UniCredit Bank

Make it simple. It's *easy* with UniCredit.

2009 Annual Report

“We UniCredit people are committed
to generating value for our customers.

As a leading European bank, we are dedicated
to the development of the communities in which
we live, and to being a great place to work.

We aim for excellence and we consistently
strive to be easy to deal with.

These commitments will allow us to create
sustainable value for our shareholders.”

UniCredit Bank

Rationale

Times change, but commitments do not. We emerged from 2009 with a renewed sense of purpose and direction. What was important to us before is even more important today. Namely, our customers.

Accordingly, we developed a new mission statement in 2009 to reinforce those principles and practices that we believe to be drivers of greater customer centricity. Emphasized in this mission is the desire to make banking as easy as possible for our customers by offering the kind of simple, straightforward solutions that can assist them in achieving their financial goals reliably and efficiently.

This is what we call “real-life banking”. It means providing our clients with more than just financial services by giving them the right support at the right time and in the right way. It is about looking our customers in the eye, working closely with them to assess their real-life needs, and then using our expertise to deliver effective solutions through smooth and easy interactions.

We believe that our rigorous dedication to simplicity and transparency will continue to advance excellence in all that we do. It will also maintain and grow the trust of our customers – a trust that is exemplified in the following pages.

This year’s report features photographs and personal stories from UniCredit Group customers across Europe, highlighting the concrete role that our company has played in their lives. Each of these individuals, who represent the foundation upon which we are structuring our shared future, has told us about a time we made their life easier.

2009 Annual Report

Radim Passer,
Passerinvest Group
Corporate Banking Client – Czech Republic

"I've been a satisfied client of UniCredit Bank for many years, both for my business and for personal use. Above all, we appreciate the fact that the bank thoroughly understands the real estate market, and that means it can effectively evaluate the financing for an individual project. In 2009, we had a few more chances to appreciate our bank's helpful and constructive approach. Specifically, when we financed our 'Filadelfie' project, and then again when we negotiated a loan for the 'Residential Park Baarova' project."

It's easy with UniCredit.

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Financial highlights

(IFRS audited, non-consolidated)

UniCredit Bank Czech Republic, a.s.	2009 In CZK millions	2008 In CZK millions
Operating performance		
Net interest income	6,195	6,422
Net fee and commission income	2,450	2,731
General administrative expenses	(3,667)	(3,950)
Profit before income tax	3,382	5,726
Net profit for the year	2,768	4,921
Statement of financial position figures		
Total assets	264,627	279,287
Receivables from clients	167,700	173,391
Deposits from clients	171,827	170,620
Issued capital	5,125	5,125
Information about capital and capital adequacy		
Tier 1	26,580	22,409
Tier 2	–	1,000
Tier 3	–	–
Deductible items	(260)	(243)
Total capital	26,320	23,166
Risk-weighted assets	189,989	209,583
Capital requirement for credit risk	15,199	16,767
Capital requirement for settlement risk	-	-
Capital requirement for position, foreign exchange and commodity risk	551	791
Capital requirement for operational risk	1,011	852
Capital requirement for other instruments in the trading portfolio	2	20
Capital adequacy ratio	12.56%	10.06%
Key ratios		
Return on average assets	1.0%	1.8%
Return on average equity	9.8%	19.6%
Assets per employee	159.7	169.7
Administrative expenses per employee	2.2	2.4
Profit after tax per employee	1.7	3.0
Number of employees at end of period	1,661	1,667
Branch offices	57	56

Martin Darbo,
Adolf Darbo Aktiengesellschaft
Corporate Banking Client – Austria

“As a family business, we don’t think in terms of quarters or years. We think in terms of generations. When making forward-looking decisions, you need a partner who prepares and offers long-term solutions in a reasonably short time. This is why we work with Bank Austria – UniCredit Group.”

It’s easy
with UniCredit.

Introduction from the Board of Directors

Dear shareholders, ladies and gentlemen,

UniCredit Bank Czech Republic clearly demonstrated during 2009 that it is built upon solid foundations and that it is capable, even during a worldwide economic recession, to generate planned values for its shareholder. Confidence in the domestic currency, a prudent investment policy, and innovative banking products and services with high added value for our clients comprise both a guarantee of stability and a promise for our further strengthening on the Czech banking market in the years ahead.

The performance of UniCredit Bank Czech Republic in the last year was influenced by developments in the Czech economy, which struggled especially with lower foreign demand. The Bank's proportionately large exposure to the corporate banking segment was reflected in both lower revenues and a rise in adjustments, although the latter remained well below those in the market generally. Despite a market liquidity crisis at the start of the year, the Bank was able consistently to provide financing to its key corporate clients. Thanks to this approach, we managed to minimize the impact of the economy's slowing on the total loans volume.

We also succeeded in achieving our planned results in the retail segment. Despite the uncontrollable external influences, and due in part also to rigorous cost management, UniCredit Bank Czech Republic achieved good profitability in 2009.

The Bank's segmented results and the overall market situation confirmed the correctness of our plan to increase UniCredit Bank Czech Republic's market share in retail banking over the coming months and years while at the same time achieving a better internal balance between the corporate and retail segments. Personnel changes in the Bank's Board of Directors, among other things, also correspond with this aim. Responsibility to further expand retail banking was taken on by Paolo Iannone, who has a wealth of experience in the countries of Central and Eastern Europe. Moreover, Domenico Pignata became a new member of the Board of Directors in the past year and is responsible for the Global Banking Services division.

The approved five-year strategic plan for strengthening in the retail area intends, among other things, to expand distribution channels and in the new products area. The first foundations of UniCredit Bank Czech Republic's planned expansion were laid already during 2009. We progressively opened five new branches outside of Prague and at the same time achieved success with innovative products, including, for example, mortgage loans for individuals with the lowest interest rate on the market (4.44% p.a.) and the Maxim savings product.

Our membership in UniCredit Group, the largest banking group in Central and Eastern Europe, represents an increasingly distinct competitive advantage for UniCredit Bank Czech Republic. Following the successful and unprecedented unification of fees for withdrawals from any UniCredit Group ATM anywhere in Europe, in 2009 we presented clients with an unrivalled cross-border internet banking service, "International User", that allows the user to operate domestic and foreign accounts through a single application. The Group also played a role in our successful introduction of SEPA standardized payments. We were the first bank in the Czech Republic, for example, to introduce SEPA debit, a new service in the non-cash payment system.

UniCredit Bank Czech Republic met with considerable success in the Best Bank 2009 competition, the results of which are announced by the leading economic newspaper Hospodářské noviny. The Bank took the top prize in consideration of its advantageous offer of products and services for clients and the financial result that it achieved. We also were successful with our personalized Mozaika account, which finished third in the judging for the best accounts among all banks in the Czech market.

Again in 2009, UniCredit Bank Czech Republic demonstrated that it is a socially responsible company. In place of our planned Christmas gathering with employees, we donated the allocated funds to aid the victims of last year's floods. We also reaffirmed our stable partnerships in the visual arts area, once again providing support to the National Gallery in Prague, The Moravian Gallery in Brno and Galerie Rudolfinum. In the sports area, UniCredit Group became an official partner of the UEFA Champions League.

The creation of a new strategy and preparations for its successful implementation were important aspects of 2009 for UniCredit Bank Czech Republic. The result will be a bank with a more prominent position on the Czech banking market, that has its revenues distributed evenly among individual segments, and that will continue to increase values for its shareholder as well as for its clients and employees.

April 2010

Ing. Jiří Kunert
Chairman of the Board of Directors

Macroeconomic environment in 2009

The year 2009 remains inseparably associated with the global recession. Its impact was felt also in the Czech economy, which, with a drop in GDP of 4.1%, occupied a position roughly in the middle ranks of European countries. On the demand side, these countries recorded huge decline in investments and inventories. Private consumption showed a slight decrease for the whole year, as it gradually lost pace due to the dwindling purchasing power of a household sector marked by rising unemployment. Foreign trade also contributed somewhat negatively to the economy's performance, with the same nearly 10% drop in both exports and imports at constant prices. In terms of individual sectors, industry and trade registered the greatest decrease in gross value added. The recession reached its bottom at mid-year, and in the second half of 2009 GDP already began once again to show quarter-on-quarter growth.

In response to deepening recession, the Czech National Bank continued to decrease its interest rates. During 2009, the repo rate was lowered in four steps by a total 125 basis points to a record low of 1.0%. Loans provided by commercial banks also registered a reduction in average cost, although this extent was limited by increasing risk premia due to worsening solvency in a number of sectors. The weakening of the crown, which on average reached 6% against the euro and even 12% against the US dollar, brought temporary relief to exporters troubled by the global crisis.

The corporate sector also received government support in the form of counter-crisis measures that were adopted. Of those, a reduction in the social security contribution and accelerated depreciation generated the most significant savings in companies' expenses. While the first set of counter-crisis measures was of a fiscal stimulus nature, the second set, prepared in 2009 and consisting primarily in increasing indirect taxes from the start of 2010, aimed to prevent further widening of the public budget deficit. With the adoption of these measures, the Czech Republic became one of the first EU countries in the post-crisis period to reorient its economic policy from fiscal expansion toward austerity.

Corporate clients

In the corporate banking area, we remain focused on providing our clients with comprehensive services tailored to their individual needs. We continue effectively to tap into the potential of cross-border client groups, for whom we are a unique partner given our exceptionally strong presence in CEE countries. We have also significantly expanded our services to Czech-owned companies.

Despite complicated external conditions in 2009, and although measures were adopted to ensure maximum prudence in providing loans, we managed to maintain our market share in corporate loan volumes at 13% and to increase our market share in deposit volumes to 8.5%. The average volume of deposits rose by 10.4% year on year, while the average volume of loans grew by 4%. Overall, however, the results were influenced by a marked drop in revenues at our corporate clients. This was reflected in the volumes of executed payments as well as in needs for operating capital financing. At the same time, demand for investment loans fell considerably as companies suspended their plans during the crisis.

The area of structured export financing, on the other hand, developed successfully. Buyer's credits to Russia and Ukraine, where UniCredit Bank ranked 3rd among banks on the Czech market, played a significant role in this area. We seamlessly implemented the Payment Service Directive from 1 November 2009, which has accelerated the payment system for clients, and ours is the only bank on the market offerings the SEPA Direct Debit service.

In 2009, UniCredit Bank intermediated the payment of subsidies in the amount of CZK 13.7 billion. UniCredit Bank, together with Česká pojišťovna, distributed subsidies from EU funds and the government budget in 2009 totalling CZK 13.7 billion. Thus, since 2007, a total of CZK 63 billion has been paid through UniCredit Bank. In the last year, these funds were disbursed to 2,734 successful applicants for implementing 4,325 projects. The number of successful projects increased by 6.4% compared with the previous year. UniCredit Bank has been disbursing subsidies in cooperation with Česká pojišťovna since 1 January 2007 after winning a public tender conducted by the Czech Ministry of Finance.

Although the situation on the commercial real estate market remained relatively unfavourable throughout 2009, the Bank's loan portfolio in this particular segment remained very healthy with a minimal number of default cases. Likewise, the Bank continued selectively to finance new projects in segments and under conditions that it considered attractive. In 2010, we expect further market stabilization in connection with gradual economic recovery.

In the area of structured finance and syndicated lending, we maintained our position as one of the market leaders, especially in the segment of acquisitions financing and leveraged finance. We successfully originated a number of large transactions, among the most important of which were, for example, acquisitions refinancing for the companies Plzeňská energetika and Severomoravské vodovody a kanalizace and acquisitions financing for the companies EŽ Praha and ŠKODA Power. We expect to see a significant renewal of transaction activity in this segment as well in 2010.

Private and business clients

In addition to introducing new products and improving services for retail clients, 2009 was a special year due also to the preparation of a new medium-term business strategy aimed specifically at strengthening UniCredit Bank's market share in this segment. Our Bank's traditionally very strong position in the corporate banking area effectively motivates us, as well, to succeed in reaching our goals in the retail segment. A preliminary step in fulfilling this new model was the expansion of the branch network last year by five new points of sale. In coming months, the Bank will focus its attention especially on expanding distribution channels.

The broad offer of modern, advantageous products and services underwent partial modification in 2009. Among other things, UniCredit Bank focused in on providing loans to retail clients for buying real estate. In this area, it maintained production comparable with that from 2008 despite an overall 40% market decline. A mortgage loan with the lowest interest rate on the market (4.44% p.a.) achieved great popularity among clients. The Bank has offered the rate to an interested party that, along with the loan, establishes a personal account with a credit card and also insures the loan.

UniCredit Bank confirmed its position as a main innovator on the Czech banking market, for example, by launching the SEPA Direct Debit service. As from autumn 2009, the Bank is the first in the Czech Republic to provide its clients this brand new service as part of the non-cash payment system. UniCredit Bank enables its clients to pay by direct debit from a single EUR-denominated account in 32 European countries, thereby continuing to live up to its corporate image as a truly European bank.

As from 1 July 2009, UniCredit Bank Czech Republic put into distribution a new product innovation called EASY RYTMUS. This is a programme of regular investing into select Pioneer funds – three Czech and one Luxembourg-based – with a recommended investment horizon (investment period). The EASY RYTMUS programme allows regularly investing even a small amount of one's monthly budget, thus helping to achieve goals that today exceed the financial possibilities of those interested in investing.

In the area of services intended primarily for business clients, the "International User" service garnered great attention. This service enables clients to work simply and easily with accounts maintained in UniCredit Group's multiple countries using the internet – and to do so from a single internet banking application with one security system (i.e. user number and security token). As an "international user", a client can use the website of any UniCredit Group bank to log into the internet banking service. When logging in, the client selects the country in which he/she wishes to begin to manage online his/her accounts and those accounts are then displayed.

In August of last year, the Bank introduced the new E-commerce UCB service, which allows merchants to accept payment cards on their websites. The main advantage of this innovation lies in reduced security risk for both cardholders and the merchant. The new service is built on the 3D Secure technology standard, which is supported by the two largest international card associations, MasterCard and VISA.

In 2009, UniCredit Bank further expanded its broad palette of investment products with varying maturities and risk profiles offered in cooperation with Pioneer Investments. For example, two new structured bonds were issued. Taking into consideration the current needs of the market, UniCredit Bank issued the bonds with a one-year maturity in two variants – the YIELD 2010 structured bond (more conservative with a guarantee of 100% of the invested funds and a lower potential return) and the GROWTH 2010 structured bond (more dynamic with a guarantee of 98% of the invested funds and higher appreciation potential).

Last year, UniCredit Bank was among the few banks in the Czech Republic providing truly comprehensive services for clients operating in freelance professions. The Bank has systematically devoted itself to this area over the long term through its Competence Centre, which brings its clients a high level of services and products with a view to the needs of individual professional groups. In the past year, UniCredit Bank expanded its cooperation with additional professional associations and companies.

The Bank once again confirmed its strong position in the Private Banking segment, where its knowledgeable and capable private bankers provide professional and individually made-to-measure services. Included among such truly unique services in the Czech Republic is advisory in the field of art – Art Banking, an exclusive service for clients of the Private Banking segment.

Treasury

As seen by its results in 2009, the International Markets Division (IMD) reaffirmed its position as an important long-term source of the Bank's profitability.

The year 2009 was particularly demanding for IMD, as the financial markets crisis that began in 2008 was fully reflected in the real economy. In practice, this meant that, as a result of the continuing limited market liquidity across all products, high price volatility and decreasing trust among trading counterparties, client turnover fell considerably during the year. This also was reflected in the traded volumes of treasury products.

Thanks to its flexibility, however, IMD was able to maintain the direction set for this area in previous years and that is characterized by an innovative approach and individualized solutions for clients' needs. This only deepened our comprehensive approach to our clientele, especially in the areas of derivatives trades and their restructuring.

In the international markets area, clients are provided with services covering the foreign currency, money market, bond and stock market segments, as well as securities custody and depository services and such "second generation" products as commodity and interest-rate derivatives. In the area of securities management and custody, the Bank is holding onto its position among foreign institutional clients at the top of this highly competitive market segment. The Bank continues to maintain its leading position in providing depository services for pension funds, where it has a market share exceeding 60%, as measured by both the volume of assets under management and the number of end-clients served by the given pension funds.

As measured by income achieved, 2009 was historically the most successful year ever for trading in treasury products on the Bank's own account in the areas of interest-rate, foreign-currency and equity risks.

Sponsoring and charity

Sponsoring

Cultural sponsorship

In 2009, UniCredit Bank again devoted significant attention to contemporary visual arts and thus, even during the current period of uncertainty, became a year-long partner of the most prominent cultural institutions in the Czech Republic. In 2009, the Bank was the main partner of the National Gallery in Prague, Galerie Rudolfinum and The Moravian Gallery in Brno.

As part of its year-long partnership with the National Gallery in Prague, and in addition to supporting the opening of a new permanent exhibition in the premises of Veletržní Palác, the Bank participated, for example, in a unique exhibition of graphic works by Pablo Picasso presented at Veletržní Palác through June 2009. The partnership in 2009 thus extended the success from 2008, during which time several unique exhibitions had been presented: "International Triennial of Contemporary Art", "FOTOGRAFIS collection reloaded", "Pablo Picasso: Graphic Works", and "Masters of 20th Century Traditional Chinese Painting".

The cooperation with The Moravian Gallery last year continued from 2008, when UniCredit Bank had made an appearance in Brno in connection with, for example, the exhibitions "The Third Side of the Wall" and "The Brussels Dream" and of course as the main partner of MG's most important event in 2008 – the "23rd International Biennial of Graphic Design Brno 2008". In 2009, this cooperation continued, for example, with the exhibition "A Muse under Heaven" and in the project "Vladimír Skrepl: Like in a Mirror" (winner of the Michal Ranný Prize 2008). In the second half of 2009, an exhibition presenting works of Alphonse Mucha achieved significant success.

As part of its year-long partnership with Galerie Rudolfinum, for example, UniCredit Bank was the main partner of this gallery's exceptional exhibition "Andy Warhol – Motion Pictures", which presented Warhol's early film works for the first time in the Czech Republic. The exhibition was organized by The Museum of Modern Art, New York in cooperation with The Andy Warhol Museum, Pittsburgh.

Important support in 2009 also was provided to the "Art Prague" contemporary art fair and, for the first time, to the "Prague Photo" exhibition at Mánes Exhibition Hall, at which the Bank awarded the best photographer under 35 years of age with the UniCredit Prague Photo Award.

For several years UniCredit Bank has worked with the Karlovy Vary International Film Festival, which is the most prominent international film festival in Central and Eastern Europe. The festival stands among such other prestigious international film festivals as those in Cannes, Berlin and Venice. Intended for both the general public and professionals, the festival provides its visitors with a carefully composed programme. Each year, several films appear in the official competition that later achieve significant international success or are pronounced the most successful films of the year in their respective countries. Moreover, deserved international attention is devoted each year to new films from Central and Eastern Europe. After premiering in Karlovy Vary, these films go on to be included in the programmes of other international festivals and to achieve international distribution.

Sports sponsorship

UniCredit Group has become an official partner of the UEFA Champions League for the period July 2009–June 2012. This agreement is another highlight of UniCredit Group's commitment to establishing a position and identity as a strong European brand based on the general brand strategy launched by the Group in 2007. At the start of 2008, UniCredit Group decided to support this strategy by means of partnerships with prominent sporting competitions in Europe. UniCredit regards the promotion of its brand as decisive for the lasting success of its business.

The wide range of spectators whom the UEFA Champions League brings together presents UniCredit Group with a platform for achieving its goals. The contract concluded for three years includes a number of various communications, branding, broadcasting and advertising rights. The UEFA Champions League is the most successful international club competition. Due to its broad coverage throughout Europe, the UEFA Champions League is an ideal strategic teammate for the leading European financial institution that is UniCredit Group.

Plans for 2010

We will continue in 2010 our successful cooperation with the largest and most prestigious galleries in the Czech Republic – the National Gallery in Prague, Galerie Rudolfinum and The Moravian Gallery in Brno. Support also will be provided once again to the "Art Prague Photo" fair as well as the Karlovy Vary International Film Festival.

Charity

In 2009, UniCredit Bank donated more than CZK 1 million to aid those affected by floods in the Czech Republic. UniCredit Bank decided in place of its planned Christmas gathering with employees to donate the allocated funds to the non-profit organization People in Need, which provides aid to flood victims. Moreover, independent of the Bank's decision, UniCredit Bank's employees also contributed to this donation by organising among themselves a collection for the same purpose.

In connection with the tragic events that occurred in the Czech Republic, UniCredit Bank contributed CZK 1,062,617 to families affected by flash floods for cleaning up the damages. The Bank chose the non-profit organization People in Need, which at present is helping people affected by summer floods throughout the Czech Republic, as an intermediary capable of providing swift aid.

"We decided to abandon the idea of organising an in-house Christmas event and to donate those funds to a cause undoubtedly more meaningful at that time," stated Jiří Kunert, CEO of UniCredit Bank, explaining the decision. The CZK 1 million donated by UniCredit Bank to People in Need, however, was augmented further by a financial donation from UniCredit Bank's employees, who themselves expressed spontaneous support of this action and collected over CZK 62,000. A total CZK 1,062,617 went to the next phase of direct aid to affected families. The People in Need organization supports individual families through contributions for reconstructing and repairing flooded homes.

Report of the Board of Directors

The Bank's financial results for 2009

In 2009, the Bank achieved excellent results, recording a profit of CZK 2.768 billion. After deducting one-time proceeds from the sale of HYPO stavební spořitelna (HYST) and its share in the Prague Stock Exchange in 2008, UniCredit Bank Czech Republic's net profit last year fell by 26.4% year on year.

The Bank's financial indicators declined during 2009. Return on average assets dropped to 1.0% from 1.8% in the previous year, and return on average equity came to 9.8% as compared with 19.6% in 2008. Return on average assets net of one-time proceeds from the sale of ownership interests in 2008 was 1.3% and return on average equity was 15.0%.

Statement of comprehensive income

Net interest income decreased by 3.53% year on year to CZK 6.195 billion. Decline was recorded especially in the area of interest income from lending to both clients and banks.

A reduction in net fee and commission income by 10.29% to CZK 2.450 billion was caused by enterprises' decreased economic activity that was reflected in a decline in the use of the foreign payment system and conversion operations.

Net trading income increased by 497.8% year on year to CZK 544 million. This was influenced by the unique situation on financial markets, which saw sharp fluctuations over the course of the year in the prices of and returns on interest-rate instruments, such as government bonds. The Bank was able to take advantage of this market situation to increase revenues from trading in these instruments.

The decline in net income from financial investments to CZK 97 million was influenced by the sale of certain of the Bank's ownership interests in 2008.

The Bank's other operating income rose by 31.10% to CZK 215 million. This increase was brought about by the extent of provisions created for off-balance sheet items.

General administrative expenses fell by 7.16% in comparison with 2008 to CZK 3.667 billion. Savings were evident especially in the area of marketing expenses.

Impairments for loans and receivables grew by 162.48% year on year, especially due to the necessity to create specific adjustments.

Other operating expenses decreased by 12.78% to CZK 355 million. These savings were achieved primarily due to lower creation of adjustments to other assets.

Income tax also decreased year on year by 23.73% overall.

Statement of financial position

At the end of 2009, the Bank's assets totalled CZK 264.627 billion, which represents a decrease of 5.25% in comparison with the end of 2008.

The decrease in receivables from banks and clients was partially compensated by growth in financial assets held for trading and other financial investments.

In 2009, receivables from clients fell by 3.28% and totalled CZK 167.700 billion. Corporate financing declined during the year as demand for loans waned due to the economic slowdown.
The volumes of household financing, especially in mortgage loans, grew significantly.

The proportion of classified loans in total loans was 8.61% at the end of 2009, rising from the previous year's 4.42%.

Receivables from banks decreased by 39.63% during 2009, especially due to a drop in loans provided under resale agreements and in term deposits at other banks.

The amount of deposits from banks fell by 7.02% year on year. A reduction in liabilities from repo operations was more or less compensated by an increase in term deposits.

Clients' deposits grew by 0.71% year on year to total CZK 171.826 billion, and once again their structure changed. A decline in term deposits was compensated by growth in clients' current account balances and a rise in promissory notes issued.

Bonds issued fell by 23.37% in comparison with the end of 2008 to CZK 28.559 billion. During 2009, the Bank continued successfully in issuing mortgage-backed securities and other bonds intended for individual investors while at the same time the issue from 2002 totalling CZK 7 billion reached maturity.

As at the end of 2009, shareholder's equity amounted to CZK 29.482 billion, which represents year-on-year growth by 8.91%. The increase is comprised of the profit for the current period and positive change in the valuation differences. In 2009, the Bank paid a dividend of CZK 750 million to the sole shareholder and repaid its subordinated debt of CZK 1 billion.

Capital adequacy reached 12.56% at the end of 2009 (10.06% in 2008).

Expected economic and financial situation of UniCredit Bank in 2010

In 2010, UniCredit Bank will concentrate on developing foundations for future revenues by expanding its sales network and alternative distribution channels as well as by extending its product offer. The Bank intends to focus on strengthening its position on the retail banking market. Considerable investments into the aforementioned areas will enable the Bank to create a solid basis for sustainable growth in coming years while maintaining year-on-year growth in revenues and net profit. It expects slightly lower creation of specific adjustments in comparison with 2009, which will contribute to an increase in profit year on year.

