

Equa bank a.s. information as at 31.12.2013

(in accordance with the CNB Degree no. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms)

Published on April 16, 2014

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- II. Information about the Supervisory Board members
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1. General information about the bank

1.1. Basic information

Company: **Equa bank a.s.**
Address: Karolinská 661/4, Praha 8, PSČ 186 00
Identification number: 471 16 102
Date of registration: January 6, 1993
Date of the latest change: August 23, 2013
Purpose of the latest change: change in Board of Directors

Registered capital: 2 260 000 000 CZK
Repaid capital: 100%

Issued shares: 2 259 pcs of ordinary shares, each in nominal value of 1 000 000 CZK
10 pcs of ordinary shares, each in nominal value of 100 000 CZK

No own shares, interim certificates nor other securities, which could be exchanged for ordinary shares, were acquired.

Shareholder information:

Equa Group Limited
Valletta, St. Paul Street 259, VLT 1213
Malta
100% share on voting rights
100% direct share on capital

1.2. Organizational structure

Organizational structure valid as at 31.12.2013 is showed in the attachment no. I.

Number of organizational units: 31
Average number of employees: 395

1.3. Information about members of the Supervisory Board, of the Board of Directors and of the bank management

Detailed information about members of the Supervisory Board, of the Board of Directors and of the bank management including their professional experience qualifying them for performance of their duties is stated in the attachments no. II.-IV.

a) Supervisory Board

Name	Position	From date
Peter Bramwell Cartwright	Chairman	20.6.2011
Christopher John Patrick	Member	1.9.2012
Ondřej Hák	Member voted by employees	31.1.2013

b) Board of Directors

Name	Position	From date
Petr Řehák	Chairman	22.10.2012
Ing. Radek Pluhař, Ph.D.	Vice-chairman	5.11.2012
Ing. Monika Kristková	Member	3.4.2012
Ing. Leoš Pýtr, CSc.	Member	22.10.2012
Ing. Pavel Sedláček	Member	1.8.2013

c) Management

Name	Position	From date
Petr Řehák	Chief Executive Officer	22.10.2012
Ing. Radek Pluhař, Ph.D.	Chief Risk Officer	20.6.2011
Ing. Monika Kristková	Chief Financial Officer	1.2.2012
Ing. Leoš Pýtr, CSc.	Chief Administrative Officer	22.10.2012
Ing. Pavel Sedláček	Chief Operations Officer	1.8.2013

d) Membership in statutory bodies of other companies

Name	Position	Membership in statutory bodies of other companies
Peter Bramwell Cartwright	Chairman of the Supervisory Board	Anacap Financial Partners LLP; Base Commercial Mortgages Holdings Limited; AC Acquisitions Limited; Aldermore Bank Nominees Limited; Aldermore Bank plc; Aldermore Holdings Limited; Medifin Holding Limited; Mediterranean Bank plc; Equa Group Limited; First Names Group Limited; Virgo Bidco Limited; Xbridge Acquisitions Limited; Xbridge Holdings Limited; Xbridge Limited
Christopher John Patrick	Member of the Supervisory Board	Anacap Financial Partners LLP; Credoma a.s.; Equa Holdings Limited
Ing. Leoš Pýtr, CSc.	Chief Administrative Officer	Equa Financial Services s.r.o.

e) Total outstanding balance of loans given by the bank to members of

('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Supervisory Board	0	0	0	0
Board of Directors	6 504	0	0	0
Management	6 504	0	0	0

f) Total outstanding balance of guarantees given by the bank to members of:

The bank did not issue any guarantee to the members of the Supervisory Board, of the Board of Directors or of the bank management.

2. Consolidated group structure

2.1. Controlling entity information

Name	Equa Group Limited
Legal form	Foreign state legal form
Address	Valletta, St. Paul Street 259, VLT 1213, Malta
Share on capital	100%
Share on voting rights	100%
Other way of controlling	No

	('000 CZK)
Total amount of bank receivables:	0
Total amount of bank payables:	61
Total amount of securities issued by controlling entity in the bank assets:	0
Total amount of payables related to these securities:	0
Total amount of guarantees granted by the bank to controlling entity:	0
Total amount of guarantees accepted by the bank from controlling entity:	5 485

2.2. Controlled entity information

Name	Equa Financial Services s.r.o.
Legal form	Limited liability company
Address	Praha 8 - Karlín, Karolinská 661/4, PSČ 186 00
Share on capital	100%
Share on voting rights	100%
Other way of controlling	No

	('000 CZK)
Total amount of ownership interests:	438 471
Acquisition price of ownership interests:	361 000
Total amount of bank receivables:	5 027
Total amount of bank payables:	11 215
Total amount of securities issued by controlled entity in the bank assets:	0
Total amount of payables related to these securities:	0
Total amount of guarantees granted by the bank to controlled entity:	0
Total amount of guarantees accepted by the bank from controlled entity:	0

