five times the basic membership contribution.

Unpaid share capital and related assets are recorded on the basis of contracts wherein an additional membership contribution to the share capital of Credit union are made. For prudential regulatory purposes, unpaid capital is not included in the regulatory capital. (See Note 21.2). The recorded value of other outstanding member contributions on 31 December 2013 was duly repaid and subsequently transferred to the paid-up capital.

The number of Credit union members as at 31 December 2014 amounted to 19,378 (31 December 2013: 18,194).

As at the date of the financial statements no member had the qualified shareholding at Credit union. Based on the agreements on the transfer of other Member deposits from certain existing members that were approved by the general meeting of Credit union as its supreme authority on 7 November 2014, filed on 19 November 2014, one of three legal and physical persons acting in concert to acquire CNB's request, or to increase the qualifying share holdings and control of the Credit union.

As a result of these transfers, one individual will acquire equity participation in the form of both direct and indirect holding in the capital of Credit union in excess of 50% of the share capital and will control Credit union. CNB approved the request with its decision dated 1 April 2015.

### 12.2. REMUNERATION LINKED TO EQUITY

Employees or members of elected bodies of Credit union are not entitled to remuneration linked to equity of Credit union nor remunerations provided from it.

### 12.3. PROFIT DISTRIBUTION

It is proposed that net profit be distributed (and was distributed) as follows:

(CZK thousand)	Proposed 2014	Distributed 2013
Allocation to the reserve fund	5,501	25
Allocation to the risk fund	5,501	25
Settlement profit shares (Notes 11)	49	52
Retained earnings	295	-
<b>Net profit</b>	<b>11,346</b>	<b>102</b>

The risk fund is used to cover the risks of loan provisions and guarantees. The reserve fund is used to cover losses and fluctuations in the economic activities of Credit union. The amount of cash allocated to funds is decided by the general meeting based on the proposal of the Board of Directors of Credit union in accordance with the applicable laws and statutes of Credit union. The outflows of funds are decided by the Board of Directors in accordance with the generally applicable laws and statutes of Credit union, if the statutes of Credit union or other generally binding regulations do not state otherwise.

The settlement amount is determined by the ratio of capital, reduction of another membership contribution in a given fiscal year, to whom in the reporting period the membership was terminated, the total sum of all member deposits and reducing other member deposits related to the accounting period, all members of the last day of the accounting period and the sum of all the Member deposits and reducing other member members' deposits, to whom in the reporting period the membership was terminated. Thus, the ration obtained is multiplied by the amount of equity of Credit union after deduction of the amount of the risk fund and reserve fund of Credit union. To determine the settlement amount, the decisive point is the state of equity after deducting the risk fund and reserve fund of Credit union according to the annual financial statements for the year in which the membership has expired.

### 13. OFF-BALANCE SHEET ITEMS

Off-Balance sheet items can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
<b>Off-Balance sheet assets</b>		
Guarantees granted	20,000	33,713
Undrawn overdrafts	36,383	128,644
Granted loan commitments	55,469	193,892
Pledges granted	377,472	231,000
Receivables from derivatives (Note 2.11, 8, 11 and 21.8)	1,192,217	940,734
Receivables from spot transactions (Note 2.10, 8 and 11)	192,788	43,197
<b>Total Off-Balance sheet assets</b>	<b>1,874,329</b>	<b>1,571,180</b>
<b>Off-Balance sheet liabilities</b>		
Commitments received	285,000	190,000
Received collateral (Note 5.2)	4,928,839	4,719,120
Derivative liabilities (Note 2.11, 8, 11 and 21.8)	1,198,625	967,841
Liabilities from spot transactions. (Note 2.10, 8 and 11)	189,989	43,193
<b>Total Off-Balance sheet liabilities</b>	<b>6,602,453</b>	<b>5,920,154</b>

Commitments to provide loans and guarantees issued to third parties expose Credit union to credit risks and liquidity risks and the resulting potential loss in the event of non-fulfilment of conditions by the client.

Apart from the value of collateral received in the context of securing credit exposures (See Note 5.2) as at 31 December 2014 and 2013, there were no liabilities arising from fiduciary duties and Credit union neither gave nor received any assets for management, safekeeping or administration.

Credit union has encumbered assets in favour of counterparties' financial institutions; these cases reflect the current conditions of the financial market and show no abnormal or unfavourable features. Credit union set up at a certain banking counterparty pledge to its terminated deposit in the amount of CZK 300 million (31 December 2013: CZK 200 million). Credit union is entitled to draw an overdraft loan from that counterparty bank with the limit of up to CZK 285 million (2013 CZK 190 million) recorded in the line Commitments received. Liens amounting to a total of CZK 76.5 million (31 December 2013: CZK 30 million) were established in favour of three banks and one non-bank counterparty at the 31 December 2014. The reason is to provide security to these financial counterparties for the purpose of implementing the current business of Credit union on the financial markets. A lien of CZK 1 mil was established to funds in the savings account Credit union kept in one bank counterparty under which it is allowed to offer credit card services to members of unions because their own Credit union credit cards are not issued.

### 14. 14. INTEREST AND SIMILAR INCOME

(CZK thousand)	2014	2013
Interest income on loans and receivables	558,757	523,991
Fees on loans in the nature of interest	9,346	29,432
Interest income from bank deposits	14,487	20,659
Interest on debt securities over the holding period (Notes 2.9 and 16)	42,160	34,634
<b>Total interest income and similar income</b>	<b>624,750</b>	<b>608,716</b>

In the year 2014, income included the amount of CZK 6,578 thousand of unpaid interest on impaired loans (2013: CZK 7,604 thousand). The allowances for outstanding interest from receivables with classification "watched", which were overdue less than 30 days, were recognized in the amount of the coefficient applicable for category of "watched" receivables. All other unpaid interest amounts were provisioned in full.

