

Equa bank a.s. information as at 30.6.2013

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

Published on August 9, 2013

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Attachments:

- I. Organizational chart
- II. Information about the Supervisory Board members
- III. Information about the Board of Directors members
- IV. Information about the Bank Management members
- V. Chart of consolidated group

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: April 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 30.6.2013 is showed in the attachment no. I.

Number of organizational units: 19
Average number of employees: 363

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. Monika Kristková | Member | 3.4.2012 |
| Ing. Radek Pluhař, Ph.D. | Vice-chairman | 5.11.2012 |
| Ing. Leoš Pýtr, CSc. | Member | 22.10.2012 |

c) Management

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

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 Holdings 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) | 30.9.2012 | 31.12.2012 | 31.3.2013 | 30.6.2013 |
|--------------------|-----------|------------|-----------|-----------|
| Supervisory Board | 500 | 478 | 0 | 0 |
| Board of Directors | 2 071 | 4 701 | 6 504 | 0 |
| Management | 2 071 | 4 701 | 6 504 | 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: | 0 |

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: | 366 750 |
| Acquisition price of ownership interests: | 361 000 |
| Total amount of bank receivables: | 171 |
| Total amount of bank payables: | 51 277 |
| 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) | 30.9.2012 | 31.12.2012 | 31.3.2013 | 30.6.2013 |
|---|------------|------------------|------------------|-------------------|-------------------|
| TOTAL ASSETS | 1 | 7 467 412 | 9 003 832 | 10 846 633 | 13 157 265 |
| Cash and balances with central banks | 2 | 1 229 142 | 1 041 239 | 836 307 | 1 530 887 |
| Cash | 3 | 33 586 | 32 052 | 22 425 | 12 908 |
| Balances with central banks | 4 | 1 195 557 | 1 009 187 | 813 882 | 1 517 979 |
| Financial assets for trading | 5 | 134 | 431 | 430 | 5 145 |
| Derivatives with positive real value | 6 | 134 | 431 | 430 | 5 145 |
| Loans and other receivables | 27 | 4 475 852 | 6 097 150 | 7 544 666 | 9 077 647 |
| Debt securities not for trading | 28 | 0 | 0 | 99 821 | 99 986 |
| Receivables | 29 | 4 475 852 | 6 097 150 | 7 444 845 | 8 977 661 |
| Receivables from banks | 30 | 619 916 | 479 809 | 773 992 | 562 637 |
| Receivables from clients | 31 | 3 854 898 | 5 610 322 | 6 630 993 | 8 367 945 |
| Other receivables | 32 | 1 038 | 7 018 | 39 860 | 47 078 |
| Financial investments held to maturity | 33 | 1 003 072 | 1 003 378 | 1 502 847 | 1 503 968 |
| Debt securities held to maturity | 34 | 1 003 072 | 1 003 378 | 1 502 847 | 1 503 968 |
| Tangible fixed assets | 46 | 57 181 | 62 083 | 66 783 | 68 893 |
| Lands, buildings and equipments | 47 | 57 181 | 62 083 | 66 783 | 68 893 |
| Real estate investments | 48 | 0 | 0 | 0 | 0 |
| Intangible fixed assets | 49 | 64 699 | 120 379 | 193 939 | 235 352 |
| Goodwill | 50 | 0 | 0 | 0 | 0 |
| Other intangible fixed assets | 51 | 64 699 | 120 379 | 193 939 | 235 352 |
| Ownership interests | 52 | 363 612 | 360 446 | 362 896 | 366 750 |
| Tax receivables | 53 | 171 633 | 206 178 | 239 574 | 260 288 |
| Other assets | 56 | 102 088 | 112 548 | 99 191 | 108 334 |