3. Bank activities information

3.1. Authorized activities according to the business register

- Activities pursuant to Act No. 21/1992 coll., on Banks (Article 1(1))
 - a) Accepting deposits from the public,
 - b) Providing loans.
- Activities pursuant to Act No. 21/1992 coll., on Banks (Article 1(3))
 - a) Investing in securities for own account,
 - b) Financial leasing,
 - c) Money transmission services,
 - d) Issuing and administering means of payment,
 - e) Providing guarantees,
 - f) Opening letter of credit,
 - g) Collecting payments,
 - h) Providing investment services,
 - i) Money broking,
 - j) Acting as depository,
 - k) Bureau-de-exchange activities,
 - l) Providing banking information,
 - m) Trading for own account or for account of clients,
 - n) Renting safe deposit boxes,
 - o) Other activity directly associated with the above activities of Equa bank a.s.

3.2. List of really performed activities

- Activities pursuant to Act No. 21/1992 coll., on Banks (Article 1(1))
 - a) Accepting deposits from the public,
 - b) Providing loans.
- Activities pursuant to Act No. 21/1992 coll., on Banks (Article 1(3))
 - c) Money transmission services,
 - d) Issuing and administering means of payment,
 - e) Providing guarantees,
 - f) Opening letter of credit,
 - g) Collecting payments,
 - k) Bureau-de-exchange activities,
 - l) Providing banking information,
 - m) Trading for own account or for account of clients,
 - n) Renting safe deposit boxes,
 - o) Other activity directly associated with the above activities of Equa bank a.s.

3.3. List of activities which were limited or excluded by the Czech National Bank

Czech National Bank has not limited, suspended or prohibited any of the bank activities listed in the business register.

4. Financial situation

4.1. Balance sheet

	('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
TOTAL ASSETS	1	10 846 633	13 157 264	15 254 675	18 168 315
Cash and balances with central banks	2	836 307	1 530 887	1 965 362	1 733 302
Cash	3	22 425	12 908	0	0
Balances with central banks	4	813 882	1 517 979	1 965 362	1 733 302
Financial assets for trading	5	430	5 145	2 707	2 155
Derivatives with positive real value	6	430	5 145	2 707	2 155
Financial assets AFS	20	0	0	0	1 940 013
Debt securities AFS	22	0	0	0	1 940 013
Loans and other receivables	27	7 544 666	9 077 647	10 685 422	13 386 023
Debt securities not for trading	28	99 821	99 986	0	0
Receivables	29	7 444 845	8 977 661	10 685 422	13 386 023
Receivables from banks	30	773 992	562 637	267 493	683 228
Receivables from clients	31	6 630 993	8 367 945	10 353 164	12 595 815
Other receivables	32	39 860	47 078	64 765	106 980
Financial investments held to maturity	33	1 502 847	1 503 968	1 506 959	0
Debt securities held to maturity	34	1 502 847	1 503 968	1 506 959	0
Tangible fixed assets	46	66 783	68 893	65 728	64 262
Lands, buildings and equipments	47	66 783	68 893	65 728	64 262
Real estate investments	48	0	0	0	0
Intangible fixed assets	49	193 939	235 352	254 818	172 543
Goodwill	50	0	0	0	0
Other intangible fixed assets	51	193 939	235 352	254 818	172 543
Ownership interests	52	362 896	366 750	370 018	438 471
Tax receivables	53	239 574	260 288	282 527	272 647
Other assets	56	99 191	108 334	121 131	158 898

	('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1	10 846 633	13 157 264	15 254 675	18 168 315
TOTAL LIABILITIES	2	9 677 753	11 325 792	13 533 153	16 516 579
Vklady, úvěry a ostatní finanční závazky vůči centr.bankám	3	0	490	509	0
Financial liabilities for trading	4	1 730	2 870	1 366	2 574
Derivatives with negative real value	5	1 730	2 870	1 366	2 574
Financial liabilities	20	9 467 006	10 604 889	12 788 722	16 399 488
Due to banks	21	19 920	25 949	106 468	260 999
Due to clients	22	9 402 272	10 533 258	12 634 156	16 101 082
Other financial liabilities	23	44 814	45 682	48 097	37 407
Reserves	34	9 493	9 493	9 493	23 680
Other reserves	40	9 493	9 493	9 493	23 680
Tax liabilities	41	0	0	0	0
Other liabilities	44	199 524	218 080	224 870	90 837
TOTAL SHAREHOLDERS' EQUITY	47	1 168 879	1 831 472	1 721 522	1 651 736
Registered capital	48	2 260 000	2 260 000	2 260 000	2 260 000
Paid registered capital	49	2 260 000	2 260 000	2 260 000	2 260 000
Share premium	51	16	16	16	16
Revaluation funds	55	0	0	0	-9 298
Revaluation of finance assets	60	0	0	0	-9 298
Reserve funds	63	25 805	0	0	0
Retained earnings (accumulated losses) from previous years	64	-983 417	-204 007	-204 007	-204 007
Profit (loss) for the accounting period	66	-133 524	-224 537	-334 487	-394 976