An element of the business strategy is to achieve balanced growth in the loan and deposit portfolios with the objective of preserving the Bank's independence from external sources of refinancing.

Statement by the persons responsible for the annual report

While exercising all due care and to the best of my knowledge, the data contained in the annual report are correct and no facts that could change the meaning of the annual report were withheld.

In Prague on 28 April 2010

Ing. Jiří Kunert
Chairman of the Board of Directors

Ing. Aleš Barabas
Member of the Board of Directors

Report of the Supervisory Board

The Supervisory Board of UniCredit Bank Czech Republic, a.s. was regularly informed as to the progress of the Bank's business activities during the period 1 January to 31 December 2009 through meetings and discussions with the Board of Directors, and it has performed all of its tasks as set forth by Czech law and the Bank's Articles of Association.

The financial statements as at 31 December 2009 and the annual report, which are hereby presented, have been examined by the Supervisory Board and deemed to be correct. The financial statements and annual report were audited by the Bank's auditor, KPMG Česká republika Audit, s.r.o.

The Supervisory Board endorses the findings of the auditor's report on the financial statements as at 31 December 2009.

The Supervisory Board would like to thank the members of the Board of Directors and all the staff of UniCredit Bank Czech Republic, a.s. for their contributions to the results achieved by the Bank in its 2009 business year.

Basis for calculating the contribution to the Guarantee Fund

Pursuant to Section 129 of Act No. 256/2004 Coll., on Capital Market Undertakings

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

The basis for calculating the contribution to the Guarantee Fund in 2009 was CZK 138,825,709. The contribution to the Guarantee Fund is 2% of this amount, and thus was CZK 2,776,514.

Talgat Baimagambetov,
ALSI
Corporate Banking Client – Kazakhstan

"Our company has been a client of ATF Bank from the day it opened. Then the bank became part of UniCredit Group, expanded its international offerings and implemented a new service model in 2009. This means that we deal with a single relationship manager for all of the bank's basic products. This bank, which we already trust, has been improving its service, and that's very important to us. Now my bank offers very fast turnaround times."

It's easy with UniCredit.

Non-consolidated financial statements

Statement of comprehensive income for the period ended 31 December 2009

	Note	2009 MCZK	2008 MCZK
Interest income and similar income	5	9,358	12,737
Interest expense and similar charges	5	(3,163)	(6,315)
Net interest income and similar income		**6,195**	**6,422**
Dividend income	6	252	253
Fee and commission income	7	2,879	3,260
Fee and commission expenses	7	(429)	(529)
Net fee and commission income		**2,450**	**2,731**
Net trading income	8	544	91
Net income from financial investments	11	(97)	1,243
Other operating income	10	215	164
General administrative expenses	9	(3,667)	(3,950)
Impairment of loans and receivables	15	(2,155)	(821)
Other operating expenses	10	(355)	(407)
Profit before income tax		**3,382**	**5,726**
Current income tax expense	27	(594)	(761)
Deferred income tax expense	27	(20)	(44)
Profit for the period		**2,768**	**4,921**
Other comprehensive income			
Cash flow hedges:		483	(253)
Effective portion of changes in fair value		810	(327)
Net amount transferred to profit and loss		(327)	74
Fair value reserve (AFS financial assets):		(90)	336
Net change in fair value		(49)	506
Net amount transferred to profit and loss		(41)	(170)
Other comprehensive income for the period		**393**	**83**
Total comprehensive income for the period		**3,161**	**5,004**

Statement of financial position as at 31 December 2009

	Note	31. 12. 2009 MCZK	31. 12. 2008 MCZK
ASSETS			
Cash in hand and balances with central banks	12	2,298	1,805
Financial assets held for trading	13	19,941	14,116
Receivables from banks	14	31,320	51,882
Receivables from customers	15	167,700	173,391
Financial investments	16	39,654	32,748
Property, plant and equipment	17	1,618	1,690
Intangible assets	18	1	4
Deferred tax asset	27	217	237
Other assets	19	1,878	3,414
Total assets		**264,627**	**279,287**
LIABILITIES			
Deposits from banks	21	25,148	27,048
Deposits from clients	22	171,827	170,620
Debt securities issued	23	28,559	37,270
Financial liabilities held for trading	24	4,995	6,668
Provisions	25	543	522
Deferred tax liability	27	2	23
Other liabilities	26	4,071	9,065
Subordinated liabilities	28	–	1,000
Total liabilities		**235,145**	**252,216**
SHAREHOLDER'S EQUITY			
Issued capital	29	5,125	5,125
Share premium	29	3,481	3,481
Reserve funds	31	2,849	2,849
Reserves from revaluation of financial instruments		97	(296)
Retained earnings	31	17,930	15,912
Total shareholder's equity		**29,482**	**27,071**
Total liabilities and shareholder's equity		**264,627**	**279,287**

Statement of cash flows for the period ended 31 December 2009

	2009 MCZK	2008 MCZK
Net profit for the period	**2,768**	**4,921**
Adjustments for non-cash items:		
Impairment of loans and receivables	2,155	821
Impairment of property, plant and equipment and intangible assets	(12)	(16)
Impairment of other assets	(271)	248
Impairment of participation interests	1	–
Creation and release of other provisions	21	(109)
Depreciation of property, plant and equipment and intangible fixed assets	157	149
Deferred tax	20	44
Operating profit before change in operating assets and liabilities	**4,839**	**6,058**
Financial assets held for trading	(5,725)	3,943
Loans and receivables from banks	20,762	(4,693)
Loans and receivables from customers	3,668	(22,085)
Other assets	1,807	7,255
Deposits from banks	(1,900)	65
Deposits from customers	1,207	4,237
Financial liabilities held for trading	(1 673)	1,446
Other liabilities	(4 894)	(7,402)
Net cash flows from operating activities	**18,091**	**(11,176)**
Changes in financial investments	(6,906)	2,720
Proceeds from sale of non-current assets, property, plant and equipment and intangible assets	–	1,550
Acquisition of property, plant and equipment and intangible assets	(331)	(626)
Net cash flows from investing activities	**(7,237)**	**3,644**
Dividends paid	(750)	(1 000)
Debt securities issued	(8,611)	8,617
Subordinated liabilities repaid	(1,000)	–
Net cash flows from financial activities	**(10,361)**	**7,617**
Cash and cash equivalents at 1 January	**1,805**	**1,720**
Net cash flows from operating activities	18,091	(11,176)
Net cash flows from investing activities	(7,237)	3,644
Net cash flows from financing activities	(10,361)	7,617
Cash and cash equivalents at 31 December	**2,298**	**1,805**
Income tax paid	(624)	(681)
Interest received	9,948	12,668
Interest paid	(3,537)	(5,639)
Dividends received	252	253

Statement of changes in equity 2009

MCZK	Issued capital	Share premium	Reserve funds Statutory	Reserve funds Other	Reserves from revaluation of hedging instru-ments	Reserves from revaluation of available-for-sale securities	Retained earnings	Equity
Balance at 31 December 2007	**5,125**	**3,473**	**1,025**	**1,824**	**(171)**	**(208)**	**12,001**	**23,069**
Total comprehensive income for the period								
Profit for 2008							4,921	4,921
Other comprehensive income								
Effective portion of changes in fair value on available-for-sale financial assets						506		506
Net amount of available-for-sale revaluation transferred to profit or loss						(170)		(170)
Effective portion of changes in fair value on cash flow hedge					(327)			(327)
Net amount of cash flow hedge transferred to profit or loss					74			74
Total comprehensive income for the period					**(253)**	**336**	**4,921**	**5,004**
Transactions with owners, contribution and distribution to owners								
Dividend paid							(1,000)	(1,000)
Impact of the merger with UniCredit Factoring, s.r.o. on shareholder's equity of the Bank (see Note 2)		8					(10)	(2)
Balance at 31 December 2008	**5,125**	**3,481**	**1,025**	**1,824**	**(424)**	**128**	**15,912**	**27,071**
Total comprehensive income for the period								
Profit for 2009							2,768	2,768
Other comprehensive income								
Effective portion of changes in fair value on available-for-sale financial assets						(49)		(49)
Net amount of available-for-sale revaluation transferred to profit or loss						(41)		(41)
Effective portion of changes in fair value on cash flow hedge					810			810
Net amount of cash flow hedge transferred to profit or loss					(327)			(327)
Total comprehensive income for the period					**483**	**(90)**	**2,768**	**3,161**
Transactions with owners, contribution and distribution to owners								
Dividend paid							(750)	(750)
Balance at 31 December 2009	**5,125**	**3,481**	**1,025**	**1,824**	**59**	**38**	**17,930**	**29,482**

Notes to the separate financial statements

1. Background

UniCredit Bank Czech Republic, a.s. ("the Bank") was established through the merger of HVB Bank Czech Republic a.s. and Živnostenská banka, a.s. on 1 October 2006. All rights and obligations of the dissolved company Živnostenská banka, a.s. were assumed by the continuing company, HVB Bank Czech Republic a.s. In 2008, the Bank acquired HVB Reality CZ, s.r.o. In 2009, the Bank prepared a merger project with UniCredit Factoring, s.r.o. UniCredit Factoring, s.r.o was the dissolved company and the successor company was the Bank. The changes of name and other changes connected with the acquisition were recorded on 1 November 2009 in the Commercial Register maintained by the District Court of Prague, in Section B, file 3608. The sole shareholder of the Bank is UniCredit Bank Austria AG, Vienna. The ultimate parent of the whole UniCredit Group is UniCredit S.p.A, Milano.

Registered office of the Bank:
Na Příkopě 858/20
111 21 Prague 1

The Bank is a universal bank providing retail, commercial and investment banking services, in Czech and foreign currencies for domestic and foreign clients, mainly in the Czech Republic but also in other European Union countries.

The main activities of the Bank are as follow:
- receiving deposits from the public;
- granting loans;
- investing in securities on its own behalf;
- system of payments and clearing;
- issuing payment products;
- granting guarantees;
- opening letters of credit (export financing);
- administration of cash collection;
- trading on its own behalf or on behalf of clients:
  1. with foreign exchange currency products,
  2. with forward and option contracts including foreign currency and interest rate contracts,
  3. with transferable securities;
- participating in share subscriptions and other related services;
- issuing of mortgage bonds;
- financial brokerage;
- managing securities, including portfolio management on behalf of clients;
- depository services and administration of securities;
- depository services for investment funds;
- foreign currency exchange services;
- providing banking information;
- rental of safe-deposit boxes;
- activities directly connected with the activities mentioned above.

2. Basis for preparation

With effect from 1 January 2009, the Bank merged with UniCredit Factoring, s.r.o. The opening balance of the Bank was compiled as at this date for statutory purposes. These separate financial statements have been prepared for the accounting period from 1 January 2009 to 31 December 2009. Even though the above mentioned acquisition was taken into consideration in preparation of the opening statement of financial position as at 1 January 2009 the Bank decided to adjust also comparative information as at 31 December 2008 in such a way that it reflects the impact of the merger.

The following table shows the impact of the merger on the comparative information presented in these financial statements:

MCZK	Non-consolidated information as at 31 December 2008	Merger adjustment	Comparatives as at 31 December 2008
Assets			
Receivables from customers	173,856	(465)	173,391
Other assets	2,344	1,070	3,414
Liabilities			
Deposits from clients	170,770	(150)	170,620
Other liabilities	8,317	748	9,065
Shareholder's equity			
Share premium	3,473	8	3,481
Profit for the period			
Interest income and similar income	12,723	14	12,737
Fees and commission income	3,240	20	3,260
Net income from financial investment	1,143	100	1,243
Other operating income	163	1	164
General administrative expenses	(3,933)	(17)	(3,950)
Other operating expenses	(306)	(101)	(407)
Current income tax expense	(755)	(6)	(761)
Deferred income tax expense	(43)	(1)	(44)
Profit for the period in total	**4,911**	**10**	**4,921**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.
All presented amounts are in millions of Czech crowns (MCZK), unless stated otherwise. The Czech crown is the functional currency in these financial statements Numbers in brackets represent negative amounts.
These financial statements are separate financial statements prepared in accordance with the Act on Accounting No. 543/1991 Coll.
The financial statements have been prepared based on the fair value principle including for financial derivatives, financial assets and liabilities measured at fair value through profit and loss and available-for-sale financial assets, except those whose fair value cannot be reliably determined. The methods for determining fair value are presented in Note 3(b), part (iv). Recognized assets and liabilities that are hedged against the risk of changes in fair value are stated at fair value by virtue of hedged risk. Other financial assets and liabilities and non-financial assets and liabilities are valued at amortized cost or historical cost.

3. Significant accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are stated in the domestic currency translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are not stated at fair value, are translated at the closing foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss as "Net trading income".

(b) Financial instruments

(i) Classification

Financial assets and financial liabilities at fair value through profit and loss include instruments classified as held for trading and instruments designated by the Bank as at fair value through profit and loss upon initial recognition.
Trading instruments are those held by the Bank principally for the purpose of short-term profit taking. These include investments in debt instruments and shares, certain purchased loans and derivative contracts that are not designated hedging instruments. These instruments are reported as "Financial assets held for trading" or as "Financial liabilities held for trading".
Financial assets designated by the Bank upon initial recognition as at fair value through profit and loss are included within "Financial investments".
Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted on the markets. Loans and receivables are mainly those created by the Bank providing money to a debtor other than those created for the purpose of short-term profit taking. Loans and receivables comprise loans and advances to banks and non-bank customers and unquoted bonds purchased upon primary issue.
Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain quoted bonds purchased upon primary issue and purchased debt securities. Held-to-maturity assets are included in "Financial investments".
Available-for-sale assets are financial assets that are not classified as financial assets recognized at fair value through profit and loss, loans and receivables, or held to maturity. Available-for-sale instruments include debt and equity investments and certain quoted bonds purchased upon primary issue. Available-for-sale assets are included in "Financial investments".
On 13 October 2008 an amendment to *IAS 39 Financial Instruments: Recognition and Measurement and to IFRS 7 Financial Instruments Disclosures* was issued by the International Accounting Standards Board ("IASB"). This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. In specific situations the amendment also permits an entity to transfer a financial asset from the available-for-sale category to loans and receivables. The Bank evaluated both possibilities and decided not to change the classification of its financial assets.

(ii) Recognition

Financial assets at fair value through profit and loss are recognized on the settlement date. Any gains or losses arising from changes in the fair value of the assets are recognized in the Bank's profit or loss on the trade date.
Available-for-sale financial assets are recognized on the settlement date. Any gains or losses arising from changes in the fair value of the assets are recognized in other comprehensive income from the trade date.
Held-to-maturity assets are recognized on the settlement date.
The Bank initially recognizes loans and receivables on their origination dates.

(iii) Measurement

Financial instruments are measured initially at fair value, including (in the case of financial assets not at fair value through profit and loss) transaction costs.
Subsequent to initial recognition all financial assets and liabilities at fair value through profit and loss and all available-for-sale assets are measured at fair value, with the exception of any instrument that does

not have a quoted market price on an active market and whose fair value cannot be reliably measured, which is stated at cost, including transaction costs, less impairment losses.
All loans and receivables and held-to-maturity assets are measured at amortized cost including the aliquot part of discount or share premiums less impairment losses. Share premiums and discounts, including relevant initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.
Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is based on the market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market rates at the reporting date.
The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to terminate the contract at the reporting date, taking into account current market conditions and the current creditworthiness of the counterparties.
In connection with the situation on the financial markets during the year 2009, the Bank paid increased attention to monitoring the development of market factors and prices having an impact on the valuations of all the instruments in the Bank's portfolio. In the light of the growing credit crisis, the Bank made it a priority to determine bond issuers' creditworthiness.
The valuation of bonds in the Bank's portfolio is carried out on a daily basis using available market rates quoted by market participants. The market rate is compared with the price calculated using a risk-free interest rate (based on interest rate swaps), on a daily basis. By comparing the two prices, the Bank estimates the value of the credit spread between the current and risk-free investment.
The calculated spread is then compared to the previous day's revaluation to verify that there was no misquote to the market price and that the price used for revaluation is appropriate. If there is a significant spread change, the input market factors and spread changes are verified for correctness so that the source of the quotation used for the valuation could be changed, or to confirm the change in the spread as being justified (i.e. a change in the credit status of the issuer or in the liquidity of the particular bond).
If there is no market price available as a source of valuation, the Bank will carry out the valuation on the basis of a risk-free swap rate, to which the last verified credit spread is applied. The Bank continues to apply this method until:

- market quotations are again available,
- the Bank receives other information about a change of spread applied,
- the issuer's credit rating changes (change of internal/external rating; evidence from the market that credit is worsening),
- the liquidity of the specific securities has worsened significantly (e.g. a bid price is not available).

Subsequently the Bank will carry out the valuation comprising new aspects of the market price including assessment of possible impairment losses (see Note 3g(ii)).
Another model is used for Value at Risk (VaR) calculation (see Note 35) in the system for market risk management which assists to determine the volatility of the credit interest spread between given securities and the risk-free interest rate of an interest rate swap. This model divides the calculated risk into credit (Spread VaR) and interest (VaR IR) portions. This spread VaR is calculated based on the volatility of the credit spread between securities and the risk-free interest rate. For this purpose the yield curves of particular issuers, industries, or groups of issuers with an identical rating are downloaded into the system for market risk management. Specific securities are matched with these yield curves, and the volatility of the credit spread is calculated. In connection with the situation on the financial markets and the development of the credit spreads of securities that the Bank holds in its portfolio, the securities were rematched in the system for market risk management during the year so that the calculated Spread VaR reflects more accurately the behaviour of the specific securities. This does not, however, have any impact on the method used for the securities portfolio valuation.
The Bank's management believes that the fair value of the assets and liabilities presented within the financial statements can be measured reliably.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets held for trading are recognized directly in profit or loss as "Net trading income".
Gains and losses arising from a change in the fair value of other financial assets and liabilities at fair value through profit and loss are recognized directly in profit or loss as "Net income from financial investments".
Gains and losses arising from a change in the fair value of available-for-sale assets are recognized in other comprehensive income and become the equity item "Change in revaluation of available-for-sale securities". When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to profit or loss as "Net income from financial investments". Interest income from available-for-sale debt securities is recognized in the statement of comprehensive income as "Interest income and similar income". The accounting for impairment of available-for-sale assets is described in Note 3 (g).
Gains and losses arising from financial assets and liabilities carried at amortized cost are recognized in profit or loss when the financial asset or liability is derecognized or impaired (see Note 3(g)), and through the amortization process.

(vi) Derecognition

A financial asset is derecognized when the Bank loses the contractual rights to the cash flow from an asset or the Bank transfers the financial asset and the transfer qualifies for derecognition. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is settled.

Available-for-sale assets and assets recognized at fair value through profit and loss that are sold are derecognized and the corresponding receivables from the buyer are recognized as at the settlement date. The Bank uses accounting methods to determine the gain or loss on derecognition. Held-to-maturity instruments and loans and receivables are derecognized on the maturity date, on the day they are transferred to another portfolio or on the day of sale.

(c) Participation interest

Controlling interest means a participation interest, where the Bank factually or legally executes direct or indirect controlling interest on governance of the company (that means the Bank's ability to participate in the financial and operational management of the company and to gain benefits from the activities).

This participation interest results from a share of the registered capital or from contract or statutes regardless of the total amount of participation interest.

Substantial interest means a participation interest, where the Bank factually or legally executes direct or indirect substantial interest on guidance or prosecution of the company (that means the Bank's ability to participate on financial and operational guidance of the company without executing controlling interest). This participation interest results from a share of the registered capital (more than 20%) or from contract or statutes regardless of the total amount of participation interest.

Controlling and substantial interests are valued at acquisition price less losses arising from impairment of these participation interests. Participation interests are shown within "Financial investments".

(d) Derivatives

(i) Hedging derivatives

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

Hedge accounting can be applied if:

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

If the derivative hedges the exposure to changes in the fair value of recorded assets and liabilities or unrecognized commitments, the hedged item attributable to the risk being hedged is also carried at fair value. Gains (losses) on re-measurement of the interest-bearing hedged item and hedging derivative are recognized in profit or loss in "Interest income and similar income" or "Interest expense and similar charges".

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

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

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

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

(ii) Embedded derivatives

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative must be separated from the host contract and accounted for as a separate derivative if, and only if:

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

(e) Borrowing and lending of securities

Investments lent under securities lending arrangements or sold under repurchase agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for such financial assets as appropriate.

As a result of the cash collateral received in respect of securities lent/sold under repurchase agreements, the Bank recognizes a liability to either banks or customers.

Investments borrowed under securities borrowing agreements or purchased subject to commitments to resell them at future dates are not recognized in the statement of financial position.

As a result of the cash collateral placements in respect of securities borrowed/purchased under resale agreements, the Bank recognizes loans and advances to either banks or customers. The receivables are shown as collateralized by the underlying security.
Income and expenses arising from the borrowing and lending of securities, as well as the difference between the sale and repurchase considerations are recognized on an accrual basis over the period of the transactions and are recognized in profit or loss in “Interest income and similar income” or “Interest expense and similar charges”.

(f) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled in the statement of financial position on a net basis.

(g) Impairment

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

(i) Loans and receivables and held-to-maturity assets

Loans and receivables and held-to-maturity assets are presented net of impairment losses for uncollectibility.
Specific impairment losses are made against the carrying amount of loans and receivables and held-to-maturity assets that are identified as being individually impaired based on regular reviews of the outstanding balances in order to reduce these assets to their recoverable amounts. The recoverable amount of loans and receivables and held-to-maturity assets is calculated as the present value of the estimated future cash flows, discounted at the instrument’s original effective interest rate.
Collective impairment losses of portfolios of loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the reporting date. The expected cash flows for portfolios of similar assets are estimated based on historical loss experience and considering the credit rating of the underlying customers, late payments of interest or penalties and other qualitative factors. Historical loss experience is the basis for the calculation of the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio as at the reporting date.
When a loan is known to be uncollectible, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off directly and any previously unrecognized loss is recognized in profit or loss under “Impairment of loans and receivables”. Any consideration received in respect of a written off loan is recognized in profit or loss under “Other operating income”.
If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss, the impairment loss is reversed through profit or loss in “Impairment of loans and receivables”.

(ii) Available-for-sale financial assets

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

(h) Property, plant, equipment and intangible fixed assets

Property, plant, equipment and intangible assets are assets which are held in order to pursue banking activities and which may be used for a period over 1 year.
Property, plant, equipment and intangible assets are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method over the assets’ estimated useful lives. The depreciation periods (over estimated useful lives) for individual categories of property, plant, equipment and intangible assets are as follows:

• Buildings	30 – 50 years
• Technical improvement of buildings protected as a cultural heritage	15 years
• Technical improvement of rented premises	10 years
• Air-conditioning equipment	5 years
• Machinery and equipment	4 – 5 years
• Bank vaults	20 years
• Fixtures and fittings	6 years
• Motor vehicles	4 years
• IT equipment	4 years
• Software and intangible assets	2 – 6 years
• Low value tangible assets	2 years

Both tangible and intangible assets are assessed for potential impairment or a reduction in useful life. The gains and losses on disposal are determined based on the net book value and are included in “Other operating income”. The costs of repair, maintenance and technical improvement are expensed as they are incurred. Technical improvements exceeding the legal limits are capitalized.

(i) Provisions

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

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

(j) Interest income and expense

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

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

(k) Fee and commission income and expense

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

(l) Dividend income

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

(m) Taxation

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period to arrive at the taxable income, which is further adjusted by tax allowances and relevant credits. Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the period of the asset recovery or liability settlement. A deferred tax asset is recognized only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilized.

(n) Segment reporting

IFRS 8 Operating segments states that operating segments are presented and reported according to performance criteria monitored by the chief operating decision-maker, who is responsible for operational decisions. At the Bank, the decision-maker is the Board of Directors.

The Bank's primary segment reporting relates to its business segments, which correspond to the Bank's various operations: retail banking, corporate banking, investment banking and other.

The performance of all the segments is monitored monthly by the Board of Directors and other members of the Bank's management. The reporting segments generate income primarily from the provision of loans and other bank products.

Retail banking includes providing loans, mortgages, payment services (including payment cards for consumers), term and saving deposits.

Corporate banking includes providing loans, credit commitments and guarantees, cash management, payment services (including documentary letters of credit), term deposits, operations with derivatives and foreign currencies to corporate clients, government institutions etc.

Investment banking includes capital market activities including underwriting of investments for clients, investment consultancy, mergers and acquisition consultancy.

Other includes banking activities that are not included in retail, corporate or investment banking.

(o) Impact of standards that are not yet effective

The Bank has evaluated the impact of standards, interpretations and amendments to valid standards mentioned below, which are not yet in force, but which are already approved and will have an impact in the future on the Bank's financial statements.

IFRS 3 Business Combinations – a revised standard which incorporates changes especially in the area of contingent consideration and their subsequent changes. Further change is a possibility to measure any non-controlling interest at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – effective from 1 July 2009 – clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, effective from 1 January 2010, provides additional clarification of several definitions.

IFRIC 19 Extinguishment of a Financial Liability by the Issue of Equity Instruments – the aim of this interpretation is to clarify the accounting treatments of such a transaction.

The revision of *IAS 24 Related Party* Disclosures changes definitions of related party and several requirements for a disclosure.