## 15. PREPAYMENTS ON INTEREST, FEES AND COMMISSIONS

(CZK thousand)	2014	2013
Interest expenses arising from deposits received	285,389	261,006
<b>Total interest expense</b>	<b>285,389</b>	<b>261,006</b>
Bank charges	4,572	3,557
Other expenses for fees, commissions and mediation	1,460	1,622
<b>Total fees and commissions</b>	<b>6,032</b>	<b>5,179</b>

## 16. LOSS AND PROFIT FROM FINANCIAL OPERATIONS

(CZK thousand)	2014	2013
Net loss (-) / income (+) of debt securities, including revaluation to fair value*	(4,950)	11,877
Net profit (+) / Loss (-) from revaluation of derivatives to fair value (Note 2.11, 8, 11, 21.8)	20,415	(27,330)
Net loss (-) / income (+) of the conversion and revaluation of foreign currencies	(16,140)	16,212
<b>Total net loss (-) / income (+) Financial operations</b>	<b>(675)</b>	<b>759</b>

\* Interest on debt securities over the holding period is recognised as interest income. (See Note 14).

## 17. OTHER OPERATING INCOME

(CZK thousand)	2014	2013
Proceeds from sale of tangible and intangible assets (see Note. 7)	964	57,367
Rental income	119	127
The profits from cession of receivables	0	71
Other income	445	1,041
<b>Total other operating income</b>	<b>1,528</b>	<b>58,606</b>

## 18. OTHER OPERATING EXPENSES

(CZK thousand)	2014	2013
Losses arising from ceded receivables and the cost of receivables written off and executions (See Note 9)	81,026	35,546
Contributions to the Deposit Insurance Fund	14,720	12,506
Costs arising from disposals of tangible and intangible assets	2,833	56,951
Gifts and other expenses for charitable purposes	1,000	1,809
Other expenses	40	-
<b>Total other operational expense</b>	<b>99,619</b>	<b>106,812</b>

## 19. ADMINISTRATIVE EXPENSES

Administrative costs are represented by the following items:

(CZK thousand)	2014	2013
Employees and members of elected bodies	93,608	107,501
Rent and leasing	16,975	15,910
Operation of the Information System	8,214	9,917
Legal, tax and other advice	6,034	6,188
Advertising	5,135	10,604
Audits and notary services	4,553	3,379
Consumption of water, gas and electricity	3,335	4,074



(CZK thousand)	2014	2013
Telecommunications	2,722	3,000
Outsourcing services	1,636	1,223
Travel expenses	1,152	1,236
Representation expenses	1,151	959
Fuel consumption	1,019	1,253
Purchase of small equipment/furniture	943	1,111
Fees, notary services and similar costs	899	1,037
Postal costs	794	734
Maintenance of property and equipment	784	1,245
Insurance	714	643
Stationary	403	757
Other - various	5,818	5,396
<b>Total administrative expenses</b>	<b>155,889</b>	<b>176,167</b>

Expenses for employees and members of elected bodies are further analysed as follows:

(CZK thousand)	2014	2013
Salaries and rewards	68,381	77,342
Social and health insurance	20,579	23,245
Other expenses	4,648	6,914
<b>Total</b>	<b>93,608</b>	<b>107,501</b>

From which:

<b>Board of Directors</b> (CZK thousand)	2014	2013
Salaries and rewards	7,118	7,694
Social and health insurance	1,302	1,640
<b>Total</b>	<b>8,420</b>	<b>9,334</b>

<b>Credit committee</b> (CZK thousand)	2014	2013
Salaries and rewards	1,486	1,543
Social and health insurance	505	523
<b>Total</b>	<b>1,991</b>	<b>2,066</b>

<b>Control committee</b> (CZK thousand)	2014	2013
Salaries and rewards	1,735	1,838
Social and health insurance	285	316
<b>Total</b>	<b>2,020</b>	<b>2,154</b>

<b>Others</b> (CZK thousand)	2014	2013
Salaries and rewards	58,042	66,267
Social and health insurance	18,487	20,766
Other expenses	4,648	6,914
<b>Total</b>	<b>81,177</b>	<b>93,947</b>

Remuneration of members of elected bodies includes all remuneration, including the remuneration of the parallel labour-law relationship if such has been negotiated, for the period during which the function was performed by a member of the elected body. If the function is carried out for only part of a calendar month, a reward is involved for the entire calendar month.

Statistics employees and members of elected bodies:

	2014	2013
Number of employees as at 31 December	138	181
Members of the elected bodies:		
- Board of directors	3	3
- Credit committee	3	3
- Control committee	3	2*

\* Standardly for most of the time the Control committee consisted of 3 members, above stated number expresses the transitional state at the balance sheet date

## 20. TAXATION

The income tax expense consists of the following:

(CZK thousand)	2014	2013
Net tax expense of the income tax	28,334	29,395
Deferred tax expense / (-) income	3,600	(15,197)
<b>Total tax expense</b>	<b>31,934</b>	<b>14,198</b>

Income tax expense of the income tax has been determined as follows:

(CZK thousand)	2014	2013
<b>Profit before tax</b>	<b>43,280</b>	<b>14,299</b>
Change in provisions and write-offs (See Note 9)	105,268	130,352
Non-deductible expenses and other items not included in the tax base	3,653	8,884
<b>Tax base</b>	<b>152,201</b>	<b>153,535</b>
<b>Tax expense after applying 19% income tax rate on the tax base</b>	<b>28,918</b>	<b>29,171</b>
Other tax items accounted for in the current period	(584)	224
<b>Total income tax expense Income tax</b>	<b>28,334</b>	<b>29,395</b>

Income tax expense is calculated as the best estimate of the management of Credit union as at the balance sheet date. The actual amount of tax liability is determined based on the subsequent establishment of the corporate income tax returns as at the respective statutory deadline. Credit union duly paid its actual tax liability for the tax year 2013 amounting to CZK 28,587 thousand.