4.2. Profit and loss statement

	(‘000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Profit from financial and operating activities	1	14 212	76 003	141 392	291 051
Interest income	2	76 964	169 756	289 683	435 661
Interests from receivables to central banks	3	152	284	463	738
Interests from fin. assets booked at FV	5	224	553	863	1 237
Interests from fin. assets AFS	6	0	0	0	353
Interests from loans and other receivables	7	71 180	158 402	273 310	414 462
Interests from financial investments held to maturity	8	5 408	10 517	15 047	18 872
Interest expense	11	-43 978	-85 885	-128 014	-182 225
Interests from financial liabilities due to central banks	12	0	-10	-74	-82
Interests from financial liabilities booked at FV	14	-317	-782	-1 252	-1 904
Interests from financial liabilities at amortized cost	15	-43 661	-85 093	-126 688	-180 240
Fee and commission income	24	6 750	12 873	19 980	31 426
Fee and commission income from maintenance and custody	31	19	23	24	27
Fee and commission income from commitments and guarantees	32	48	90	130	184
Fee and commission income from payments	33	5 499	9 447	15 477	25 178
Fee and commission income from other services	36	1 184	3 313	4 349	6 037
Fee and commission expense	37	-11 245	-20 823	-35 003	-54 134
Fees and commissions for other services	43	-11 245	-20 823	-35 003	-54 134
Realized P/L from fin. assets and liabilities not booked at FV	44	-11 288	-872	-199	45 358
Profit (loss) from fin. assets AFS	45	0	0	0	45 444
Profit (loss) from loans and other receivables	46	-11 288	-872	-199	-87
Profit (loss) from fin. assets and liabilities for trading	50	-3 728	-462	-484	-16 299
Profit (loss) from interest instruments (incl. derivatives)	52	0	4 593	1 952	898
Profit (loss) from currency instruments (incl. derivatives)	53	-3 728	-5 055	-2 436	-17 198
FX differences	59	4 604	9 034	8 762	25 898
Profit (loss) from disposal of assets held to maturity	60	-1 594	-1 588	-3 034	8 003
Other operating income	61	553	1 133	1 565	15 973
Other operating expenses	62	-2 826	-7 163	-11 864	-18 609
Administrative expenses	63	-173 447	-317 125	-491 610	-664 790
Employee expenses	64	-84 781	-170 951	-263 405	-344 701
Wages and salaries	65	-63 569	-124 359	-193 397	-258 484
Social and health insurances	66	-19 996	-43 918	-65 461	-79 644
Pension and similar expenses	67	-24	-48	-72	-96
Temporary employee expenses	68	-441	-1 073	-2 123	-3 288
Other employee expenses	70	-751	-1 553	-2 351	-3 188
Other administrative expenses	71	-88 666	-146 174	-228 206	-320 090
Advertisement expenses	72	-24 309	-12 872	-22 506	-39 620
Consulting expenses	73	-1 301	-3 021	-6 721	-10 056
IT expenses	74	-34 412	-70 246	-106 955	-143 662
Outsourcing expenses	75	-3 710	-7 189	-9 959	-14 123
Rents	76	-12 535	-27 143	-40 648	-52 949
Other expenses	77	-12 399	-25 703	-41 417	-59 678
Depreciation	78	-6 742	-13 828	-21 943	-29 308
Depreciation of lands, buildings and equipments	79	-2 127	-4 609	-7 119	-9 661
Depreciation of intangible fixed assets	81	-4 615	-9 219	-14 824	-19 648
Creation of reserves	82	0	0	0	-15 483
Impairment losses	83	-3 394	-30 002	-48 247	-53 758
Impairment losses from fin. assets not booked at FV to P/L	84	-3 394	-30 002	-48 247	-54 029
Loss from impairment of loans and other receivables	87	-3 394	-30 002	-48 247	-54 029
Impairment losses from non/finance assets	89	0	0	0	271
Impairment losses from lands, buildings and equipments	90	0	0	0	271
Share on P/L of associated and controlled entities	97	2 450	6 304	9 572	13 025
Profit or loss from continuous activities before tax	99	-166 920	-278 648	-410 837	-459 264
Income tax expense	100	33 396	54 110	76 350	64 288
Profit or loss from continuous activities after tax	101	-133 524	-224 537	-334 487	-394 976
Profit or loss after tax	103	-133 524	-224 537	-334 487	-394 976

