# J&T FINANCE GROUP SE

## Annual report for the year 2015

J&T FINANCE GROUP

# CONTENT

# BOARD OF DIRECTORS' REPORT

In 2015 J&T FINANCE GROUP SE ("JTFG" or "the Group") continued its growth from previous years and for the first time in the Group's history the total assets exceeded EUR 10 billion. The performance of the group was traditionally driven by J&T Banka and Poštová banka.

In 2014 JTFG entered into an agreement on strategic cooperation with CEFC China Energy Company Limited ("CEFC Group" or "CEFC"), one of the largest privately held companies in China. During 2015 this agreement materialized in form of two capital increases by CEFC Shanghai International Group Limited and CEFC Hainan International Holdings Co., Ltd. (subsidiaries of CEFC) and will result in a share of 9.9% on the Group. Utilization of synergies from this strategic partnership will help strengthen and further expand the Group's operations in the region and explore new markets both through organic growth and acquisitions.

JTFG has increased its equity participation on VABA d.d. banka Varaždin ("VABA bank") and Poštová banka. The share capital of VABA bank was gradually increased from 58.33% in 2014 to 76.81% in September 2015. In December 2015 JTFG acquired further 8.45% of Poštová banka from Istrokapital SE and currently holds a 98.46% stake.

The Group achieved a consolidated net profit of EUR 72.6 million, which was fully attributable to continuing operations.

**Change in shareholder structure**

JTFG and CEFC Group have already taken first steps to confirm the strategic partnership signed in 2014. In the first quarter of 2015, CEFC Shanghai International Group Limited, a member of the CEFC Group, gained a 5.0% stake in JTFG through an increase of share capital. In September 2015, CEFC Hainan International Holdings Co., Ltd., a member of CEFC Group, performed an additional increase of share capital of JTFG which will result in a 9.9% stake of CEFC Group in JTFG.

In March 2016 the shareholders of JTFG entered into several agreements with CEFC, which shall result in a 50% stake of CEFC on the Group. The transaction is subject to regulatory approvals both in China and countries where the Group operates. CEFC has also subscribed to an emission of unsecured perpetuity certificates issued by J&T FINANCE GROUP SE in total amount of EUR 200 million, further strengthening the capital position of the Group. The Group also entered into an agreement on future cooperation with Ping An Bank Co., Ltd. and China Development Bank.

**Strategy of J&T Finance Group**

The main focus of the Group remains on its clients with a good understanding of clients' needs in various situations and represents the key element of the Group's business approach and is the basis on which the Group plans to grow and expand.

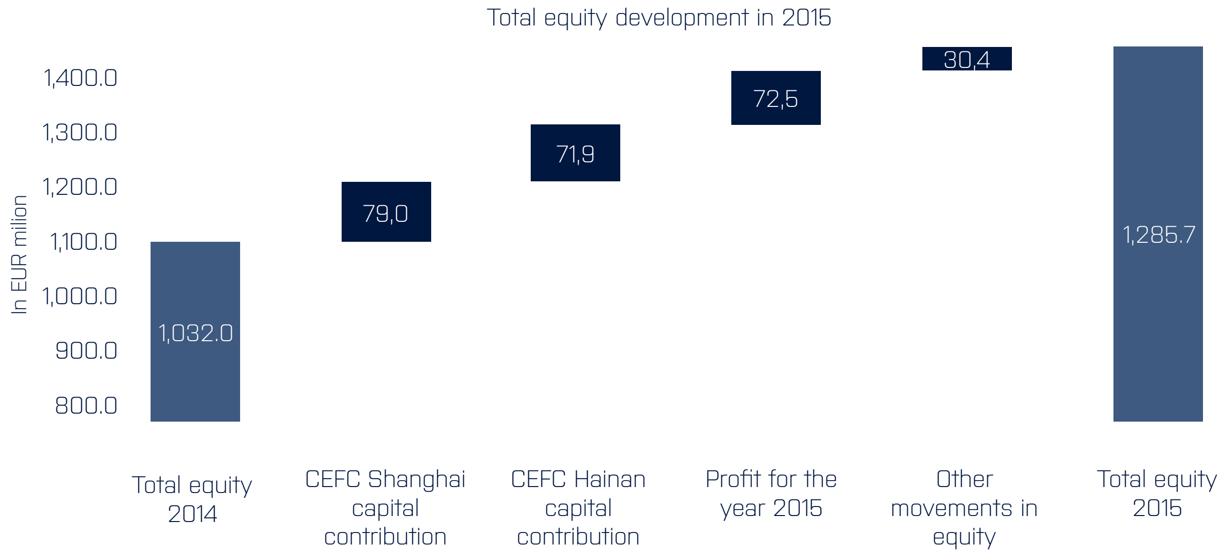
The Group plans to more clearly profile its segments of investment and private banking on one hand and retail banking on the other. J&T Banka together with its subsidiaries (VABA bank and J&T Bank a.o.) will focus on private clients and continue to provide the highest standard of services in investment, corporate and private banking. Poštová banka will focus on providing a wide range of smart and fair services to retail clients in Slovakia and expanding its presence organically through its chain of branches or by acquisitions.

JTFG's regional knowledge and expertise shall facilitate Chinese partners' business activities in Europe providing further synergies for both parties. Furthermore, J&T Banka plans to establish a Chinese desk for its new Chinese clients and provide them with a wide range of services on the CEE market. The Group's goal is to become a partner of choice for Chinese investors in the region.

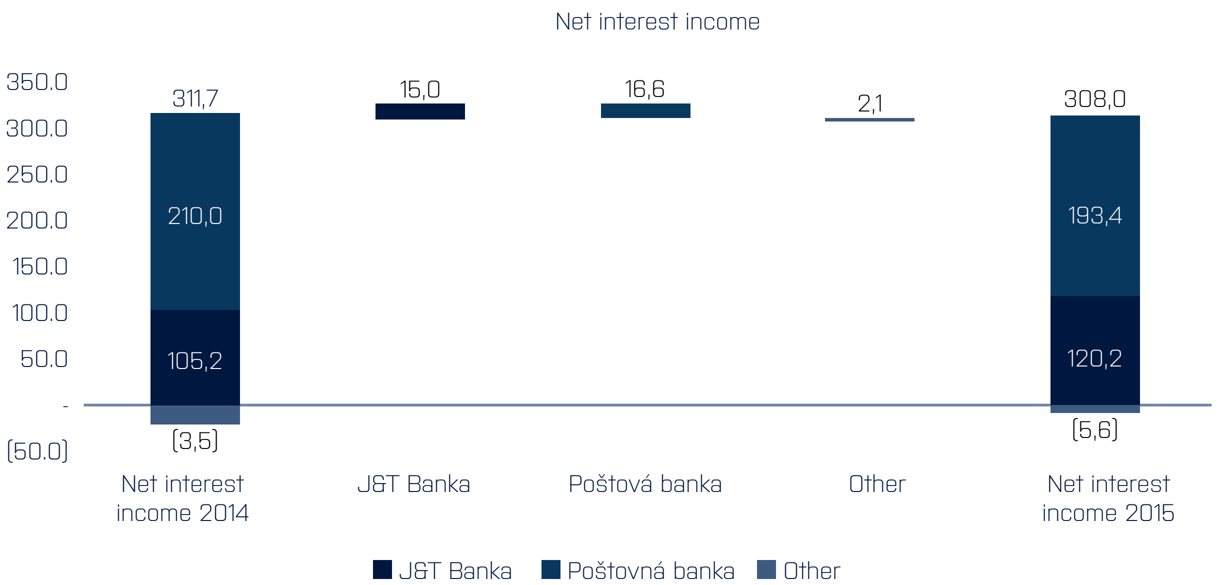
**Financial operations report**

The Group achieved a consolidated profit for the period of EUR 72.6 million in 2015. Higher profit compared to 2014 (EUR 62 million) results from an increase in profit from operations by 5.1% to EUR 102.0 million and improved quality of loan portfolio where net impairment losses on loans decreased by almost EUR 13 million (decrease by 12.6%).

