

## Pavel Hubáček, the mysterious Czech billionaire

For the Czech Republic, the year 2013 proved a turning point. With the collapse of Petr Nečas's government, the entry of the ANO movement into the Chamber of Deputies (the lower chamber of the Czech parliament) and the election of Miloš Zeman as president, various shifts of power started to occur in the country. This concerned not just our elected representatives, but also events behind the scenes, where the changing political climate affected those who often appear as the biggest Czech moneybags on the lists published by various media outlets.

Some of these billionaires, such as Petr Kellner, were not caught out by the wind of political change; others, such as Zdeněk Bakala, withdrew from public affairs in Czechia as the public discourse altered; and yet others at that point started to grow richer and more influential. An example of the last category is the



billionaire Pavel Hubáček from Olomouc, the owner of the Unicapital group and the relatively recently established bank, Creditas, described by *Forbes* magazine as the 22nd richest Czech in 2020. Yet, as recently as 2017, Hubáček did not appear in the Czech rich lists at all.

Who exactly is Pavel Hubáček? Until recently, many people did not know the answer to this question. One of the rich Czechs who got off to a flying start, and who for several years now could describe himself as a 'banker', he has carefully avoided the media spotlight. His rise, which roughly overlaps with the era of Miloš Zeman's and Andrej Babiš's political advancement, has been quick, not entirely transparent and, apparently, linked with politics – this is redolent of the stories of the people who got rich during the 1990s.

Although it seems that Hubáček likes to act the honest conservative investor, when scrutinised closely a somewhat different person appears, one that operates on the boundary between business and politics, makes unusual deals and, apparently, conceals more than one skeleton in his closet. Let us now look in greater detail, and in broader context, at who Mr Hubáček really is.

## The Unicapital group

Having tried arms trading in the 1990s and obtained some capital in the non-banking business of providing loans at high interest rates (Smart Capital), Pavel Hubáček decided to establish his own investment group. Unicapital was created in 2013, when Miloš Zeman was head of state and Andrej Babiš and his 'movement ANO 2011' had yet to enter high politics. The newly established Unicapital, a.s. had its headquarters at Opletalova Street 23, Prague, opposite the main station, where the Prague branch of the Creditas credit union had been for several years.

This building has attracted our and journalists' attention before: it is owned by the Yarea company, whose management in the past has included Petr Kmeť, David Michal and Marek Stublej, people linked with the shadowy godfather Ivo Rittig, who, under the communist regime, was jailed for stealing the takings from the supermarket he managed. Luděk Podola, a business associate for many years of former Czech health minister Robert Prymula, briefly served as the chair of Yarea's non-executive board. We have written about Podola in the past, when he became an object of interest to the Czech media due to his deals in Russia, and his possible links with people from the Chinese secret services.

The Opletalova 23 building was also the headquarters of the Citizens' Rights Party – the Zemanites, which was chaired by Vratislav Mynář, currently the president's chancellor – as well as of the

companies Ene Investment and FAMOS Trading, run by President Zeman's adviser and contact-man with Russia, Martin Nejedlý.

But back to the Unicapital group. On its founding it announced it intended to become a strong player in the agribusiness market, and it started to grow with investments in agriculture in 2013. It is not without interest – in particular in light of subsequent developments – that there was an agricultural deal between Unicapital and the Agrofert group: in autumn 2013, Unicapital Agro, a.s. – a Unicapital subsidiary – bought AGRO-NOVA s.r.o., only to sell it the next summer to ZZN Pelhřimov, a.s., ultimately owned by the future prime minister's Agrofert group.

At this time, Andrej Babiš's right-hand man, Jaroslav Faltýnek, was an executive at the purchasing firm ZZN Pelhřimov; more on Faltýnek and Hubáček below.

Later, Unicapital went into property development (Unicapital Development), the energy sector (Unicapital Energy) and healthcare (Unicapital Healthcare).

Unicapital also joined the ranks of the holding companies of those successful Czech billionaires who, though they run their businesses and make their money in Czechia, are based in tax havens. First, AROMI ENERGY LTD, which owned Unicapital, was a tax resident in Cyprus, and later Unicapital N.V., based in the Netherlands, became the ultimate owner.