Deferred tax can be analysed as follows:

(CZK thousand)	Accounted for	Not accounted for
<b>Deferred tax assets - provisions for loans</b>		
<b>As at 1 January 2013</b>	<b>12,387</b>	<b>12,387</b>
Changes in 2013	15,197	3,590
<b>As at 31 December 2013</b>	<b>27,584</b>	<b>15,977</b>
Changes in 2014	(3,600)	8,206
<b>As at 31 December 2014</b>	<b>23,984</b>	<b>24,183</b>

Potential additional deferred tax assets were not recognised since their utilisation in the future was considered unlikely. For the calculation of deferred taxes, the income tax rate of 19% was used.

## 21. RISK MANAGEMENT

### 21.1. RISK MANAGEMENT SYSTEM

By virtue of its activity, Credit union undertakes a number of risks. Credit union has an obligation to have a management and control system set up to enable for systematic and efficient risk management, to provide an undistorted picture of the degree of

risk, ensure early detection and capture all relevant risk factors and take into account the quantitative and qualitative aspects of risk management. The Credit union has set up a special department of risk management that is independent from senior management. The ultimate responsibility for evaluating the information and the timely adoption of appropriate measures for risk management rests with the board.

The basis for risk management is a risk management strategy, which covers credit risk (including concentration risk), market and operational risk (including security risk). The strategy describes the main principles for identifying, measuring and managing risks, and methods and tools for risk management. Part of the risk management strategy is to also establish principles for the creation of emergency plans.

The activities of Credit union, while undergoing and managing financial risks, include mainly the controlled and managed usage of financial instruments and setting admissible limits. As a part of its activities, Credit union particularly accepts fixed-rate deposits from customers for various periods and seeks to earn interest margins by investing mainly in credit instruments, which include loans, loan commitments and guarantees. Credit union seeks to increase these margins by transforming short-term deposits into long-term loans with higher rates while maintaining sufficient liquidity to meet all maturing liabilities and any other entitlements. Credit union also seeks to raise its interest margins by obtaining above average margins through lending to legal entities and individuals with various degrees of creditworthiness, which is also associated with the risks involved.

The control system of Credit union also includes stress testing. Stress testing involves the modelling of different simulated scenarios in order to measure their impact mainly on credit risk, market risk, liquidity risk and capital adequacy, including sensitivity analysis of individual risk factors. The purpose of the model stress scenarios is to introduce various adverse situations, the likelihood of an actual origin which cannot be objectively determined, but their occurrence is possible in theory or it actually took place in the past. Based on the evaluation and quantification of the impact of these stress tests on the financial position and results of operations of Credit union, management takes measures to increase resilience of Credit union against potential financial shocks as a result of actual adverse situations. Stress testing is performed at a monthly basis.

## 21.2. CAPITAL, CAPITAL REQUIREMENTS AND CAPITAL RATIOS

Credit union is obliged to consistently apply reliable, effective and complete strategies and processes to determine the ongoing assessment and maintenance of the capital in a structure and layout, in order to adequately cover the risks to which Credit union is or might be exposed. Credit union in this context is also required to continually meet capital requirements under Article. 92 of the EU Regulation no. 575/2013 (CRR), which sets minimum capital ratios in relation to total risk exposure, Core Tier 1 ratio of 4.5%, Tier 1 capital ratio of 6% and a total capital ratio of 8%.

Full reconciliation of capital items under EU Regulation no. 575/2013 to the capital and the balance sheet of Credit union within the audited financial statements is made as follows:

(CZK thousand)	31 December 2014	31 December 2013
Basic Member deposits	1,938	1,819
Member deposits paid up	863,308	821,972
Reserve fund	6,064	6,039
Risk fund	7,864	7,839
Retained earnings	16,717	16,717
Current year profit *	-	50
Deduction of intangible assets	(13,534)	(17,229)
<b>Core Tier 1</b>	<b>882,357</b>	<b>837,207</b>
<b>Total Tier 1 capital</b>	<b>882,357</b>	<b>837,207</b>
Subordinated deposits (See Note 10)	294,126	294,126
AmortizAmortisation according to Art. 64 of EU Regulation 575/2013 (CRR) **	(58,740)	-
<b>Total capital Tier 2</b>	<b>235,386</b>	<b>294,126</b>
<b>Total capital</b>	<b>1,117,743</b>	<b>1,131,333</b>

\* As at 31 December 2014, zero value is included under Art. 26 of EU Regulation 575/2013 (CRR), because the profit for 2014 has not yet been formally approved by the general meeting. As at 31 December 2013, it included the gain value for the year 2013 decreased by settlement shares of the profits (See Note 12.3).

\*\* As of 31 December 2013, the amortisation was governed by the rules of the then applicable CNB Decree no. 123/2007, which led to a zero value amortisation.