IFRS 9 Financial Instruments is a new standard which simplifies the classification and valuation of financial instruments. Updating this

standard is part of the long-term project of *IAS 39 Financial Instruments: Recognition and Measurement replacement.*
The Bank's management regards the effect of these standards to be immaterial.

4. Critical accounting estimates and judgments

These disclosures supplement the commentary on financial risk management (see Note 35).

(a) Key sources of estimation uncertainty

(i) Impairment
Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy 3(b)(iii).
The specific counterparty component of the impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral.
Collectively assessed impairment covers credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required impairment, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy in quantifying the impairment depends upon how well the Bank is able to estimate these future cash flows for specific counterparties and the quality in establishing the models' parameters.

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

(b) Critical accounting judgments in applying the Bank's accounting policies

(i) Financial asset and liability classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Bank has determined that these meet the description of trading assets and liabilities set out in accounting policy 3(b)(i).
- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that these have met at least one of the criteria for this designation set out in accounting policy 3(b)(i).

Details of the Bank's classification of financial assets and liabilities are given in Note 3 (b)(i).

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

(iii) Change in accounting policy
There were no changes in accounting policies during the year 2009.

(iv) Effect of the changes in accounting standards in these financial statement
In 2009, the Bank made more extensive disclosures related to valuation of financial instruments and liquidity risk, as required by an amendment to IFRS 7 Financial Instruments – Disclosures. Information on fair valuation is presented based on the type of inputs used for fair value determination. The types of inputs are divided into three levels:
Level 1 – prices of identical assets or liabilities quoted in an active market (not adjusted)
Level 2 – inputs that are not categorized as Level 1 but are objectively observable, either directly (i.e. prices) or indirectly (i.e. derived from prices)
Level 3 – inputs that do not result from observable market data (unobservable inputs).

Classification of fair value of financial assets and liabilities according to the fair value levels is presented in Note 37.
The changes related to liquidity risk represent "minimum information", which is required for disclosures, e.g. analysis of the contractual maturity of financial liabilities. The information disclosed in accordance with this standard is presented in Note 35.
The Bank applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information was adjusted in order to be in accordance with this revised standard.

5. Net interest income and similar income

MCZK	2009	2008
Interest income and similar income		
Balances with central bank	252	698
Receivables from banks	426	1,578
Loans and receivables from customers	7,259	8,883
Financial investments	1,414	1,539
Net income from fair value hedges	7	–
Other	–	39
Interest income and similar income	**9,358**	**12,737**
Interest expense and similar charges		
Repos with the central bank	(47)	(149)
Deposits from banks	(267)	(814)
Deposits from customers	(1,886)	(3,895)
Debt securities issued	(932)	(1,395)
Net gain from fair value hedges	–	(15)
Subordinated liabilities	(31)	(47)
Interest expense and similar charges	**(3,163)**	**(6,315)**
Net interest income and similar income	**6,195**	**6,422**

6. Dividend income

MCZK	2009	2008
Dividend income		
From investment certificates classified as securities at fair value through profit and loss not held for trading	252	253
Total dividend income	**252**	**253**

7. Net fee and commission income

MCZK	2009	2008
Fee and commissions income from		
Securities transactions	35	29
Management, administration, deposit and custody services	154	249
Loans	308	376
Payment services	813	832
Foreign exchange (FX) transactions	1,112	1,282
Payment cards	439	457
Other	18	35
Fee and commission income	**2,879**	**3,260**
Fee and commission expense from		
Securities transactions	(32)	(84)
Management, administration, deposit and custody services	(36)	(48)
Loans	(5)	(15)
Payment services	(17)	(21)
Payment cards	(252)	(279)
Other	(87)	(82)
Fee and commission expense	**(429)**	**(529)**
Net fee and commission income	**2,450**	**2,731**

Net fee and commission income from payment services includes FX commissions from flat and documentary payments and from cash transactions and currency exchange transactions with customers of the Bank. The FX commission represents the difference between the buy/sell FX rate set by the Bank and the official CNB FX rate, which is required by the Accounting Act when valuing transactions denominated in foreign currency. FX commission is included in “Net fee and commission income” as this income represents significant continuous income from cash transactions and currency exchange transactions with customers of the Bank.

8. Net trading income

MCZK	2009	2008
Net realized and unrealized gain/(loss) from securities held for trading	123	22
Net realized and unrealized gain/(loss) from derivatives held for trading	(209)	(1,070)
Net realized and unrealized gain/(loss) from spot transactions with FX and from revaluation of receivables and liabilities denominated in FX	630	1,139
Net trading income	**544**	**91**

9. General administrative expenses

MCZK	2009	2008
Personnel expenses		
Wages and salaries paid to employees	(1,213)	(1,237)
Social and health insurance	(456)	(507)
	(1,669)	**(1,744)**
Including wages and salaries paid to:		
Members of the Board of Directors	(49)	(39)
Other executives	(111)	(98)
	(160)	**(137)**
Other administrative expenses		
Rent and building maintenance	(305)	(366)
Information technologies	(766)	(702)
Promotion and marketing	(160)	(295)
Consumables used	(32)	(39)
Audit, legal and advisory services	(54)	(68)
Payments services	(236)	(216)
Services	(294)	(358)
Other	(6)	(29)
	(1,853)	**(2,073)**
Depreciation of property, plant and equipment	(154)	(146)
Depreciation of intangible fixed assets	(3)	(3)
Release of impairment loss from tangible and intangible assets	12	16
	(145)	**(133)**
Total general administrative expenses	**(3,667)**	**(3,950)**

Social and health insurance includes employees’ pension supplementary insurance paid by the Bank in the amount of MCZK 10 (for 2008: MCZK 13). Information about bonuses tied to equity is included in Note 30.

The average number of employees of the Bank (including UCI Group expatriates) was as follows:

MCZK	2009	2008
Employees	1,657	1,646
Members of the Board of Directors	5	5
Members of the Supervisory Board	3	3
Other executives	32	28

10. Other operating income and expenses

MCZK	2009	2008
Income from written-off and ceded receivables	6	24
Income from rent	9	12
Release of impairment losses on other assets	9	3
Release of other provisions	1	11
Release of provisions for off-balance sheet items	170	44
Use of other provisions	9	60
Income from litigations settlement	5	3
Other	6	7
Total other operating income	**215**	**164**
Deposits and transactions insurance	(122)	(128)
Other receivables write-off	(8)	(6)
Creation of impairment losses on other assets	(15)	(255)
Creation of other provisions	(2)	(8)
Loss on disposal of fixed assets	(3)	–
Creation of provisions for off-balance sheet items	(201)	–
Other	(4)	(10)
Total other operating expenses	**(355)**	**(407)**

11. Net income from financial investments

MCZK	2009	2008
Net gain/(loss) from available-for-sale and held-to-maturity securities	41	396
Net gain/(loss) from hedging against risk of changes in fair value of available-for-sale securities	(9)	11
Net gain/(loss) from securities at fair value through profit and loss	(129)	43
Gain from sale of participation interest	–	793
Net income/(loss) from financial investments	**(97)**	**1,243**

The net income from financial investments in 2008 was influenced by the gain from the sale of a subsidiary, HYPO stavební spořitelna a.s., and of the Bank’s share in Burza cenných papírů Praha, a.s.

12. Cash in hand and balances with central banks

MCZK	31.12.2009	31.12.2008
Cash in hand	1,652	1,689
Obligatory minimum reserves	645	80
Other balances at central banks	1	36
Total cash in hand and balances with central banks	**2,298**	**1,805**

The obligatory minimum reserves represent deposits whose average monthly value is determined in accordance with Czech National Bank (CNB) regulations and which are not available for ordinary operations. CNB provides interest on these mandatory deposits based on the official CNB two week repo rate.

Cash in hand, obligatory minimum reserves and balances with central bank are defined as cash and cash equivalents for the purpose of the statement of cash flows.

13. Financial assets held for trading

MCZK	31.12.2009	31.12.2008
Bonds and other securities with a fixed rate of return held for trading	15,463	9,096
Shares and other securities with a variable rate of return held for trading	18	20
Fair value of financial derivatives held for trading	4,460	5,000
Total financial assets held for trading	**19,941**	**14,116**

(a) Analysis of bonds and other securities with a fixed rate of return held for trading

MCZK	31.12.2009	31.12.2008
Issued by financial institutions	–	1
Issued by government sector	15,463	9,095
Total	**15,463**	**9,096**

All the bonds held for trading are listed on public markets.

(b) Analysis of shares and other securities with a variable rate of return held for trading

MCZK	31.12.2009	31.12.2008
Shares issued by financial institutions	6	7
Shares issued by non-financial institutions	12	13
Total	**18**	**20**

All shares held for trading are listed on public markets.

(c) Analysis of financial derivatives held for trading

MCZK	31.12.2009	31.12.2008
Interest rate contracts	2,094	2,051
Currency contracts	2,142	2,685
Equity contracts	144	96
Commodity contracts	80	168
Total	**4,460**	**5,000**

14. Receivables from banks

(a) Analysis of receivables from banks by type

MCZK	31.12.2009	31.12.2008
Current accounts at other banks	470	643
Loans provided to banks	12,434	23,307
Term deposits	18,416	27,932
Total receivables from banks	**31,320**	**51,882**
Impairment losses of receivables from banks	–	–
Net receivables from banks	**31,320**	**51,882**

(b) Subordinated loans due from banks

The Bank granted a subordinated loan to another bank, totalling TEUR 7,500 in 2004. The subordinated loan balance as at 31 December 2009 was MCZK 199 (as at 31 December 2008: MCZK 203). The loan has a contractual maturity of 10 years. The interest period can be selected within the range from 1 to 6 months, and the interest rate is based on the relevant EURIBOR rate.

(c) Analysis of receivables from banks by geographical sector

MCZK	31.12.2009	31.12.2008
Czech Republic	13,322	26,738
Other countries of European Union	17,391	22,715
Others	607	2,429
Total receivables from banks	**31,320**	**51,882**

15. Receivables from customers

(a) Analysis of receivables from customers by type

MCZK	31.12.2009	31.12.2008
Loans to customers	172,883	176,463
Total receivables from customers	**172,883**	**176,463**
Impairment losses of receivables from customers	(5,183)	(3,072)
Net receivables from customers	**167,700**	**173,391**

The above gross amounts include unpaid interest from low rated loans which are more than 90 days overdue in the amount of MCZK 72 (as at 31 December 2008: MCZK 61) and loans that have not been adjusted for interest accruals in the amount of MCZK 815 (as at 31 December 2008: MCZK 237). Had the accrual principle been applied for interest income on these loans the Bank would have recognized MCZK 30 as interest income for the year 2009 (for 2008: MCZK 10).

(b) Classification of receivables from customers

MCZK	31.12.2009	31.12.2008
Receivables not impaired		
Standard	157,998	168,664
Internal rating 1	*2,414*	*5,994*
Internal rating 2	*6,490*	*14,751*
Internal rating 3	*29,443*	*22,879*
Internal rating 4	*41,941*	*47,251*
Internal rating 5	*46,878*	*44,995*
Internal rating 6	*22,630*	*21,504*
Other internal rating	*2,927*	*2,766*
Receivables without internal rating	*5,275*	*8,524*
Receivables impaired		
Watched	7,753	2,850
Substandard	1,788	1,847
Doubtful	1,068	1,150
Loss 4,276	1,952	
Total receivables from customers	**172,883**	**176,463**

The Bank regularly classifies its receivables from customers. The categories used for classification consider the Bank's analysis of the probability of repayment and analysis of the debtor's behaviour (number of days payments are past due), financial performance, payment discipline, etc. The Bank assesses whether there is evidence of impairment of loans and receivables. If such evidence has been identified, the amount of the loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows (including cash flows from realized collateral).

The following table summarizes loan receivables not impaired based on the days overdue. These standard receivables may also include overdue receivables as the Bank only classifies overdue receivables that have reached the amount of TCZK 1 per client.

MCZK	31.12.2009	31.12.2008
Receivables not impaired		
Current or <30 days overdue	157,979	168,658
30–60 days overdue	16	2
60–90 days overdue	–	–
90–180 days overdue	1	2
More than 180 days overdue	2	2
Total receivables not impaired	**157,998**	**168,664**

(c) Analysis of receivables from customers by sector

MCZK	31.12.2009	31.12.2008
Financial institutions	19,841	25,761
Non-financial institutions	118,568	120,484
Government sector	1,281	453
Non-profit organizations	431	423
Self-employed	1,426	1,471
Resident individuals	20,539	17,729
Non-residents	10,797	10,142
Total receivables from customers	**172,883**	**176,463**

(d) Analysis of receivables from customers by type of security provided

MCZK	31.12.2009	31.12.2008
Personal guarantee	–	118
Bank and similar guarantee	11,999	17,797
Mortgage	36,440	52,687
Corporate guarantee	269	1,324
Bill of exchange	–	478
Other security	5,873	2,703
Unsecured	118,302	101,356
Total receivables from customers	**172,883**	**176,463**

(e) Analysis of receivables from customers by business activity

MCZK	31.12.2009	31.12.2008
Real estate services	52,249	57,993
Financial services	22,535	25,883
Wholesale	15,004	11,991
Household services	21,541	18,602
Retail	5,972	3,080
Leasing	130	357
Others	55,462	58,557
Total receivables from customers	**172,883**	**176,463**

(f) Analysis of receivables from customers by region

MCZK	31.12.2009	31.12.2008
Czech Republic	162,086	166,322
Other countries of European Union	7,719	7,695
Other	3,078	2,446
Total receivables from customers	**172,883**	**176,463**

(g) Impairment of receivables from customers

MCZK	31.12.2009	31.12.2008
Impairment of individual receivables from customers	(4,209)	(2,141)
Watched	(311)	(137)
Substandard	(272)	(284)
Doubtful	(384)	(334)
Loss	(3,242)	(1,386)
Impairment of portfolios of standard receivables from customers	(974)	(931)
Total impairment of receivables from customers	**(5,183)**	**(3,072)**

MCZK		
Balance as at 1 January 2008		(2,315)
Creation during the current year	(1,242)	
Release during the current year	421	
Net effect on profit or loss		(821)
Receivables written off – use		70
FX differences		(6)
Balance of impairment of receivables from customers as at 31 December 2008		**(3,072)**
Balance as at 1 January 2009		(3,072)
Creation during the current year	(2,605)	
Release during the current year	450	
Net effect on profit or loss		(2,155)
Receivables written off – use		39
FX differences		5
Balance of impairment of receivables from customers as at 31 December 2009		**(5,183)**

16. Financial investments

(a) Classification of financial investments into portfolios based on the Bank's intention

MCZK	31.12.2009	31.12.2008
Available-for-sale securities	36,550	25,266
Financial assets at fair value through profit and loss not held for trading	3,104	7,481
Participation interests	–	1
Total financial investments	**39,654**	**32,748**

Financial investments include bonds in the market value of MCZK 1,180 (as at 31 December 2008: MCZK 5,815) that were provided as collateral to the holder of the particular mortgage bonds issue.

In 2009 the Bank assessed its financial investments for impairment. Based on the results, the Bank did not recognize any impairment loss for available-for-sale securities. The management of the Bank believes that the issuers of the securities held in the Bank's portfolio are of a high credit rating and will be able to settle their obligations arising from the debts owed to the Bank. Nevertheless, the Bank continues to carefully monitor development in their credit standing and is prepared to take appropriate actions in case of any negative development to minimize losses arising from potential defaults.

(b) Analysis of available-for-sale securities

MCZK	31.12.2009	31.12.2008
Bonds and other securities with a fixed rate of return		
Issued by financial institutions	13,181	14,696
Issued by government sector	18,974	7,798
Power industry	43	1,057
Other	2,242	1,698
Total	**34,440**	**25,249**

Shares and other securities with a variable rate of return

Issued by financial institutions	2,110	17
Total	**2,110**	**17**
Total available-for-sale securities	**36,550**	**25,266**
Thereof:		
Listed	34,409	25,214
Unlisted	2,141	52

(c) Analysis of securities at fair value through profit and loss

MCZK	31.12.2009	31.12.2008
Bonds and other securities with a fixed rate of return		
Issued by financial institutions	2,267	3,806
Issued by government sector	123	125
Other	714	728
Total	**3,104**	**4,659**

Shares and investment certificates with a variable rate of return

Issued by financial institutions	–	2,822
Total	–	2,822
Total of securities at fair value through profit and loss	**3,104**	**7,481**
Thereof:		
Listed	3,075	4,627
Unlisted	29	2,854

(d) Analysis of participation interests

Registered Name	office	Date of Acquisition	Acquisition price	Net book value 2009	Net book value 2008	Share of the Bank 31.12.2009	Share of the Bank 31.12.2008
CAE PRAHA a.s. in the process of liquidation (real estate)	Prague	27.6.2003	78	0.10	0.53	100%	100%
CBCB – Czech Banking Credit Bureau, a.s. (bank register)	Prague	10.10.2001	0.24	0.24	0.24	20%	20%
Total			**78.24**	**0.34**	**0.77**	**–**	**–**

As at 31 December 2009, the impairment losses of participation interests amounted to MCZK 8 (as at 31 December 2008: 7 MCZK).
The liquidation of CAE PRAHA a.s. (in the process of liquidation) is expected to be completed in 2010.
As at 31 December 2008 the Bank also had a 100% stake in UniCredit Factoring, s.r.o. As at 1 January 2009 the Bank merged with this subsidiary (Note 2). Including the assets and liabilities of the Company into the Bank gave rise to a merger surplus that has been recognized as part of the share premium.

MCZK	31 December 2008
Receivables from customers	150
Intangible assets	1
Other assets	1,070
Liabilities to banks	(465)
Other liabilities	(748)
Net assets	8
of which:	
profit for the period ended 31 December 2008	10
retained earnings	(2)
Cost of investment	–
Merger surplus in the share premium	**8**

The merger surplus has been calculated as the surplus of the net asset value of UniCredit Factoring, s.r.o. over the cost of investment.
As all the comparative information for the prior period has been restated in relation to the UniCredit Factoring, s.r.o. merger (see Note 2) the merger surplus was already presented as at 1 January 2008 despite the effective date of the merger (1 January 2009).

17. Property, plant and equipment

Movements in property, plant and equipment

MCZK	Land and buildings	Machinery and equipment	Fixtures and fittings	Other non-oper. property	Fixed assets not yet in use	Total
Cost						
At 1 January 2008	3,420	853	420	3	66	4,762
Additions	66	92	24	–	442	624
Disposals	(288)	(154)	(86)	(1)	(435)	(964)
Other	–	–	–	–	–	–
At 31 December 2008	3,198	791	358	2	73	4,422
At 1 January 2009	3,198	791	358	2	73	4,422
Additions	63	38	8	–	222	331
Disposals	(5)	(74)	(46)	–	(252)	(377)
Other	–	(4)	–	–	–	(4)
At 31 December 2009	3,256	751	320	2	43	4,372
Depreciation						
At 1 January 2008	(1,625)	(722)	(366)	(3)	–	(2,716)
Charge for the year	(81)	(55)	(10)	–	–	(146)
Disposals	286	128	83	1	–	498
Other	–	–	–	–	–	–
At 31 December 2008	(1,420)	(649)	(293)	(2)	–	(2,364)
At 1 January 2009	(1,420)	(649)	(293)	(2)	–	(2,364)
Charge for the year	(93)	(52)	(9)	–	–	(154)
Disposals	5	71	44	–	–	120
Other	–	–	–	–	–	–
At 31 December 2009	(1,508)	(630)	(258)	(2)	–	(2,398)
Impairment						
At 1 January 2008	(384)	–	–	–	–	(384)
Creation	–	–	–	–	–	–
Release	16	–	–	–	–	16
Use	–	–	–	–	–	–
At 31 December 2008	(368)	–	–	–	–	(368)
At 1 January 2009	(368)	–	–	–	–	(368)
Creation	–	–	–	–	–	–
Release	12	–	–	–	–	12
Use	–	–	–	–	–	–
At 31 December 2009	(356)	–	–	–	–	(356)
Net book value						
At 1 January 2008	**1,411**	**131**	**54**	**–**	**66**	**1,662**
At 31 December 2008	**1,410**	**142**	**65**	**–**	**73**	**1,690**
At 31 December 2009	**1,392**	**121**	**62**	**–**	**43**	**1,618**

The release of impairment losses is included in profit or loss in “General Administrative Expenses”.

18. Intangible assets

Movements in intangible fixed assets

MCZK	Software	Software acquisition	Other	Total
Cost				
At 1 January 2008	4	1	20	25
Additions	2	–	–	2
Disposals	–	(1)	–	(1)
At 31 December 2008	6	–	20	26
At 1 January 2009	6	–	20	26
Additions	–	–	–	–
Disposals	–	–	(11)	(11)
At 31 December 2009	6	–	9	15
Amortization				
At 1 January 2008	(4)	–	(15)	(19)
Charge for the year	(1)	–	(2)	(3)
Disposals	–	–	–	–
At 31 December 2008	(5)	–	(17)	(22)
At 1 January 2009	(5)	–	(17)	(22)
Charge for the year	(1)	–	(2)	(3)
Disposals	–	–	11	11
At 31 December 2009	(6)	–	(8)	(14)
Net book value				
At 1 January 2008	**–**	**1**	**5**	**6**
At 31 December 2008	**1**	**–**	**3**	**4**
At 31 December 2009	**–**	**–**	**1**	**1**

19. Other assets

MCZK	31.12.2009	31.12.2008
Prepaid expense and accrued income	100	113
Trade receivables	30	156
Factoring receivables	–	1,337
Positive fair value of hedging derivatives	1,560	1,747
Receivables from securities	22	27
Suspense accounts	161	305
Income tax receivable	5	–
Other taxes receivable	2	–
Other	1	3
Total other assets	**1,881**	**3,688**
Impairment of other assets	(3)	(274)
Net other assets	**1,878**	**3,414**

Immediately after the merger, factoring receivables were partially written off (see the table below) and the other factoring contracts were gradually cancelled or transformed to conventional loan financing (i.e. they are a part of the financial position item “Receivables from customers”).

Impairment of other assets

MCZK	
Balance as at 1 January 2008	(26)
Creation during the current year	(255)
Release during the current year	3
Write-offs covered by impairment provisions and others	4
Balance of impairment of other assets as at 31 December 2008	**(274)**
Balance as at 1 January 2009	(274)
Creation during the current year	(15)
Release during the current year	9
Write-offs covered by impairment provisions and others	277
Balance of impairment of other assets as at 31 December 2009	**(3)**

The impairment is presented in profit or loss under “Other operating expenses”. Write-offs in 2009 include primarily write-offs on factoring receivables.

20. Impairment of assets total

MCZK	Receivables from clients (Note 15)	Financial investments (Note 16)	Tangible and intangible assets (Note 17, 18)	Other assets (Note 19)	Total
Balance as at 1 January 2008	(2,315)	(7)	(384)	(26)	(2,732)
Creation during the current year	(1,242)	–	–	(255)	(1,497)
Release during the current year	421	–	16	3	440
Write-offs and others	64	–	–	4	68
Impairment loss as at 31 December 2008	**(3,072)**	**(7)**	**(368)**	**(274)**	**(3,721)**
Balance as at 1 January 2009	(3,072)	(7)	(368)	(274)	(3,721)
Creation during the current year	(2,605)	(1)	–	(15)	(2,621)
Release during the current year	450	–	12	9	471
Write-offs and others	44	–	–	277	321
Impairment loss as at 31 December 2009	**(5,183)**	**(8)**	**(356)**	**(3)**	**(5,550)**

21. Deposits from banks

Analysis of deposits from banks by type

MCZK	31.12.2009	31.12.2008
Current accounts	1,845	2,886
Bank loans	4,823	9,821
Term deposits	18,480	14,341
Total deposits from banks	**25,148**	**27,048**

22. Deposits from customers

Analysis of deposits from customers by type

MCZK	31.12.2009	31.12.2008
Current accounts	81,825	73,495
Loans	10,139	9,454
Term deposits	60,156	72,682
Issued depository notes	17,227	12,377
Saving deposits	2,480	2,612
Total deposits from customers	**171,827**	**170,620**

Issued depository notes are short-term securities and represent an alternative form of financing from clients. Therefore the Bank decided to include them in “Deposits from clients” rather than “Debt securities issued”.