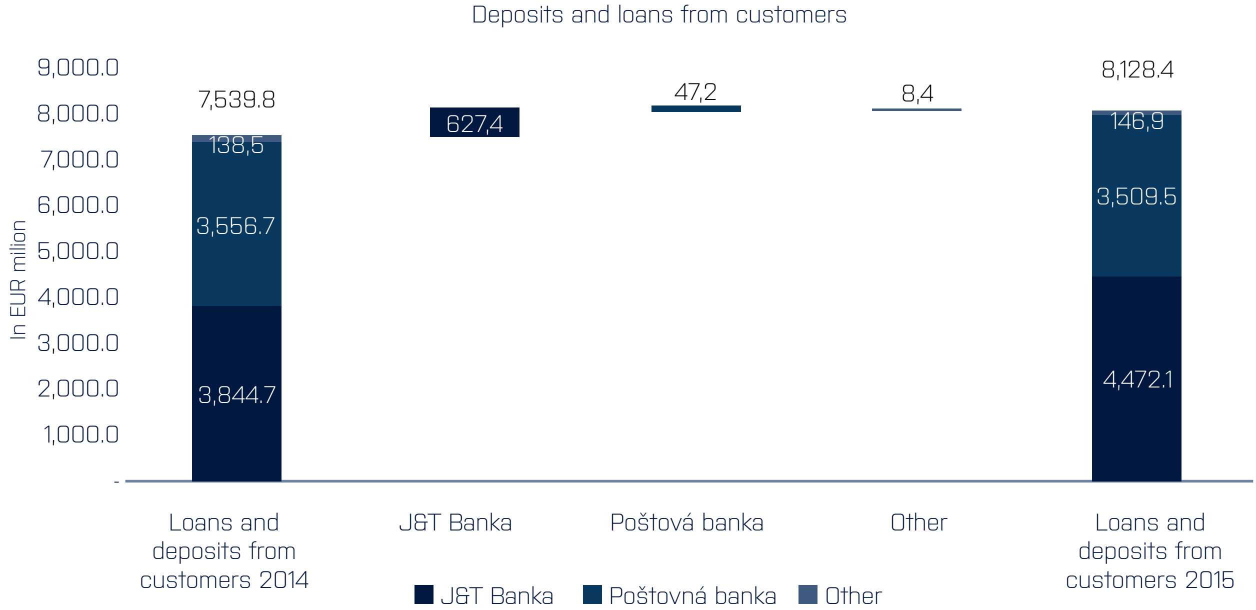
Due to capital strengthening of the Group and profit for the period, total equity increased by EUR 253.7 million (24.6%) and amounted to almost EUR 1,285.7 million as at 31 December 2015.

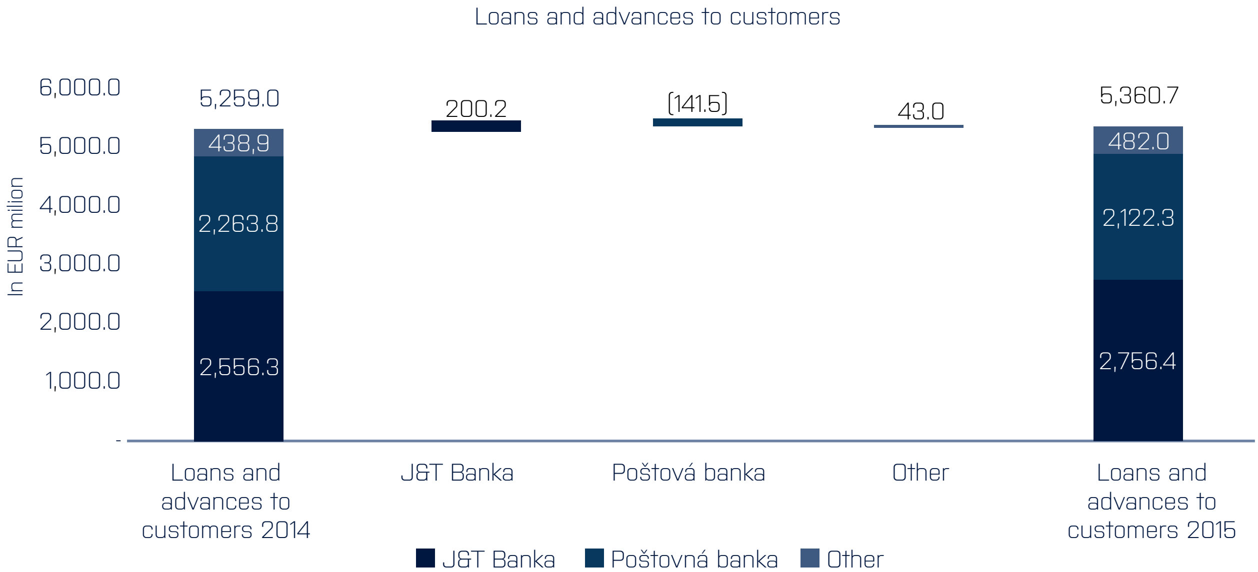



Net interest income remained on a comparable level to the prior year with EUR 308.0 million (EUR 311.7 million in 2014). The stagnation of net interest income was a result of a higher growth of deposits compared to loans provided to customers, market pressure on interest rates which resulted in lower rates on loan as well as deposit products, and higher surplus of liquidity maintained by the Group.



The 7.8% growth in deposits from clients to EUR 8.1 billion at year end 2015 was driven primarily by J&T Banka. On the asset side of the consolidated balance sheet, the loans and advances to customers increased by EUR 0.1 billion in 2015 to EUR 5.4 billion, and the Group has significantly improved its liquidity position because the amount of loans provided to banks grew by more than EUR 1.3 billion and cash increased by EUR 0.1 billion. This creates sufficient resources to fund the future growth of the Group.



## Results and events of J&T Banka Group

J&T Banka Group ("JTB Group") ended the year with total assets of EUR 5,729.5 million, increasing by EUR 903.5 from prior year's EUR 4,826.0 million. JTB Group confirmed its prior year results and achieved a consolidated profit of EUR 68.8 million. Despite tighter regulatory requirements and strong competition in the market, JTB Group managed to grow in line with its strategic and business plan.