Risk exposures are characterised as follows:

(CZK thousand)	31 December 2014	31 December 2013
<b>Risk weighted exposure to credit risk, counterparty risk and dilution</b>		
Exposures to institutions	258,965	133,530
Exposures to corporates	6,417,102	6,676,514
Exposure in default	2,012,475	2,096,111
Other exposure	820,254	464,452
<b>Total risk weighted exposure to credit risk at STA</b>	<b>9,508,796</b>	<b>9,370,607</b>
Risk exposure to operational risk - BIA approach	535,950	330,725
<b>Total risk exposure to operational risk</b>	<b>535,950</b>	<b>330,725</b>
<b>Total risk-weighted exposure</b>	<b>10,044,746</b>	<b>9,701,332</b>

Capital requirements are set out as follows:

(CZK thousand)	31 December 2014	31 December 2013
<b>Capital requirements for credit risk under the standardised approach ("STA") to:</b>		
Exposures to institutions	20,717	10,683
Exposures to corporates	513,368	534,121
Exposure overdue	160,998	167,689
Other exposure	65,620	37,156
<b>Capital requirements for credit risk under STA to total exposures:</b>	<b>760,703</b>	<b>749,649</b>
Capital requirements for operational risk when accessing the BIA (Basic Indicator Approach)		26 458
<b>42,876</b>		<b>26 458</b>
<b>26,458</b>	<b>803 579</b>	<b>776 107</b>
<b>Total capital requirements for operational risk</b>	<b>42,876</b>	<b>26,458</b>
<b>Total capital requirements</b>	<b>803,579</b>	<b>776,107</b>

Capital ratios are presented as follows:

(%)	31 December 2014	31 December 2013
Capital value ratio for:		
Equity capital Tier 1	8.78%	8.63%
Capital Tier 1	8.78%	8.63%
Total capital	11.13%	11.66%

### 21.3. RATIOS AND INDICATORS

Part of the obligatory published data are the following ratios that, in some way, reflect the risk and return profile of Credit union:

	31 December 2014	31 December 2013
Return on average assets (ROAA)	0.109%	0.001%
Return on average equity Tier 1 (ROAE)	1.319%	0.013%
Assets per 1 employee *	CZK 82,286 ths.	CZK 56,484 ths.
Administrative expenses per 1 employee *	CZK 1,218 ths.	CZK 1,036 ths.
Profit or loss after tax per employee *	CZK 89 ths.	CZK 1 ths.

\* The values in ratios including the number of workers may be affected depending on the fact whether the agenda and activities are carried out through its own staff or provided by external suppliers, including the so-called outsourcing work force, which may have relevance in relation to their own values and comparability of data over time.



## 21.4. CREDIT RISK

Credit risk is the risk of loss for Credit union in the event that a counterparty (credit borrower) or another third party (indirect participant) of the loan transaction fails to meet its obligations, whether due to insolvency, protracted default of payment or other reasons, which are determined by the character / risk of the relevant loan transaction.

Credit union evaluates financial and other information on individual counterparties and their credit ratings, especially clients drawing loans, issuers of debt securities and financial institutions in order to control and limit credit risk. Credit union assesses the credit risk individually for each counterparty. When assessing the borrower's creditworthiness, Credit union carries out a financial analysis within which it assesses the debtor's ability to create sufficient funds to repay the loan and non-financial analysis, as part of which the debtor's business industry is assessed, debtor's market position, prospects and other factors that could affect to return of the loans. In the event of recording information indicating an escalation in the credit risk, this particular case becomes subject to specific monitoring.

The condition for granting a loan is to provide quality and sufficient collateral, depending on the evaluation of counterparty risk and the degree of risk that is undergoing exposure. When determining the realisable value of collateral, Credit union bases its assessment on expert valuations, the nominal value of the collateral and the creditworthiness of the collateral provider. Realisable value of collateral is the expected return in case of realisation. The value of collateral is subject to regular revisions and actualisation carried out in regular time periods stipulated by the internal regulations of Credit union. Value of collateral is also updated in cases where information becomes known, which could result in a reduction in the value of collateral. Those factors include, depending on the type of security, e.g.

an insured event, reconstruction of the property, rezoning or change in market conditions in property reinsurance. In the case of personal collateral, this is e.g. a change in the creditworthiness and financial credibility of the provider as a result of loss of income or other events.

For the purposes of credit risk management, Credit union creates and adheres to the system of limits and procedures for their utilisation and compliance. The system of limits for credit risk management is approved by the Board.

In its internal regulations, Credit union sets approval competencies for credit deals, principles, rules and procedures for granting loans. Under these rules, Credit union also apply the principle of segregation of the process of negotiation, approval and evaluation of loans.

Credit union has set up an internal organisational unit, which manages the recoverability of the loans. The aim of this administration is to achieve repayment or partial repayment of loans and to minimise losses. Credit union, based on an assessment of the causes of debtor's default and the possibility of achieving debt repayment, determines the procedures leading to the recovering of the receivable from the restructuring of the credit relationship to collection or sale or cession of the receivable.

In its evaluation of receivables, Credit union does not use credit ratings published by external ratings agencies. Credit union has developed its own internal rating model that evaluates the creditworthiness of the client. The internal rating model and the amount of collateral are then used as inputs in determining the risk margin, as a tool for credit risk management. For determining the price of the loan, Credit union has worked out a pricing formation system, which, based on 3 inputs (the price of resources, liquidity margin and risk margin), determines the minimum cost of credit. Loan pricing is part of the loan approval process.

Loan portfolio concentration risk is assessed as part of the credit approval process. Credit union focuses on the concentration risk of large exposures, industry concentration risk (segment) and concentration risk according to the forms of repayment. Credit union does not use tools to reallocate credit risk. Credit union has entered into an agreement recursion.