Analysis of deposits from clients by sector

MCZK	31.12.2009	31.12.2008
Financial institutions	11,801	12,671
Non-financial institutions	73,190	65,830
Government sector	18,828	29,326
Non-profit organizations	1,687	1,391
Self-employed	11,031	10,003
Resident individuals	44,813	42,625
Non-residents	10,477	8,774
Total deposits from customers	**171,827**	**170,620**

23. Debt securities issued

(a) Analysis of payables in respect of debt securities issued

MCZK	31.12.2009	31.12.2008
Mortgage bonds	23,810	31,097
Structured bonds	2,440	4,110
Zero coupon bonds	2,027	1,892
Other issued bonds	282	171
Net book value	**28,559**	**37,270**

(b) Analysis of mortgage bonds issued

Issue date	Maturity date	Currency	Interest rate	31.12.2009 MCZK	31.12.2008 MCZK
4 February 2002	4 February 2009	CZK	6.00%	–	6,913
19 August 2004	19 August 2012	CZK	6.00%	1,381	1,401
29 September 2005	29 September 2015	CZK	4.00%	1,053	1,060
5 October 2005	5 October 2015	CZK	4.50%	5,839	5,312
15 November 2005	15 November 2010	CZK	3.50%	4,742	3,981
23 November 2005	15 November 2025	CZK	5.00%	167	168
15 June 2007	15 June 2012	CZK	5.00%	248	63
12 December 2007	21 December 2037	CZK	6.60%	6,479	6,658
12 December 2007	16 March 2009	CZK	–*	–	962
12 December 2007	15 June 2009	CZK	–*	–	980
12 December 2007	15 September 2009	CZK	–*	–	456
12 December 2007	15 December 2009	CZK	–*	–	73
12 December 2007	15 March 2010	CZK	–*	722	29
12 December 2007	15 June 2010	CZK	–*	326	12
12 December 2007	15 September 2010	CZK	–*	461	2
12 December 2007	15 December 2010	CZK	–*	356	1
12 December 2007	15 March 2011	CZK	–*	208	19
12 December 2007	15 June 2011	CZK	–*	228	–
12 December 2007	15 September 2011	CZK	–*	147	–
12 December 2007	15 December 2011	CZK	–*	298	–
12 December 2007	15 March 2012	CZK	–*	83	–
12 December 2007	15 December 2017	CZK	–*	72	–
27 December 2007	28 December 2017	CZK	0.94%	1,000	3,001
17 October 2008	19 October 2009	CZK	2.39%	–	1
24 October 2008	29 October 2009	CZK	2.08%	–	5
Total of mortgage bonds issued				**23,810**	**31,097**

* discounted mortgage bonds

24. Financial liabilities held for trading

MCZK	31.12.2009	31.12.2008
Interest rate contracts	2,151	2,145
Currency contracts	1,661	3,861
Equity contracts	142	86
Commodity contracts	91	164
Liabilities from short sales of securities	950	412
Total financial liabilities held for trading	**4,995**	**6,668**

25. Provisions

Provisions include the following items:

MCZK	31.12.2009	31.12.2008
Provisions for off-balance sheet credit items	425	394
Other provisions	118	128
Claims and litigations	62	60
Unclaimed vacation	56	58
Other	–	10
Total provisions	**543**	**522**

(a) Provisions for off-balance sheet credit items

MCZK	
Balance at 1 January 2008	438
Creation during the current year	–
Release during the current year	(44)
Balance of provisions for off-balance sheet credit items at 31 December 2008	**394**
Balance at 1 January 2009	394
Creation during the current year	201
Release during the current year	(170)
Balance of provisions for off-balance sheet credit items at 31 December 2009	**425**

(b) Other provisions

MCZK	Claims and litigations	Unclaimed vacation	Other	Total
Balance at 1 January 2008	62	60	71	193
Creation during the current year	2	–	6	8
Use during the current year	(3)	–	(57)	(60)
Release of provisions	–	(2)	(11)	(13)
Other	(1)	–	1	–
Balance of provisions at 31 December 2008	**60**	**58**	**10**	**128**
Balance at 1 January 2009	60	58	10	128
Creation during the current year	2	–	–	2
Use during the current year	–	–	(9)	(9)
Release of provisions	–	(2)	(1)	(3)
Other	–	–	–	–
Balance of provisions at 31 December 2009	**60**	**56**	**–**	**118**

The use of MCZK 2 in provisions for unclaimed vacation payments is presented as a part of general operating costs, under “Wages and salaries”.

26. Other liabilities

MCZK	31.12.2009	31.12.2008
Deferred income and accrued expenses	213	217
Trade payables	93	969
Negative fair value of hedging derivatives	1,837	1,819
Income taxes payable	–	27
Other taxes payable	–	31
Estimated payables	398	531
Suspense accounts	1,523	5,457
Other	7	14
Total other liabilities	**4,071**	**9,065**

The balance of “Suspense accounts” as at the 2009 year end was influenced by the new Act on Payment Systems, which shortens the period for settling payments.

27. Income tax

(a) Tax in profit or loss

MCZK	31.12.2009	31.12.2008
Current year income tax	(601)	(815)
Income tax for previous period (adjustment of estimate)	7	31
Tax refund of previous periods	–	23
Deferred tax	(20)	(44)
Total income tax	**(614)**	**(805)**

In 2009 the income tax rate for legal entities was changed from the 21% used in 2008 to 20% according to the Income Tax Act No. 586/1992 Coll.

The Bank's income tax is different from the theoretical income tax, which would be calculated using the tax rate applicable in the Czech Republic, as follows:

MCZK	31.12.2009	31.12.2008
Current year profit (loss) before tax	3,382	5,726
Income tax calculated using tax rate 20%	(676)	(1 202)
Effect of the difference between Czech Accounting Standards used for calculating the tax base and IFRS	(13)	57
Effect of previous years	43	100
Foreign income tax effect	21	32
Non-taxable income	262	402
Tax non-deductible expenses	(231)	(152)
Change in deferred tax by reason of the tax rate change	(11)	(12)
Change in deferred tax	(9)	(32)
Other	–	2
Total income tax	**(614)**	**(805)**

The effective tax rate of the Bank is 18.2% (for 2008: 14%).

(b) Tax in statement of financial position

The Bank made advance payments for income tax of MCZK 605 (for 2008: MCZK 784). When offsetting with the income tax payable, the Bank presents for the accounting period net tax receivable of MCZK 5 in the item "Other assets" (as at 31 December 2008: net tax payable of MCZK 27 included in "Other assets").

(c) Deferred tax asset and liability

Deferred income tax is calculated on all temporary differences using the statement of financial position liability method and applying the appropriate tax rate. Deferred income tax assets and liabilities are attributable to the following:

MCZK	31.12.2009		31.12.2008	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Tax non-deductible reserves	12	–	13	–
Social and health insurance from bonuses	12	–	22	–
Impairment of loans	185	–	186	–
Fixed assets net of book value differences	–	(2)	2	–
Other	10	–	14	–
Deferred tax liability/asset	219	(2)	237	–
Net deferred tax liability/asset recognized in profit or loss	**217**	**–**	**237**	**–**
Revaluation reserve for available-for-sale assets	–	(2)	–	(23)
Net deferred tax liability/asset recognized in other comprehensive income	**–**	**(2)**	**–**	**(23)**

When calculating the net tax liability/asset, the Bank offset deferred tax liabilities and deferred tax assets arising from income tax payable to the tax authority within the same tax category. Deferred tax liabilities and assets recognized in other comprehensive income are not offset against deferred tax liabilities and assets recognized in profit or loss.
The Bank's management believes is highly probable that the Bank will fully realize its deferred tax asset as at 31 December 2009 based on the Bank's current and expected future level of taxable profits.
Due to application of the prudence principle, the Bank does not recognize deferred tax assets attributable to net book value differences for fixed assets totalling MCZK 40 (as at 31 December 2008: MCZK 44).

28. Subordinated liabilities

MCZK	31.12.2009	31.12.2008
Subordinated loan, UniCredit S.p.A.	–	1,000
Total of subordinated liabilities	**–**	**1,000**

On 29 December 2004, the Bank drew subordinated debt of MCZK 1,000 from the parent company UCI. The debt was repaid on 29 December 2009 with the consent of the Czech National Bank.

29. Issued capital and share premium

The issued capital (registered, subscribed and paid-up) as at 31 December 2009 and 31 December 2008 amounted to MCZK 5,125.

(a) Shareholder as at 31 December 2009 and 31 December 2008

Name	Registered office	Share nominal value (MCZK)	Share premium (MCZK)	Share in equity (%)
UniCredit Bank Austria AG, Vienna	Austria	5,125	3,481	100
Total		**5,125**	**3,481**	**100**

(b) Issued capital analysis

	31.12.2009 Number of shares	31.12.2009 MCZK	31.12.2008 Number of shares	31.12.2008 MCZK
Common share at CZK 16,320,000	100	1,632	100	1,632
Common share at CZK 13,375,000	200	2,675	200	2,675
Common share at CZK 10,000	74,000	740	74,000	740
Common share at CZK 7,771,600	10	78	10	78
Total of issued capital		**5,125**		**5,125**

Shares are transferable with the general meeting's approval. The common shares carry a right to participate in the Bank's management and the right to share in the Bank's profits.
The Bank did not hold any of its own shares as at 31 December 2009 and 31 December 2008.

30. Bonuses tied to equity

The Bank has not implemented any incentive bonus scheme or motivation program for employees involving purchase of the Bank's shares or paid any remuneration in the form of options to purchase its shares.

31. Reserve funds and retained earnings

Reserve funds are as follows:

MCZK	31.12.2009	31.12.2008
Legal reserve fund	1,025	1,025
Other reserve funds	1,824	1,824
Reserve funds total	**2,849**	**2,849**
Retained earnings	**17,930**	**15,912**

The Bank creates, in accordance with law, a legal reserve fund (part of the item "Reserve funds"). The legal reserve fund was created from net profit as at the date of preparation of the financial statements for the year in which a profit was achieved for the first time, in the amount of at least 20% of the net profit but not more than 10% of the registered capital. This reserve is added to annually by 5% of the net profit up to 20% of the registered capital. The legal reserve fund can only be used to cover incurred losses and use of the legal reserve fund is under the control of the Board of Directors. The reserve fund has been created in the amount of 20% of the registered capital.
In accordance with applicable legal provisions, the Board of Directors is entitled to create funds allocated from profit to cover the Bank's specific risks as well as to create other funds in excess of the legally required reserve fund. The Board of Directors likewise decides on the use of these funds.
The Bank intends to distribute the profit for 2009 of MCZK 2,768 as follows: dividend payment of MCZK 2,700, remaining part in the amount of MCZK 68 will be transferred to retained earnings.

32. Borrowing and lending of securities, repurchase and resale commitments

Resale commitments

MCZK	31.12.2009	31.12.2008
Receivables from banks	11,800	22,704
Fair value of securities received	11,846	22,411
Receivables from customers	2,701	534
Fair value of securities received	2,846	672

Repurchase commitments

MCZK	31.12.2009	31.12.2008
Deposits from banks	2,139	4,722
Fair value of given securities (Financial assets held for trading)	612	533
Fair value of given securities (Financial investments)	1,494	4,216
Deposits from clients	10,139	9,454
Fair value of given securities (Financial assets held for trading)	8,143	3,361
Fair value of given securities (Financial investments)	2,002	6,112

33. Contingent liabilities, contingent assets and derivatives

In the course of regular business operations the Bank enters into various financial operations which are not recognized in the statement of financial position. These operations are called off-balance sheet operations. Unless stated otherwise the following off-balance sheet operations are stated in nominal amounts.

(a) Contingent liabilities

Litigation and claims

The Bank reviewed all legal disputes affecting the Bank as at 31 December 2009 and created appropriate provisions for litigation and claims (see Note 25). In addition to these litigations, there are other claims related to the Bank's business activities. However, the management does not expect the result of such claims to have any significant impact on the financial situation of the Bank.

Taxation
Czech tax legislation has changed significantly over the last few years. Many problematic parts remain unclear and it is also unclear which interpretation the tax authority will choose. The result of this situation can not be quantified and a solution will only be possible after release of official interpretation.

Liabilities from guarantees and credit commitments and other contingent liabilities
Unused credit commitments represent the most significant part of contingent liabilities. The credit commitments granted by the Bank include issued commitments for loans or guarantees and also unused credit lines and overdraft facilities. The Bank can revoke the revocable credit commitments anytime without stating reasons. On the other hand irrevocable credit commitments represent the Bank's liability to provide loans or guarantees and the fulfilment of this liability does not depend on the will of the Bank even though it depends on the client's fulfilment of the terms and conditions.
Liabilities from financial guarantees represent irrevocable commitments that the Bank will realize payments when the conditions defined in guarantee certificates are fulfilled. These commitments bear similar risk as do loans, so the Bank creates reserves for these commitments using a similar algorithm as that used when creating loan loss provisions (see Note 35).
Letters of credit represent the Bank's written irrevocable liability to provide funds to a third party or to its order (beneficiary, commissioned) if the letter of credit's conditions were fulfilled in a defined period. It is issued on the basis of the customer's (applicant's) request. The Bank creates reserves for these financial instruments using a similar algorithm as that used when creating loan loss provisions (see Note 35).
The Bank has created provisions for off-balance sheet items to cover incurred losses arising from decrease in their value due to credit risk.
As at 31 December 2009, the total amount of these provisions amounted to MCZK 425 (as at 31 December 2008: MCZK 394) (see Note 25 (a)).

MCZK	**31.12.2009**	**31.12.2008**
Letters of credit and financial guarantees	30,220	23,827
Other contingent liabilities (unused credit commitments)	61,166	67,048
Total	**91,386**	**90,875**

Values taken into administration and management

MCZK	**31.12.2009**	**31.12.2008**
Bonds	175,109	158,482
Shares	201,496	187,870
Depository notes	17,227	12,377
Total values taken into administration and management	**393,832**	**358,729**

(b) Contingent assets
As at 31 December 2009, the Bank has the option to draw the following loans:
Credit line provided by UniCredit Bank Austria AG, Vienna in the maximum amount of MCZK 2,885 (MEUR 109) and maturing in March 2010.
Credit line provided by the European Investment Bank (EIB) in the maximum amount of MCZK 2,647 (MEUR 100) with the latest maturity of 13 years from the drawing. This line is specifically for the refinancing of credits that fulfil the conditions of the EIB.

(c) Financial derivatives

Financial derivatives from OTC market (OTC derivatives)

	Contractual amounts		Fair value	
MCZK	**31.12.2009**	**31.12.2008**	**31.12.2009**	**31.12.2008**
Hedging instruments				
Interest rate swap contracts	67,158	79,204	(103)	483
Cross currency swap contracts	21,898	10,341	(174)	(555)
Trading instruments				
Forward rate agreements (FRA)	–	3,000	–	1
Interest rate swap contracts	95,280	93,538	(99)	(140)
Forward foreign exchange contracts			369	(520)
Purchase	8,859	10,233		
Sale	8,492	9,650		
Option contracts			3	10
Purchase	64,056	75,690		
Sale	64,056	75,690		
Cross currency swap contracts	80,113	70,202	112	(1,696)

Listed financial derivatives

MCZK	Contractual amounts 31.12.2009	Contractual amounts 31.12.2008	Fair value 31.12.2009	Fair value 31.12.2008
Trading instruments				
Interest rate futures	2,157	2,329	40	45
Commodity instruments	1,638	625	(10)	4

Residual maturity of financial derivatives

The nominal values of individual types of derivatives can be divided based on their residual maturity as follows (basis 30/360):

MCZK	Up to 1 month	1-3 months	3 months to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
As at 31 December 2009									
Hedging instruments									
Interest rate swap contracts	1,092	2,700	12,732	11,212	10,666	6,210	1,994	20,552	67,158
Cross currency swap contracts	–	–	1,907	7,495	634	1,974	4,942	4,946	21,898
Trading instruments									
Forward rate agreements (FRA)	–	–	–	–	–	–	–	–	–
Interest rate swap contracts	300	2,489	17,382	19,259	13,945	17,096	11,211	13,598	95,280
Foreign exchange contracts (Purchase)	722	927	5,460	1,045	303	133	82	7	8,859
Foreign exchange contracts (Sale)	714	911	5,317	1,016	306	137	84	7	8,492
Option contracts (Purchase)	4,786	3,476	15,273	16,832	14,410	4,533	2,691	2,055	64,056
Option contracts (Sale)	4,786	3,476	15,273	16,832	14,410	4,533	2,691	2,055	64,056
Interest rate futures	–	2,157	–	–	–	–	–	–	2,157
Commodity instruments	47	198	645	–	748	–	–	–	1,638
Cross currency swap contracts	48,737	7,618	13,115	6,436	2,985	302	800	120	80,113
As at 31 December 2008									
Hedging instruments									
Interest rate swap contracts	9,732	2,500	16,971	14,628	5,905	5,167	4,724	19,577	79,204
Cross currency swap contracts	–	–	3,908	–	1,794	–	1,974	2,665	10,341
Trading instruments									
Forward rate agreements (FRA)	2,000	1,000	–	–	–	–	–	–	3,000
Interest rate swap contracts	7,501	6,059	8,876	14,886	13,286	12,451	15,282	15,197	93,538
Foreign exchange contracts (Purchase)	1,115	1,679	3,891	3,214	297	37	–	–	10,233
Foreign exchange contracts (Sale)	1,111	1,653	3,764	2,830	259	33	–	–	9,650
Option contracts (Purchase)	3,593	4,102	24,478	14,226	16,104	10,525	2,568	94	75,690
Option contracts (Sale)	3,593	4,102	24,478	14,226	16,104	10,525	2,568	94	75,690
Interest rate futures	–	2,329	–	–	–	–	–	–	2,329
Commodity instruments	–	325	119	142	–	39	–	–	625
Cross currency swap contracts	31,890	12,139	14,306	3,699	4,763	2,985	298	122	70,202

34. Segment reporting

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

(a) Information on segments based on client categories

MCZK	Retail banking/ Small and medium companies	Corporate banking	Investment banking	Other	Total
As at 31 December 2009					
Net interest and dividend income	1,651	3,666	244	886	6,447
Other net income	747	1,551	505	(46)	2,757
Depreciation of property, plant and equipment and amortization of intangible assets	(92)	(4)	(1)	(48)	(145)
Impairment and provisions	(188)	(1,964)	(3)	–	(2,155)
Segment expenses	(1,293)	(751)	(131)	(1,347)	(3,522)
Profit before tax	825	2,498	614	(555)	3,382
Income tax	–	–	–	(614)	(614)
Result of segment	825	2,498	614	(1,169)	2,768
Segment assets	26,233	142,546	94,773	1,075	264,627
Segment liabilities	81,176	87,242	43,983	22,744	235,145

MCZK	Retail banking/ Small and medium companies	Corporate banking	Investment banking	Other	Total
As at 31 December 2008					
Net interest and dividend income	1,967	3,701	235	772	6,675
Other net income	993	2,458	445	(73)	3,823
Depreciation of property, plant and equipment and amortization of intangible assets	(74)	(3)	–	(56)	(133)
Impairment and provisions	(268)	(553)	–	–	(821)
Segment expenses	(1,235)	(1,160)	(117)	(1,306)	(3,818)
Profit before tax	1,383	4,443	563	(663)	5,726
Income tax	–	–	–	(805)	(805)
Result of segment	1,383	4,443	563	(1,468)	4,921
Segment assets	23,986	148,648	101,880	4,773	279,287
Segment liabilities	101,799	90,429	49,378	10,610	252,216

35. Financial risk management

(a) Introduction

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

The Bank's Board of Directors is responsible for, and approves, the overall strategy of risk management, which is reviewed on a regular basis. The Board has established an Assets and Liabilities Committee (ALCO), Credit Committee and Committee for the Management of Operational Risk in order to monitor and manage particular risks for its specific areas. These Committees report to the Bank's Board on a regular basis.

(b) Credit risk

The Bank is exposed to credit risks as a result of its trading activities, providing loans, hedging transactions, investment and intermediation activities.
Credit risk is managed at two levels: at the level of the individual client (transaction) and at the portfolio level.
The Credit Risk Underwriting Division, the Credit Models

and Reporting Division and the Credit Risk Operations Division are directly responsible for credit risk management. All are organizationally independent of the business divisions and are directly accountable to the member of the Board of Directors responsible for risk management.
The Bank defines in its credit policy general principles, methods and instruments used for the purpose of identification, measurement and management of credit risk. The Credit Models and Reporting Division is responsible for loan policy, which is revised at least once a year.
The Bank defines in its internal guidelines approval competencies for credit deals, including definition of responsibilities and competencies of the Credit Committee.

(i) Credit risk management at individual client level

The credit risk at client level is managed by analyzing the client's financial standing and setting limits on the credit extended.
The analysis is focused on the client's standing in the relevant market, rating of the client's financial statements, prediction of future liquidity etc. The result of this analysis is, among other things, to establish a rating that reflects the probability of the client's default and takes into account both quantitative and qualitative factors. The financial standing analysis is carried out, and a credit limit and rating set, before credit is granted as well as regularly during the course of the credit relationship with the client.
The internal rating system comprises 27 rating levels (1 to 10 with the use of "+" and "–" in several rating classes: 1+, 1, 1–, 2+, etc). This system assesses not only the client's possible delay in making loan payments, but also the client's financial ratios and indicators (such as the structure of, and relationships between, the statement of financial position, statement of comprehensive income, and cash flows), quality of management, ownership structure, market position of the debtor, quality of client's reporting, production equipment, etc. Clients with receivables categorized as substandard, doubtful and loss are always assigned to a rating class for clients in default, i.e. one of 8–, 9 or 10.
If an external rating of the debtor prepared by a reputable rating agency is available, the rating results are also taken into account in the assessment of the debtor. However, this rating does not replace the Bank's internal rating system.
For receivables from individuals, the ability of the client to fulfil his obligation is determined using a standardized system of credit scoring based on risk-relevant characteristics (credit application scoring).
The Bank likewise sets and regularly updates the probability of client default for individuals using the behavioural scoring method.
As an additional source of information for assessing a client's financial standing, the Bank uses information from credit registries, mainly the CBCB–Czech Banking Credit Bureau, a.s., the CNB Central Credit Registry and the SOLUS association registry.
In accordance with its credit risk management strategy, the Bank requires collateral for all provided credit before the credit is granted (according to the client's financial standing and the nature of the transaction). The Bank considers the following to be acceptable types of collateral: cash, first-class securities, a bank guarantee from a reputable bank, a guarantee from a highly reputable non-banking entity, real estate, and assignment of high quality receivables.
The Bank's assessment of the net realizable value of the collateral is conservative and an expert appraisal, based in particular on the financial standing of the collateral provider as well as the nominal value of the collateral, is prepared by the Bank's specialist department. The net realizable value of the collateral is determined using this value and a correction coefficient, which reflects the Bank's ability to realize the collateral if and when necessary.

(ii) Credit risk management at portfolio level

Credit risk management at this level involves mainly loan portfolio reporting including analyses and monitoring of trends in certain credit sub-portfolios.
The Bank monitors its overall credit risk position by taking into account all on-balance and off-balance sheet exposures and quantifying the expected loss from its credit exposure. The Bank has created a system of internal limits for certain countries, branches and economically connected groups of debtors and regularly monitors its involvement in different segments.
The Bank assesses the concentration risk of a loan portfolio on a regular basis and determines concentration limits when necessary in relation to specific industries, countries, or economically connected groups of debtors.

(iii) Classification of receivables, impairment and provisions

The Bank categorizes its receivables arising from financial activities on a monthly basis, in accordance with Decree No. 123/2007 Coll. of the CNB.
The Bank regularly assesses whether any possible permanent decrease in the statement of financial position value of receivables has occurred; in case that the Bank identifies such a decrease, it creates provisions for each receivable or, as the case may be, portfolio of receivables in accordance with IFRS.

<u>Impairment of individual loans</u>

The Bank recognizes the impairment of an individual loan if that loan's carrying amount decreases and the Bank does not write off such amount or, as the case may be, that part of the loan receivable corresponding to the loss from the loan's carrying amount. The Bank assesses impairment of the carrying amount for each watched loan receivable and for all loan receivables with debtors in default.
The Bank writes off a receivable when it expects no income from the receivable or from the collateral accepted in relation to such receivable.
The Bank calculates an individual impairment in the amount of loss resulting from decrease of the loan's carrying amount, i.e. impairment loss is equal to the difference between the carrying amount (reduced by the materially realizable value of the collateral) and the discounted value of estimated future cash flows from the unsecured part of the loan.

Impairment of portfolios of loans

The Bank recognizes impairment losses for portfolios of standard loans if it identifies a decrease in a portfolio's carrying amount as a result of events indicating a decrease of expected future cash flows from such portfolio.

Provisions are assigned to individual portfolios, not to individual loan cases within the portfolio.

The Bank uses the concept of "incurred loss" when identifying portfolio impairment, considering the time delay between the impairment event and the time when the Bank obtains information on the impairment event (i.e. when a receivable is taken out from the portfolio of standard receivables and the decrease in the value is considered in accordance with the common practice used for individual receivables; i.e., a provision for the specific receivable is created). The method currently used is in accordance with the UniCredit Group methodology used for incurred loss determination.

Provisions for off-balance sheet items

The Bank creates provisions for selected off-balance sheet items, namely:

(i) Provisions for off-balance sheet items at the Bank's clients for whom there is currently recorded a particular statement of financial position receivable which has fulfilled the conditions for its ranking as a watched loan or as a loan categorized for a debtor in default, and the Bank creates provisions for such loans.

Note: The Bank does not create such provisions for undrawn credit lines of issued credit cards.

(ii) Provisions for selected off-balance sheet items at the Bank's clients for whom the Bank does not record any statement of financial position receivable in a given period but when in the case of such receivable's existence the conditions for ranking as a watched loan or a loan categorized for a debtor in default would be fulfilled.

(iii) Provisions for selected off-balance sheet items that are ranked into portfolios. The Bank recognizes such provisions in the same way as is used in accounting for impairment of loan portfolios.

(iv) Recovery of receivables

The Bank has established a Credit Workout and Restructuring Department to deal with the recovery of loans in respect of receivables considered to be at risk. This department aims to achieve one or more of the following goals:

a) "revitalization" of the credit relationship, restructuring and subsequent reclassification to standard receivables;
b) full repayment of the loan;
c) minimization of the loss from the loan (realization of collateral, sale of receivable with a discount etc.);
d) prevention of further losses from the loan (evaluating future costs relative to possible income).