4.3. Financial receivables with and without default

('000 CZK)	Value before impairment	Net book value	Provisions on individual basis	Provisions on portfolio basis
31.12.2013				
Financial receivables total	13 358 481	13 279 043	28 748	50 690
Receivables from banks	683 228	683 228	0	0
Receivables without default	683 228	683 228	0	0
Standard receivables	683 228	683 228	0	0
Receivables with default	0	0	0	0
Receivables from other persons than banks	12 675 252	12 595 815	28 748	50 690
Receivables without default	12 414 417	12 358 760	4 968	50 690
Standard receivables	12 028 080	11 977 391	0	50 690
Watched receivables	386 337	381 369	4 968	0
Receivables with default	260 835	237 055	23 780	0
Substandard receivables	40 385	37 135	3 250	0
Doubtfull receivables	130 283	125 438	4 845	0
Loss receivables	90 167	74 482	15 685	0
30.9.2013				
Financial receivables total	10 711 986	10 620 657	53 046	38 283
Receivables from banks	267 493	267 493	0	0
Receivables without default	267 493	267 493	0	0
Standard receivables	267 493	267 493	0	0
Receivables with default	0	0	0	0
Receivables from other persons than banks	10 444 493	10 353 164	53 046	38 283
Receivables without default	9 998 967	9 954 645	6 039	38 283
Standard receivables	9 697 480	9 659 197	0	38 283
Watched receivables	301 487	295 448	6 039	0
Receivables with default	445 527	398 519	47 007	0
Substandard receivables	217 417	215 367	2 050	0
Doubtfull receivables	144 119	117 216	26 903	0
Loss receivables	83 991	65 936	18 054	0
30.6.2013				
Financial receivables total	9 022 095	8 930 582	61 813	29 699
Receivables from banks	562 637	562 637	0	0
Receivables without default	562 637	562 637	0	0
Standard receivables	562 637	562 637	0	0
Receivables with default	0	0	0	0
Receivables from other persons than banks	8 459 458	8 367 945	61 813	29 699
Receivables without default	7 957 828	7 923 604	4 524	29 699
Standard receivables	7 727 472	7 697 773	0	29 699
Watched receivables	230 356	225 832	4 524	0
Receivables with default	501 630	444 341	57 289	0
Substandard receivables	244 612	239 856	4 756	0
Doubtfull receivables	144 749	118 623	26 126	0
Loss receivables	112 269	85 862	26 407	0
31.3.2013				
Financial receivables total	7 481 768	7 404 985	56 357	20 426
Receivables from banks	773 992	773 992	0	0
Receivables without default	773 992	773 992	0	0
Standard receivables	773 992	773 992	0	0
Receivables with default	0	0	0	0
Receivables from other persons than banks	6 707 776	6 630 993	56 357	20 426
Receivables without default	6 271 811	6 246 419	4 967	20 426
Standard receivables	6 062 966	6 042 540	0	20 426
Watched receivables	208 845	203 879	4 967	0
Receivables with default	435 965	384 574	51 390	0
Substandard receivables	230 455	226 529	3 926	0
Doubtfull receivables	161 740	132 270	29 470	0
Loss receivables	43 769	25 775	17 994	0

4.4. Financial receivables with and without impairment

('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Receivables without impairment (netto)	5 783 750	6 975 247	8 086 429	9 367 456
measured at amortized cost	5 783 750	6 975 247	8 086 429	9 367 456
measured at fair value	0	0	0	0
Receivables with impairment (before impairment)	2 551 760	3 611 906	4 655 684	5 831 307
measured at amortized cost	2 551 760	3 611 906	4 655 684	5 831 307
measured at fair value	0	0	0	0
Provisions to rec. measured at amortized cost	76 783	91 513	91 329	79 437
Accumulated loss of rec. measured at fair value	0	0	0	0
Receivables with impairment (netto)	2 474 977	3 520 393	4 564 355	5 751 870
measured at amortized cost	2 474 977	3 520 393	4 564 355	5 751 870
measured at fair value	0	0	0	0

Receivables with impairment (before impairment) include standard receivables in amount of 5 184 136 k CZK (as at 31.12.2013) with related portfolio provisions created in amount of 50 690 k CZK.

4.5. Restructured financial receivables

Financial receivables were restructured in amount of 8 899 k CZK (as at 31.12.2013).

4.6. Fair and nominal values of derivatives

('000 CZK)	31.3.2013		30.6.2013		30.9.2013		31.12.2013	
	Real value	Nominal value	Real value	Nominal value	Real value	Nominal value	Real value	Nominal value
Interest sw aps (IRS) for trading - receivables	224	200 000	5 145	200 000	2 161	200 000	1 482	300 000
Foreign currency sw aps for trading - receivables	206	359 909	0	257 418	546	309 257	673	233 929
Interest sw aps (IRS) for trading - payables	1 199	200 000	782	200 000	1 252	200 000	2 512	300 000
Foreign currency sw aps for trading - payables	531	360 225	2 088	259 500	114	308 820	62	233 326

4.7. Ratios

('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Capital adequacy	16,04%	21,90%	17,26%	14,23%
Return on average assets (ROAA)	-5,35%	-4,14%	-3,76%	-3,02%
Return on average equity Tier 1 (ROAE)	-49,24%	-40,66%	-36,30%	-30,83%
Assets per employee	28 544	33 737	37 666	46 112
Administrative expenses per employee	1 826	1 626	1 618	1 687
Profit or loss after tax per employee	-1 406	-1 151	-1 101	-1 002