### Operating results

Growth in profit was driven mainly by net interest income which grew to EUR 113.2 million from prior year's EUR 105.7 million. Higher net interest income was achieved through interest expenses decrease of 9.8%, which was partially offset by a 1.8% decrease in interest income.

Net fees and commission income remained on comparable level to prior year with EUR 22.2 million to (EUR 23.3 million in 2014). A significant amount of fees and commission came from bond emissions and promissory notes programs managed by J&T Banka.

Operating expenses amounted to EUR 82.0 million (compared to EUR 83.1 million in 2014) which represents a decline of 1.3% in line with JTB Group's plan. JTB Group manages to maintain a long-term low ratio of operating expenses to total assets of 1.5% (1.7% in 2014) which ranks it among the best on the market.

The consolidated operating profit increased by EUR 9.8 million (14.9% increase) to EUR 71.0 million compared to prior year's EUR 61.2 million.

### Trade results

In 2015 JTB Group continued the trend from prior years and increased its number of clients to over 55,000 confirming that individual private clients remain the core client segment of JTB Group. Client's deposits increased by 13.9%, and amounted to EUR 4,507.4 million at the year end.

In 2015 J&T Banka managed to provide its clients with several new bond emissions in total volume of almost EUR 806 million, represented by issuers such as CPI, JOJ Media House or Energetický a průmyslový holding, which are listed on the stock exchanges in Prague and Bratislava.

After the initial successful emission in 2014, J&T Banka issued two new emissions of subordinated unsecured certificates from which almost EUR 31 million has been already subscribed on the market.

The bank continued with its development of new products and introduced two new investment funds – J&T Combi in the Czech Republic and Investiční vklad in Slovakia. The quality of the bank's funds was recognized through the first place in Fincentrum & Forbes Investice roku 2015 competition, where J&T Money CZK won in the category of Mixed funds for the second time.

## Results and events of Poštová banka Group

The year 2015 was a successful year for Poštová banka Group ("PABK Group") as it was able to improve its services and introduce new products tailored to the needs of its clients. As of 31 December 2015, PABK Group's total assets remained stable compared to 2014 and amounted to EUR 4.2 billion. The total net profit of PABK Group increased by 11.2% to EUR 48.9 million, compared to prior year of EUR 44 million, driven mainly by lower administrative expenses and decline in risk costs as well as by a lower levy for selected financial institutions ("bank tax").

### Operating results

PABK Group achieved a consolidated net interest income of EUR 190.4 million compared to EUR 211.5 million in 2014. The annual decrease of 10.0% was caused by the combined effect of prevailing low interest rates on the market and intensive competition together with lower amount of provided loans and advances, which decreased by 6.6% (EUR 149.7 million) to EUR 2,134.0 million and investment securities which decreased by 6.4% (EUR 90.5 million) to EUR 1,326.3 million.

Net fee and commission income of EUR 27.4 million increased from EUR 17.8 million in 2014. This increase was driven mainly by increased fees for management of investment and pension funds, combined with lower contributions to the Deposit Protection Fund and lower levy for selected financial institutions.

Total operating expenses decreased by EUR 4.6 million to EUR 98 million. The decrease is attributable mainly to lower administrative expenses due to more effective management of purchased services, material and other expenses.

Poštová banka Group generated a consolidated operating profit before impairment losses and provisions of EUR 141.5 million which is comparable to prior year's result of EUR 144.4 million.

### Trading results

Poštová banka Group sustained its client basis of over 1 million clients in 2015.

PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s. (further "Prvá penzijná") also had a comparable net profit of EUR 5.8 million and the amount of asset under management (NAV) increased by EUR 123 million to EUR 747 million. Prvá Penzijná also introduced a new fund "J&T SELECT zmiešaný" and is prepared to start the fund "USA TOP Fond" in 2016. These developments also contributed to the award in competition Zlatá minca 2015, where Prvá penzijná finished second with "NÁŠ Prvý Realitný" fund in the real-estate category. This confirmed its several other historical awards in various categories.

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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.

## Independent Auditor's Report to the Shareholders of J&T FINANCE GROUP SE

We have audited the accompanying consolidated financial statements of J&T FINANCE GROUP SE prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about J&T FINANCE GROUP SE is set out in Note 1 to these consolidated financial statements.

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

The statutory body of J&T FINANCE GROUP SE is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of J&T FINANCE GROUP SE as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Other Information*

Other information is defined as information (other than the consolidated financial statements and our auditor's report) included in the consolidated annual report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements of J&T FINANCE GROUP SE as of 31 December 2015 does not cover the other information and we do not express any form of opinion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information included in the consolidated annual report is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, whether the consolidated annual report is prepared in accordance with applicable legislation and whether such information otherwise does not appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Prague
29 April 2016

KPMG Česká republika Audit

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

Vladimír Dvořáček
Partner
Registration number 2332

# CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2015

## CONSOLIDATED INCOME STATEMENT

**For the year ended 31 December 2015**

In thousand of EUR

| | Note | 2015 | 2014 |
|---|---|---|---|
| Interest income | 6 | 481,263 | 493,158 |
| Interest expense | 6 | (173,273) | (181,426) |
| **Net interest income** | | **307,990** | **311,732** |
| Fee and commission income | 7 | 99,940 | 87,984 |
| Fee and commission expense | 7 | (35,521) | (30,614) |
| **Net fee and commission income** | | **64,419** | **57,370** |
| Net dealing loss | 8 | (30,258) | (22,949) |
| **Total revenues** | | **342,151** | **346,153** |
| Negative goodwill | 5.1 | - | 670 |
| Other operating income | 9 | 92,938 | 114,651 |
| **Total income** | | **435,089** | **461,474** |
| Personnel expenses | 10 | (90,718) | (84,639) |
| Depreciation and amortisation | 25, 26 | (29,543) | (27,044) |
| Goodwill impairment | 25 | (2,385) | (10,484) |
| Impairment of property, plant and equipment and intangible assets | 25, 26 | (559) | (754) |
| Net impairment losses on loans | 20 | (88,633) | (101,391) |
| Other operating expenses | 11 | (121,212) | (140,033) |
| **Total expenses** | | **(333,050)** | **(364,345)** |
| | | | |
| **Profit from operations** | | **102,039** | **97,129** |
| Loss from equity accounted investees | | (1,141) | (658) |
| **Profit before tax** | | **100,898** | **96,471** |
| Income tax expense | 12 | (28,347) | (34,459) |
| **Profit for the period** | | **72,551** | **62,012** |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | 72,175 | 56,888 |
| Non-controlling interests | | 376 | 5,124 |
| **Profit for the period** | | **72,551** | **62,012** |

The notes presented on page 25 to page 144 form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2015**

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| **Profit for the period** | **72,551** | **62,012** |
| | | |
| **Other comprehensive income - items that are or may be reclassified subsequently to profit or loss** | | |
| Foreign exchange translation differences | (21,991) | (29,125) |
| Net change in fair value of financial assets available for sale | 10,928 | 3,474 |
| Share of other comprehensive income of equity accounted investees | (99) | (1,023) |
| **Other comprehensive income for the period, net of tax** | **(11,162)** | **(26,674)** |
| **Total comprehensive income for the period** | **61,389** | **35,338** |
| | | |
| **Attributable to:** | | |
| Equity holders of the parent | 59,620 | 30,288 |
| Non-controlling interests | 1,769 | 5,050 |
| **Total comprehensive income for the period** | **61,389** | **35,338** |

The consolidated financial statements were approved by the Board of Directors on 26 April 2016.