### Geographical segmentation of gross assets

Assets are divided into geographical segments according to seat or residence of counterparty, as follows:

31 December 2014 (CZK thousand)	Inland	Other EU	Total
<b>Gross assets</b>			
Petty cash and deposits at central banks	1,370,652	-	1,370,652
Receivables from banks and credit unions	756,148	-	756,148
Receivables from clients	7,645,338	255,072	7,900,410
Securities	144,680	490,701	635,381
Other assets	150,740	-	150,740
<b>Total gross assets</b>	<b>10,067,558</b>	<b>745,773</b>	<b>10,813,331</b>

31 December 2013 (CZK thousand)	Inland	Other EU	Total
<b>Gross assets</b>			
Petty cash and deposits at central banks	908,094	-	908,094
Receivables from banks and credit unions	614,264	-	614,264
Receivables from clients	7,677,172	269,769	7,946,941
Securities	36,601	336,497	373,098
Other assets	117,504	-	117,504
<b>Total gross assets</b>	<b>9,353,635</b>	<b>606,266</b>	<b>9,959,901</b>

Classification of receivables from clients and members according to their primary industry can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Finance and insurance	1,983,362	1,567,366
Production and distribution of electricity, heat and air-conditioned air	1,722,745	1,414,695
Construction	1,286,352	1,506,520
Agriculture, forestry and fishing	846,675	742,388
Real estate	753,854	695,062
Wholesale and retail	275,229	234,333
Professional, scientific and technical activities	247,368	233,824
Manufacturing	142,408	203,362
Other	642,417	1,349,391
<b>Total receivables from clients and members</b>	<b>7,900,410</b>	<b>7,946,941</b>

Classification of debt securities according to primary industry can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Finance and insurance	103,152	-
Telecommunication	99,949	99,005
Construction	83,909	81,171
Textile production	75,791	-
Beverage production	75,179	72,866
Production and distribution of electricity, heat and air-conditioned air	74,861	-
Wholesale	58,071	54,537
Real estate	56,149	28,165
Other	8,320	37,354
<b>Total debt securities</b>	<b>635,381</b>	<b>373,098</b>

## 21.5. MARKET RISK

Market risk is the risk of financial losses from open positions of Credit union that arise due to changes in market conditions, especially the values of exchange rates, interest rates and volatility in the financial markets. Credit union is exposed to liquidity risk, interest rate risk, currency and financial market risks. Credit union is not exposed to other market risks, or such risks are not due to Credit union's significant business. Credit union does not apply the market risk Value at Risk method.

Credit union creates and adheres to a system of limits for market risk management and the procedures for their use and compliance. The system of limits for market risk management is approved by the Board. The size of the market risk is continuously compared with the approved limits.

Credit union does not invest in shares or other equity securities.

## 21.6. INTEREST RISK

Financial position, financial results and cash flows of Credit union are exposed to the risk of market interest rates. Interest rates and margins may increase as a result of this risk and generate profits, but can also decrease and create losses. Credit union is exposed to interest rate risk due to the fact

that interest-bearing assets and liabilities have different maturity or interest rate fixing periods. The aim of interest rate risk management is to minimise Credit union losses from potential changes in interest rates on financial markets, especially in case of unexpected movements. The credit committee proposes changes to interest on deposits and loans. The Board continuously assesses trends in interest rate positions.

Interest expense of liabilities is based on fixed contractual interest rates. Interest income from assets is based on a fixed or variable rate. In the event that variable interest rates are applied to loans, the minimum interest rate is agreed in the contract if the reference variable rate has dropped below a certain minimum value.

An essential tool for measuring the interest rate risk is BPV (Basis Point Value) which shows how to change the value of the portfolio changes in the interest rate curve by 0.01%. Credit union has interest rate risk measurement limits set for each relevant currency, maturity and for the entire portfolio.

Another tool for measuring credit risk is interest rate risk stress testing. The baseline scenario of stress testing is a scenario that has a parallel shift in the interest curve of +/- 2%.

The following table summarises Credit union's exposure to interest rate risk. The table includes interest-bearing assets and liabilities of Credit union in values arranged by the earlier changes in fixed interest rate or contractual maturity.

31 December 2014 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Interest insensitive	Total
<b>Assets</b>						
Petty cash and deposits at central banks	1,366,766	-	-	-	3,886	1,370,652
Receivables from banks and credit unions	455,105	-	300,000	1,043	-	756,148
Receivables from clients – members of credit union	1,280,606	3,346,496	2,058,751	573,507	641,050	7,900,410
Allowances	-	-	-	-	-253,510	-253,510
Securities	49,905	206,162	293,819	55,450	30,045	635,381
Other assets	-	-	-	-	123,464	123,464
<b>Total assets</b>	<b>3,152,382</b>	<b>3,552,658</b>	<b>2,652,570</b>	<b>630,000</b>	<b>544,935</b>	<b>10,532,545</b>
<b>Liabilities</b>						
Payables to clients – members of credit union	2,122,440	1,618,995	5,806,383	18,727	-	9,566,545
Other liabilities including equity	-	-	-	-	966,000	966,000
<b>Total liabilities and equity</b>	<b>2,122,440</b>	<b>1,618,995</b>	<b>5,806,383</b>	<b>18,727</b>	<b>966,000</b>	<b>10,532,545</b>