5. Prudential rules fulfillment information

5.1. Information on strategies and risk management practices

5.1.1 Credit risk

The main principles used by Equa bank a.s. to prevent the risk of active lending business are:

- a) establishing the principles, internal regulations, procedures and limits for the area of active lending business, including their compliance with regulatory and administrative rules and regulations and policies Equa bank a.s. and compliance, including
 - i) compliance with the approval rules,
 - ii) the use of hedging instruments and methods of their awards only according to internal regulations,
 - iii) consulting modifications to work procedures and internal regulations with the Risk Division,
 - iv) the use of multi-stage control of credit applications and contracts in cases individually approved at the headquarters (the so-called "method 4 eyes"), while respecting the principles of prudence and risk prevention,
 - v) proper management of information about the creditworthiness of borrowers and loan documentation management.
- b) functional and efficient organizational structure, clearly defined responsibilities and powers of the departments, staff and committees and segregation of duties in the organizational structure of Equa bank a.s., implemented in the following processes:
 - i) approval of limits, rating and scoring tools,
 - ii) approval of systems and methods for valuation of collateral,
 - iii) valuation of collateral,
 - iv) setting the principles of risk management,
 - v) monitoring and reporting risks,
 - vi) the release of the funds independent of the business units.
- c) prevent a conflict of interest, compliance with regulatory provisions and internal standards,
- d) reliable and efficient rating and scoring tools, their proper and responsible use,
- e) the application of high professional (especially the experience, expertise, precision work and personal responsibility) and ethical standards to employees,
- f) timely identification of risk and potentially negative developments in the field of active lending allowing a timely and economic response, including reporting to CRCO and Board of Directors.

The process of approval of credit risk in Equa bank a.s. is divided into two separate levels:

- Approval of the product program with separate approval rules (Product Delegated Underwriting Authority),
- Approval of individual transactions (Individual Delegated Underwriting Authority).

Approval of Product manual is managed by the Product Manager, supported by the Risk Division. Approval of Product manual requires the consent of the representatives of all relevant departments including Risk Division and Legal. For products approved automatically the conditions for automatic approval are included in the manual.

The basic principle of Delegated Underwriting Authority is the "Rule of double signatures." This specifies that every credit decision has to be signed at least by one employee or Commercial Division or Chief Commercial Officer and at least by one employee or Risk Division or Chief Risk Officer, in order to be considered as approved. Individual Delegated Underwriting Authority determines who is authorized to sign (approve) credit proposal. Approval credit application - its transformation into decisions - is effective only if it has been signed (approved) in the system by all eligible approvers.

The only exceptions are:

- Credit transactions, approved automatically or semi-automatically according to the approved manual of Product (called Repůjčky, Portfolio Cash Loans),
- Lending business type Credit Investments (structured loans) where the authorizing authority is always at the Board of Directors.

Due to historical developments represent a substantial portion of loan assets of the bank loans to Banco Popolare Czech Republic, as. In accordance with the business plan of the bank in the second half of 2011 the bank acquired a portfolio of loans from company Credoma.

Bank at the end of 2011 started to provide mortgage loans to households. It uses newly developed or modified systems, and the new approval and risk management processes.

Bank at the end of 2012 started to provide / refinance consumer loans originally granted by other credit institutions (the Repůjčky, Portfolio Cash Loans).

In addition, EB invested in structured credit type loans through direct participation or sub-participations. These loans were always finally approved by Board (after Risk department standpoint).

Portfolio of loans to legal entities consists of BPCR loans, purchased loans from Credoma, new SME loans and structured loans.

Retail lending portfolio consists of purchased receivables from mortgage loans, new mortgages and refinanced consumer loans.

One of the standard tasks of department Credit Risk is the categorization of loans. The Bank complies with the procedure set out in Decree No. 123/2007. Categorization takes place monthly and applies to all loan portfolios of banks. Receivables are categorized into one of five categories (standard, watch, substandard, doubtful and loss) at the client (group of connected clients) level. The main parameters for categorization of receivables are days past due, payment discipline, the existence of the restructuring, insolvency, client financial analysis results and other material information.

Based on categorization of claims Bank creates provisions taking into account the amount of collateral using coefficients according to Decree No. 123/2007. For portfolio of commercial loans (SME greater than CZK 12.5 million) in the categories of substandard, doubtful and loss the bank uses discounting the expected future cash flows.

The vast majority of loans are secured by a lien on property the value of which is regularly reviewed. Collateral Management Department is responsible for determining the value of real estate collateral and its head reports directly to the board member responsible for risk management.

Collection Department is responsible for managing of defaulted receivables.

The quality of the loan portfolio and other relevant parameters are assessed monthly by Credit committee, which consists of representatives of the Board and representatives of the responsible departments.

5.1.2 Interest rate risk

The Bank is exposed to interest rate risk due to time mismatch of interest-sensitive assets, liabilities and certain off-balance sheet items. Activities in interest rate risk management aimed at optimizing net interest income in accordance with the strategy and interest rate risk limits approved by the Board of Directors.