(c) Market risk

(i) Trading

The Bank holds trading positions in certain financial instruments including financial derivatives. The majority of the Bank's business activities are conducted according to the requirements of the Bank's customers. Depending on the estimated demand of its customers, the Bank holds a certain supply of financial instruments and maintains access to the financial markets through the quoting of bid and offer prices and by trading with other market makers. These positions are also held for the purpose of speculation on the expected future development of financial markets. The Bank's trading strategy is thus affected by speculation and market making and its goal is to maximize the net income from trading.

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

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

(ii) Market risk management

Below are described selected risks to which the Bank is exposed through its trading activities, principles of managing positions resulting form these activities, and also management of these risks. The procedures that the Bank uses to measure and manage these risks are described in detail in the following paragraphs.

The Bank is exposed to market risks which flow from its open positions in interest rate, equity and foreign currency instruments that are sensitive to changes in financial market conditions.

The Bank's risk management concentrates on management of the total net exposure resulting from the Bank's structure of assets and liabilities. The Bank monitors interest rate risks by monitoring the sensitivity of particular assets or liabilities in individual time periods, which is expressed by change in the present values of assets and liabilities if interest rates increase by 1 basis point (BPV). For hedge accounting purposes, the Bank identifies specific assets/liabilities causing this incongruity in a way to meet the accounting criteria for the application of hedge accounting.

Value at Risk

Value at Risk represents the main method for managing the market risks arising from the Bank's activities. Value at Risk represents the potential loss from an unfavourable movement on the market within a certain time period at a certain confidence level. The Bank determines the Value at Risk through the stochastic simulation of a wide range of potential scenarios on the financial markets. Value at Risk is measured based on a one-day holding period and a confidence level of 99%.

The assumptions on which the Value at Risk model is based have the following limitations:

– The 1-day holding period supposes that all the positions can be closed during a single day. This assumption need not always apply on less liquid markets.
– The 99% confidence level does not reflect all possible losses that can occur at this confidence level.
– VaR is calculated from the positions at the end of the trading day and does not consider the positions which can be opened "intra-day".
– Using historical data as a basic determinant of possible future development does not necessarily cover all of the possible future scenarios, especially crisis scenarios.

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

Back-testing – Value at Risk
The results of this model are back-tested and compared with the results of the actual changes in interest rates on the financial markets on a daily basis. If the Bank identifies any inaccuracies, the model is adjusted to be in line with the current development on the financial markets.

The following are Values at Risk of the Bank.

MCZK	As at 31.12.2009	Average 1.1.2009 – 31.12.2009	As at 31.12.2008	Average 1.1. 2008 – 31.12.2008
VaR of interest rate instruments	192.4	139.7	182.2	111.3
VaR of currency instruments	2.2	2.2	10.6	2.3
VaR of equity instruments	0.1	1.1	2.0	1.6

Interest rate risk

The Bank is exposed to interest rate risk as a result of the fact that interest-bearing assets and liabilities have different maturities or interest rate re-pricing periods and different volumes during these periods. In the event of a change in interest rates, the Bank is exposed to a risk as a result of the different mechanism or timing of adjustments to particular types of interest rates (such as PRIBOR), declared interest rates on deposits etc. The activities in the area of interest risk management section are focused on optimizing the Bank's net interest revenue in accordance with the strategy approved by the Board of Directors.
The Bank's overall interest rate position as at 31 December is characterized by greater interest rate sensitivity on the liabilities side. This is seen in the positive overall basis point value (or "BPV"), whereby in the case of a simultaneous rise in interest rates for individual currencies there could occur a modest growth in market valuation. The Bank's interest rate position is diversified into several currencies, whereby the divergent interest rate risks of individual currencies are compensated with regard to the overall portfolio of assets and liabilities. The major sensitivity is connected to the CZK and EUR. The Bank's overall position is approximately balanced.
Interest rate derivatives are generally used to manage the incongruity between the interest sensitivity of assets and liabilities. These transactions are carried out in accordance with the Bank's strategy for the management of assets and liabilities approved by the Board of Directors. Part of the Bank's income is generated by the intentional incongruity between the interest rate sensitive assets and liabilities.
The Bank applies a "Basis Point Value – BPV" approach for the measurement of interest sensitivity of assets and liabilities.
BPV represents the change in present value of cash flows derived from individual instruments if interest rates increase by 1 basis point (0.01%), i.e. represents the sensitivity of instruments to interest rate risk.
The Bank has established interest rate risk limits to restrict oscillation of net interest income resulting from changes of interest rates by 0.01% ("BPV limit").

Stress testing of interest rate

The Bank carries out a weekly stress testing of interest rate sensitivity by applying historical scenarios of significant movements on the financial markets and internally defined improbable scenarios and simulates their impact on the Bank's financial results.
Due to the fact that the Bank enters into derivatives transactions in order to hedge the interest rate risk for the whole credit-sensitive part of the statement of financial position, the stress tests are not performed separately for trading and investment portfolios but on an aggregated basis.
The standard stress scenario corresponds to a parallel shift in the yield curve by 200 basic points for major currencies (CZK, EUR, USD), and the main alternative scenario (money market stress test) corresponds to a parallel shift in the short tail of the yield curve for major currencies (CZK, EUR, USD), with a maturity of up to 2 years, by 250 basic points.
The following table shows the impact of the parallel shift of the yield

curve on the Bank's profit. The Bank uses the EUR as the basic currency for stress testing. The values as at year ends and maximum and minimum values are translated to CZK by the CNB FX rate as at 31 December of the particular year (2009: 26.465 CZK/EUR; 2008: 26.93 CZK/EUR). Average values are translated to CZK by the average value of daily FX rates for the particular year (average 2009: 26.445 CZK/EUR; average 2008: 24.942 CZK/EUR):

MEUR	–200 bp	Basic stress test +200 bp	MM stress test +250 bp
Value as at 31 December 2009	(92)	34	(160)
Average for the year	(41)	9	(65)
Maximum value	202	176	38
Minimum value	(234)	(242)	(245)
Value as at 31 December 2008	(35)	(20)	(141)
Average for the year	75	(70)	(83)
Maximum value	581	394	166
Minimum value	(388)	(333)	(236)

The following table includes interest rate sensitivity of the Bank's assets and liabilities as well as effective interest rates (EIRs):

MCZK	EIR	Up to 1 months	1-3 months	3 m. to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspe-cified	Total
As at 31 December 2009											
Cash in hand and balances with central banks	–	646	–	–	–	–	–	–	–	1,652	2,298
Financial assets held for trading	1.04	84	3,515	11,864	–	–	–	–	–	4,478	19,941
Receivables from banks	1.14	26,369	3,328	1,591	32	–	–	–	–	–	31,320
Receivables from customers	3.74	48,285	63,734	23,088	9,608	10,363	5,234	2,943	3,205	1,240	167,700
Financial investments	3.88	2,079	4,215	31,250	–	–	–	–	–	2,110	39,654
Deposits from banks	0.83	22,139	1,552	1,457	–	–	–	–	–	–	25,148
Deposits from customers	0.73	149,158	8,164	12,937	784	299	84	400	1	–	171,827
Debt securities issued	3.57	2,165	999	25,305	–	–	90	–	–	–	28,559
Financial liabilities held for trading	–	–	–	–	125	174	–	–	650	4,046	4,995
Subordinated liabilities	–	–	–	–	–	–	–	–	–	–	–

MCZK	EIR	Up to 1 months	1-3 months	3 m. to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspe-cified	Total
As at 31 December 2008											
Cash in hand and balances with central banks	–	116	–	–	–	–	–	–	–	1,689	1,805
Financial assets held for Trading	3.91	2,068	493	5,869	34	–	300	32	320	5,000	14,116
Receivables from banks	3.18	44,884	4,235	2,763	–	–	–	–	–	–	51,882
Receivables from customers	4.35	51,498	63,123	24,907	10,015	6,846	7,238	3,837	5,927	–	173,391
Financial investments	4.79	3,873	2,978	5,457	4,269	1,920	105	1,759	12,263	124	32,748
Deposits from banks	2.63	18,476	7,103	1,469	–	–	–	–	–	–	27,048
Deposits from customers	1.37	156,454	7,548	5,780	321	415	94	6	2	–	170,620
Debt securities issued	3.59	4,113	8,541	11,999	4,601	–	1,435	89	6,482	10	37,270
Financial liabilities held for trading	–	–	–	–	412	–	–	–	–	6,256	6,668
Subordinated liabilities	4.24	–	1,000	–	–	–	–	–	–	–	1,000

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

Fair value hedging
Hedged instruments can be financial assets and liabilities recognized at their carrying amounts (except securities held-to-maturity) and available-for-sale securities recognized at their fair values, with changes in fair value recognized in equity. Hedging instruments are derivatives (most commonly interest rate swaps and cross-currency swaps).
The Bank performs a fair value hedge effectiveness test on the basis of future cash flows of hedged and hedging instruments and of expected interest rates movements (a so-called "prospective test"). On the basis of real interest rates development, the test of effectiveness is carried out at the last day of each month. The Bank has chosen the monthly frequency of effectiveness testing to be able to detect possible non-effectiveness of hedge relationships on a timely basis.
For particular hedged items and hedging trades (loans, deposits, securities, interest rate swaps, etc.), the amounts of cash flows and dates are determined from the beginning of a hedged relationship until the maturity of the hedged instrument, or until the end of the hedge relationship. The present values of particular cash flows for the relevant date (date of effectiveness measurement) are determined on the basis of discount factors for specific currencies. The fair value of the trade is the total of discounted cash flows from the relevant trade at the given time. The cumulative change of the fair value is determined by comparing the fair value in the given time with the first revaluation. These cumulative changes are further netted for realized cash flows by subtracting or adding them back. A hedge is considered as effective if the proportion of cumulative fair value changes of hedged and hedging instruments is between 80% and 125%.

The following table shows the contractual amounts and fair values of derivatives designated as fair value hedging instruments.

	Contractual amount		Fair value	
MCZK	**31.12.2009**	**31.12.2008**	**31.12.2009**	**31.12.2008**
Interest rate swaps	15,644	20,387	(126)	(2)
Cross currency swaps	–	–	–	–

	Fair value	
MCZK	**31.12.2009**	**31.12.2008**
Hedged instruments		
Available-for sale-securities	111	137
Receivables from customers	(269)	(248)
Debt securities issued	299	373
The remaining part of formerly hedged financial instruments		
Receivables from customers	(2)	(6)
Debt securities issued	–	(2)

In line with a change in group strategy in the area of hedge accounting, the Bank terminated fair value hedge accounting for selected financial instruments in December 2003. In connection with this change the Bank still reports the remaining fair value of those instruments, which is amortized till maturity.

Cash flow hedging
The Bank uses the concept of cash flow hedging to eliminate interest rate risk on an aggregate basis. The hedged instruments are future forecasted transactions in the form of interest income and interest expense sensitive to changes of market interest rates. The hedging instruments are derivatives (the most common are interest rate swaps and cross-currency swaps).
Determination as to the effectiveness of cash flow hedging against re-pricing risk is carried out in accordance with BA Group standards, which are contained in an approved methodology. In a first step, the nominal values (divided into assets and liabilities) of external trades for which the interest cash flow (set on the basis of refinancing the funding rate) and that may be considered as variable are identified for specific currencies (hedged cash flows). In a second step, for these same currencies the nominal interest cash flows of the variable hedged parts are identified and are monitored on a net basis (i.e. cash in net of cash out).
The Bank compares the absolute value of future variable interest cash flows from hedged deals for specific time periods with the absolute value (having the opposite sign, plus or minus) of net variable cash flows from hedge derivatives. The time periods are defined as follow: up to 1 month, 1–2 months, 2–3 months, 3–6 months, 6–9 months, 9–12 months, 12–18 months, 18 months – 2 years, and thereafter for individual years, 10–15 years, and greater than 15 years. The hedge is judged effective if the absolute volume of variable interest cash flows from hedged deals is greater in each of the time periods, and this is measured separately for each monitored currency.

The following table shows the contractual and fair values of derivatives designated as cash flow hedging instruments.

	Contractual amount		Fair value	
MCZK	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Interest rate swaps	51,513	58,817	23	486
Cross currency swaps	21,898	10,341	(174)	(555)

Currency risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Bank's exposure to currency risks. Both realized and unrealized foreign exchange gains and losses are reported directly in the statement of comprehensive income.
The Bank has set up a system of currency risk limits based on its net currency exposure in individual currencies. The Bank has determined a currency risk limit of MEUR 20 with respect to the total net currency exposure and for positions in the main individual currencies (CZK, EUR and USD). For the remaining currencies, valid limits range from MEUR 0.2 to MEUR 5 according to the risk profile of a particular currency.

The position of the Bank in foreign currencies is as follows:

MCZK	CZK	EUR	USD	SKK	CHF	HUF	Others	Total
As at 31 December 2009								
Cash in hand and balances with central banks	1,679	403	122	–	33	–	61	2,298
Financial assets held for trading	19,259	682	–	–	–	–	–	19,941
Receivables from banks	15,728	15,129	135	–	14	–	314	31,320
Receivables from customers	117,048	48,637	1,280	–	720	–	15	167,700
Financial investments	30,117	8,882	10	–	–	645	–	39,654
Property, plant and equipment	1,618	–	–	–	–	–	–	1,618
Intangible assets	1	–	–	–	–	–	–	1
Deferred tax asset	217	–	–	–	–	–	–	217
Other assets	1,839	20	16	–	1	–	2	1,878
Deposits from banks	12,994	9,515	2,573	–	–	1	65	25,148
Deposits from customers	136,193	28,896	5,622	–	347	6	763	171,827
Debt securities issued	27,813	596	150	–	–	–	–	28,559
Financial liabilities held for trading	4,995	–	–	–	–	–	–	4,995
Provisions	543	–	–	–	–	–	–	543
Deferred tax liability	2	–	–	–	–	–	–	2
Other liabilities	3,296	571	180	–	7	–	17	4,071
Subordinated liabilities	–	–	–	–	–	–	–	–
Equity	29,861	(382)	–	–	3	–	–	29,482
As at 31 December 2008								
Cash in hand and balances with central banks	1,233	373	85	29	39	–	46	1,805
Financial assets held for trading	14,002	62	52	–	–	–	–	14,116
Receivables from banks	29,766	21,493	71	3	42	1	506	51,882
Receivables from customers	122,709	48,173	1, 686	15	796	–	12	173,391
Financial investments	19,988	7,691	1, 009	–	–	4,060	–	32,748
Property, plant and equipment	1,690	–	–	–	–	–	–	1,690
Intangible assets	4	–	–	–	–	–	–	4
Deferred tax asset	237	–	–	–	–	–	–	237
Other assets	3,087	214	110	–	1	–	2	3,414
Deposits from banks	9,587	15,275	977	1,191	–	–	18	27,048
Deposits from customers	133,962	27,087	6, 296	–	405	2,056	814	170,620
Debt securities issued	36,443	731	96	–	–	–	–	37,270
Financial liabilities held for trading	6,635	–	33	–	–	–	–	6,668
Provisions	516	6	–	–	–	–	–	522
Deferred tax liability	23	–	–	–	–	–	–	23
Other liabilities	7,216	1,511	248	–	19	–	71	9,065
Subordinated liabilities	1,000	–	–	–	–	–	–	1,000
Equity	27,359	(293)	1	–	4	–	–	27,071

Equity risk

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

Liquidity risk

Liquidity risk arises as a result of the type of financing of the Bank's activities and management of its positions. It includes both the risk that the Bank is unable to finance its assets using instruments with appropriate maturity and the risk that the Bank is unable to dispose of its assets for an appropriate price within the necessary time period. The Bank has access to diverse sources of funds, which comprise deposits and other savings, securities issued, loans accepted (including subordinated loans), and owner's equity. This diversification makes the Bank flexible and limits its dependency on any single financing source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Bank's Board of Directors.
The Bank also holds, as part of its liquidity risk management strategy, a proportion of its assets in highly liquid funds, such as state treasury bills and similar bonds.
The Bank regularly evaluates liquidity risk by analysing differences between the residual maturity of assets and liabilities. Two perspectives are considered: short-term and long-term (structural). For the short-term perspective, the Bank daily monitors in detail over a horizon of the coming several weeks the differences between liquidity inflows and outflows. Limits are set for cumulative inflows and outflows. If the limits are breached, the Bank takes action to reduce the liquidity risk. For the long-term perspective, the Bank monitors the difference between the maturity of assets and liabilities in periods longer than 1 year. For products with a non-specified maturity (i.e. current accounts) the Bank has developed a model for their expected residual maturity. For this perspective, too, the Bank sets limits, and appropriate measures are taken if these are breached, e.g. acquiring long-term sources of refinancing.
For the case of a liquidity crisis, a contingency plan has been drawn up by the Bank. This plan defines roles, responsibilities and the process of managing a crisis. It also defines the possible measures which should be considered if there is a crisis situation.

Residual maturity of assets and liabilities of the Bank

MCZK	Up to 1 month	1-3 months	3 months – 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspe-cified	Total
As at 31 December 2009										
Cash in hand and balances with central banks	646	–	–	–	–	–	–	–	1,652	2,298
Financial assets held for trading	647	3,724	9,087	725	2,108	621	680	2,290	59	19,941
Receivables from banks	20,452	2,466	1,754	6,648	–	–	–	–	–	31,320
Receivables from										
customers	27,603	11,012	27,921	17,248	8,676	10,517	25,178	38,235	1,310	167,700
Financial investments	966	737	7,823	5,134	5,220	2,614	568	16,581	11	39,654
Property, plant and equipment	–	–	–	–	–	–	–	–	1,618	1,618
Intangible assets	–	–	–	–	–	–	–	–	1	1
Deferred tax asset	–	–	217	–	–	–	–	–	–	217
Other assets	33	25	154	231	92	33	42	964	304	1,878
Total	**50,347**	**17,964**	**46,956**	**29,986**	**16,096**	**13,785**	**26,468**	**58,070**	**4,955**	**264, 627**
Deposits from banks	22,063	401	6	941	65	6	29	1,633	4	25,148
Deposits from customers	145, 685	9,504	13,455	791	307	86	389	5	1,596	171,827
Debt securities issued	168	812	7,583	1,699	3,045	351	179	14,722	–	28,559
Financial liabilities held for trading	575	195	744	923	479	748	336	995	–	4,995
Provisions	–	–	–	–	–	–	–	–	543	543
Deferred tax liability	–	–	2	–	–	–	–	–	–	2
Other liabilities	186	45	161	279	229	261	212	647	2,051	4,071
Subordinated liabilities	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–	–	29,482	29,482
Total	**168,677**	**10,957**	**21,951**	**4,633**	**4,125**	**1,452**	**1,154**	**18,002**	**33,676**	**264,627**
Gap	**(118,330)**	**7,007**	**25,005**	**25,353**	**11,971**	**12,333**	**25,314**	**40,068**	**(28,721)**	**–**
Cumulative gap	**(118,330)**	**(111,323)**	**(86,318)**	**(60,965)**	**(48,994)**	**(36,661)**	**(11,347)**	**28,721**	**–**	

MCZK	Up to 1 month	1-3 months	3 months - 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Unspe-cified	Total
As at 31 December 2008										
Cash in hand and balances with central banks	116	–	–	–	–	–	–	–	1,689	1,805
Financial assets held for trading	2,707	762	6,592	912	572	940	490	1,020	121	14,116
Receivables from banks	39,478	4,232	2,786	–	5,386	–	–	–	–	51,882
Receivables from										
customers	78,339	72,334	14,892	1,889	137	1,615	1,736	2,449	–	173,391
Financial investments	374	859	844	4,841	3,015	453	2,276	17,269	–	32,748
Property, plant and equipment	–	–	–	–	–	–	–	–	1,690	1,690
Intangible assets	–	–	–	–	–	–	–	–	4	4
Deferred tax asset	–	–	–	–	–	–	–	–	237	237
Other assets	290	65	172	104	133	68	30	950	1,602	3,414
Total	**121,304**	**78,252**	**25,286**	**7,746**	**9,243**	**3,076**	**4,532**	**21,688**	**8,160**	**279,287**
Deposits from banks	18,404	5,168	679	9	1,004	88	7	1,688	1	27,048
Deposits from customers	155,356	8,381	6,040	306	416	94	11	5	11	170,620
Debt securities issued	309	8,130	3,994	4,606	569	2,504	165	16,616	377	37,270
Financial liabilities held for trading	940	718	1,013	881	1,393	349	600	727	47	6,668
Provisions	–	–	–	–	–	–	–	–	522	522
Deferred tax liability	–	–	–	–	–	–	–	–	23	23
Other liabilities	22	–	205	209	220	120	361	715	7,213	9,065
Subordinated liabilities	–	–	–	–	–	–	–	1,000	–	1,000
Equity	–	–	–	–	–	–	–	–	27,071	27,071
Total	**175,031**	**22,397**	**11,931**	**6,011**	**3,602**	**3,155**	**1,144**	**20,751**	**35,265**	**279,287**
Gap	**(53,727)**	**55,855**	**13,355**	**1,735**	**5,641**	**(79)**	**3,388**	**937**	**(27,105)**	**–**
Cumulative gap	**(53,727)**	**2,128**	**15,483**	**17,218**	**22,780**	**26,168**	**26,105**	**27,105**	**–**	

The following table shows the undiscounted cash flows for the Bank's non-derivative financial liabilities, including issued guarantees and undrawn loan commitments. Split of these financial instruments into time baskets is performed on a basis of residual maturity of loan commitments.
The Bank's expectations as to cash flows differ considerably from those shown in the table. For example, demand deposits from customers are expected to maintain a stable or increasing balance (as they will be replaced over time) and undrawn loan commitments are not all expected to be drawn.
The gross nominal inflow / (outflow) in the following table represents the contractual undiscounted cash flows relating to derivative financial liabilities. The values represent actually known nominal cash flows and also future nominal cash flow determined on a basis of FRA rates calculated from yield curves as at 31 December 2009.

Remaining maturity of the Bank's non-derivative financial liabilities:

MCZK	Book value	Total amount to/ (from)	Up to - 1 month.	1-3 months	3 months - 1 year	1-5 years	Over 5 years.	Unspe-cified
As at 31 December 2009								
Liabilities from banks	25,148	(25,805)	(20,220)	(402)	(3)	(1,080)	(2,255)	(1,845)
Liabilities from clients	171,827	(172,133)	(65,496)	(9,524)	(13,589)	(1,688)	(16)	(81,820)
Issued debt securities	28,559	(34,002)	(174)	(812)	(7,404)	(5,501)	(20,111)	–
Financial guarantees held for trading	950	(950)	(950)	–	–	–	–	–
Total	**226,484**	**(232,890)**	**(86,840)**	**(10,738)**	**(20,996)**	**(8,269)**	**(22,382)**	**(83,665)**
Unused credit commitments	61,166	(61,166)	(4,609)	(8,158)	(20,962)	(14,713)	(12,724)	–
Letters of credits and bank guarantees	30,220	(30,220)	(669)	(2,860)	(8,356)	(14,781)	(3,554)	–

Remaining maturity of the Bank's derivative financial liabilities:

MCZK	Book Value	Total amount to/ (from)	Up to 1 month	1-3 months	3 months. - 1 year	1-5 years	Over 5 years	Unspe-cified
As at 31 December 2009								
Trading derivatives	4,045	–	–	–	–	–	–	–
Inflows	–	46,273	24,876	4,664	9,513	6,603	617	–
Outflows	–	(45,366)	(24,340)	(4,511)	(9,364)	(6,504)	(647)	–
Derivatives used for hedging	1,837	–	–	–	–	–	–	–
Inflows	–	12,962	117	303	1,880	7,262	3,400	–
Outflows	–	(12,402)	(79)	(293)	(1,769)	(6,890)	(3,371)	–
Total	**5,882**	**1 1,467**	**574**	**163**	**260**	**471**	**(1)**	**–**

(d) Operational risk

Operational risk represents the risk of a loss due to the absence, violation, exceeding or failure to uphold rules and to damages caused by failure of internal processes, human or system error, or external events. Strategic risk, business risk and reputation risk differ from operational risk while legal risk and compliance risk are included into the definition of operational risk.
The Bank's organizational structure and its internal rules fully respect the segregation of incompatible duties and prevent any conflict of interests. Internal rules unambiguously define rights and obligations of employees, including management, and regulate the working processes and control activities. The Operational Risk Management Committee is the main control and decision body regarding operational risk.
All members of the Board of Directors are permanent members of the committee. The Operational Risk Division is an independent body, which directly reports to the Board of Directors' member responsible for finance and operational risk management. The Operational Risk Division is entrusted with securing unified and coordinated operational risk management, congruent with the applicable regulations and with the standards of the parent company. The operational risk management and monitoring itself is exercised by the designated employees of the particular departments. The Internal Audit Department identifies extraordinary trends and breach of or non-compliance with directives, and it assesses the control and management system's functionality.
In 2009, the Bank continued developing and setting up a comprehensive system for identification, monitoring and management of operational risk
To ensure effective collection of operational risk events and data, the Bank uses an on-line information system. The system complies with the requirements for capital adequacy management in accordance with Basel II. The data acquired through the system are taken into account when calculating capital requirements and for managing operational risk. They comprise one of the bases for the design of processes that will lead to a reduced number of particular events and the mitigation of their consequences (e.g. in preparing a strategic insurance plan for the Bank). The data are also used for rechecking the reliability of proposed measures for operational risk mitigation. Data are collected continuously, in cooperation with the Bank's individual departments.
All significant events are reported and resolved immediately. Based on the collected data, a quarterly consolidated report is prepared, which is presented to the Operational Risk Management Committee and distributed within the Bank. The Bank's Board of Directors, Internal Audit Department and the parent company are informed about the most significant cases of operational risk on a weekly basis, or promptly, if needed. The data is regularly reconciled with the accounting and other sources in order to ensure its completeness and accuracy.
In 2009, the Bank also performed a scenario analysis and a risk indicators and risk limits configuration. The continuity of operations management (emergency planning, crisis management) forms another important part of operational risk management. In 2009, the Bank regularly updated the recovery plans (for crisis situations such as the floods in 2002) in order to ensure their full usefulness and effectiveness in the current conditions of the Bank. Testing of the updated recovery plans started in 2009. The Operational Risk Division is also increasing the overall awareness of operational risk in the Bank and trains the Bank's staff, including by means of training via e-learning.
Based on the consent obtained from the regulatory body in 2008, the Bank calculates the capital requirement for operational risk under the advanced measurement approach. The Bank uses the Group model in calculating capital adequacy for operational risk, which is based on internal and external data, results of scenarios analysis and risk indicators data.