Signed on behalf of the Board of Directors:

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2015**

In thousand of EUR

| | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 13 | 1,019,854 | 884,368 |
| Financial assets at fair value through profit or loss | 14 | 110,412 | 363,574 |
| Financial assets available for sale | 15 | 1,447,101 | 1,593,559 |
| Financial assets held to maturity | 16 | 510,899 | 694,354 |
| Disposal group held for sale | 17 | 182,526 | 4,679 |
| Loans and advances to banks | 18 | 1,514,696 | 175,153 |
| Loans and advances to customers | 19, 20 | 5,360,740 | 5,259,016 |
| Trade receivables and other assets | 22 | 189,173 | 176,367 |
| Current tax assets | | 18,164 | 1,731 |
| Investments in equity accounted investees | 23 | 1,249 | 1,770 |
| Investment property | 24 | 5,670 | 6,458 |
| Intangible assets | 25 | 145,364 | 163,285 |
| Property, plant and equipment | 26 | 54,264 | 56,051 |
| Deferred tax assets | 33 | 5,325 | 4,956 |
| **Total assets** | | **10,565,437** | **9,385,321** |
| | | | |
| **LIABILITIES** | | | |
| Financial liabilities at fair value through profit or loss | 14 | 14,665 | 37,195 |
| Liabilities associated with disposal group held for sale | 17 | 108,188 | - |
| Deposits and loans from banks | 27 | 135,524 | 143,094 |
| Deposits and loans from customers | 28 | 8,128,421 | 7,539,842 |
| Issued bonds | 29 | 447,096 | 284,873 |
| Subordinated debt | 30 | 130,315 | 123,632 |
| Other liabilities | 31 | 267,291 | 153,816 |
| Current tax liability | | 10,504 | 22,908 |
| Provisions | 32 | 24,941 | 32,716 |
| Deferred tax liabilities | 33 | 12,757 | 15,254 |
| **Total liabilities** | | **9,279,702** | **8,353,330** |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2015**

In thousand of EUR

| | Note | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | 646,584 | 518,389 |
| Share premium | | 93,577 | - |
| Retained earnings and other reserves | | 503,475 | 418,515 |
| **Equity attributable to equity holders of the parent** | **34** | **1,243,636** | **936,904** |
| Non-controlling interests | 35 | 42,099 | 95,087 |
| **Total equity** | | **1,285,735** | **1,031,991** |
| | | | |
| **Total equity and liabilities** | | **10,565,437** | **9,385,321** |

The notes presented on page 25 to page 144 form an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2015**

In thousand of EUR

| | Note | Share capital | Share premium |
|---|---|---|---|
| **Balance at 1 January 2015** | | **518,389** | **-** |
| Profit for the period | | - | - |
| Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss | | - | - |
| Foreign exchange translation differences | | - | - |
| Net change in fair value of financial assets available for sale | | - | - |
| Share of other comprehensive income of equity accounted investees | | - | - |
| **Total comprehensive income for the period** | | **-** | **-** |
| Contribution of shareholders | | 128,195 | 93,577 |
| Dividends | | - | - |
| Change in non-controlling interests without a change in control | 35 | - | - |
| **Total transaction with owners of the Company, recognised directly in equity** | | **128,195** | **93,577** |
| | | | |
| Effect of disposals of subsidiaries | 5.2 | - | - |
| Issue of other capital instruments | 34 | - | - |
| Distributions related to other capital instruments | 34 | - | - |
| Transfer to legal reserve fund | 34 | - | - |
| | | | |
| **Balance at 31 December 2015** | | **646,584** | **93,577** |

See Note 34. Shareholders' equity and Note 35. Non-controlling interests.

| Non-distributable reserves | Translation reserve | Other reserves and funds | Retained earnings | Equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| **14,178** | **(48,286)** | **56,318** | **396,305** | **936,904** | **95,087** | **1,031,991** |
| - | - | - | 72,175 | 72,175 | 376 | 72,551 |
| - | (22,849) | 10,294 | - | (12,555) | 1,393 | (11,162) |
| - | (22,750) | - | - | (22,750) | 759 | (21,991) |
| - | - | 10,294 | - | 10,294 | 634 | 10,928 |
| - | (99) | - | - | (99) | - | (99) |
| **-** | **(22,849)** | **10,294** | **72,175** | **59,620** | **1,769** | **61,389** |
| - | - | - | - | 221,772 | - | 221,772 |
| - | - | - | - | - | (3,008) | (3,008) |
| (77) | (1,320) | (41) | (191) | (1,629) | (51,613) | (53,242) |
| **(77)** | **(1,320)** | **(41)** | **(191)** | **220,143** | **(54,621)** | **165,522** |
| | | | | | | |
| - | - | - | - | - | (136) | (136) |
| - | - | 30,894 | - | 30,894 | - | 30,894 |
| - | - | - | (3,925) | (3,925) | - | (3,925) |
| 4,114 | - | - | (4,114) | - | - | - |
| | | | | | | |
| **18,215** | **(72,455)** | **97,465** | **460,250** | **1,243,636** | **42,099** | **1,285,735** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2014**

In thousand of EUR

| Note | Note | Share capital | Share premium |
|---|---|---|---|
| **Balance at 31 December 2013** | | **31,540** | **14,937** |
| Effect of the merger | 43 | 486,849 | (14,937) |
| **Balance at 1 January 2014** | | **518,389** | **-** |
| Profit for the period | | - | - |
| Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss | | - | - |
| Foreign exchange translation differences | | - | - |
| Net change in fair value of financial assets available for sale | | - | - |
| Share of other comprehensive income of equity accounted investees | | - | - |
| **Total comprehensive income for the period** | | **-** | **-** |
| Dividends | | - | - |
| Change in non-controlling interests without a change in control | 35 | - | - |
| Acquisition and establishment of subsidiaries with non-controlling interests | | - | - |
| Redemption of investment funds units | | - | - |
| **Total transaction with owners of the Company, recognised directly in equity** | | **-** | **-** |
| Effect of disposals of subsidiaries | 5.2 | - | - |
| Issue of other capital instruments | 34 | - | - |
| Distributions related to other capital instruments | 34 | - | - |
| Transfer to retained earnings | 34 | - | - |
| **Balance at 31 December 2014** | | **518,389** | **-** |

The notes presented on page 9 to page 90 form an integral part of the consolidated financial statements.