## The Creditas bank

In addition to Unicapital, Pavel Hubáček also owns the recently established bank, Creditas. That too is an example of explosive growth. Hubáček was initially a minority holder in Creditas, a credit union based in the town of Třebíč (originally called the First Třebíč Mutual Savings Bank). Later, he bought out other minority holders for nearly half-a-billion crowns, becoming the majority owner in 2015. At that time Creditas was no longer based in Třebíč, but in Hubáček's native Olomouc.

Hubáček's long-term plan was to transform the credit union into a new Czech bank. For some time, it looked as if this plan would fail, as the Czech National Bank – which exercises regulatory oversight – developed an interest in the goings-on at the credit union. The National Bank ran a probe lasting several months, at the end of which it stated in 2015: 'The facts established suggest that the subject investigated failed to observe the fundamental prudential requirements which every credit institution must follow; in consequence of which its financial stability and the interests of its depositors, or even its continued existence, may be threatened.' Despite these serious failings, Hubáček managed to obtain a licence from the Czech National Bank the following year.

It is an open question, however, whether lessons were learned at Creditas, because in 2021 the criticisms from the Czech National Bank were again devastating. It found a number of issues with the governance of Creditas, which forced Hubáček's bank to replace its supervisory board in its entirety. 'In terms of ensuring an elementary functionality in the investigated subject, the most fundamental shortcomings uncovered included the failure of the supervisory board to supervise the management and controlling systems,' the Czech National Bank noted. As before, Creditas was rebuked for what in the past had caused other financial institutions in the Czech Republic to collapse: 'There were failures in assessing and limiting the credit risks of several loans that were of substantial size.'

For instance, the *Hospodářské noviny* daily newspaper found that Creditas bank had provided a generous loan of Kč 730,000,000 to the holding company of the Masaryk Circuit, a motorsports racing track in Brno run by the entrepreneur Karel Abraham; this while Hubáček owned a share of the Brno motorsports business.

## Start with the right connections

Like many others, Pavel Hubáček understood that to score a success in Czechia you must start with the right connections, both in politics and in business. Less well-to-do entrepreneurs and politicians buy small sports centres, restaurants or wine bars for this purpose. But Hubáček, of course, is among the better-off and hence was also aiming higher when making his investment in connexions.

For instance, in 2017, he bought the famous Grand Pupp Hotel in Karlovy Vary from another billionaire, Ivan Zach, whose holdings include the Prima TV station. Soon he was

seen in the hotel in friendly conversation with another media mogul, Jaroslav Soukup, and on another occasion, with his acquaintance Jaroslav Faltýnek.

The media reported that Hubáček had apparently become the owner of a villa in the legendary resort of Monte Argentario. This is a small town in Tuscany, which became notorious in Czechia in 2009 as the 'in' place for Czech politicians and lobbyists to enjoy themselves. Visitors included Prime Minister Mirek Topolánek with his aide Marek Dalík, the director of the ČEZ utility, Martin Roman, the head of the Spolchemie and Setuza chemical businesses, Martin Procházka, the Czech Social Democratic Party (ČSSD) deputy chair, Milan Urban, the Plzeň-based businessman Roman Jurečko, described as a 'godfather', and the ČEZ advisor Vladimír Johanes, who allegedly discovered the resort for the Czech nobs. Monte Argentario later came to symbolise the 'old order', in which senior politicians, directors of major state-owned companies and lobbyists resembled characters in The Octopus TV show, discussing important matters on golf courses or at seaside resorts rather than in the Chamber of Deputies.

According to *Hospodářské noviny*, Hubáček acquired his villa through his collaborator, Silvie Talpová; a former transport minister, Aleš Řebíček, was supposedly the seller. Řebíček was one of those who came to epitomise conflicts of interest and dodgy contacts during the era of Topolánek's government. The paper also claimed that, in 2016, Řebíček often visited the Prague headquarters of Hubáček's companies. Hubáček denied ownership of property in Monte Argentario by him or his companies.