To measure interest rate risk, the Bank uses the gap analysis. The analysis is based on the quantification of the difference between interest-sensitive assets and interest-sensitive liabilities with respect to time revaluation. Interest rate risk is measured daily.

In accordance with the requirements of the ČNB Bank also carries out stress testing of interest rate risk. Bank simulates the impact on net interest income or the economic value of the bank due to a shift or change in shape of the yield curve. The Bank performs stress testing of interest rate risk on a quarterly basis. This technique relies on different scenarios of interest rates on the market.

Bank exposure to interest-rate risk is independently monitored on daily basis and compared with the limits. Any break of limits is reported to the directors. Monthly interest rate risk exposure is reported to the ALCO and is a regular part of the agenda discussed by this committee.

5.1.3 Currency risk

The bank performs control of currency risk in order to eliminate potential loss from open foreign exchange positions due to economic and market changes.

The bank has set limits on currency risk based on its net position in individual currencies. The Bank also set an absolute limit on the total foreign exchange position. Bank conducts independent monitoring on a daily basis.

The Bank's exposure is independently monitored daily and compared with the limits. Any break of limits is reported to the directors. Foreign exchange position is reported to the ALCO on monthly basis and is regular part of the agenda discussed by this committee.

5.1.4 Operational risk

The Bank defines operational risk as the risk of loss caused by insufficiency or failure of internal processes, human factor and systems, and the risk of loss caused by external events. Operational risk includes legal, IT and compliance risk, excluded is strategic and reputational risk. The goal of operational risk management is the reduction of operational risks and losses to minimum level. In the frame of operational risk management utilizes the bank information gained based on monitoring and evaluation of operational risk events, information about potential risks identified based of Risk Control Self-Assessment and information about fulfillment of Key Risk Indicators. Important part of operational risk management system is analysis of operational events causes and implementation of risk

reducing measures. Operational risks relevant to the property of the bank are partially transferred to third parties based on insurance agreements. The monitoring of operational risks is done for all activities of the bank. As main tools for operational risk management are utilized the database of operational risk events and Risk Control Self-Assessment questionnaires. Collecting of information about operational risk events and completing of RCSA questionnaires is done in co-operation with heads of individual departments of the Bank.

The agenda of operational risk management is organizationally incorporated in Risk Management division, which is headed by the member of the Board of Directors. The evolution in the area of operational risk is negotiated by Operational Risk Committee on quarterly basis.

The capital allocated for coverage of operational risk is quantified based on BIA method (Basic Indicator Approach), the sufficiency of allocated capital is subject to continuous evaluation.

The Bank executes on quarterly basis the assessment of internal capital requirement and calculation of economical capital.

As responsible bank within the regulated consolidated group executes the Bank identification and analysis of information about operational risks of individual members of regulated consolidated group and manages operational risks which is the group exposed to.

5.1.5 Liquidity risk

Liquidity management reflects the maturity of financial liabilities and the ability to realize the assets held by the bank on market quickly and without major losses. The bank has access to diversified sources of financing. The primary sources of financing are current accounts and saving accounts of the bank's clients and different term deposits and also own equity of the bank. The Bank regularly (on a daily basis) evaluates liquidity risk, mainly by monitoring changes in the structure of financing and comparing the structure with the liquidity risk management strategy, approved by the Board of directors. The Bank also holds, as part of its liquidity risk management strategy, portion of its assets in highly liquid instruments such as treasury bills, government bonds and current accounts with banks due the next day.

Bank uses for liquidity risk management the following indicators:

- The ratio of high liquid assets to total assets (HLA/A),
- Cumulative liquidity position of EB in individual time buckets.

These indicators are daily evaluated and compared with limits set by the Board of directors. Any real break is reported to the directors.

Liquidity position is reported to the ALCO on monthly basis and is regular part of the agenda discussed by this committee.