| | Non-distributable reserves | Translation reserve | Other reserves and funds | Retained earnings | Equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | **14,809** | **(16,072)** | **212,457** | **663,536** | **921,207** | **90,867** | **1,012,074** |
| | - | - | (192,000) | (330,945) | (51,033) | - | (51,033) |
| | **14,809** | **(16,072)** | **20,457** | **332,591** | **870,174** | **90,867** | **961,041** |
| | - | - | - | 56,888 | 56,888 | 5,124 | 62,012 |
| | - | (29,801) | 3,201 | - | (26,600) | (74) | (26,674) |
| | - | (28,778) | - | - | (28,778) | (347) | (29,125) |
| | - | - | 3,201 | - | 3,201 | 273 | 3,474 |
| | - | (1,023) | - | - | (1,023) | - | (1,023) |
| | **-** | **(29,801)** | **3,201** | **56,888** | **30,288** | **5,050** | **35,338** |
| | - | - | - | - | - | (171) | (171) |
| | - | (305) | - | 6,926 | 6,621 | (6,621) | - |
| | - | - | - | - | - | 7,472 | 7,472 |
| | - | - | - | - | - | (991) | (991) |
| | **-** | **(305)** | **-** | **6,926** | **6,621** | **(311)** | **6,310** |
| | (196) | (2,108) | - | 196 | (2,108) | (519) | (2,627) |
| | - | - | 32,660 | - | 32,660 | - | 32,660 |
| | - | - | - | (731) | (731) | - | (731) |
| | (435) | - | - | 435 | - | - | - |
| | | | | | | | |
| | **14,178** | **(48,286)** | **56,318** | **396,305** | **936,904** | **95,087** | **1,031,991** |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2015**

In thousand of EUR

| **Profit before tax** | **Note** | **2015** | **2014** |
|---|---|---|---|
| Adjustments for: | | 100,898 | 96,471 |
| Depreciation and amortisation | | | |
| Impairment losses of property, plant and equipment and intangible assets | 25, 26 | 29,543 | 27,044 |
| Revaluation of financial instruments at FV | 25, 26 | 559 | 754 |
| Change in fair value of investment property, net | | 27,039 | 11,242 |
| Gain from revaluation from gold bar | 24 | ,- | 6,567 |
| Loss on disposal of property, plant and equipment and intangible assets | 9 | (49) | (2,596) |
| Amortisation of deferred acquisition costs for insurance and clients' contracts | | 1,153 | 7 |
| (Profit) / loss on disposal of subsidiaries, equity accounted investees and non-controlling interests | | 2,728 | 2,006 |
| (Profit) / loss on disposal of financial assets | 9, 11 | 1,983 | (17,571) |
| Net interest income | | 8,062 | (22,407) |
| Dividends income | 6 | (307,990) | (311,732) |
| Increase in allowance for impairment of loans | 8 | (22,076) | (2,756) |
| Change in impairment of trade receivables and other assets | 20 | 88,633 | 101,391 |
| Expense from equity accounted investees | 11 | 6,711 | 2,591 |
| Changes in provisions | | 1,141 | 658 |
| Goodwill impairment and negative goodwill | 32 | 11,288 | 21,824 |
| Unrealised foreign exchange gains, net | 25 | 2,385 | 9,814 |
| Operating loss before changes in working capital | | (31,761) | (46,258) |
| **Operating loss before changes in working capital** | | **(79,753)** | **(122,951)** |
| Change in loans and advances to customers and banks | | (1,554,030) | (270,454) |
| Change in trade receivables and other assets | | (2,831) | (8,773) |
| Change in deposits and loans from banks and customers | | 586,585 | 581,611 |
| Change in trade payables and other liabilities | | 111,140 | (59,057) |
| **Cash generated from (used in) operations** | | **(938,889)** | **120,376** |
| Interest received | | 464,404 | 436,657 |
| Interest paid | | (161,806) | (157,812) |
| Income taxes paid | | (59,693) | (18,436) |
| **Cash flows generated from (used in) operating activities** | | **(695,984)** | **380,785** |

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

**For the year ended 31 December 2015**

In thousand of EUR

| **INVESTING ACTIVITIES** | **Note** | **2015** | **2014** |
|---|---|---|---|
| Purchase of financial instruments at fair value through profit or loss | | (145,451) | (330,714) |
| Proceeds from sale of financial instruments at fair value through profit or loss | | 366,468 | 315,310 |
| Purchase of financial instruments in available for sale portfolio | | (444,466) | (1,222,561) |
| Proceeds from sale of financial instruments in available for sale portfolio | | 641,488 | 924,711 |
| Purchase of financial instruments in held to maturity portfolio | | (25,610) | (2,525) |
| Proceeds from financial instruments in held to maturity portfolio | | 114,818 | 176,748 |
| Acquisition of property, plant and equipment, investment property and intangible assets | | (16,437) | (18,722) |
| Proceeds from sale of property, plant and equipment, investment property and other intangible assets | | 333 | 9,337 |
| Acquisition of subsidiaries, net of cash acquired | 5.1 | 6 | 23,233 |
| Net cash (outflow) inflow from disposal of subsidiaries | 5.2 | (208) | 122,849 |
| Dividends received | | 1,446 | 2,756 |
| **Cash flows generated from investing activities** | | **492,387** | **422** |

| **FINANCING ACTIVITIES** | | | |
|---|---|---|---|
| Shareholders' contribution to share capital | | 221,772 | - |
| Proceeds from issued debt securities | 29 | 158,639 | 188,614 |
| Payments for buy-back of issued debt securities | | - | (205,540) |
| Acquisition of non-controlling interests | | (59,191) | - |
| Disposal of non-controlling interests | | 5,949 | - |
| Subordinated debt issued | 30 | 6,247 | 18,781 |
| Subordinated debt paid | 30 | (457) | (5,368) |
| Issue of other capital instruments | | 30,894 | 32,660 |
| Bonus payments from issued other capital instruments | | (3,925) | (731) |
| Dividends paid | | (3,008) | (171) |
| **Cash flows generated from financing activities** | | **356,920** | **28,245** |
| **Net increase in cash and cash equivalents** | | **153,323** | **409,452** |
| Cash and cash equivalents at beginning of the year | 13 | 884,368 | 499,094 |
| Effect of exchange rate fluctuations on cash held | | 11,778 | (24,178) |
| **Cash and cash equivalents at end of the year** | **13** | **1,049,469** | **884,368** |

The notes presented on page 25 to page 144 form an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

J&T FINANCE GROUP SE (the "Parent Company" or "the Company") is a European joint-stock company (Societas Europaea) having its legal seat and domicile at Pobřežní 297/14, 186 00 Praha 8.

The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the Parent Company, its subsidiaries and interests in associates and joint ventures (together referred to as "the Group"). A list of the Group entities is provided in Note 45. Group entities.

The Company prepares individual financial statements in accordance with Czech Accounting Standards for the period from 1 March 2014 until 31 December 2015 due to the cross-border merger of the Company with its subsidiary KHASOMIA LIMITED. The reporting period for the statutory financial statements exceeds the one-year period, as the merger was registered by the commercial court in February 2015 and the decisive day of the merger was 1 March 2014.

J&T FINANCE GROUP SE is the successor parent entity, taking over this role from J&T FINANCE GROUP, a.s., who was the parent of the Group until 31 December 2013. J&T FINANCE GROUP, a.s. was founded on 7 February 1995 and incorporated into the commercial register in Bratislava, Slovakia on 20 March 1995. The shareholder was TECHNO PLUS, a. s., a Slovak company owned by Jozef Tkáč and Ivan Jakabovič, its ultimate owners.