Another noteworthy project linked with Hubáček is the Equine Sport Centre in Olomouc. While during the 1990s, politicians, following the model of Václav Klaus, would meet on the tennis court, and a decade later on the golf course, in recent years horse-race tracks have become a favourite place for informal gatherings of entrepreneurs and politicians. Andrej Babiš's daughter Vivien, TV Barrandov owner Jaromír Soukup's daughter Natálie, and Anna, the daughter of the recently deceased richest Czech Petr Kellner, are all show-jumpers. At the Olomouc facility, Hubáček meets with J&T Bank chairman Štěpán Ašer, Radovan Víték, who is currently the richest Czech, Jaroslav Faltýnek and Jaromír Soukup, whose TV station, until recently very pro-Zeman, is among the creditors of Hubáček's Creditas bank.

Though owned by Hubáček's wife Barbora, the links between the Equine Sport Centre and the business world of her husband is suggested by the fact that J&T Bank is the general sponsor of the show-jumping events. The bank is connected with Hubáček through many transactions, including selling him two buildings in Prague: S9 in Florenc, which became the headquarters of Creditas bank, and the former J&T Bank headquarters opposite the Prague Hilton.

## Political links

The links between politics and Hubáček's businesses can be seen by the number of politicians who have appeared around this Olomouc financier. Let us note at least a few of them, as previously referred to in the media.

In spring 2019 it was reported that the former deputy for investment of the Olomouc mayor Antonín Staněk (ČSSD), Filip Žáček, was working for Hubáček. Staněk was first mayor of Olomouc, and then in 2018 briefly the minister of culture. Žáček, the lawyer, followed Staněk to the Ministry of Culture, and became his adviser there. At the same time, it transpired that he was also working for Creditas. Both Žáček and Creditas declined to comment about the nature of his job at the bank.

Another interesting and politically active figure from Hubáček's circle is Roman Schindler of the Civic Democratic Party (ODS). He attracted media attention in 2007, when he was forced to quit as deputy for forestry and water management to agriculture minister Petr Gandalovič (ODS) 'to spend more time with his family'. The real reason for his departure was that it was discovered Schindler did not possess an engineering degree as he had claimed.

In 2009, Schindler became chief of office of the South Moravia governor Michal Hašek (ČSSD), despite the fact that chiefs were required to have a university education, something that Schindler still lacked. At the time he led Hašek's office, he had only started a Bachelor's degree at the Faculty of Horticulture, Mendel University in Brno.

'I consider this a pseudo-affair. Mr Schindler is only an acting chief of office; he has not been appointed. And I see nothing wrong with giving someone a second chance,' said Governor Hašek at the time.

In 2011, Schindler appeared as adviser to Znojmo mayor Zbyšek Kaššai (ČSSD), providing counsel on development, property, finance and construction. His actual activities were, again, shrouded in mystery – available information suggests that Schindler was not paid from the public purse. Schindler declined to comment to the media on the nature of his work and his occasional trips to the Znojmo city council.

Schindler has also appeared in a large number of private firms and entities – for example, he was a member of the supervisory board at the Mixed Commerce and Industry Chamber of the Czech Republic and the Democratic Republic of Congo. Some of these firms are part of Pavel Hubáček's empire – and there have been more than a few of them. Schindler has been linked with the Unicapital group since its inception; and that he was not merely an anonymous employee is suggested by the fact that, when Jaroslav Faltýnek organised a famous exhibition of his pictures, many influential people from the Faltýnek circle found their way there without fail; and Hubáček made an appearance too. Attending with him was Schindler, described by the media as Hubáček's manager.

Schindler's close links with the billionaire Hubáček did not impede his becoming in 2018 chief of office for the new director of the Forests of the Czech Republic, Josef Vojáček – there was no selection procedure. It comes as no surprise that Vojáček, formerly a director of Vojenské lesy a statky ČR, a state-owned forestry company, was put in his new position by ANO and is assumed to belong to the circle of influence around Faltýnek.