| | ('000 CZK) | 30.9.2012 | 31.12.2012 | 31.3.2013 | 30.6.2013 |
|---|------------|------------------|------------------|-------------------|-------------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1 | 7 467 412 | 9 003 830 | 10 846 633 | 13 157 264 |
| TOTAL LIABILITIES | 2 | 6 012 724 | 7 701 426 | 9 677 753 | 11 325 792 |
| Vklady, úvěry a ostatní finanční závazky vůči centr.bankám | 3 | 0 | 0 | 0 | 490 |
| Financial liabilities for trading | 4 | 1 454 | 0 | 1 730 | 2 870 |
| Derivatives with negative real value | 5 | 1 454 | 0 | 1 730 | 2 870 |
| Financial liabilities | 20 | 5 918 623 | 7 554 528 | 9 467 006 | 10 604 889 |
| Due to banks | 21 | 200 018 | 0 | 19 920 | 25 949 |
| Due to clients | 22 | 5 688 332 | 7 492 366 | 9 402 272 | 10 533 258 |
| Other financial liabilities | 23 | 30 273 | 62 162 | 44 814 | 45 682 |
| Reserves | 34 | 6 446 | 10 197 | 9 493 | 9 493 |
| Other reserves | 40 | 6 446 | 10 197 | 9 493 | 9 493 |
| Tax liabilities | 41 | 0 | 0 | 0 | 0 |
| Other liabilities | 44 | 86 201 | 136 700 | 199 524 | 218 080 |
| TOTAL SHAREHOLDERS' EQUITY | 47 | 1 454 688 | 1 302 404 | 1 168 879 | 1 831 472 |
| 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 |
| Reserve funds | 63 | 25 805 | 25 805 | 25 805 | 0 |
| Retained earnings (accumulated losses) from previous years | 64 | -537 645 | -537 645 | -983 417 | -204 007 |
| Profit (loss) for the accounting period | 66 | -293 489 | -445 773 | -133 524 | -224 537 |

4.2. Profit and loss statement

| | (‘000 CZK) | 30.9.2012 | 31.12.2012 | 31.3.2013 | 30.6.2013 |
|---|------------|-----------------|-----------------|-----------------|-----------------|
| Profit from financial and operating activities | 1 | 37 683 | 63 182 | 14 212 | 76 003 |
| Interest income | 2 | 139 477 | 215 553 | 76 964 | 169 756 |
| Interests from receivables to central banks | 3 | 7 038 | 7 380 | 152 | 284 |
| Interests from fin. assets booked at FV | 5 | 0 | 0 | 224 | 553 |
| Interests from loans and other receivables | 7 | 118 860 | 188 845 | 71 180 | 158 402 |
| Interests from financial investments held to maturity | 8 | 13 579 | 19 329 | 5 408 | 10 517 |
| Interest expense | 11 | -89 022 | -126 102 | -43 978 | -85 885 |
| Interests from financial liabilities due to central banks | 12 | -107 | -107 | 0 | -10 |
| Interests from financial liabilities booked at FV | 14 | 0 | 0 | -317 | -782 |
| Interests from financial liabilities at amortized cost | 15 | -88 915 | -125 995 | -43 661 | -85 093 |
| Fee and commission income | 24 | 13 197 | 19 223 | 6 750 | 12 873 |
| Fee and commission income from maintenance and custody | 31 | 25 | 26 | 19 | 23 |
| Fee and commission income from commitments and guarantees | 32 | 460 | 532 | 48 | 90 |
| Fee and commission income from payments | 33 | 12 602 | 18 385 | 5 499 | 9 447 |
| Fee and commission income from other services | 36 | 111 | 281 | 1 184 | 3 313 |
| Fee and commission expense | 37 | -15 487 | -26 663 | -11 245 | -20 823 |
| Fees and commissions for clearing and settlement | 41 | 44 | 0 | 0 | 0 |
| Fees and commissions for other services | 43 | -15 532 | -26 663 | -11 245 | -20 823 |
| realized P/L from fin. assets and liabilities not booked at FV | 44 | -10 381 | -17 968 | -11 288 | -872 |
| Profit (loss) from loans and other receivables | 46 | -10 381 | -17 968 | -11 288 | -872 |
| Profit (loss) from fin. assets and liabilities for trading | 50 | 303 | -1 286 | -3 728 | -462 |
| Profit (loss) from currency instruments (incl. derivatives) | 53 | 303 | -1 286 | -3 728 | -5 055 |
| FX differences | 59 | 4 102 | 7 233 | 4 604 | 9 034 |
| Profit (loss) from disposal of assets held to maturity | 60 | 204 | -45 | -1 594 | -1 588 |
| Other operating income | 61 | 2 061 | 2 594 | 553 | 1 133 |
| Other operating expenses | 62 | -6 771 | -9 358 | -2 826 | -7 163 |
| Administrative expenses | 63 | -442 303 | -640 631 | -173 447 | -317 125 |
| Employee expenses | 64 | -223 644 | -301 135 | -84 781 | -170 951 |
| Wages and salaries | 65 | -171 830 | -231 194 | -63 569 | -124 359 |
| Social and health insurances | 66 | -49 338 | -66 074 | -19 996 | -43 918 |
| Pension and similar expenses | 67 | -72 | -96 | -24 | -48 |
| Temporary employee expenses | 68 | -786 | -1 311 | -441 | -1 073 |
| Other employee expenses | 70 | -1 619 | -2 459 | -751 | -1 553 |
| Other administrative expenses | 71 | -218 659 | -339 496 | -88 666 | -146 174 |
| Advertisement expenses | 72 | -31 142 | -81 158 | -24 309 | -12 872 |
| Consulting expenses | 73 | -7 392 | -10 676 | -1 301 | -3 021 |
| IT expenses | 74 | -94 109 | -133 514 | -34 412 | -70 246 |
| Outsourcing expenses | 75 | -17 348 | -17 543 | -3 710 | -7 189 |
| Rents | 76 | -30 526 | -41 003 | -12 535 | -27 143 |
| Other expenses | 77 | -38 140 | -55 603 | -12 399 | -25 703 |
| Depreciation | 78 | -8 973 | -13 804 | -6 742 | -13 828 |
| Depreciation of lands, buildings and equipments | 79 | -4 408 | -6 024 | -2 127 | -4 609 |
| Depreciation of intangible fixed assets | 81 | -4 565 | -7 780 | -4 615 | -9 219 |
| Creation of reserves | 82 | 0 | -10 197 | 0 | 0 |
| Impairment losses | 83 | 52 434 | 56 629 | -3 394 | -30 002 |
| Impairment losses from fin. assets not booked at FV to P/L | 84 | 52 434 | 56 462 | -3 394 | -30 002 |
| Loss from impairment of loans and other receivables | 87 | 52 434 | 56 462 | -3 394 | -30 002 |
| Impairment losses from non/finance assets | 89 | 0 | 167 | 0 | 0 |
| Impairment losses from intangible assets | 93 | 0 | 167 | 0 | 0 |
| Share on P/L of associated and controlled entities | 97 | 0 | -3 166 | 2 450 | 6 304 |
| Profit or loss from continuous activities before tax | 99 | -361 159 | -547 988 | -166 920 | -278 648 |
| Income tax expense | 100 | 67 670 | 102 215 | 33 396 | 54 110 |
| Profit or loss from continuous activities after tax | 101 | -293 489 | -445 773 | -133 524 | -224 537 |
| Profit or loss after tax | 103 | -293 489 | -445 773 | -133 524 | -224 537 |