On 1 January 2014, J&T FINANCE GROUP, a.s. and TECHNO PLUS, a. s., its shareholder, were legally merged into J&T FINANCE, a.s., a Czech subsidiary of J&T FINANCE GROUP, a.s., all being part of the Regulated Consolidated Group - "RCG" (for the definition of RCG, refer to Note 39.5. Capital management). The legal cross-border merger was accounted for as a common control transaction at the book values of the merged entities on 1 January 2014. Intra-group transactions of the merged entities were eliminated through the merger accounting.

J&T FINANCE, a.s., a holding company, originally incorporated on 24 August 2006 in the Czech Republic, was renamed to J&T FINANCE GROUP SE after the cross-border merger took effect on 1 January 2014 and became the new Parent Company of the Group. The ultimate shareholders of the Group remain unchanged, i.e. Jozef Tkáč and Ivan Jakabovič.

The main reason of the merger was to simplify the structure of the financial holding group as owned by the ultimate shareholders and to maintain the continuity of supervision of the Czech National Bank over the activities of the RCG after the acquisition of Poštová banka, a.s. in 2013.

During the year 2015 there was a change in the shareholders' structure (refer to Note 34. Shareholders' equity) and the shareholders of the Company as at 31 December 2015 were as follows:

| | **Interest in share capital** | | **Voting rights (registered)** | |
|---|---|---|---|---|
| | In thousands of EUR | % | In million of CZK | % |
| Ing. Jozef Tkáč | 294,662 | 45.6 | 8 089 | 45.6 |
| Ing. Ivan Jakabovič | 294,662 | 45.6 | 8 089 | 45.6 |
| CEFC Shanghai International Group Limited | 30,958 | 4.8 | 852 | 4.8 |
| CEFC Hainan International Holdings CO., Ltd | 26,302 | 4.0 | 711 | 4.0 |
| **Total** | **646,584** | **100.0** | **17 741** | **100.0** |

The shareholders of the Company as at 31 December 2014 were as follows:

| | Interest in share capital | | Voting rights (registered) | |
|---|---|---|---|---|
| | In thousands of EUR | % | In million of CZK | % |
| Ing. Jozef Tkáč | 259,194,5 | 50.0 | 7,109 | 50.0 |
| Ing. Ivan Jakabovič | 259,194,5 | 50.0 | 7,109 | 50.0 |
| **Total** | **518,389** | **100.0** | **14,218** | **100.0** |

The Group, as a financial investor, actively takes positions in a diversified range of investment opportunities including investments in banks, investments in securities and structured investments, such as special project financing, acquisitions financing, restructuring and private equity funds. The Group also provides a comprehensive range of services to private individuals, financial institutions, privately-held and state companies, such as retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services. Investment banking services are represented by the areas of research, sales and trading, equity capital markets and debt capital markets. Asset management primarily consists of asset management in own funds, discretionary portfolio management services, as well as administration and custody. In the area of collective investment, client resources are managed through various types of investment funds representing a variety of investment approaches and strategies.

The members of the Board of Directors were as at 31 December 2015 and 31 December 2014 as follows:

Ing. Jozef Tkáč - chairman
Ing. Ivan Jakabovič – vice chairman
Ing. Patrik Tkáč – vice chairman
Ing. Dušan Palcr – vice chairman
Ing. Gabriela Lachoutová

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU"). The consolidated financial statements were approved by the Board of Directors on 26 April 2016.

### (b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for investment property, derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets available for sale, which are at fair value.
The consolidated financial statements are presented in Euro, rounded to the nearest thousand. The accounting policies have been consistently applied by the Group enterprises and are consistent with those used in the previous year.
Financial statements prepared in compliance with International Financial Reporting Standards require various judgements, assumptions, and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and judgements made by management with a significant risk of material adjustment in the next year are discussed in Note 4. Critical accounting estimates and assumptions.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

**The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2015, and have been applied in preparing the Group's consolidated financial statements:**

- Improvements to IFRSs – Cycle 2011-2013 (effective for annual periods beginning on or after 1 July 2014) introduce minor amendments to a total of four IFRS standards, which include accounting changes in presentation, recognition, measurement or terminology. None of these amendments has a material impact on the Group's consolidated financial statements.

**Issued but not yet effective International Financial Reporting Standards**

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2015, and have not been applied in preparing these financial statements:

- IFRS 9 – Financial Instruments (effective for annual reports beginning on or after 1 January 2018; to be applied retrospectively) originally issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes new requirements for the classification and measurement of financial liabilities and for derecognition and amendments from November 2013 include new hedge accounting model. Final version of the standard was issued in July 2014. The standard has not yet been endorsed by the European Union.

Key requirements are described below:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of the subsequent accounting periods.
- Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss or other comprehensive income. Financial assets held in a business model whose objective is both to collect contractual cash flows and for sale are measured through other comprehensive income. For an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income. The election is available on an individual share-by-share basis. No amount recognized in other comprehensive income is ever reclassified to profit or loss at a later date. Financial assets not mentioned above are measured at fair value through profit or loss.
- For financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- Impairment requirements are based on an expected credit loss ("ECL") model that replaces incurred loss model from IAS 39. The model requires accounting for ECL from when financial instruments are first recognized. Either 12-months or lifetime ECL are recognized depending on whether there has been a significant increase in credit risk since initial recognition.
- The new hedge accounting model aligns the accounting requirements more closely with risk management practices and enhances disclosures about hedge accounting and risk management practices.

The management of the Group anticipates that IFRS 9 will be adopted in the Group`s consolidated financial statements for the annual period beginning 1 January 2018. The Group currently analyses the impact of this standard on its financial statements.

• IFRS 14 - Regulatory Deferral Accounts (effective for annual reports beginning on or after 1 January 2016) is an interim standard concerning accounting for balances on deferral accounts that arise from rate-regulated activities. The standard is applicable only for the first time adopters of IFRS. This standard will not be endorsed for application in the EU; therefore there will be no impact of the standard on the financial statements of the Group.

• IFRS 15 – Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively). New standard substitutes all revenue standards including IAS 18 Revenue and IAS 11 Construction Contracts. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customer at an amount that the entity expects to be entitled to in exchange for those goods and services. Entities will follow a five-step approach to apply the standard:

- identify the contract(s) with the customer;
- identify the separate performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to separate performance obligations;
- recognize revenue when (or as) each performance obligation is satisfied.

Revenue from a transaction or event that does not arise from a contract with a customer is not within the scope of the revenue standard and should continue to be accounted for in accordance with other standards.

The Group currently has begun analyzing to analyze the effect of this standard on its financial statements.

• Amendments to IAS 19: Defined Benefit plans – Employee Contributions[1]

(effective for annual periods beginning on or after 1 July 2014) applies to the contribution from employees to defined benefit plans and simplifies accounting for contributions that are independent of the number of years of employee service. Since the Group has no defined benefit plans, this amendment will not have any impact on its financial statements.

• Annual Improvements to IFRSs 2010-2012[1]

(effective for annual period beginning on or after 1 July 2014) introduce minor amendments to total of eight standards. The Group expects that the amendment will not have any material impact on the financial statements.

• Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016) clarify application of the consolidation exception to entities in group structures including investment entities with regard to three issues:

- clarify which subsidiaries of an investment entity are consolidated;
- application of exemption from preparing consolidated financial statements for an intermediate parent of an investment entity;
- application of equity method by a non-investment entity investor to an investment entity.