### Hubáček and Mr F

By far most notorious of all Hubáček's political connections are his relations with ANO, in particular with the man who serves Andrej Babiš in a similar role to the one Marek Dalík had with then prime minister Mirek Topolánek (ODS): Jaroslav Faltýnek, or Mr F. In 2019, the *Reportéři ČT* TV show pointed out that Faltýnek was living with his young girlfriend in Prague in a luxury 200-square-metre apartment owned by Selada Trade. That in turn was owned by Jiří Salajka, an employee of Pavel Hubáček. Salajka was the executive director of Creditas s.r.o., owned by Creditas bank. It was even alleged that this was one of two apartments that Faltýnek consecutively occupied and Salajka owned – and that Salajka in both cases bought them before Faltýnek moved in.

That this was no coincidence is suggested by the fact that, thanks to people around Faltýnek, Hubáček was able to buy a share in the ČD-Telematika company, which manages optical cables. He would soon sell his share to PPF group at an enormous profit, even though ČD – the national railway carrier from which ČD-Telematika was initially spun out – had long been interested in buying the share, something that was supported by the minister for transport at the time, Dan Ťok (ANO). However, the transaction was thwarted by one of Faltýnek's friends from Přerov, then deputy transport minister and chair of the supervisory board of ČD-Telematika, Milan Feranec. Thus Feranec, a local politician from Olomouc, an ANO MP, a friend of Faltýnek of many years and a colleague of his from Agrofert, acted against the transport minister of his own party. The connection between Faltýnek's luxury flat in Prague and this deal could not be proved, but understandably, speculation arose that this sumptuous pad might have been a reward for Faltýnek for a job well done.



## Hubáček in the sewer

Hubáček's name is connected to one of the biggest Czech corruption scandals of recent years, called *Stoka* or Sewer in Brno. Let us remind ourselves that the affair is like a complicated octopus, with Jiří Švachula, erstwhile influential ANO politician, at its centre. According to the police, he, as councillor in the Central Brno district, was responsible for running a network that corrupted public procurement. According to statements by his former fellow party members, Faltýnek helped to build the system, and Švachula stands accused of profiting massively from it. The allegation is that he collected at least Kč 47,000,000 in bribes.

The Brno octopus was able to operate for so long perhaps because it was provided with cover from the highest places: Jaroslav Faltýnek's son Jiří has described Švachula as a family friend, with whom the Faltýneks had been acquainted for 'ten to twelve years', and who was able to get to the second place on ANO's candidate list for Central Brno elections thanks to Faltýnek's influence. Also appearing in the police wiretaps are references to a mysterious 'Mr F', who was supposedly receiving a kick-back from corrupt contracts.

In Brno, Pavel Hubáček's name resurfaces around Faltýnek and Švachula: for instance, in 2014, Credits – at that point still a credit union – supposedly sent money to Švachula's foundation, Aspekt. Another prominent ANO member, Richard Mrázek, who served as the second deputy mayor of Brno and who has been investigated by the police as part of the probe into the *Stoka* affair, allegedly had an account at Credits – and he lived in Hubáček's Brno flat for some time. Hubáček was alleged to frequent Mrázek's Prague restaurant, Blue Wagon, occasionally at the same time as Faltýnek, and Švachula's wine bar, Garage Wine, in central Brno. The police have testimony from someone who claims to have been present when Hubáček handed a leather bag to Faltýnek stuffed with bundles of Kč 5,000 banknotes.

Given these connections, it does not appear coincidental that Hubáček's lawyer, Jiří Kňáva, obtained lucrative plots of land in Brno under peculiar circumstances. Allegedly Mrázek negotiated the deal.

Nor is it without interest that Hubáček's name appears on the list of those who allegedly paid money to police officers in Brno to run checks on them and warn them if they were likely to become objects of police interest. Information was procured for Hubáček by another of his collaborators, former police officer Libor Macek, who also provided security services to Hubáček.