5.2 Capital of the bank

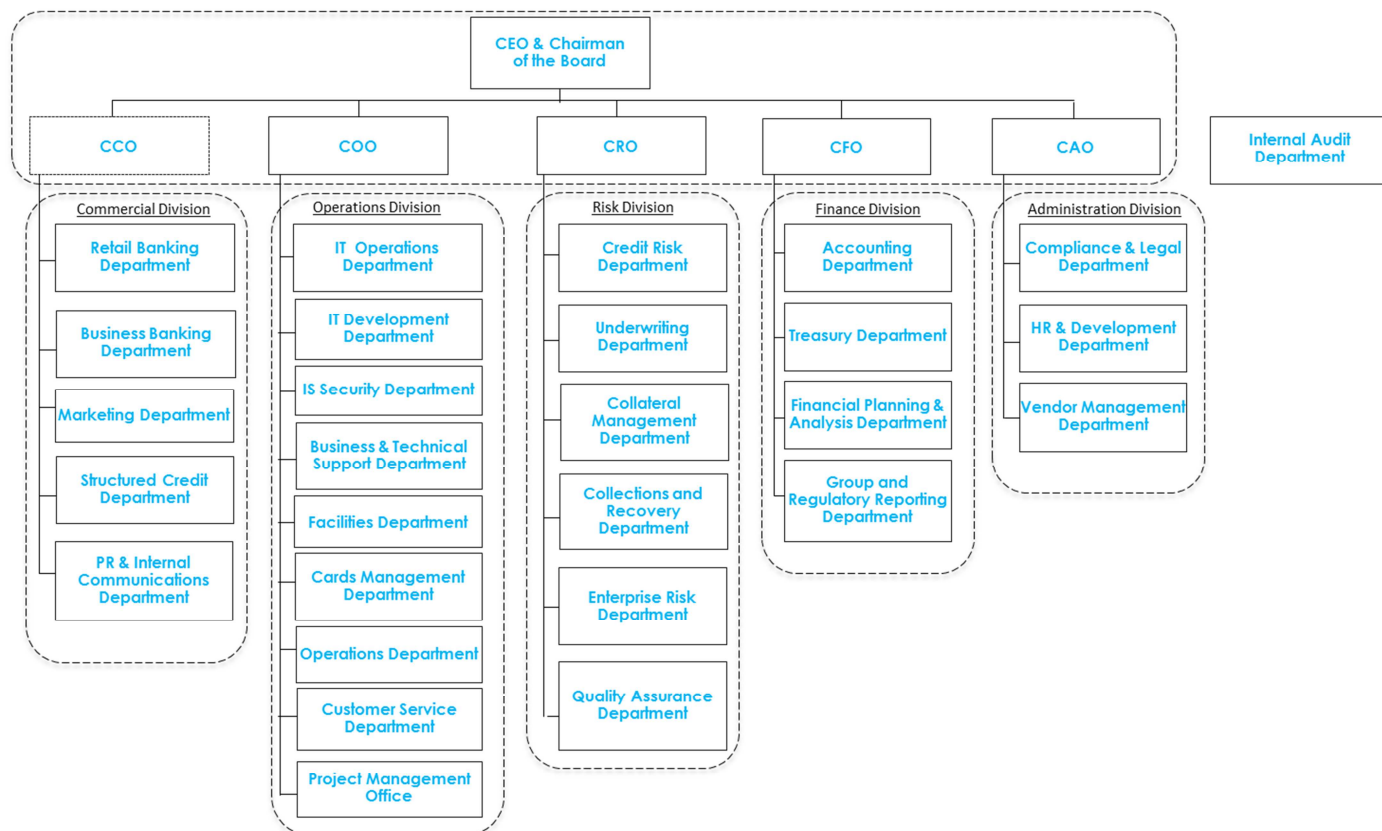
	('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Capital		974 940	1 596 120	1 466 704	1 479 193
Original capital (Tier1)		974 940	1 596 120	1 466 704	1 479 193
Repaid registered capital		2 260 000	2 260 000	2 260 000	2 260 000
Share premium		16	16	16	16
Reserve funds and other funds from profit		-957 613	-204 007	-204 007	-204 007
Obligatory reserve funds		25 805	0	0	0
Retained profit from previous years		40 566	0	0	0
Accumulated losses from previous years		-1 023 983	-204 007	-204 007	-204 007
Loss for the current year		-133 524	-224 537	-334 487	-394 976
Deductible items from original capital		-193 939	-235 352	-254 818	-181 841
Intangible fixed assets other than goodwill		-193 939	-235 352	-254 818	-172 543
Negative revaluation from changes of fair value of AFS capital instruments		0	0	0	-9 298
Additional capital (Tier2)		0	0	0	0
Deductible items from original and add. capital (Tier1 + Tier2)		0	0	0	0
Capital designated to cover market risks (Tier3)		0	0	0	0

5.3 Capital requirements

	('000 CZK)	31.3.2013	30.6.2013	30.9.2013	31.12.2013
Capital requirements total		486 248	582 930	679 639	831 480
Capital requirements to credit risk total		476 435	572 601	669 310	821 150
Capital requirements to credit risk using STA total		476 435	572 601	669 310	821 150
Cap. req. using STA to fin. institution expositions		124	182	129	123
Cap. req. using STA to enterprise expositions		242 723	280 726	293 193	360 627
Cap. req. using STA to retail expositions		56 429	90 424	162 224	210 070
Cap. req. using STA to expositions pledged by real estate		69 301	88 621	105 258	137 086
Cap. req. using STA to overdue expositions		30 757	35 497	31 834	18 964
Cap. req. using STA to short term expositions (fin. inst. & enterp.)		12 437	9 043	4 338	10 980
Cap. req. using STA to other expositions		64 664	68 108	72 333	83 301
Capital requirements to market risk using STA total		0	0	0	0
Cap. req. using STA to currency risk		0	0	0	0
Capital requirements to operational risk total		9 813	10 329	10 329	10 329
Cap. req. to operational risk using BIA		9 813	10 329	10 329	10 329

Attachment no. I

Organizational chart as at 31.12.2013



Attachment no. II

Supervisory Board

Peter Bramwell Cartwright (Chairman)

Peter Cartwright has spent his entire career in the financial services sector and was one of the founding partners of AnaCap Financial Partners, LLP. Prior to AnaCap Financial Partners LLP, Peter Cartwright was Commercial Director within a specialty insurance services provider backed by a UK-based private equity firm, and between 1999 and 2003 was the Sales & Marketing Director and Chief Operating Officer for GMAC UK and On:line Finance, respectively, having previously worked for GE Capital.