The Group currently analyses the effect of those amendments on its financial statements.

• Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016). The Amendments to IAS 1 include the following narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- immaterial information can detract from useful information;
- materiality applies to the whole of the financial statements;
- materiality applies to each disclosure requirement in an IFRS.

[1]The European Commission has approved Amendments to IAS 19: Defined Benefit Plans – Employee Contributions and Annual Improvements to IFRSs – Cycle 2010-2012 for reporting periods beginning on or after 1 February 2015.

The guidance on the order of the notes (including the accounting policies) have been amended to:

- remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statement;
- clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Group expects that the amendments will not have a material impact on the presentation of its financial statements.

- Annual Improvements to IFRSs 2012-2014 (effective for annual period beginning on or after 1 January 2016) introduce five minor amendments to total of four standards. The Group expects that the amendment will not have a material impact on the financial statements.
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016; to be applied retrospectively) allows application of equity method of accounting for investment in subsidiaries, joint ventures and associates in separate financial statements. Since the Group prepares consolidated financial statements, this amendment will not have any impact on the financial statements.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016; to be applied prospectively) explicitely state that the use of revenue-based methods of depreciation is inappropriate for property, plant and equipment. Its application for intangible assets is allowed in very limited circumstances. The Group expects that the amendment will not have a material impact on the financial statements.
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016; to be applied prospectively) require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The Group currently analyses the effect on its financial position and performance.
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective for annual periods beginning on or after 1 January 2016; to be applied retrospectively) require bearer plants to be accounted for in accordance with IAS 16 Property, plant and equipment rather than being measured at fair value less cost to sell in accordance with IAS 41. Since the Group has no biological assets, this amendment will not have any impact on its financial statements.

**Other new International Financial Reporting Standards and Interpretations not yet due**

The Group has not early adopted any IFRS standards where adoption is not mandatory at the statement of financial position date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the standards prospectively from the date of transition. Management of the Group does not expect that these other new standards will have a significant effect on the consolidated financial statements of the Group.

## 3. Significant accounting policies

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### (ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

#### (iii) Joint ventures

Joint ventures are arrangements in which the Group has joint control, established by contractual agreement, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

#### (iv) Consolidation scope

There are 42 companies included in the consolidation as at 31 December 2015 (2014: 45). All fully consolidated companies prepared their annual financial statements at 31 December 2015. The companies are listed in Note 45. Group entities  and this list is based on the ownership hierarchy.

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains (losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent of the recoverable amount.

### (vi) Acquisition method of accounting

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any non-controlling interest in an acquiree is measured as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Goodwill arising in a business combination is recognised as an asset and is not amortised but is reviewed for impairment at least annually.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

### (vii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

### (viii) Tax effect of inclusion of the consolidated subsidiaries' reserves

The consolidated financial statements do not include the tax effects that might arise from transferring the consolidated subsidiaries' reserves to the accounts of the Parent Company, since no distribution of profits, not taxed at the source, is expected in the foreseeable future, and the Group considers that these reserves will be used as self-financing resources at each consolidated subsidiary.

### (ix) Unification of accounting principles

The accounting principles and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and agree with the principles applied by the Parent Company.

(b) **Foreign currency**

(i) **Foreign currency transactions**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).
Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid as at the statement of financial position date.
Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the fair values are determined.

(ii) **Financial statements of foreign operations**

The consolidated financial statements are presented in Euro, which is the Group's presentation currency.
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Euro at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated into Euro at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(iii) **Embedded derivatives**

Hybrid financial instruments are a combination of non-derivative host contracts and derivative financial instruments (embedded derivatives). Subject to certain conditions, IAS 39 Financial Instruments: Recognition and Measurement requires that embedded derivative components be separated from the host contracts and separately carried at fair value with changes recorded in the income statement.

(c) **Financial instruments**

(i) **Classification**

Financial instruments at fair value through profit or loss are those that the Group holds for trading that is, with the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments and liabilities from short sales of financial instruments.
Loans and advances to banks and customers are non-derivative financial assets with fixed and determinable payments,

not quoted in an active market, which are not classified as financial assets available for sale or held to maturity or as financial assets at fair value through profit or loss.
Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.
Financial assets available for sale are those non-derivative financial assets that are not designated as fair value through profit or loss, loans and advances to banks and customers or as held to maturity.

**(ii) Recognition**

Financial assets at fair value through profit or loss and assets available for sale are recognised on the date the Group commits to purchase the assets. Regular way purchases and sales of financial assets including held to maturity assets are accounted for on the trade date.
Loans and advances to banks and customers are recognised on the day they are provided by the Group.

**(iii) Measurement**

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and advances to customers, financial assets held to maturity, and certain non-quoted equity securities classified as available for sale the fair value of which cannot be measured reliably, which are measured at amortised cost or at cost. After initial recognition, financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

**(iv) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flow techniques.
Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

### (v) Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value are recognised in the income statement for instruments at fair value through profit or loss and directly in other comprehensive income as a revaluation difference for assets available for sale. The cumulative gain or loss of available for sale assets previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment when the available for sale asset is derecognised. Interest income and expense from assets available for sale are recorded in the income statement by applying the effective interest rate method. Refer to accounting policy (c) vii for accounting for gains and losses on subsequent measurement of hedges.

### (vi) Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Assets available for sale and assets at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets.

Held to maturity assetsand loans and advances to banks and customers are derecognised on the day they are disposed of by the Group.

### (vii) Hedge accounting

Hedging instruments that consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

In case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designiation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

In case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss.

### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and in banks, cash deposited with central banks and short-term highly liquid investments with original maturities of three months or less, including treasury bills and other bills eligible for rediscounting with central banks.

### (e) Loans and advances to banks and customers

Loans and advances originated by the Group are classified as originated loans and receivables. Loans and advances are reported net of impairment allowance to reflect the estimated recoverable amounts (refer to accounting policy (h)).
The Group classifies all its receivables from clients into the following five basic categories laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: receivables without obligor default divided into standard and watch receivables, and receivables with obligor default divided into non-standard, doubtful and loss receivables. In the evaluation of individual loans, the classification takes into account both qualitative and quantitative criteria.
The criteria mentioned include the following:
- major financial problems of the issuer or debtor;
- breach of a contract, e.g. delayed payment of interest or principal or failure to pay them;
- relief provided by the creditor to the debtor for economic or other legal reasons relating to debtor's financial problems, that the creditor would not have otherwise provided;
- likelihood of bankruptcy or other financial restructuring of the debtor;
- extinction of an active market for the given financial asset for financial reasons; or
- observable facts demonstrating a measurable decline of estimated future cash flow from the group of financial assets after their initial recognition despite the existing impossibility to detect the decrease for individual financial assets in the group; and
- others.

**Forbearance**

The Group treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of the financial institutions prepared in accordance with IFRS.
Forbearance is an exposure where the Group decides, due to debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g. postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not result of debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Details regarding the structure and quality of the credit portfolio are described in Note 39.