(e) Capital management

The bank market regulator, the Czech National Bank (CNB), sets the rules for the calculation of capital requirements and monitors their development. Since 1 January 2008, the Bank has met its requirements in accordance with Basel II. They were implemented by CNB Decree No. 123/2007 Coll., stipulating the prudential rules for banks, savings banks, credit unions and investment firms. The Bank currently uses the standardized approach.
The Bank's regulatory capital consists of:

- original capital (Tier 1), which comprises paid-up registered capital, share premium, reserve funds, retained earnings, audited profit for the previous period after tax; minus intangible assets;
- additional capital (Tier 2), which comprises subordinated debt;
- deductible items, which comprise capital investments over 10% in banks and other financial institutions, and significant prudential adjustments as part of a market appraisal or an appraisal using a model.

The following table shows the regulatory capital of the Bank:

MCZK	31.12.2009	31.12.2008
Tier 1 Capital		
Paid-up registered capital	5,125	5,125
Share premium	3,481	3,481
Reserve funds	2,849	2,849
Retained earnings	17,893	15,875
Planned dividend outflows	(2,700)	(750)
Intangible assets	(1)	(4)
Total Tier 1	26,647	26,576
Tier 2 Capital		
Subordinated debt – received	–	1,000
Total Tier 2	–	1,000
Deductible items		
Subordinated debt – granted	(198)	(203)
Significant prudential adjustments	(62)	(40)
Total deductible items	(260)	(243)
Total regulatory capital	**26,387**	**27,333**

Capital funds amounting to MCZK 37 are not included in Tier 1. The Bank's management follows the development of the Bank's capital adequacy and monitors the Bank's capital position. The Bank's capital adequacy fulfils the minimum requirement of 8% set by the CNB and Basel II.

(f) Market development in 2009

The beginning of 2009 was affected by continuing financial crisis which started to subside even as it spilled over into the real economy. As a result, the economy as a whole declined, and this fact in particular had a negative effect on the Bank's loan portfolio. The Bank did not suffer any significant losses in the financial markets, particularly because of its prudent behaviour and superior market risk management. On the contrary, as a result of the increased volatility in the markets and the appropriate timing of investments, the Bank made significant gains relative to budget in its portfolio especially of interest rate and currency instruments. In reaction to the significant changes in market conditions in the second half of 2008 and which continued in 2009, and which together with the economic recession led to an increase in risks related to all of the Bank's portfolios, the Bank introduced a number of measures, including the following, among others:

(i) Credit risk area
- One-off exceptional liquidity check of the Bank's largest exposures, including as appropriate credit exposures in threatened business segments
- Tightening the loan policy for financing specific industries (e.g. commercial real estate, energy, automotive, construction, machine engineering, chemical and transport)
- Implementation of concentration limits in relation to specific economically connected groups of debtors, depending on the annual probability of a specific group failure
- Making the loan review process more specific and strict
- Tightening conditions for granting loans in several industries
- Modification of some product parameters for credit products in retail banking
- Tightening processes of credit fraud identification in retail banking
- Negotiation of new interest rates on loans as a result of changed market conditions and risks
- Strengthening the loan portfolio monitoring process (early identification of warning signs) and loan recovery process
- Continuous improvement in the area of stress testing loan portfolios

(ii) Market risk area
- Continuing to closely examine the quality of market factors (in particular yield curves) in order to ensure that in a time of great fluctuations the valuations of the trading and investment portfolios are as precise and reliable as possible
- Preserving strict and precise standards for mapping securities for VaR calculation in the NoRisk system that was initiated in 2008

(iii) Liquidity area
- Implementation of stress scenarios for short-term liquidity
- Introduction of limits for short-term liquidity for the individual main currencies (CZK, EUR, USD, GBP, CHF, JPY)
- Introduction of trigger points of the structural liquidity for the individual currencies meeting the materiality criteria according to the liquidity policy of the Group (CZK, EUR, USD)
- Re-assessment of the model mapping short-term deposits

36. Related parties transactions

Entities are considered to be related entities if one entity is able to control the activities of the other or is able to exercise significant influence over the financial or operational policy of the other entity. In its normal course of business, the Bank enters into transactions with related entities. These transactions represent mainly loans, deposits and other types of transactions and are concluded under usual business terms and conditions and at standard market prices so that there is no injury to any of the contracting parties.
Identified as related parties were in particular the parent and affiliated companies within UCI/HVB/BACA Group, subsidiaries and associated companies, Board members and other management employees of the Bank.

MCZK	31.12.2009	31.12.2008
Assets		
Receivables from banks	16,559	16,644
thereof:		
UniCredit Bank Austria AG	8,005	7,305
UniCredit CA IB AG	7,562	8,231
UniCredit Bank AG	335	459
UniCredit Bank Serbia Jsc	199	203
UniCredit S.p.A.	–	52
Receivables from customers	4,835	4,318
thereof:		
UniCredit Leasing GmbH	4,806	4,781
UniCredit Business Partner s.r.o.	–	2
Board of Directors	8	8
Management employees	21	25
Financial investments	855	1,585
UniCredit Bank Austria AG	210	347
UniCredit Jelzalogbank Zrt	645	1,238
Total	**21,394**	**22,547**

MCZK	31.12.2009	31.12.2008
Liabilities		
Deposits from banks	6,433	18,421
thereof:		
UniCredit Bank Austria AG	5,298	7,454
UniCredit CA IB AG	234	5,391
UniCredit Bank AG	409	3,124
UniCredit S.p.A.	47	21
Deposits from customers	1,104	808
thereof:		
UniCredit Leasing GmbH	210	102
Pioneer Asset Management	356	479
CAE PRAHA a.s. in the process of liquidation	–	1
UniCredit Business Partner s.r.o.	69	24
Board of Directors	39	31
Management employees	70	34
Subordinated liabilities	–	1,000
UniCredit S.p.A.	–	1,000
Total	**7,537**	**20,229**

MCZK	2009	2008
Revenues		
Interest income and similar income	531	949
thereof:		
UniCredit S.p.A.	1	11
UniCredit Bank Austria AG	82	307
UniCredit Bank AG	16	20
UniCredit Leasing GmbH	168	183
UniCredit CA IB AG	174	–
Fee and commission expense	11	12
thereof:		
UniCredit Bank AG	1	2
UniCredit Bank Austria AG	4	4
UniCredit Bank Slovakia a.s.	2	–
Total	**542**	**961**

MCZK	2009	2008
Expenses		
Interest expenses and similar charges	175	632
thereof:		
UniCredit S.p.A.	32	48
UniCredit CA IB AG	48	83
UniCredit Bank Austria AG	68	214
UniCredit Bank Hungary Zrt.	10	–
UniCredit Bank AG	–	147
Fee and commission expense	–	17
thereof:		
UniCredit Bank Austria AG	–	17
General administrative expenses	921	860
thereof:		
UniCredit Business Partner s.r.o.	236	224
UniCredit Servizi Informativi S.P.	685	627
Total	**1,096**	**1,509**

37. Fair value of financial assets and financial liabilities

The estimate of fair values (see Note 3 (b)) is made on the basis of actual market prices, if available. In many cases, however, the market prices of various financial instruments are not available. In such circumstances, the fair values are based on management estimates, discounted cash flow models or other commonly used valuation methods. The discount factors used for discounting cash flows are derived from yield curves quoted on the market using the standard mathematical approach for discounting. Many from the methods mentioned above are characterized by certain levels of uncertainty, and the fair value estimates cannot be always considered as market values, and, in many cases, these would not necessarily be achieved in selling a certain financial instrument. Changes of initial assumptions used for establishing fair value could have significant impact on this value determination.

The following table analyses the carrying values and fair values of financial assets and liabilities which are not presented in the consolidated statement of financial position at their fair values:

	31.12.2009		31.12.2008	
MCZK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from banks	31,320	31,582	51,882	53,087
Receivables from customers	167,700	169,622	173,391	183,191
Financial liabilities				
Deposits from banks	25,148	25,668	27,048	28,422
Deposits from customers	171,827	172,131	170,620	172,210
Debt securities issued	28,559	28,547	37,270	37,141
Subordinated liabilities	–	–	1,000	1,039

The following table analyses financial assets and liabilities recognized at fair value based on the quality of input data used for valuation. The individual fair value levels are defined in Note 4 b (iv):

MCZK	Level 1	Level 2	Level 3	Total
As at 31 December 2009				
Financial assets				
Financial assets at fair value through profit and loss				
Securities held for trading	241	15,240	–	15,481
Derivatives held for trading	41	4,419	–	4,460
Securities not held for trading	9	3,095	–	3,104
Hedging derivatives with positive FV	–	1,560	–	1,560
Available-for-sale securities	2,627	31,573	2,350	36,550
Financial liabilities				
Financial assets at fair value through profit and loss				
Securities held for trading	125	825	–	950
Derivatives held for trading	–	4,045	–	4,045
Hedging derivatives with negative FV	–	1,837	–	1,837

The following table states the transfers of financial assets recognized at fair value to and from Level 3:
Financial assets at fair value which transferred out from Level 3:

		Financial assets at fair value through profit and loss				
MCZK	Securities for trading	Derivatives for trading	Securities not for trading	Available-for-sale securities	Hedging derivatives	Total
Balance as at 1.1.2009	–	–	–	2,356	–	2,356
Profit and loss from revaluation						
In profit or loss	–	–	–	–	–	–
In other comprehensive income –	–	–	(1)	–	(1)	
Purchases	–	–	–	–	–	–
Sales/ maturity	–	–	–	(5)	–	(5)
Transfers into Level 3	–	–	–	–	–	–
Transfers out of Level 3	–	–	–	–	–	–
Balance as at 31.12.2009	**–**	**–**	**–**	**2,350**	**–**	**2,350**
Total gains or losses included in profit and loss for the period:						–
Thereof: Total gains or losses for the period included in profit or loss for assets held at the end of reporting period						–

There were no movements in financial liabilities recognized at fair value which flowed out from Level 3 in 2009.
There were no transfers of financial assets and liabilities recognized at fair value between Level 1 and 2 in 2009.

38. Subsequent events

The Bank's management is aware of no events that have occurred since reporting date that would have a significant impact on the Bank's financial statements as at 31 December 2009.

Date of approval	Stamp and signature of the Bank's statutory body:	Person responsible for the accounting (name, signature):	Person responsible for the financial statements (name, signature):
26 February 2010		Ing. Jiří Kupec	Mgr. Michaela Mrštíková

UniCredit Bank Czech Republic, a.s.
Notes to the separate financial statements
Year ended 31 December 2009

Rein Kilk,
AS Pere
Corporate Banking Client – Estonia

"As an entrepreneur, I appreciate that, despite the difficult economic situation, UniCredit Bank is able to act in a cool and calm way when financing an enterprise. The professional behaviour of the bank in a time of crisis makes entrepreneurs more confident, which then helps stabilize the whole economic environment. In every crisis, there are always losers and winners. The companies that are lucky enough to have a highly experienced financial partner like UniCredit have a clear advantage during rough times."

It's easy with UniCredit.

Auditor's report on the non-consolidated annual report

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Auditor's report to the shareholders of UniCredit Bank Czech Republic, a.s.

Financial statements

On the basis of our audit, on 26 February 2010 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of UniCredit Bank Czech Republic, a.s. which comprise the statement of financial position as of 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of UniCredit Bank Czech Republic, a.s. in accordance with International Financial Reporting Standards as adopted by the E.U. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly in all material respects the assets, liabilities and the financial position of UniCredit Bank Czech Republic, a.s. as of 31 December 2009, and its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the E.U."

Report on relations between related parties

We have also reviewed the factual accuracy of the information disclosed in the report on relations between related parties of UniCredit Bank Czech Republic, a.s. for the year ended 31 December 2009. This report on relations between the related parties is the responsibility of the Company's management. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with International Standard on Review Engagements and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance that the report on relations is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not conducted an audit of the report on relations and, accordingly, we do not express an audit opinion.
Nothing has come to our attention based on our review that indicates that the information disclosed in the report on relations between related parties of UniCredit Bank Czech Republic, a.s. for the year ended 31 December 2009 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of Company's management. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that all also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that our audit provides a reasonable basis for the auditor's opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
28 April 2010

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Licence number 71

Ing. Vladimír Dvořáček
Partner

Ing. Jindřich Vašina
Partner
Licence number 2059

Radoslav Bardún,
Medirex
Corporate Banking Client – Slovakia

"In our business, we count on the synergies that come from our financial partnership and friendship with UniCredit Bank. We are always forward looking and have plenty of ideas for further development and growth. With UniCredit Bank, we can find new solutions and then put our ideas into practice."

It's easy
with UniCredit.

Resolution of the Sole Shareholder

of UniCredit Bank Czech Republic, a.s.

UniCredit Bank Austria AG, with its registered office at Schottengasse 6-8, 1010 Vienna (Court File Number FN 150714 p), represented by Mag. Josef Duregger and Mag. Karl Gössler **as the sole shareholder of** the commercial company **UniCredit Bank Czech Republic, a.s.** (hereinafter referred to as the "Bank"), with the registered office at Praha 1, Na Příkopě 858/20, PSČ: 111 21, Czech Republic, Id No. 64948242

adopts hereby in exercising the powers of the general meeting of the Bank pursuant to the Section 190 Par. 1 of the Act no. 513/1991 Coll., as amended, the following

resolution

1) The Bank reported the following audited main non-consolidated financial results for the year 2009:

Total assets:	264,627 MCZK
Profit before tax:	3,382 MCZK
Profit after tax:	2,768 MCZK

2) The sole shareholder approves the final non-consolidated accounts stated under point 1) of this Resolution, which were audited by the company KPMG Česká republika Audit, spol. s r.o., Pobřežní 648/1a, Praha 8 (License number 71) and Auditor Jindřich Vašina (license number 2059).

In Vienna on 28th April 2010

UniCredit Bank Austria AG

Mag. Josef Duregger **Mag. Karl Gössler**

Galyna Gerega,
Epicenter K - Ltd
Corporate Banking Client – Ukraine

“Thanks to their efficient management, professional staff, high standards for banking services and, most of all, the prompt granting of a loan to our company, UniCredit Group, represented here by Ukrsotsbank, made a considerable contribution to the development of our national chain of building and home supply hypermarkets, Epicenter K.”

It’s easy with UniCredit.

Supplementary information

published pursuant to Section 118 of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended

1. Basic data

Business name:	UniCredit Bank Czech Republic, a.s.
Registered office:	Na Příkopě 858/20, 113 80 Prague 1 Czech Republic
Company identification no.:	64948242
Commercial register:	entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 3608
Tax identification no.:	CZ64948242
Date of incorporation:	1 January 1996, for an indefinite period
Legal form:	joint-stock company
Internet address:	www.unicreditbank.cz
Email:	info@unicreditgroup.cz
Telephone:	+420 221 112 111
Fax:	+420 221 112 132

UniCredit Bank Czech Republic, a.s. ("UniCredit Bank") is a joint-stock company incorporated according to Czech law.

The issuer fulfils all of its obligations in a due and timely manner. No changes have occurred that could be of material significance in evaluating the issuer's solvency.

In carrying out its activities, the issuer is governed by Czech legal regulations, in particular the Banking Act, Commercial Code and regulations governing operations on the banking and capital markets.

2. Persons responsible for the audit of the financial statements and authorized auditors

Responsible person:	Ing. Jindřich Vašina
Licence no.:	2059
Domicile:	Volutová 2522/16, 158 00 Prague 5
Auditor:	KPMG Česká republika Audit, s.r.o.
Licence no.:	071
Registered office:	Pobřežní 648/1a, 186 00 Prague 8

3. Information about UniCredit Bank as an issuer of registered securities

3.1 History and development of the issuer

UniCredit Bank Czech Republic, a.s. launched its activities in the Czech market on 5 November 2007. It was established through the merger of HVB Bank Czech Republic a.s. and Živnostenská banka, a.s. The assets of the dissolved company Živnostenská banka, a.s., having its registered office in Prague 1, Na Příkopě 858/20, Postcode 113 80, Company ID: 000 01 368, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 1350, were assumed by the continuing company, HVB Bank Czech Republic a.s., as a result of the merger.

HVB Bank Czech Republic a.s. was established by the merger of HypoVereinsbank CZ a.s. and Bank Austria Creditanstalt Czech Republic, a.s., without liquidation, on 1 October 2001. All rights and obligations of the dissolved company Bank Austria Creditanstalt Czech Republic, a.s. were assumed by HVB Bank Czech Republic a.s. The change of name, amount of issued capital and other facts connected with the merger were recorded on 1 October 2001 in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 3608.

Živnostenská banka was established in 1868 as a bank oriented toward financing small and medium-sized Czech enterprises. It was the first bank founded in Austria-Hungary exclusively with Czech capital. In 1945, it was nationalized, as were other banks. From 1950 to 1956, it still existed as a legal entity but its activities were significantly restricted. Some of Živnostenská banka's asset ratios were adjusted by Decree No. 36/1956 Coll., and its legal continuity was subsequently confirmed by Section 27 of Act No. 158/1989 Coll., on Banks and Savings Banks. On the day of its entry in the Commercial Register maintained by the Municipal Court in Prague in Section B, file 1350, i.e. on 1 March 1992, Živnostenská banka assumed authorization to operate as a bank on the basis of Banking Act No. 21/1992 Coll., further to Act No. 92/1991 Coll. and Government Resolution No. 1 from 9 January 1992, by which the privatization of Živnostenská banka was approved. In February 2003, the bank UniCredito Italiano SpA completed the acquisition of an 85.16% share in the issued capital of Živnostenská banka, a.s. from Bankgesellschaft Berlin AG, and thus the oldest Czech bank became part of the UniCredito Italiano Group.

UniCredit Bank Czech Republic, a.s. is a strong and rapidly developing bank offering a wide range of quality products to both corporate and private clients. It is one of the market's strongest banks in the area of project, structured and syndicated corporate finance. The Bank has also built an extraordinarily strong position in acquisition financing and ranks first in financing commercial real estate.

Among other services, UniCredit Bank's clients can utilize services to obtain project financing from the EU structural funds offered through UniCredit Bank's European Competence Centre. In the sphere of services for private clients, UniCredit Bank plays a significant role on the market for private banking, securities, credit cards and mortgages, and it is doing very well in serving clients in the freelance professions (doctors, judges, attorneys-at-law, notaries, and others). The Bank's Competence Centre for Freelance Professions is devoted to these clients.
UniCredit Bank Czech Republic, a.s. operates in all regional cities and currently has 57 branches and 64 ATMs. The Bank's branch network

is now undergoing consolidation aimed at increasing UniCredit Bank's accessibility for clients in individual regions as much as possible. It is preparing to open new branches in cities where it currently has no representation. The first phase will encompass larger cities, while subsequent phases will be carried out in a number of smaller cities.

The Bank holds a more than 6% share of the market with total assets exceeding CZK 260 billion and is the fourth largest bank in the Czech Republic.

The Bank provides retail, commercial and investment banking services, in Czech and foreign currencies for domestic and foreign clients, mainly in the Czech Republic but also in other European Union countries.

3.2 Issuer's share capital

UniCredit Bank has share capital of CZK 5,124,716,000, consisting of:
(a) 100 unlisted, registered book-entry common shares, each with a nominal value of CZK 16,320,000;
(b) 200 unlisted, registered book-entry common shares, each with a nominal value of CZK 13,375,000;
(c) 74,000 unlisted, registered book-entry common shares, each with a nominal value of CZK 10,000; and
(d) 10 unlisted, registered book-entry common shares, each with a nominal value of CZK 7,771,600.

All the aforementioned shares are registered with the Securities Centre.

UniCredit Bank's share capital has been fully paid up.

In accordance with the Commercial Code and the Bank's Articles of Association, UniCredit Bank shares entitle the shareholder to participate in the company's management and to share in its profit as well as in its liquidation balance upon dissolution of the company.

UniCredit Bank has issued no shares giving their holders the right to exchange such shares for other shares or the right to priority subscription of other shares.

UniCredit Bank does not hold any of its own participating securities nor does any entity in which UniCredit Bank has a direct or indirect ownership interest exceeding 50% of that entity's share capital or voting rights hold any such securities.

To transfer shares of UniCredit Bank, prior approval of the Supervisory Board is required. Voting rights pertaining to these shares are in no way limited.

The sole shareholder of UniCredit Bank with a 100% ownership interest in its share capital is UniCredit Bank Austria AG, having its registered office at Schottengasse 6-8, 1010 Vienna, Austria.
In accordance with UniCredit Bank's Articles of Association, the sole shareholder may only influence the Bank's activities using the weight of its votes. The company uses standard statutory mechanisms to prevent the shareholder's potential misuse of its position. UniCredit Bank is not a party to a controlling contract or a contract for transfer of profit. The character of the control by the controlling entity, which is Bank Austria AG, results from the directly owned portion of the issuer's shares. UniCredit S.p.A., having its registered office at Via Specchi 16, Rome, Italy, which is the main shareholder of UniCredit Bank Austria AG with a 99.995% share, is an indirect controlling entity. To prevent misuse of the control and controlling influence of the controlling entity, UniCredit Bank uses the statutory instrument of the report on relations between the controlling and controlled entities and the report on relations between the controlled entity and other entities controlled by the same controlling entity (report on relations between the related entities).
No agreements that could lead to a change of control over the issuer are known.

3.3 Additional information

In accordance with the Bank's Articles of Association, the members of the Board of Directors are elected and dismissed by the Supervisory Board.

UniCredit Bank has no special rules for changing the Articles of Association.

Currently there exist no authorizations or special powers of the Board of Directors in the sense of the provisions of Section 118, para. 5h) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended. UniCredit Bank has concluded no agreements with members of the Board of Directors or its employees that would oblige the Bank to their fulfilment in the case of termination of their functions or employment in relation to a takeover bid.

There are no programmes in UniCredit Bank that allow the Bank's employees or members of the Board of Directors to acquire participating securities of the Bank, options for such securities, or other rights thereto under advantageous conditions.

UniCredit Bank has concluded no significant contracts that will take effect, change or expire in case of a change in the control of the issuer as a result of a takeover bid.

4. Summary of business activities

4.1 Scope of business activities

The company's business activities include banking transactions and provision of financial services fully in accordance with Banking Act No. 21/1992 Coll., as amended, and Act No. 219/1995 Coll., the Foreign Exchange Act, as amended, and including the following:
a) receiving deposits from the public;
b) granting loans;
c) investing in securities on its own behalf;
d) operating a system of payments and clearing;

e) issuing and administering payment products;
f) granting guarantees;
g) opening letters of credit;
h) administering cash collection;
i) providing investment services,

– main investment service pursuant to Section 8, para. 2a) of Act No. 591/1992 Coll., on Securities, as amended (hereinafter "the Securities Act"), taking receipt of and conveying instructions related to investment instruments on the customer's account, with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act;
– main investment service pursuant to Section 8, para. 2b) of the Securities Act, executing instructions related to investment instruments on the account of another party, with respect to investment instruments pursuant to Section 8a, para. 1a) and 1g) of the Securities Act;
– main investment service pursuant to Section 8, para. 2c) of the Securities Act, trading in investment instruments on the trader's own account, with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act;
– main investment service pursuant to Section 8, para. 2d) of the Securities Act, management of individual portfolios at its own discretion within the terms of a contractual covenant with the client, if investment instruments form a part of such portfolio and with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act;
– main investment service pursuant to Section 8, para. 2e) of the Securities Act, underwriting or placing issues of investment instruments, with respect to investment instruments pursuant to Section 8a, para. 1a)–1b) of the Securities Act;
– supplementary investment service pursuant to Section 8, para. 3a) of the Securities Act, custody and management of one or more investment instruments, with respect to investment instruments pursuant to Section 8a, para. 1a)–1c) of the Securities Act;
– supplementary investment service pursuant to Section 8, para. 3c) of the Securities Act, provision of credits or loans to the customer for the purpose of executing a transaction with investment instruments, if the provider of the loan or credit is a participant in this transaction, with respect to investment instruments pursuant to Section 8a, para. 1a)–1d) and 1g) of the Securities Act;
– supplementary investment service pursuant to Section 8, para. 3d) of the Securities Act, consulting services related to the capital structure, industry strategy and related issues, and the provision of advice and services related to mergers and acquisitions of companies;
– supplementary investment service pursuant to Section 8, para. 3e) of the Securities Act, services related to underwriting of issues pursuant to Section 8, para. 2e) of the Securities Act, with respect to investment instruments pursuant to Section 8a, para. 1a) and 1b) of the Securities Act;
– supplementary investment service pursuant to Section 8, para. 3f) of the Securities Act, consulting services related to investment into investment instruments, with respect to investment instruments pursuant to Section 8a, para. 1a)–1g) of the Securities Act; and
– supplementary investment service pursuant to Section 8, para. 3g) of the Securities Act, executing of foreign currency operations related to provision of investment services;

j) issuing mortgage bonds;
k) engaging in financial brokerage;
l) providing depository services;
m) providing foreign currency exchange services (purchase of foreign currencies);
n) providing banking information;
o) trading foreign currencies and gold on its own behalf or on behalf of clients;
p) renting safe-deposit boxes; and
q) other activities directly related to the activities specified above.