31 December 2013 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Interest insensitive	Total
<b>Assets</b>						
Petty cash and deposits at central banks	895,235	-	-	-	12,859	908,094
Receivables from banks and credit unions	584,264	30,000	-	-	-	614,264
Receivables from clients – members of credit union	703,675	2,398,791	3,284,120	710,553	849,801	7,946,940
Allowances	-	-	-	-	-229,268	-229,268
Securities	4,111	81,634	141,578	140,570	5,205	373,098
Other assets	-	-	-	-	102,113	102,113
<b>Total assets</b>	<b>2,187,285</b>	<b>2,510,425</b>	<b>3,425,698</b>	<b>851,123</b>	<b>740,710</b>	<b>9,715,241</b>
<b>Liabilities</b>						
Payables to clients – members of credit union	2,192,395	1,660,351	4,784,277	125,369	-	8,762,392
Other liabilities including equity	-	-	-	-	952,849	952,849
<b>Total liabilities and equity</b>	<b>2,192,395</b>	<b>1,660,351</b>	<b>4,784,277</b>	<b>125,369</b>	<b>952,849</b>	<b>9,715,241</b>

Off-balance sheet position can be further analysed as follows:

31 December 2014 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Interest insensitive	Total
<b>Off-balance sheet assets</b>						
Provided guarantees	-	-	-	-	20,000	20,000
Undrawn overdraft commitments	7,913	15,744	12,726	-	-	36,383
Granted loan commitments	-	28,150	27,319	-	-	55,469
Granted pledges	-	-	-	-	377,472	377,472
Receivables from spot transactions	192,788	-	-	-	-	192,788
Receivables from derivatives	1,192,217	-	-	-	-	1,192,217
<b>Total off-balance sheet assets</b>	<b>1,392,918</b>	<b>43,894</b>	<b>40,045</b>	<b>-</b>	<b>397,472</b>	<b>1,874,329</b>
<b>Off-balance sheet liabilities</b>						
Received commitments	-	-	-	-	285,000	285,000
Received collaterals and pledges	-	-	-	-	4,928,839	4,928,839
Liabilities from spot transactions	189,989	-	-	-	-	189,989
Liabilities from derivatives	1,198,625	-	-	-	-	1,198,625
<b>Total off-balance sheet liabilities</b>	<b>1,388,614</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,213,839</b>	<b>6,602,453</b>

31 December 2013 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Interest insensitive	Total
<b>Off-balance sheet assets</b>						
Provided guarantees	-	-	-	-	33,713	33,713
Undrawn overdraft commitments	2,971	15,214	110,460	-	-	128,645
Granted loan commitments	-	128,634	65,257	-	-	193,891
Granted pledges	-	-	-	-	231,000	231,000
Receivables from spot transactions	43,197	-	-	-	-	43,197
Receivables from derivatives	940,734	-	-	-	-	940,734
<b>Total off-balance sheet assets</b>	<b>986,902</b>	<b>143,848</b>	<b>175,717</b>	<b>-</b>	<b>264,713</b>	<b>1,571,180</b>
<b>Off-balance sheet liabilities</b>						
Received commitments	-	-	-	-	190,000	190,000
Received collaterals and pledges	-	-	-	-	4,719,120	4,719,120
Liabilities from spot transactions	43,193	-	-	-	-	43,193
Liabilities from derivatives	967,841	-	-	-	-	967,841
<b>Total off-balance sheet liabilities</b>	<b>1,011,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,909,120</b>	<b>5,920,154</b>

## 21.7. LIQUIDITY RISK

Liquidity risk is the risk that Credit union will become unable to meet its liabilities or that it is unable to finance its assets. It includes both the risk of inability of Credit union to finance assets using instruments with appropriate maturity and the inability of Credit union to sell assets at a reasonable price within a reasonable timeframe.

Credit union is exposed to daily calls on its available cash resources through demand deposits, current accounts, maturing deposits, loan drawdowns, guarantees and settlement of current operating liabilities of Credit union. Credit union does not keep available funds to meet all of these needs as, based on experience and recognised standards of liquidity management, it is implied that a high degree of probability can specify a minimum level of reinvestment of maturing funds. The Board sets limits on the minimum proportion of highly liquid funds that should be available to cover the unexpected volume of drawings.

For liquidity risk management, Credit union uses not only direct instruments but also indirect instruments, which include:

- setting the product parameters, such as advantages for deposits with notice periods prior to termination without possibility of early withdrawal, or option to change interest rates,
- setting internal control limits including limits on cash withdrawals,
- openness and ensuring client and public awareness.



On the basis of assumptions for the volume and structure of assets, liabilities, off-balance sheet items and other factors, which are set in the context of risk management, Credit union creates scenarios for liquidity risk management. Liquidity management scenario comprises the set of internal assumptions regarding assets and liabilities of Credit union and external assumptions concerning the development of the interbank market on which Credit union estimates expected net cash flow and a summary of follow-up activities to be done by Credit union to cover this net cash flow. If there are sudden and major changes in assumptions or exceptional circumstances, the Board establishes corrective actions and measures.

Credit union pursues two basic stress scenarios for liquidity risk measurement, a scenario of liquidity crisis in the banking market and liquidity crisis of Credit union.

A member is entitled to reduce the amount of his next member's contribution by a maximum of 20% of its original amount every twelve months from the date of repayment, provided that the next member's contribution remains an integral multiple of the basic membership contribution. The reduction of the amount of next membership contribution becomes valid on the day written notice of this fact is received by the Credit union. After reducing next membership contribution, the member is entitled to a settlement amount, which is payable within three months from the date of approval of the financial statements of Credit union for the accounting period in which the membership has expired.