4.3. Financial receivables with and without default

| ('000 CZK) | Value before impairment | Net book value | Provisions on individual basis | Provisions on portfolio basis |
|--|----------------------------|------------------|-----------------------------------|----------------------------------|
| 30.6.2013 | | | | |
| Financial receivables total | 9 022 095 | 8 930 582 | 61 813 | 15 863 |
| 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 | 15 863 |
| Receivables without default | 7 957 828 | 7 923 604 | 4 524 | 15 863 |
| Standard receivables | 7 727 472 | 7 697 773 | 0 | 15 863 |
| 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 | 12 253 |
| 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 | 12 253 |
| Receivables without default | 6 271 811 | 6 246 419 | 4 967 | 12 253 |
| Standard receivables | 6 062 966 | 6 042 540 | 0 | 12 253 |
| 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 |
| 31.12.2012 | | | | |
| Financial receivables total | 6 163 506 | 6 090 131 | 60 046 | 9 489 |
| Receivables from banks | 479 809 | 479 809 | 0 | 0 |
| Receivables without default | 479 809 | 479 809 | 0 | 0 |
| Standard receivables | 479 809 | 479 809 | 0 | 0 |
| Receivables with default | 0 | 0 | 0 | 0 |
| Receivables from other persons than banks | 5 683 696 | 5 610 322 | 60 046 | 9 489 |
| Receivables without default | 5 229 362 | 5 210 402 | 5 632 | 9 489 |
| Standard receivables | 4 989 265 | 4 975 937 | 0 | 9 489 |
| Watched receivables | 240 097 | 234 465 | 5 632 | 0 |
| Receivables with default | 454 335 | 399 920 | 54 414 | 0 |
| Substandard receivables | 221 274 | 219 906 | 1 367 | 0 |
| Doubtfull receivables | 162 977 | 130 824 | 32 153 | 0 |
| Loss receivables | 70 084 | 49 190 | 20 894 | 0 |
| 30.9.2012 | | | | |
| Financial receivables total | 4 552 565 | 4 474 816 | 69 462 | 7 082 |
| Receivables from banks | 619 916 | 619 916 | 0 | 0 |
| Receivables without default | 619 916 | 619 916 | 0 | 0 |
| Standard receivables | 619 916 | 619 916 | 0 | 0 |
| Receivables with default | 0 | 0 | 0 | 0 |
| Receivables from other persons than banks | 3 932 648 | 3 854 899 | 69 462 | 7 082 |
| Receivables without default | 3 414 807 | 3 400 971 | 5 549 | 7 082 |
| Standard receivables | 3 269 510 | 3 261 224 | 0 | 7 082 |
| Watched receivables | 145 296 | 139 747 | 5 549 | 0 |
| Receivables with default | 517 841 | 453 929 | 63 913 | 0 |
| Substandard receivables | 282 379 | 279 405 | 2 974 | 0 |
| Doubtfull receivables | 158 901 | 124 668 | 34 233 | 0 |
| Loss receivables | 76 561 | 49 856 | 26 706 | 0 |