## A Russian lead

As with Miloš Zeman and Andrej Babiš, there appear around Hubáček various ‘Eastern indicia’. The Prague beginnings of the Creditas credit union and Unicapital group were linked with the building in Opletalova Street 23, as noted above, where Hubáček could in theory have met President Miloš Zeman’s contact-man with Russia, Martin Nejedlý. Unicapital subsequently moved to its own building, S9, in Prague’s Florenc, which it had bought from J&T Bank. Two logos soon appeared on the building: one of Hubáček’s Creditas bank, the other of the Czechoslovak Group (CSG) industry and technology holding company run by the arms dealer Jaroslav Strnad, another businessman who came to prominence after 2013 and who was thought to have cultivated close links in Russia. Admittedly, the Czechoslovak Group denied this at the time, describing it as a smear by competitors.

Beyond various deals that CSG struck in the East, one reason for the allegation might be Strnad’s association at the time with the Slovak tycoon Alexej Beljajev. A descendant of an officer in the Tsar’s army, Beljajev was described as a middle man with Russia, an acquaintance of Vladimir Putin, Andrej Babiš’s former colleague from Petrimex and someone possibly connected with the criminal underworld and Russian secret services.

There are also links between Creditas personnel and the East. The chairman of the board of the Creditas credit union in 2010–2011 was Petr Rasocha, who previously worked for the Ukrainian VAB Bank. That ran into financial difficulties after 2009 and its owner Sergiy Maksimov was charged with financial irregularities. As of June 2021, Rasocha works for a Czech-Russian-Cypriot credit company.

The current chairman of the board and director-general of Creditas bank, Vladimír Hořejší, who was appointed in early 2017, also has an interesting past. He became publicly known in 2006, when he resigned the post of first deputy to the minister for information, Dana Běrová. This was because it was alleged that his signature helped to siphon off half a billion crowns from the Czech Consolidation Agency.

Between 2008 and 2011, Hořejší was the deputy chairman of the board of the European-Russian Bank (ERB Bank), a director of which, Roman Popov, allegedly once said that it received its licence in Czechia thanks to political contacts. This bank was previously owned by the Czech Consolidation Agency, and then purchased by Strojtransgas – a subsidiary of the Russian gas industry giant, Gazprom. The bank initially only had branches in Prague and Karlovy Vary and dedicated itself to a Russian clientele, including Vladimir Jermakov, one of the most influential Russian traders in Czechia, who for many years controlled the Czech subsidiary of Gazprom, Vemex, which during Miloš Zeman’s first term as president supplied Prague Castle with natural gas. Later the ERB Bank’s activities expanded into providing banking for ordinary Czech clients, but this did not last as ERB Bank went bankrupt.

Plenty of interesting facts surfaced after the bankruptcy: the bank was allegedly under surveillance by secret services and had been financing risky investments by people from



the Gazprom circle. It was also supposed to have loaned Kč 240,000,000 to the French extreme-right politician Marine Le Pen (who has long enjoyed support from Putin's Russia) – a loan that Le Pen's party failed to repay. The media also reported that money might have gone through ERB Bank for financial transactions in Iran, which could have been used to supply arms for the war in Syria. Small Czech clients, who entrusted ERB Bank with their savings, would pick up the tab for these and other adventures.

The people in Hubáček's circle who had links in Russia include another chairman of the board of the Creditas credit union, Karel Bureš, who succeeded Petr Rasocha. In 1997–2005, Bureš worked in the Czech branch of HSBC as head of treasury – at a time when the bank provided loans to Agrofert. According to the 2011 Creditas annual report, before coming to Creditas Bureš worked for HSBC in Russia, where he built up its corporate banking business. Once he left Creditas, Bureš became the chairman of the board of the Czech Export Bank, thanks to Andrej Babiš's personal intervention.

In conclusion, we note that it remains to be seen what the police investigation of *Stoka* and the Brno octopus, in which Hubáček was involved according to media reports so far available, will uncover. We can expect to learn plenty more interesting things about the activities of this Olomouc banker and his friend, Mr F. The future will also show to what extent Hubáček and his success are linked with the era ruled by Miloš Zeman and Andrej Babiš, and whether his financial projects will continue to enjoy such vertiginous growth once Messrs Zeman, Babiš and their faithful retinue are history.