According to AoCU, Credit union is also entitled to defer payment of the settlement amount, or its part in the event that the payment could jeopardize fulfilment of the requirements under the directly applicable EU regulation governing the cautious requirements, particularly with regard to matters under Art. 10 par. 3 of the Commission Delegated Regulation (EU) 241/2014, for the period until the reason for the deferring of the payment has passed.

The table below analyses assets and liabilities of Credit union by relevant maturity bands based on the remaining period to the contractual maturity date of the financial statements. In managing liquidity risk, Credit union also takes into account all other relevant information known about the individual components of assets and liabilities, including estimates of future developments. This information is, especially, the expected recovery rate of maturing client deposits, early repayment of loans or their expected refinancing, or information about possible failure.

31 December 2014 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
<b>Assets</b>						
Petty cash and deposits at central banks	1,370,652	-	-	-	-	1,370,652
Receivables from banks and credit unions	400,105	55,000	300,000	1,043	-	756,148
Receivables from clients – members of credit union						
- standard	247,733	394,479	1,313,967	815,711	-	2,771,890
- classified	774,851	917,542	1,976,321	1,284,340	175,466	5,128,520
Allowances	-	-	-	-	(253 510)	(253 510)
Securities	5,502	138,558	377,186	114,135	-	635,381
Other assets	10,637	34,548	23,798	29,181	25,300	123,464
<b>Total assets</b>	<b>2,809,480</b>	<b>1,540,127</b>	<b>3,991,272</b>	<b>2,244,410</b>	<b>(52,744)</b>	<b>10,532,545</b>
<b>Liabilities</b>						
Payables to clients – members of credit union	2,082,915	1,720,780	5,744,090	18,760	-	9,566,545
Other liabilities including equity	23,311	35,450	-	-	907,239	966,000
<b>Total liabilities including equity</b>	<b>2,106,226</b>	<b>1,756,230</b>	<b>5,744,090</b>	<b>18,760</b>	<b>907,239</b>	<b>10,532,545</b>
<b>Net amount of assets (+) / liabilities (-)</b>	<b>703,254</b>	<b>(216,103)</b>	<b>(1,752,818)</b>	<b>2,225,650</b>	<b>(959,983)</b>	<b>-</b>

31 December 2013 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
<b>Assets</b>						
Petty cash and deposits at central banks	908,094	-	-	-	-	908,094
Receivables from banks and credit unions	583,224	30,000	-	1,040	-	614,264
Receivables from clients – members of credit union						
- standard	253,121	395,282	2,016,632	676,376	-	3,341,411
- classified	427,117	612,003	2,041,848	1,524,561	-	4,605,529
Allowances	-	-	-	-	(229,268)	(229,268)

31 December 2013 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
Securities	4,810	2,542	225,176	140,570	-	373,098
Other assets	9,397	17,988	255	33,485	40,988	102,113
<b>Total assets</b>	<b>2,185,763</b>	<b>1,057,815</b>	<b>4,283,911</b>	<b>2,376,032</b>	<b>-188,280</b>	<b>9,715,241</b>
Liabilities						
Payables to clients - members of credit union	1,971,855	1,760,275	4,904,893	125,369	-	8,762,392
Other liabilities including equity	51,126	37,234	-	-	864,489	952,849
<b>Total liabilities including equity</b>	<b>2,022,981</b>	<b>1,797,509</b>	<b>4,904,893</b>	<b>125,369</b>	<b>864,489</b>	<b>9,715,241</b>
<b>Net amount of assets (+) / liabilities (-)</b>	<b>162,782</b>	<b>(739,694)</b>	<b>(620,982)</b>	<b>2,250,663</b>	<b>(1,052,769)</b>	<b>-</b>

Off-balance sheet position can be further analysed as follows:

31 December 2014 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
<b>Off-balance sheet assets</b>						
Provided guarantees	20,000	-	-	-	-	20,000
Undrawn overdraft commitments	36,383	-	-	-	-	36,383
Granted loan commitments	55,469	-	-	-	-	55,469
Granted pledges	377,472	-	-	-	-	377,472
Receivables from spot transactions	192,788	-	-	-	-	192,788
Receivables from derivatives	1,192,217	-	-	-	-	1,192,217
<b>Total off-balance sheet assets</b>	<b>1,874,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,874,329</b>
<b>Off-balance sheet liabilities</b>						
Received commitments	285,000	-	-	-	-	285,000
Received collaterals and pledges	-	-	-	-	4,928,839	4,928,839
Liabilities from spot transactions	189,989	-	-	-	-	189,989
Liabilities from derivatives	1,198,625	-	-	-	-	1,198,625
<b>Total off-balance sheet liabilities</b>	<b>1,673,614</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,928,839</b>	<b>6,602,453</b>

31 December 2013 (CZK thousand)	Up to 3 months	3 – 12 months	1 – 5 years	More than 5 years	Unspecified	Total
<b>Off-balance sheet assets</b>						
Provided guarantees	33,713	-	-	-	-	33,713
Undrawn overdraft commitments	128,645	-	-	-	-	128,645
Granted loan commitments	193,891	-	-	-	-	193,891
Granted pledges	231,000	-	-	-	-	231,000
Receivables from spot transactions	43,197	-	-	-	-	43,197
Receivables from derivatives	940,734	-	-	-	-	940,734
<b>Total off-balance sheet assets</b>	<b>1,571,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,571,180</b>
<b>Off-balance sheet liabilities</b>						
Received commitments	190,000	-	-	-	-	190,000
Received collaterals and pledges	-	-	-	-	4,719,120	4,719,120
Liabilities from spot transactions	43,193	-	-	-	-	43,193
Liabilities from derivatives	967,841	-	-	-	-	967,841
<b>Total off-balance sheet liabilities</b>	<b>1,201,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,719,120</b>	<b>5,920,154</b>

## 21.8. CURRENCY RISK

Credit union undergoes currency risk which arises from open positions in various currencies. The Board sets up strategies and limits of acceptable currency risk, which are monitored daily. Credit union concludes derivative transactions for the purpose of hedging currency risks, including monetary liquidity. Derivative exposure on 31 December 2014 is presented as off-balance sheet commitments to the five bank counterparties and one other financial institution (31 December 2013: three bank counterparties and one other financial institution) (see Note. 13).