4.2 Key activities

Corporate clients
- Credit transactions
- Financing commercial real estate
- Project financing and structured financing
- Trade and export financing
- Documentary transactions
- Treasury & custody services
- Asset management
- EU funds
- Maintaining accounts and deposits
- Payment systems
- Electronic banking
- Direct banking
- SWIFT services
- Cash pooling
- Payment cards
- Card acquiring
- Trading on the Prague Energy Exchange

Private clientele and business clientele
- Personal accounts and packages – POHODA Account, MOZAIKA Account, KOMPLET Account, EXKLUSIVE Account, Student Account
- Business accounts and packages – BUSINESS Account, DOMOV Account (an account for housing cooperatives and owners associations), PROFESE Account, PROFESE – Aeskulap Account (accounts for freelancers)
- Mortgages, consumer loans and overdrafts for private clientele
- Operating capital, investment and mortgage loans for business clientele
- Payment cards including insurance (debit, credit and partnership)
- Deposit, savings and investment products (the Bank's own or in cooperation with Pioneer Investments)
- Internet, telephone and mobile banking
- Cash and money changing operations and supporting services
- Asset management and Art Banking

Launching new products or activities

Deposits and investments

In the securities area, clients were offered new issues of structured bonds – the YIELD 2010 structured bond (more conservative with a guarantee of 100% of the invested funds and a lower potential return) and the GROWTH 2010 structured bond (more dynamic with a guarantee of 98% of the invested funds and higher potential appreciation).

As from 1 July 2009, UniCredit Bank Czech Republic put into distribution a new product innovation called EASY RYTMUS. EASY RYTMUS is a programme of regular investing into select Pioneer funds – three Czech and one Luxembourg-based – with a recommended investment horizon (investment period). The EASY RYTMUS programme facilitates regular investment even of small amounts.

Payment system

In 2009, UniCredit Bank became the first bank in the Czech Republic to provide its clients with the brand new SEPA Direct Debit service as part of the non-cash payment system. Until then, it had not been possible to use a direct debit in euro, even outside the Czech Republic. UniCredit Bank now enables its clients to pay by direct debit from a single EUR-denominated account in 32 European countries, and thus it continues living up to its corporate image as a truly European bank.

Direct banking

In April 2009, UniCredit Bank launched the new "International User" service, which enables clients to work simply and easily with accounts maintained in UniCredit Group's multiple countries using the internet – and to do so from a single internet banking application with one security system (i.e. user number and security token). Without needing to log in several times, clients can control their company accounts as well as their personal accounts in various countries from a single location. In addition to the Czech Republic, the new service is available in Slovakia, Romania, Slovenia, Latvia, Lithuania, and Estonia. UniCredit Bank Czech Republic was the pilot country in implementing the entire project.

Loans

Last year, UniCredit Bank came up with an innovation in the area of mortgage loans. It introduced a mortgage with the lowest interest rate on the market (4.44% p.a). This rate is made available to clients who, along with the mortgage loan, also acquire other UniCredit Bank products: a personal account, insurance against inability to pay, a credit card. The offer was valid for both existing as well as new clients of UniCredit Bank.

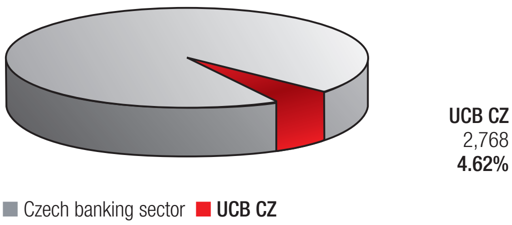
Branch network

In 2009, UniCredit Bank continued to open new branches and the total number of points of sale reached 57 at year's end. New branches were opened outside of Prague in the cities Příbram, Děčín, Třebíč, Pardubice and Šumperk.

4.3 Competitive position of the issuer

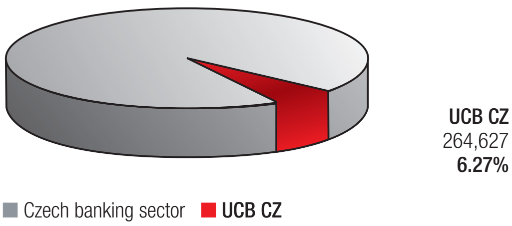
i. Profit after tax

Profit after tax (in CZK millions)	**For the year ending 31 December 2009**
Czech banking sector	59,909
UCB CZ	2,768
	4.62%



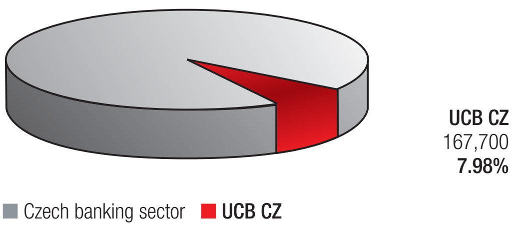
ii. Total assets

Total assets (in CZK millions)	**As at 31 December 2009**
Czech banking sector	4,221,146
UCB CZ	264,627
	6.27%



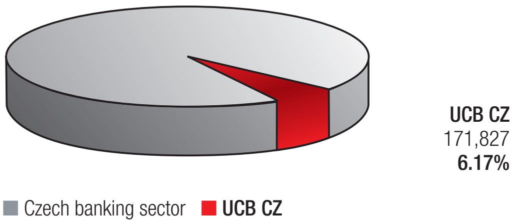
iii. Receivables from clients

Receivables from clients (in CZK millions)	**As at 31 December 2009**
Czech banking sector	2,102,084
UCB CZ	167,700
	7.98%



iv. Deposits from clients

Deposits from clients (in CZK millions)	As at 31 December 2009
Czech banking sector	2,787,115
UCB CZ	171,827
	6.17%



5. Organizational structure

The Bank is part of the UniCredit Banking Group (hereinafter referred to as the "Group"). As a member of the Group, the Bank must comply, subject to applicable law, with directives issued by UniCredit Bank Austria AG, as the Group's sub-holding (hereinafter the "Sub-holding Company"). The Sub-holding Company shall monitor the proper implementation and observation of the directives (hereinafter the "Holding Guidelines") issued by UniCredit S.p.A (hereinafter the "Holding Company") in the Bank. The Holding Guidelines are rules that define the management, organizational structure and managerial responsibilities within key processes in the Group. The Holding Company issues the Holding Guidelines in exercising its powers to supervise and coordinate the Group in accordance with the instructions issued by the Bank of Italy aimed at maintaining the Group's stability.

History of the Group

While the banking group's history dates back as far as 1473, in which year Rolo Banca was created, the contemporary history of UniCredit Group begins from a merger of nine leading Italian banks, the subsequent integration with the German HVB Group and, most recently, with the Italian Capitalia. In 1999, acquisition of Bank Pekao of Poland launched the Group's expansion (at that time, under the name UniCredito Italiano) into Central and Eastern Europe (CEE). Growth continued over the next few years with purchase of the Pioneer Investments group, the subsequent formation of Pioneer Global Asset Management, and then further strategic acquisitions gradually carried out in Bulgaria, Slovakia, Croatia, Romania, the Czech Republic and Turkey.

In 2005, UniCredit merged with the German group HVB, which had itself been formed in 1998 by the joining of two Bavarian banks: Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank. The result was a single, major European bank. Integration with the HVB Group – reinforced by its own merger in 2000 with Bank Austria Creditanstalt, which was strongly represented in many areas of post-communist "new" Europe – creates a basis for UniCredit Group to continue strengthening its European focus.

By merging in 2007 with Capitalia, the third-largest Italian banking group, UniCredit Group further consolidated and strengthened its position in one of its most important markets, Italy. Capitalia had been established in 2002 from the integration of two previously independent entities, the Bancaroma group (itself the result of a merger between some of the oldest Roman banks: Banco di Santo Spirito, Cassa di Risparmio di Roma and Banco di Roma) and the Bipop-Carire Group.

With total assets of more than €1.060 trillion and ranking among the largest financial groups in Europe, UniCredit operates in 22 countries, with over 40 million clients, around 10,000 branches and some 165,000 employees. In the CEE region, UniCredit Group operates the largest international banking network with around 4,000 branches and outlets, at which some 83,000 employees serve more than 28 million customers. The Group operates in the following countries: Austria, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Germany, Hungary, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

Main shareholders of UniCredit Bank Austria AG

UniCredit Bank Austria AG shareholders	Share in %
UniCredit S.p.A.	99.995%

Affiliated companies in the Czech Republic

Company	Address	Partner/Shareholder (share in %)
UniCredit CAIB Czech Republic, a.s.	Prague 2, Italská 24	UniCredit Bank Austria AG (100%)

6. Information on trends

Since the date of presenting the last financial statements, no substantial negative changes have occurred to the issuer's outlook.

7. Competence of UniCredit Bank's bodies, composition of the Board of Directors, Supervisory Board and Audit Committee, and description of their decision-making procedures

7.1 General Meeting

The General Meeting of Shareholders is the supreme body of the Bank. It decides on all matters of the Bank falling within its competence by law or under the Bank's Articles of Association. The powers of the Bank's General Meeting are exercised by the sole shareholder, UniCredit Bank Austria AG.

The following activities fall within the General Meeting's exclusive competence:

a) deciding on changes in the Articles of Association if these are not changes resulting from an increase in share capital by the Board of Directors pursuant to Section 210 of the Commercial Code or on changes occurring on the basis of other legal facts;

b) deciding on any increase or decrease of the share capital, or on authorising the Board of Directors pursuant to Section 210 of the Commercial Code, or on the possibility of setting off financial claims due to the Bank against a claim for payment of an issuance price;

c) deciding about a decrease of the share capital and about issuing bonds pursuant to Section 160 of the Commercial Code;

d) electing and dismissing members of the Supervisory Board, Audit Committee and other bodies established by the Articles of Association, with the exception of members of the Supervisory Board elected and dismissed pursuant to Section 200 of the Commercial Code;

e) approving the regular or extraordinary financial statements and consolidated financial statements, and, in cases established under law, interim financial statements; deciding on distributing profits or settling losses and setting of directors fees;

f) deciding on remunerating members of the Supervisory Board and Audit Committee;

g) deciding on the listing of the Bank's participating securities under special legal regulations and about their withdrawal from trading on an official market;

h) deciding on winding up the Bank with liquidation, appointing and dismissing a liquidator, including to establish the level of the liquidator's remuneration, and approving the proposal for distributing the liquidation balance;

i) deciding on a merger, transfer of the assets to a single shareholder, or on division or a change of legal form;

j) approving contracts cited in Section 67a of the Commercial Code;

k) approving negotiations carried out in the name of the Bank before its incorporation pursuant to Section 64 of the Commercial Code;

l) approving controlling contracts (Section 190b of the Commercial Code), contracts on the transfer of profit (Section 190a of the Commercial Code), and contracts on silent partnerships and their changes;

m) appointing auditors of the Bank at the recommendation of the Audit Committee;

n) deciding on the establishment of non-compulsory funds of the Bank and on procedures for their creation and utilization; and

o) deciding on other issues that the Commercial Code or Articles of Association entrust to the competence of the General Meeting.

7.2 Board of Directors of UniCredit Bank

The Board of Directors is the statutory body of the Bank and as of 31 December 2009 had five members. The members of the Board of Directors exercise their functions personally and are elected by the Supervisory Board for the period of 3 years. The Supervisory Board may at any time dismiss any of the members of the Board of Directors, irrespective of their term of office. Only persons meeting the relevant legal requirements may be appointed members of the Board of Directors.

The Board of Directors makes decisions by resolutions usually adopted at its meetings.
The Board of Directors shall have a quorum if an absolute majority of all its members is present. The approval of an absolute majority of the Board members present is required for a resolution to be valid.
In the event of a parity of votes, the Chairman shall cast the deciding vote.
If all members so agree, the Board of Directors may adopt resolutions at the company's registered office or elsewhere by any means of communication that enables all its members simultaneously to see and hear one another during the meeting (i.e. via videoconference) or in writing without holding a meeting (per rollam). Those voting shall be regarded as present in such case.

The competence of the Board of Directors includes especially the following:

a) to organize the Bank's day-to-day activities and direct its business activities;

b) to convene the General Meeting and implement its decisions;

c) to submit to the General Meeting
– at least once a year, a report on business activities, the state of the Bank's property and its business policy; such report forms a part of the Bank's annual report;
– regular, extraordinary, consolidated or interim financial statements along with a proposal for distributing profits or settling losses, and to process these documents;

d) to enable shareholders to acquaint themselves with the main data in the annual financial statements at least 30 days before the date of the annual General Meeting by publishing such data in the manner stipulated in Section 26 of the Articles of Association;

e) to decide on opening and closing regional branches and appointing their directors and to open and close the Bank's branches;

f) to appoint and dismiss the Bank's managers;

g) to exercise the rights of an employer;

h) to issue, if it deems fit, rules of procedure for the Board of Directors, which may not contradict the Articles of Association; any rules of procedure for the Board of Directors is subject to the prior approval of the Supervisory Board;

i) to grant and withdraw authorizations to act on behalf of the Bank and the powers of attorney of the Bank's representatives;

j) to establish the compulsory funds of the Bank in accordance with generally binding legal regulations and to determine, together with the Supervisory Board, how such funds are to be created and used;

k) to conclude an agreement on the statutory audit with the auditor appointed by the General Meeting;

l) to establish committees of the Bank and define their tasks;

m) to appoint and dismiss the Bank's company secretaries with the prior approval of the Supervisory Board; and

n) to fulfil other obligations stipulated by law or the Articles of Association.

Ing. JIŘÍ KUNERT
Chairman of the Board of Directors and Chief Executive Officer responsible for the Bank's overall results and for managing the Chief Operating Officer and the Director of the Risk Management Division. He also is responsible to the Bank's Board of Directors for the management of the finance, human resources and legal areas.
Work address: Na Příkopě 858/20, Prague 1
Domicile: Pod Kaštany 1107/19, Prague 6
Born: 31 January 1953

PAOLO IANNONE
Vice-Chairman of the Board of Directors and Chief Operating Officer responsible for managing and supervising the Bank's business activities and coordinating the activities of the Bank's other departments so that they contribute to achieving the Bank's business results to as great an extent as possible, whether directly or indirectly.
Work address: Na Příkopě 858/20, Prague 1
Domicile: Warsaw, Jana Pawla II 80/A
Born: 15 December 1960

Ing. ALEŠ BARABAS
Member of the Board of Directors and Director of the Risk Management Division responsible for preparing the Bank's credit policy, maintaining the quality of the loan portfolio, managing all activities in the area of credit risks and adhering to the limits set by banking regulations, as well as for managing activities in the area of market and operational risks.
Work address: Na Příkopě 858/20, Prague 1
Domicile: U Dubu 1371, Prague 4
Born: 28 March 1959

DOMENICO PIGNATA
Member of the Board of Directors and Director of the Global Banking Services Division responsible for activities aimed at optimising costs and internal processes in order to guarantee the best possible synergies and success throughout the Bank as well as for the quality of services provided to third parties.
Work address: Na Příkopě 858/20, Prague 1
Domicile: Via Cielo 2, Milan, Italy
Born: 28 April 1955

Ing. DAVID GRUND
Member of the Board of Directors and Director of the Corporate, Investment and Private Banking Division responsible for managing and supervising the Bank's business activities in the relevant business segment.
Work address: nám. Republiky 2090/3a, Prague 1
Domicile: K lukám 702, Šestajovice
Born: 24 February 1955

Changes in the composition of the Board of Directors during 2009:
Dr. Peter Koerner, member of the Board of Directors until 31 March 2009
Paolo Iannone, Vice-Chairman of the Board of Directors since 24 April 2009

7.3 Supervisory Board of UniCredit Bank

The Supervisory Board has nine members of which six are elected and dismissed by the General Meeting and three are elected and dismissed by the company's employees in accordance with the Commercial Code. Members of the Supervisory Board exercise their functions personally. Members of the Supervisory Board are elected for the period of 3 years and may be re-elected.

The Supervisory Board shall have a quorum if an absolute majority of all its members is present. The approval of an absolute majority of all members of the Supervisory Board is required for a resolution to be valid. In the event of a parity of votes, the Chairman shall cast the deciding vote. If the Chairman is not present, the Vice-Chairman shall cast the deciding vote in the event of a parity of votes.

If all members so agree, the Supervisory Board may adopt resolutions at the company's registered office or elsewhere by any means of communication that enables all its members simultaneously to see and hear one another during the meeting (i.e. via videoconference) or in writing without holding a meeting (per rollam). Those voting shall be regarded as present in such case.

The Supervisory Board established the Remuneration Committee, which consists of two members of the Supervisory Board (Carlo Vivaldi, Carmine Ferraro). Each year, the Remuneration Committee approves the principles for remuneration to members of the Board of Directors and the respective amounts.

The Supervisory Board shall:

a) review the specific directions of the Bank's activities and business policy and supervise its implementation;

b) be entitled to verify any action concerning the Bank's affairs;

c) review the regular, extraordinary and consolidated financial statements, and, as the case may be, the interim financial statements, as well as the proposal for distributing profits or settling losses and submit its opinion to the General Meeting;

d) be entitled to examine all documents and records as to the Bank's activities through any of its members;

e) monitor whether accounting records are properly maintained in accordance with the facts and whether the Bank's business activities are conducted in accordance with legal regulations, the Articles of Association and the instructions of the General Meeting;

f) convene the General Meeting if the Bank's interests so require and propose requisite measures to the General Meeting;

g) appoint one of its members to represent the Bank in proceedings held before courts and other bodies against a member of the Board of Directors;

h) issue, if it deems appropriate, rules of procedure for the Supervisory Board, which may not contradict the Articles of Association;

i) approve any potential rules of procedure for the Board of Directors;

j) elect and dismiss the members of the Board of Directors; it shall elect new members of the Board of Directors from a group of candidates, who may be nominated by any member of the Supervisory Board and decide on dismissing members of the Board of Directors, also at the proposal of any of its members;

k) nominate candidates for Chairman and Vice-Chairman of the Board of Directors;

l) stipulate general terms and conditions for the Bank's activities as well as terms and conditions for maintaining its credit risk exposure in accordance with decrees of the Czech National Bank and legal norms published in the Collection of Laws of the Czech Republic;

m) decide on the establishment and dissolution of the Bank's subsidiaries and on their transfer to other entities;

n) approve management agreements concluded between the Bank and members of its Board of Directors and any payments to be made by the Bank to the members of its Board of Directors pursuant to Section 66, paras. 2 and 3 of the Commercial Code;

o) decide on remunerating members of the Board of Directors and stipulate rules for remunerating the Director of the Internal Audit Department;

p) establish committees of the Supervisory Board and define their tasks;

q) oversee the effectiveness and efficiency of the Bank's management and control system;

r) give prior approval to the appointment and dismissal of the Bank's company secretaries;

s) be able to request the Chairman of the Audit Committee to convene a meeting of the Audit Committee; and

t) fulfil other obligations stipulated by law, the Articles of Association and the Group's rules.

Carlo Vivaldi
Born: 2 December 1965
Chairman of the Supervisory Board
Domicile: Köhlergasse 17, Vienna, Postcode A-1180
Austria

Carmine Ferraro
Born: 14 December 1944
Vice-Chairman of the Supervisory Board
Domicile: Monza (MI), Via Monviso 33, Postcode 200 52
Italy

Carlo Marini
Born: 23 March 1968
Domicile: Piacenza, Str. Ne Farnese 81, Postcode 291 00
Italy

Graziano Cameli
Born: 18 August 1967
Domicile: Trieste, Strada Costiera 31, Postcode 34136
Italy

Heinz Meidlinger
Born: 6 September 1955
Domicile: Kalmusweg 46/Haus 107, Vienna, Postcode 1220
Austria

JUDr. Ivana Burešová
Born: 11 October 1953
Work address: Na Příkopě 858/20, Prague 1
Domicile: Dlouhá 714/36, Prague 1, Postcode 110 00

Eva Mikulková
Born: 29 January 1957
Work address: nám. Republiky 3a/2090, Prague 1
Domicile: Dlouhá 512, Kročehlavy, Kladno, Postcode 272 01

Ing. Pavel Šlambor
Born: 12 March 1972
Work address: Revoluční 7, Prague 1
Domicile: Černošická 614, Prague 5, Postcode 155 31

Gerhard Deschkan
Born: 20 February 1967
Domicile: Matzingerstraße 11/11, Vienna, Postcode A-1140
Austria

No member of the Supervisory Board is conducting any other business activity in the Czech Republic or any business activity that might be relevant for the purpose of appraising the issuer other than his or her activities for the issuer as stated above.

Conflicts of interest at the level of administrative, management and supervisory bodies:
The issuer is not aware of any possible conflicts of interest between the aforementioned persons' duties to the issuer and their private interests or other duties. UniCredit Bank has prepared an Ethics Code that stipulates how to proceed in case of a conflict of interest.

7.4 Audit Committee

The Audit Committee is an independent committee with the task to oversee, monitor and advise in matters of concern regarding accounting and financial reporting, the internal control, audit and risk management, the external audit, and monitoring compliance with laws, the Bank's regulations and the Code of Conduct. The Audit Committee consists of three members appointed and dismissed by the General Meeting for a term of 3 (three) years from among the Supervisory Board members or third persons. At least one member of the Audit Committee must be independent from the Bank and must have at least 3 years of practical experience in accounting or statutory auditing.

Meetings of the Audit Committee shall have a quorum if attended in person or via videoconference by the majority of its members. Decisions are passed by a simple majority vote of the attending members, with the exception of "per rollam" resolutions, which must be approved by all Audit Committee members.

Without prejudice to the responsibilities of the Board of Directors and Supervisory Board members, the Audit Committee in particular shall:

a) monitor the procedure for preparing the financial statements and consolidated financial statements;

b) assess the effectiveness and efficiency of the Bank's internal control system, internal audit and risk management system;

c) monitor the statutory audit process for the financial statements and consolidated financial statements;

d) assess the independence of the statutory auditor and audit company and especially the provision of supplementary services to the Bank which fall outside the scope of the annual audit; and

e) recommend an auditor to be appointed by the General Meeting.

Carmine Ferraro
Born: 14 December 1944
Domicile: Monza (MI), Via Monviso 33, Postcode 200 52
Italy

Stefano Cotini
Born: 31 March 1951
Domicile: Viale Zugna 6, 38068 Rovereto Tn
Italy

Heinz Meidlinger
Born: 6 September 1955
Domicile: Kalmusweg 46/Haus 107, Vienna, Postcode 1220
Austria

7.5 Conflicts of interest at the level of administrative, management and supervisory bodies:

The issuer is not aware of any possible conflicts of interest between the duties to the issuer of the aforementioned persons and their private interests or other duties. UniCredit Bank has prepared an Ethics Code that stipulates how to proceed in case of a conflict of interest.

7.6 Information on company management and administration codes

The Bank adopted no company management and administration code. The Bank complies with the rules of conduct established by UniCredit Group.

8. Judicial and arbitration proceedings

The Bank has reviewed all legal disputes affecting the Bank as at 31 December 2009 and created appropriate provisions for litigation and claims. In addition to these litigations, there exist other claims related to the Bank's business activities. The Bank is not, and during the past 12 months was not, involved in any judicial, administrative or arbitration proceedings that, in its opinion, could have, or in the past 12 months had, a significant impact on the Bank's financial situation or profitability.

9. Significant change in the issuer's financial situation

Since the date of presenting the audited financial statements for the year ended 31 December 2009, no significant change has occurred in the financial situation of the issuer.

10. Loans outstanding and other liabilities

Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	USD 50,000,000
Interest rate:	EIB POOL RATE**
Loan origination date:	17 March 2003
Maturity date:	15 March 2011
Collateral:	No collateral*
Creditor:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Bank Czech Republic, a.s.
Loan amount:	USD 54,392,000
Interest rate:	4.699%
Loan origination date:	16 June 2008
Maturity date:	15 June 2016
Collateral:	No collateral*

* The loan is guaranteed by UniCredit Bank Austria AG, Vienna.
** EIB POOL RATE is an interest rate fixed by EIB on a quarterly basis.