Peter Cartwright is currently a non executive director of two regulated Banks within the EU, namely Aldermore Bank PLC in the UK and Mediterranean Bank PLC in Malta.

Christopher John Patrick (Member)

Chris Patrick heads AnaCap's R&L Management team and has over 20 years' experience in the European structured finance and capital markets. Prior to joining AnaCap, he was Managing Director and Head of Principal Finance - European Structured Products at Lehman Brothers. He has also held senior positions at Credit Suisse and Nomura International. Chris Patrick started his career in Commercial Real Estate at Goldman Sachs.

Chris Patrick holds a B.A. in Economics from Yale University.

Ondřej Hák (Member voted by employees)

Has been working in bank industry since 1999. All his existing career he spent in mortgage lending and consumer finance. Ondřej spent 8 years in credit risk management, first in eBanka, later on in Raiffeisenbank. Since 2010 he has been working in product management focused on lending.

Ondřej joined Equa bank in July 2011 as Head of Asset Products Department. His prior task was to introduce and launch mortgage lending proposition and consumer finance proposition. Ondřej's team is now responsible also for bank assurance and retail business development activities.

Ondřej graduated from the Faculty of Economics and Administration at Masaryk University Brno in economics and finance.

Attachment no. III

Board of Directors

Petr Řehák (Chairman)

- 2 years as Head of Retail Banking and Member of Management Committee in CITIBANK;
- 1 year as General Manager for retail banking of Czech Republic & Slovakia in mBank;
- 4 years as Member of the Board of Directors, Executive Vice-president and Chief Sales Officer in Czech Airlines;
- 4 years as Member of the Board of Directors and Chief Sales Officer in eBanka;
- 2 years as Branch Manager in Komerční banka;
- 2 years as Head of SME and Corporate Department and Deputy Branch Manager in ČSOB;
- Graduated in Economics and Management at the Faculty of Social and Economic UJEP Ústí nad Labem.

Radek Pluhař (Vice-chairman)

- 5 years as Head of Commercial Risk Management in GE Money Bank;
- 7 years as Portfolio Manager and Strategist in Asset Management division of Česká spořitelna;
- Holds Ph.D. in Finance from University of Economics in Prague.

Monika Kristková (Member)

- 2 years engaged in a new retail banking project with direct responsibility for finance, strategy and performance management (Equa Financial Services s.r.o.);
- 1 year as a Mergers & Acquisitions Manager for ČEZ;
- 5 years held various management positions in Czech Airlines;
- 6 years as Senior Auditor specializing in banking sector and as Senior Associate of Financial Advisory division at Deloitte;
- Graduated in Finance at University of Economics in Prague.

Leoš Pýtr (Member)

- 3 years as President and Chairman of the Board of Directors at Banco Popolare Česká republika, a.s.;
- 4 years as Executive Director, Financial Market Supervision Department at Czech National Bank;
- 6 years as Chairman of the Board of Directors and General Director at První městská banka;
- 6 years as Member of the Board of Directors at GiroCredit-Sparkassen Bank Prague Ltd.;
- Education: University of Economics – Prague, more than 30 years of professional experience in banking.

Pavel Sedláček (Member)

- 4 years as Head of Operations Division at LBBW Bank CZ a.s.;
- 2 years as Head of Information Management Department at LBBW Bank CZ a.s.;
- 4 years as Director of Business Consulting Division at IDS Scheer, a.s.;
- 2 years as Senior consultant at the Boston Consulting Group;
- 6 years at Arthur D. Little (from analyst to manager);
- Graduated in International trade (major) and Finance (minor) at the Prague University of Economics.

Attachment no. IV

Management of the Bank

Petr Řehák (Chief Executive Officer)

Petr Řehák has long-term experience in banking sector - see the Attachment no. III

Radek Pluhař (Chief Risk Officer)

Radek Pluhař has long-term experience in risk management of financial institutions – see the Attachment no. III.

Monika Kristková (Chief Financial Officer)

Monika Kristková has long-term professional experience in finance and for Equa group works since April 2010 - see the Attachment no. III

Leoš Pýtr (Chief Administrative Officer)

Leoš Pýtr graduated at University of Economics in Prague and has more than 30 years of professional banking experience – see the Attachment no. III

Pavel Sedláček (Chief Operations Officer)

Pavel Sedláček graduated at University of Economics in Prague and has long-term professional experience – see the Attachment no. III

Attachment no. V

Chart of regulated consolidated group as at 31.12.2013