The financial statements for 31 December 2014 include the following balances denominated in foreign currencies:

31. December 2014 (CZK thousand)	EUR	USD	GBP	Other foreign currencies recalculated to CZK *	Total CZK recalculated
<b>Assets</b>					
Receivables from banks	4,101	1,455	75	5,584	155,177
Foreign currency petty cash	7	-	-	-	194
Debt securities	10,121	-	1,135	-	321,001
Foreign currency loans provided	29,155	-	-	-	808,322
Cash in transit, clearing and other accounts	(85)	(139)	11	268	(4,871)
<b>Total assets</b>	<b>43,299</b>	<b>1,316</b>	<b>1,221</b>	<b>5,852</b>	<b>1,279,823</b>
<b>Liabilities</b>					
Payables to clients and members	1,487	1,611	-	1,339	79,352
Clearing and other accounts	265	167	-	-	11,160
<b>Total liabilities</b>	<b>1,752</b>	<b>1,778</b>	<b>-</b>	<b>1,339</b>	<b>90,512</b>
<b>Off-balance sheet</b>					
Receivables from derivatives	-	-	-	-	-
Receivables from spot transactions	1,080	1,915	64	161	76,109
Guarantees provided	-	-	-	-	-
<b>Total off-balance sheet assets</b>	<b>1,080</b>	<b>1,915</b>	<b>64</b>	<b>161</b>	<b>76,109</b>
Liabilities from derivatives	40,847	300	1,151	-	1,180,299
Liabilities from spot transactions	1,949	1,214	110	4,163	89,835
<b>Total off-balance sheet liabilities</b>	<b>42,796</b>	<b>1,514</b>	<b>1,261</b>	<b>4,163</b>	<b>1,270,134</b>

\* This is a translation of CZK equivalent balances in various foreign currencies, which are individually and in aggregate immaterial.

Balances denominated in foreign currencies as at 31 December 2013 were as follows:

31. December 2013 (CZK thousand)	EUR	USD	GBP	Other foreign currencies recalculated to CZK *	Total CZK recalculated
<b>Assets</b>					
Receivables from banks	1,458	649	47	2,668	57,143
Foreign currency petty cash	-	-	-	-	-
Debt securities	8,273	-	1,105	-	263,631
Foreign currency loans provided	20,379	-	-	-	558,893
Cash in transit, clearing and other accounts	(2)	-	80	1,778	4,346
<b>Total assets</b>	<b>30,108</b>	<b>649</b>	<b>1,232</b>	<b>4,446</b>	<b>884,013</b>
<b>Liabilities</b>					
Payables to clients and members	1,278	1,537	1	1,790	67,460
Clearing and other accounts	1	-	-	264	279
<b>Total liabilities</b>	<b>1,279</b>	<b>1,537</b>	<b>1</b>	<b>2,054</b>	<b>67,739</b>
<b>Off-balance sheet</b>					

31. December 2013 (CZK thousand)	EUR	USD	GBP	Other foreign currencies recalculated to CZK *	Total CZK recalculated
Receivables from derivatives	2,740	700	-	-	89,070
Receivables from spot transactions	486	453	-	264	22,601
Guarantees provided	500	-	-	-	13,713
<b>Total off-balance sheet assets</b>	<b>3,726</b>	<b>1,153</b>	<b>-</b>	<b>264</b>	<b>125,384</b>
Liabilities from derivatives	30,572	-	1,223	-	878,675
Liabilities from spot transactions	861	282	25	2,159	32,216
<b>Total off-balance sheet liabilities</b>	<b>31,433</b>	<b>282</b>	<b>1,248</b>	<b>2,159</b>	<b>910,891</b>

\* This is a translation of CZK equivalent balances in various foreign currencies, which are individually and in aggregate immaterial.

## 21.9. OPERATIONAL RISK

Operational risk is the risk of loss due to errors, violations, exceeding of limits or failure to uphold rules and the damages caused by failure of internal processes, human factor, outage/ system failure, or external events.

Credit union, in the context of operational risk management, establishes policies and procedures for evaluating and influencing the extent of exposure to operational risk, including consideration of infrequent major events. Monitoring and evaluating operational risk is incorporated into common processes of Credit union. The main control and decision making body regarding operational risk management is the Board.

Credit union's internal regulations define the rights and obligations of employees, including management staff and regulate the working processes and control activities. Credit union's organisational structure and its internal regulations are set with respect to the segregation of duties and to avoid conflicts of interest.

## 22. SUBSEQUENT EVENTS

Outside events described in Note 12.1 from the balance sheet date to the date of the financial statements there have been no significant events affecting the financial statements of Credit union as at 31 December 2014.

## Approval

The financial statements were approved by the Board and signed on its behalf.

In Olomouc on 3 April 2015



**Ing. Vladimír Hořejší, MBA**  
Chairman of the Board



**Kamil Rataj, MBA**  
Vice-chairman of the Board





**Záložna CREDITAS, spořitelní družstvo**

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