Total amount of loans as at 31 December 2009 (in CZK 000)	**2,357,885**

11. Significant contracts

UniCredit Bank has concluded no contracts that could cause an obligation or a claim to arise for any member of the Group that would be material as to the Bank's ability to fulfil its obligations to securities holders on the basis of the securities issued.

12. Third parties' information and experts' declarations and declarations on any interests

The annual report does not include any declaration or report of an entity acting as an expert. Moreover, no information comes from a third party, unless expressly stated otherwise.

13. List of bond issues outstanding

The total volume of outstanding bond issues, including EUR and USD bonds converted at the CNB's exchange rate valid as at 31 December 2009: CZK 28,558,769,000.

13.1 Information on the number of shares issued by the issuer and which are under the ownership of the issuer's managers

The number of shares issued by the issuer under the ownership of managers is zero, because all shares issued by the issuer are held by the sole shareholder, UniCredit Bank Austria AG, Vienna.

14. Principles of remunerating the issuer's managers

Remuneration policy

The remuneration policy for managers is established in accordance with "UniCredit Group's Remuneration Policy" and consists of the basic salaries policy, the "Executive Incentive Program" variable remuneration system, and the benefits system.

The key pillars of the remuneration policy include clearly organized and transparent company management and administration, compliance with the requirements of regulations and ethical rules, constant monitoring of market trends and practices, providing sustainable wages supported by sustainable performance, and motivation and stabilization of all employees oriented especially toward promising staff members and those who are pivotal for the company in order to fulfil its mission.

Board of Directors

The Remuneration Committee of the Supervisory Board approves the remuneration policy for members of the Board of directors on the basis of the supporting materials submitted by the Human Resources Department and prepared in cooperation with the Personnel Department of the Central and Eastern Europe division of UniCredit Group.

The remuneration to members of the Board of Directors is set as a fixed amount that is paid monthly. In accordance with the Banking Act, the members of the Board of Directors are also executive managers of the Bank who manage particular divisions on the basis of an employment contract in accordance with the Labour Code. According to this contract, they are entitled to monthly payment of a basic contractual salary, salary compensations and an annual variable bonus. The bonus to members of the Board of Directors amounts to 50% of the contractual salary established in the employment contract of the respective executive manager.

Contractual salaries

The contractual salaries are defined on the basis of the value of a job position within the classification system of top managing positions in UniCredit Group ("Global Job Banding"), the key abilities of the executive manager, and a market comparison with other entities on the financial and banking markets in the Czech Republic.

The particular amounts of the contractual salaries of the Bank's individual executive managers are approved by the Remuneration Committee of the Supervisory Board each year on the basis of the supporting materials submitted by the Human Resources Department and prepared in cooperation with the Personnel Department of the Central and Eastern Europe division of UniCredit Group.

Remuneration to the Bank's foreign executive managers is provided by the parent company. These remuneration costs are accounted for by the parent company and included in the remuneration summary.

Variable annual bonuses
UniCredit Group's variable annual remuneration system, the "Executive Incentive Program", was approved by the Supervisory Board of UniCredit Bank Czech Republic, a.s. as a binding provision for executive managers' variable remuneration. It is based on three basic pillars:

– Regular annual evaluation of the entire Group's performance expressed in the so-called **UniCredit "GSP Condition"** (Group Sustainable Profit Condition). This evaluation, based on indicators measuring the Group's sustainable profit generation, is conducted each year by UniCredit Group's Board of Directors and influences the determination of executive managers' adjusted bonus opportunity, to be approved by the Bank's Supervisory Board.

– Evaluation of the so-called **"Performance Matrix"** – tables of the executive managers' individual performance objectives set each year by the Bank's Supervisory Board. The performance objectives are closely related to the Bank's strategic plan. The Supervisory Board of UniCredit Bank Czech Republic, a.s. approves the level of their fulfilment based on the proposal of the executive managers' direct superiors for each calendar year and each executive manager separately. The "Performance Matrix" table is divided into two parts: the "Operational Matrix" and the "Sustainability Matrix". The "Operational Matrix" contributes 30–50% to the evaluation of the individual performance objectives within the "Performance Matrix" while the contribution of the "Sustainability Matrix" can be set between 50–70%. The direct superior also assesses whether the executive manager acted during the evaluated period in accordance with UniCredit Group's rules and UniCredit Bank's internal regulations, whether he or she complied with the principles of the Integrity Charter, and whether any disciplinary hearings were conducted with the executive manager.

– **Accrued variable bonus payment:** Payment of the variable bonus is spread out over 3 consecutive years and is conditioned on yearly fulfilment of the UniCredit "GSP Condition" indicators. Payment of variable annual bonuses exceeding EUR 100,000 according to the CNB's exchange rate valid as of the day on which the Supervisory Board announced the variable annual bonuses may be postponed to the following 2 years to be distributed at a 50:50 ratio. The Bank's Supervisory Board approves the annual fulfilment of the "GSP Condition" and the release of a postponed variable bonus on the basis of a proposal from UniCredit Group's Board of Directors.

Any potential variable annual bonus for an executive manager is the result of the evaluation of each of the three aforementioned pillars of executive managers' variable remuneration. The overall assessment on a scale of 0–150% of the adjusted bonus opportunity is proposed by the executive manager's direct superior and approved by the Bank's Supervisory Board.

"Performance Matrix" parameters approved by the Bank's Supervisory Board for executive managers for 2009
"Operational Matrix" – 50% weight
The "Operational Matrix" parameters were the same for all executive managers. These included:
– economic profit on the principle of the Economic Value Added (EVA) indicator, and

– the ratio of net operating profit to the business volume of the Bank's clients.

"Sustainability Matrix" – 50% weight
The "Sustainability Matrix" parameters were quantitative and qualitative and differed for each individual executive manager depending on the priorities of the segment for which the particular executive manager is responsible. These included, for example:
– the ratio of loans to the total deposits volume,

– the TRIM*Index, which indicates the satisfaction of the Bank's clients in the segment for which the executive manager is responsible,

– the quality of the loan portfolio and comparison of the growth in provisions with that on the general banking market,

– risk exposures in accordance with banking regulation limits, and

– cooperation in the Europe-wide project for increasing efficiency.

Benefits
Benefits are defined in accordance with the priorities of UniCredit Group's human resource strategy and the classification of the manager's position into a pre-defined employee benefits category.

The following employee benefits are provided to executive managers by virtue of their employment with the Bank: employer's contribution to supplementary pension insurance, employer's contribution to capital life insurance, compensation for child's education costs.

By virtue of their managerial position, executive managers are provided a company car for business as well as private purposes, a contribution to fuel for private purposes and a contribution toward purchasing employee shares in UniCredit Group.

In accordance with the standards for relocating top managers in UniCredit Group to a foreign country, and by virtue of their temporary relocation to the Czech Republic from other companies within UniCredit Group, foreign executive managers draw contractual fulfilment associated with their long-term stays abroad.

The aforementioned benefits are provided in the form of non-monetary fulfilment, and their aggregate amount is included in the remuneration summary.

Supervisory Board

Members of the Supervisory Board are not entitled to remuneration for executing their offices. The remuneration to members of the Supervisory Board stated in the remuneration summary comprises the incomes received by three members of the Supervisory Board who are employed with the Bank and who received the payments by virtue of their employment contracts in accordance with the Labour Code. The remaining members of the Supervisory Board are not remunerated by the issuer.

The principles of remuneration to members of the Supervisory Board and the components of their remuneration, which are paid to them by virtue of their employment contracts, are identical to the principles of remuneration to members of the Board of Directors. Nevertheless, in this case the remuneration policy is approved by the Bank's Board of Directors at the proposal of the Bank's Human Resources Department and the benefits are provided in accordance with the valid Collective Agreement concluded between the Bank and its trade union.

15. Information on remuneration to auditors recognized in the reporting period

(In CZK 000, including VAT)	On behalf of the issuer Tax advisory	On behalf of the issuer Audit/other attestation	Total
KPMG Česká republika Audit, s.r.o.	–	18,421	18,421
Deloitte	2,004	–	2,004
Pricewaterhouse Coopers	357	–	357
Ernst & Young	562	–	562
Total	**2,923**	**18,421**	**21,344**

16. Information on all monetary and in-kind incomes accepted by the managers and members of the Supervisory Board from the issuer

Members of the Board of Directors				
Total incomes	Remuneration as member of the Board of Directors	Remuneration for management positions		
		Salaries and remuneration	Variable annual bonuses	Non-monetary remuneration
66,642,084	7,605,000	41,088,245	14,120,850	3,827,989
Members of the Supervisory Board				
Total incomes	Remuneration as member of the Supervisory Board	Salaries and remuneration	Variable annual bonuses	Non-monetary remuneration
8,345,323	–	5,087,731	3,218,100	39,492

17. Major future investments other than financial investments (planned for 2010)

Other investments (other than financial investments)	CZK 389,904,000

Investments into information technologies (IT) are not reported by the Bank directly. IT services are purchased on an outsourcing basis, and their extent and parameters are specified by contract and included into operating costs. Investments in 2010 will be focused primarily on developing the sales network.

18. Guarantees provided by the issuer

(In CZK 000)	31 December 2009	31 December 2008
Guarantees provided	29,820,239	23,156,545
Guarantees provided under L/Cs	399,308	670,364
Total	**30,219,547**	**23,826,909**

19. Issuer's direct and indirect participation interests exceeding 10%

Company:	**CBCB – Czech Banking Credit Bureau, a.s.**
Registered office:	Na Vítězné pláni 1719/4, Prague 4
Company identification no.:	26199696
Subject of business:	– Provision of software – Consultancy regarding hardware and software – Automatic data processing – Database services – Administration of computer networks
Subscribed share capital:	CZK 1,200,000
Amounts and types of provisions as at 31 Dec 2009:	The company does not publish financial statements.
Net profit for 2009:	The company does not publish financial statements.
UCB's ownership in the company's share capital:	20% (fully paid up)
Income in 2009 from the ownership interest:	CZK 585,000
Company:	**CAE PRAHA a.s. in liquidation**
Registered office:	nám. Kinských 602, Prague 5
Company identification no.:	43004580
Subject of business:	Lease of real estate, apartments and non-residential premises, without providing other than basic services; ensuring proper administration of real estate, apartments and non-residential premises
Subscribed share capital:	CZK 4,396,000
Amounts and types of provisions as at 18 Nov 2009*:	CZK 0
Loss for the period 1 Jan–18 Nov 2009*:	CZK –408,000
UCB's ownership in the company's share capital:	100%
Income in the period 1 Jan–18 Nov 2009 from the ownership interest*:	CZK 0

* The company compiled extraordinary financial statements as at 18 November 2009, i.e. on the day of drawing up the report on liquidation and processing the proposal for distributing the liquidation balance.

20. Internal audit policy and procedures and rules for the issuer's approach to risks connected with the financial reporting process

All processes in the Bank that influence or may influence the Bank's financial reporting have been described, including the risks connected with these processes. Controls with varying periodicity have been set up in order to eliminate these risks. All processes are evaluated and updated twice a year, and the controls set up to eliminate the described risks are inspected.

The goal of the aforementioned was to establish corresponding internal controls that guarantee the accuracy of the financial reporting, achieve broader awareness of the risks connected with creating financial reports, and keep these risks under control and at an acceptable level. The entire process is in accordance with the Italian act no. 262/2005 and legal regulation no. 303/2006, which were inspired by the American Sarbanes-Oxley Act.

The Bank has prepared internal regulations relating to particular areas of its activities that influence the Bank's accounting. The procedures for valuing statement of financial position and statement of comprehensive income items are described in the Notes to the financial statements, which form a part of this annual report. The Bank shall submit the financial statements to the auditor for review and, twice per year (mid-year and at the end of the given year), financial data intended for consolidation of the parent company for the auditor's verification.

21. Risk factors

Risk factors are described in detail in the notes to the non-consolidated financial statements.

22. Licences and trademarks

UniCredit Bank makes use of several dozen trademarks for designating and protecting its products in the banking market. These have been registered as owned by the Bank at the Industrial Property Office of the Czech Republic. At present, the Bank has approximately an additional 10 trademark applications in process for entry to the register.

23. Statement on the accuracy of the data in the annual report

The Board of Directors hereby declares, according to its best knowledge, that the annual report presents a true and honest view of the issuer's financial situation, business activities and financial results for the past accounting period and of the outlooks for the future development of the financial situation, business activities and financial results.

József Varga,
Valid Dental-Medical Nagykereskedöház Kft.
Retail Client – Hungary

"We had already been enjoying a good relationship with UniCredit for several years when our employees raised the idea of opening retail bank accounts that offered favourable terms on fees and interest rates. After we contacted UniCredit Bank, they offered us the opportunity to open new accounts as part of a special employee benefit package – to the great satisfaction of my employees."

It's easy with UniCredit.

Report on relations

between the controlling and controlled entities and on relations between the controlled entities and other entities controlled by the same controlling entity

In accordance with Section 66a, para. 9 of Act No. 513/1991 Coll., the Commercial Code, as subsequently amended, the Board of Directors of **UniCredit Bank Czech Republic, a.s.,** having its registered address at Prague 1, Na Příkopě 858/20, company identification no. 64948242, entered into the Commercial Register administered by the Municipal Court in Prague, Section B, file 3608 ("UniCredit Bank"), has compiled a report on relations for the **accounting period from 1 January 2009 to 31 December 2009** (hereinafter just the "period").

UniCredit Bank was, throughout the whole of the aforementioned accounting period, controlled directly by **UniCredit Bank Austria AG**, having its registered address at Schottengasse 6–8, 1010 Vienna, Austria.

Throughout the aforementioned accounting period, UniCredit Bank was controlled indirectly by **UniCredit, S.p.A.**, having its registered address at Via Specchi 16, Rome, Italy.

During the period, UniCredit Bank controlled the companies UniCredit Factoring, s.r.o., company identification no. 27182827, having its registered address at Prague 2, Italská 24/1583, Postal Code 12000, and CAE Praha a.s. in liquidation, company identification no. 43004580, having its registered address at Prague 5, Nám. Kinských 602, Postal Code 15000.

Relations also existed in the aforementioned period with other related entities, specifically the following companies: UniCredit Leasing a.s., UniCredit Business Partner s.r.o., JSC ATF Bank, UniCredit Fleet Management, s.r.o., Pioneer Investiční společnost, a.s., Pioneer Asset Management, a.s., UniCredit Global Information Services S.C.p.A. and Bayerische Hypo- und Vereinsbank AG.

The Board of Directors of UniCredit Bank declares that UniCredit Bank and its related entities concluded during the accounting period from 1 January 2009 to 31 December 2009 the contractual relationships listed below.

1. Contracts concluded between UniCredit Bank and connected entities in the accounting period from 1 January 2009 to 31 December 2009:

1.1 The following contracts were concluded between UniCredit Bank and **UniCredit Bank Austria AG** in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Master Cost Sharing Agreement (concluded with UniCredit S.p.A., Bayerische Hypo- und Vereinsbank and Bank Austria Creditanstalt AG)	Settlement of costs connected with sending/accepting employees to/from abroad	1 Jan 2009
Funded Risk Participation Agreement	Assuming participation risk in a loan transaction for a client of the Bank	27 Aug 2009

1.2 The following contracts were concluded between UniCredit Bank and **UniCredit Leasing a.s.** in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Contract on renting non-residential premises	Rental of non-residential premises in Liberec, Široká	6 Nov 2009

1.3 The following contracts were concluded between UniCredit Bank and **UniCredit Business Partner s.r.o.** (formerly Banking Transaction Services s.r.o.) in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Service Level Agreement – Amendment No. 2	Appendix – price amendment for 2009 for card services	1 Jan 2009
Service Level Agreement – Amendment No. 2	Appendix – price amendment for 2009 for GPP services	1 Jan 2009
Service Level Agreement – Amendment No. 3	Appendix – price amendment for 2009 for treasury services	1 Jan 2009
Service Level Agreement – Amendment No. 4	Appendix – price amendment for 2009 for Core Banking services	1 Jan 2009
Coordination Agreement – Amendment No. 1	Amendment of appendixes 1. Third parties and responsibilities 2. Regulation 3. Specimen signature A list of the Bank's applications that are used by persons authorized to provide services	1 Apr 2009
Service Level Agreement – Amendment No. 3	Appendix – Disaster Recovery Plan for Global PAY plus application	1 Jun 2009
Coordination Agreement – Amendment No. 1	Amendment of appendix of signature specimens and seals of persons authorised to represent the bank.	1 Sep 2009

1.4 The following contracts were concluded between UniCredit Bank and **JSC ATF Bank** in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Personnel Lease Agreement	Settlement of costs connected with sending/accepting employees to/from Kazakhstan	1 Jan 2009

1.5 The following contracts were concluded between UniCredit Bank and **Pioneer Investiční společnost, a.s.** and **Pioneer Asset Management, a.s.** in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Contract on promoting mutual funds – Amendment No. 3 to the Contract from 2 October 2006	Distribution of the Czech family of Pioneer open-ended mutual funds	30 Oct 2009
Contract on promoting the product RENTIER INVEST	Selling of the RENTIER INVEST regular investment programme	10 Mar 2009

1.6 Contracts concerning the purchase of automobiles for leasing under usual business terms and conditions were concluded between UniCredit Bank and **UniCredit Fleet Management, s.r.o.** in the accounting period from 1 January 2009 to 31 December 2009.

1.7 The following contracts were concluded between UniCredit Bank and **UniCredit Global Information Services S.C.p.A.** in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Additional IT services	Implementation of a solution for EU Funds for the Ministry of Finance and pre-invoicing of expenses	21 Dec 2009

1.8 The following contracts were concluded between UniCredit Bank and **Bayerische Hypo- und Vereinsbank AG** in the accounting period from 1 January 2009 to 31 December 2009:

Contract title	Subject of contract	Date of conclusion
Brokerage agreement	Brokerage agreement on purchasing and selling foreign securities for RET/PB clients of UniCredit Bank	6 Jul 2009

1.9 In addition to the aforementioned contracts, in the accounting period from 1 January 2009 to 31 December 2009 UniCredit Bank concluded inter-bank, derivative and other transactions with related entities under usual business terms and conditions.

2. Performance provided in the accounting period from 1 January 2009 to 31 December 2009 by UniCredit Bank with related entities and their consideration: The Board of Directors of UniCredit Bank declares that, in the accounting period from 1 January 2009 to 31 December 2009, all performance and consideration between UniCredit Bank and its related entities were provided through usual business relationships or under usual business terms and conditions.

3. Other legal acts that were undertaken by UniCredit Bank in the interest of related entities:
The Board of Directors of UniCredit Bank declares that UniCredit Bank did not, in the accounting period from 1 January 2009 to 31 December 2009, undertake in the interest of related entities other legal acts, apart from those within the scope of usual legal acts in connection with usual business relationships or, as the case may be, of usual legal acts effected by UniCredit Bank within the usual exercise of the rights of UniCredit Bank Austria AG as the sole shareholder of UniCredit Bank.

4. Other measures that were adopted or taken by UniCredit Bank in the interest of, or at the instigation of, related entities, and their benefits and disadvantages:
The Board of Directors of UniCredit Bank declares UniCredit Bank did not, in the accounting period from 1 January 2009 to 31 December 2009, adopt or execute any measure in the interest of, or at the instigation of, related entities outside of those within the scope of usual business relationships or, as the case may be, of the usual exercise of the rights of the sole shareholder of UniCredit Bank.

5. Detriment to UniCredit Bank from contracts concluded and measures: The Board of Directors of UniCredit Bank declares that no detriment resulted for UniCredit Bank from the contracts concluded and other measures.

In Prague on 29 March 2010
On behalf of the Board of Directors of UniCredit Bank

Ing. Jiří Kunert
Chairman of the Board of Directors

Ing. Aleš Barabas
Member of the Board of Directors

Branches

Prague – Na Příkopě
Na Příkopě 858/20
111 21 Prague 1
Tel.: 224 121 111
Fax: 224 122 282

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110 00 Prague 1
Tel.: 221 015 323
Fax: 221 015 320

Prague – Nám. Republiky
nám. Republiky 3a
110 00 Prague 1
Tel.: 221 119 611
Fax: 221 119 622

Prague – Na Poříčí
Na Poříčí 1933/36
110 00 Prague 1
Tel.: 224 809 023–4
Fax: 234 809 020

Prague – Karlín
Thámova 84/23
180 00 Prague 8
Tel.: 222 335 012
Fax: 222 335 020

Prague – Revoluční
Revoluční 7
110 05 Prague 1
Tel.: 221 119 768
Fax: 221 119 796

Prague – Holešovice
Komunardů 883/24
170 00 Prague 7
Tel.: 266 199 123
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Prague – Strossmayerovo nám.
Pplk. Sochora 693/23
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Prague – Kobyliské náměstí
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180 00 Prague 8
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Fax: 286 028 120

Prague – Palác Adria
Jungmannova 31
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Fax: 221 113 101

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Spálená 82/4
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Fax: 224 900 320

Prague – Havelská
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140 00 Prague 4
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Prague – Valdek
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Fax: 221 159 722

Prague – Tylovo náměstí
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Fax: 224 900 420

Prague – Vinohrady
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Prague – Palác Flóra
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Fax: 272 099 320

Prague – Dejvice
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(corporate banking)
Fax: 221 119 672

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(corporate banking)
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Fax: 417 590 320

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Tel.: 353 108 11
Fax: 353 108 108

Karlovy Vary
Moskevská 10
360 01 Karlovy Vary
Tel.: 353 221 521
Tel.: 221 117 217
(corporate banking)
Fax: 353 228 208

Chomutov
Revoluční 36/Husovo nám.
430 01 Chomutov
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Tel.: 221 117 311
(corporate banking)
Fax: 474 611 420

Cheb
Svobody 520/3
350 02 Cheb
Tel.: 221 117 900
Fax: 221 157 900

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Fax: 485 252 720

Mladá Boleslav
Českobratrské nám. 1321
293 01 Mladá Boleslav
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301 01 Pilsen
Tel.: 377 196 111
Tel.: 221 117 029
(corporate banking)
Fax: 221 159 600

Pilsen – Americká
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301 50 Pilsen
Tel.: 377 194 210
Fax: 377 194 220

Hradec Králové – Ulrichovo náměstí
Ulrichovo náměstí 854
500 02 Hradec Králové
Tel.: 221 117 706
Tel.: 495 000 135
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Fax: 495 512 550

Hradec Králové – Karla IV.
Karla IV. 522
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Pardubice – Grand
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Fax: 466 861 102

České Budějovice – U Zimního stadionu
U Zimního stadionu 3
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Tel.: 386 100 506
Tel.: 386 100 536
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České Budějovice – náměstí Přemysla Otakara
nám. Přemysla Otakara II. 122/35
370 21 České Budějovice
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Fax: 387 711 778

Tábor
třída 9. května 2886
390 02 Tábor
Tel.: 381 201 413
Fax: 381 201 420

Písek
Pražská 286
397 01 Písek
Tel.: 382 780 210
Fax: 382 780 220

Brno – Divadelní
Divadelní 2
601 57 Brno
Tel.: 542 515 111
Fax: 542 515 151

Jihlava
Masarykovo nám. 54
586 01 Jihlava
Tel.: 221 114 513
Tel.: 221 114 515
(corporate banking)
Fax: 221 154 511

Brno – Kobližná
Kobližná 2
601 80 Brno
Tel.: 221 114 110
Fax: 221 114 101

Brno – Spielberk Office Centre
Holandská 2
639 00 Brno
Tel.: 542 426 111
Fax: 542 426 120

Brno – Lidická
Lidická 59
602 00 Brno
Tel.: 221 114 071
Tel.: 221 114 052
Fax: 221 154 002

Zlín – Bartošova
Bartošova 5532
760 01 Zlín
Tel.: 221 114 300
Tel.: 221 114 313
(corporate banking)
Fax: 221 154 301

Kroměříž
Farní 95
767 01 Kroměříž
Tel.: 573 502 512–514
Fax: 573 502 520

Olomouc
28. října 15
772 00 Olomouc
Tel.: 221 114 416
Tel.: 221 114 410
(corporate banking)
Fax: 585 223 269

Prostějov
náměstí T. G. Masaryka 8
796 01 Prostějov
Tel.: 582 302 077
Fax: 582 302 078

Ostrava – Smetanovo náměstí
Smetanovo náměstí 1
702 00 Ostrava
Tel.: 596 101 411
Tel.: 596 101 432
(corporate banking)
Fax: 596 112 004

Ostrava – Poruba
Hlavní tř. 583/99
708 00 Ostrava
Tel.: 596 945 111–113
Fax: 596 945 120

Opava
náměstí Republiky 8
746 01 Opava 1
Tel.: 553 777 612
Fax: 553 777 620

Frýdek-Místek
Pivovarská 2340
738 01 Frýdek-Místek
Tel.: 221 114 600
Fax: 221 154 600

Šumperk
náměstí Svobody 2840
787 10 Šumperk
Tel.: 221 114 620
Fax: 221 154 600

Příbram
náměstí T. G. Masaryka 144
261 01 Příbram
Tel.: 221 117 923
Fax: 221 157 923

Děčín
Husovo nám. 74/5
405 02 Děčín
Tel.: 221 117 940
Fax: 221 157 940

Třebíč
Komenského nám. 1045/18
674 01 Třebíč
Tel.: 221 114 640
Fax: 221 154 640

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