4.4. Financial receivables with and without impairment

| ('000 CZK) | 30.9.2012 | 31.12.2012 | 31.3.2013 | 30.6.2013 |
|--|------------------|------------------|------------------|------------------|
| Receivables without impairment (netto) | 4 427 483 | 5 237 307 | 5 783 750 | 6 975 247 |
| measured at amortized cost | 4 427 483 | 5 237 307 | 5 783 750 | 6 975 247 |
| measured at fair value | 0 | 0 | 0 | 0 |
| Receivables with impairment (before impairment) | 1 321 675 | 1 942 404 | 2 551 760 | 3 611 906 |
| measured at amortized cost | 1 321 675 | 1 942 404 | 2 551 760 | 3 611 906 |
| measured at fair value | 0 | 0 | 0 | 0 |
| Provisions to rec. measured at amortized cost | 77 749 | 73 374 | 76 783 | 91 513 |
| Accumulated loss of rec. measured at fair value | 0 | 0 | 0 | 0 |
| Receivables with impairment (netto) | 1 243 926 | 1 869 030 | 2 474 977 | 3 520 393 |
| measured at amortized cost | 1 243 926 | 1 869 030 | 2 474 977 | 3 520 393 |
| measured at fair value | 0 | 0 | 0 | 0 |

Receivables with impairment (before impairment) include standard receivables in amount of 2 866 084 k CZK (as at 30.6.2013) with related portfolio provisions created in amount of 15 863 k CZK.

4.5. Restructured financial receivables

No financial receivables were restructured during the last quarter.

4.6. Fair and nominal values of derivatives

| ('000 CZK) | 30.9.2012 | | 31.12.2012 | | 31.3.2013 | | 30.6.2013 | |
|---|------------|---------------|------------|---------------|------------|---------------|------------|---------------|
| | Real value | Nominal value | Real value | Nominal value | Real value | Nominal value | Real value | Nominal value |
| Interest sw aps (IRS) for trading - receivables | 0 | 0 | 0 | 0 | 224 | 200 000 | 5 145 | 200 000 |
| Foreign currency sw aps for trading - receivables | 134 | 147 900 | 431 | 126 137 | 206 | 359 909 | 0 | 257 418 |
| Interest sw aps (IRS) for trading - payables | 0 | 0 | 0 | 0 | 1 199 | 200 000 | 782 | 200 000 |
| Foreign currency sw aps for trading - payables | 1 454 | 149 190 | 0 | 125 700 | 531 | 360 225 | 2 088 | 259 500 |

4.7. Ratios

| ('000 CZK) | 30.9.2012 | 31.12.2012 | 31.3.2013 | 30.6.2013 |
|--|-----------|------------|-----------|-----------|
| Capital adequacy | 39,14% | 22,57% | 16,04% | 21,90% |
| Return on average assets (ROAA) | -5,67% | -6,15% | -5,35% | -4,14% |
| Return on average equity Tier 1 (ROAE) | -28,05% | -32,71% | -49,24% | -40,66% |
| Assets per employee | 22 492 | 25 435 | 28 544 | 33 737 |
| Administrative expenses per employee | 1 776 | 1 810 | 1 826 | 1 626 |
| Profit or loss after tax per employee | -1 179 | -1 259 | -1 406 | -1 151 |

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 Department. Approval of Product manual requires the consent of the representatives of all relevant departments and Legal. For products approved automatically the conditions for automatic approval are in the Product Manual.

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

The only exceptions are:

- Credit transactions, approved automatically or semi-automatically according to the conditions of Product (called Repůjčky, Portfolio Cash Loans),
- Lending business type Credit Investments (structured loans) where the authorization is granted by the Board of Directors.

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

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

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

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

Portfolio of loans to legal entities consists of BPCR loans, purchased loans from CDOs and structured loans.

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

One of the standard tasks of department Credit Risk is the categorization of loans with the procedure set out in Decree No. 123/2007. Categorization takes place monthly for 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 are: days past due, payment discipline, the existence of the restructuring, insolvency, client information and other material information.

Based on categorization of claims Bank creates provisions taking into account the risk coefficients according to Decree No. 123/2007. For portfolio of commercial loans (total CZK 12.5 million) in the categories of substandard, doubtful and loss the bank uses discounted cash flows.