**Individually assessed allowances**

Based on regular reviews of the outstanding balances, specific allowances for loan losses are made for the carrying amount of loans and advances that are identified as being impaired to reduce these loans and advances to the amounts recoverable.

The Group mainly uses the financial statements of the client and the Group's own analysis as the basis for assessment of the loan's collectability.

Allowances made, less amounts released during the reporting period, are charged to the statement of comprehensive income. Outstanding loan exposures are written off only when there is no realistic prospect of recovery. If in a subsequent period the amount of an allowance for loan losses decreases and the decrease can be linked objectively to an event occurring after the allowance was booked, the allowance is reversed through the statement of comprehensive income.

**Collectively assessed allowances**

Allowances are assessed collectively for losses on loans that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

Allowances are evaluated separately on a regularly basis within each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments.

In estimating the amount of allowances necessary, management evaluates the likelihood of repayment of individual loans and takes into account the value of collateral and the ability of the Group to realize the collateral.

**(f) Sale and repurchase agreements**

Where securities are sold under a commitment to repurchase at a predetermined price (repos), they remain on the statement of financial position and a liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell (reverse repos) are not recorded on the statement of financial position and the consideration paid is recorded as a loan. The difference between the sale price and the purchase price is treated as interest and accrued evenly over the life of the transaction. Repos and reverse repos are recognised on a settlement date basis.

**(g) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis or to realise the asset and settle the liability simultaneously.

**(h) Impairment**

The carrying amounts of the Group's assets, other than deferred tax assets (refer to accounting policy (v)) are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash generating unit to which they belong.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The Group regularly assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances are presented net of impairment allowances. Allowances for impairment are determined based on the credit standing, performance of the borrower and expected cash flow and take into account the value of any collateral or third-party guarantee. The allowances are proportionally allocated to the total outstanding amount of the receivables, i.e. principal, interest accrual and penalty interest, if any.

The recoverable amount of the Group's investment in held to maturity assets and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed upon initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs of diposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held to maturity asset or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the income statement. If the fair value of a debt instrument classified as available for sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement, then the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (i) Assets held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of disposal group, are remeasured in accordance with the Group´s other accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax, employee benefits, investment property, which continue to be measured in accordance with the Group´s other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant end equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group´s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

### (j) Property, plant and equipment

#### (i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

**(iii) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 40 years |
| Aircraft | |
| - electronics | 3 years |
| - interior | 5 years |
| - auxiliary power unit | 13 years |
| - airframe | 23 years |
| Equipment | 3 - 8 years |
| Fixtures, fittings and others | 3 - 8 years |

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.
The maintenance of the aircraft's engine is covered under an agreement with a third party, whereby the Company pays a determinable amount to the third party. For this reason the residual value of the engine is not lower than the carrying amount at the reporting date and the depreciation expense of the engine is zero.

**(k) Intangible assets**

**(i) Goodwill and intangible assets acquired in a business combination**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included under intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is reassessed and any excess remaining after the reassessment is recognised in the income statement.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less impairment. Intangible assets with a definite useful life are amortised over their useful lives and are recorded at cost less accumulated amortisation and impairment.

**(ii) Software and other intangible assets**

Software and other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h)).
The useful lives are usually finite. Those intangible assets that have an indefinite useful life are not amortised and are tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

**(iii) Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

| | |
|---|---|
| Software | 4 years |
| Other intangible assets | 2 - 9 years |
| Customers relationships | 3 - 20 years |
| Tradename | 13 - 14 years |

**(l) Investment property**

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.
Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss for the period in which it arises. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**(m) Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.
The Group recognizes a provision related to a customer loyalty programme run by J&T BANKA, a.s. The provision decreases interest revenue when the first points are credited to the customer upon setting up a new bank account. The provision is then further built up as further points are credited to the customer depending on the use of services offered by the Group.

### (n) Insurance contracts

A contract, under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, is classified as an insurance contract. Insurance premium is earned from the day of the acceptance of the risks and is recognized as revenue. For unearned premium, a provision is created. Insurance claims expenses are represented by claims for the events that have occurred during the accounting period and adjustment of provision for the insurance claims for previous and current accounting period.

**Provision for insurance claims and benefits**

The provision for outstanding claims and benefits represents an estimate of total costs for settling all claims from insured events that have occurred up to the end of the accounting period. Outstanding insurance claims are recognised by assessing individual events and creating provisions for claims reported but not settled (RBNS) and a provision for claims incurred but not reported (IBNR). Such provisions are created for both life and non-life insurance.

**Provision for life insurance**

The provision for life insurance is an actuarial estimate of the Group's liability from life insurance contracts. The provision is calculated separately for each insurance contract and considering all guaranteed insurance benefits and bonuses, applying the actuarial estimates used to calculate the insurance tariffs. Any adjustment to the provision is recognised in profit or loss in the period in which it arises.

### (o) Employee benefits

For termination employee benefits, a provision is recognised for the amount expected to be paid under long or short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The benefit is classified as short term, if and only if the whole benefit category will be settled within one year; otherwise, it is disclosed as long term. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Amounts due to employees, such as amounts relating to accrued vacation pay or performance bonuses, are recognized as other liabilities.

### (p) Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Financial guarantee liabilities are subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities when future payment is considered probable and included in off-balance sheet when considered to be a possible obligation.

### (q) Trade and other payables

Trade and other payables are stated at amortised cost.

### (r) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense includes the amortisation of any discount or premium 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. All borrowing costs are recognised in the income statement.

### (s) Fee and commission income and expense

Fee and commission income arises on financial services provided by the Group, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Assets under management comprising all client assets managed or held for investment purposes by the Group in its own name, but for the account of third parties, are not reported in its consolidated statement of financial position (refer to Note 40. Assets under management). Commissions received from such business are shown in fee and commission income.
Fee and commission income and expense are recognised when the corresponding services are provided or received.

### (t) Dealing profits, net

Dealing profits, net includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities at fair value through profit or loss and available for sale, as well as gains and losses from foreign exchange trading.

### (u) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

### (v) Income tax

Income tax on the profit for the year comprises current and deferred tax.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities, in a transaction that is not a business combination, that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future since the parent is able to control the reversal of the temporary difference. No taxable temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.
Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

### (w) Operating and finance lease

#### (i) Group as a lessee

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.  Operating leases with an option to terminate the contract earlier than at the end of the agreed period are considered as non-cancellable for the time of the contracted notice period.
All other leases are operating leases and the assets are not recognized on the Group's statement of financial position.
Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### (ii) Group as a lessor

Leases under which the Group transfers substantially all the risks and rewards of ownership are classified as finance leases. A finance lease receivable is recognized over the leasing period in an amount equal to the net investment in the lease and presented within loans and advances to customers in the consolidated statement of financial position. Net investment in the lease is calculated as a present value of the minimum lease payments and any unguaranteed residual value, discounted at the interest rate implicit in the lease.
A recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

### (x) Revenue from goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the statement of financial position date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

### (y) Dividends

Dividends are recognised in the statement of changes in equity and recorded as liabilities in the period in which they are declared.

## 4. Critical accounting estimates and assumptions

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 4.1. Business combinations and purchase price allocations

In a business combination (see also Note 5.1. Acquisition and establishment of subsidiaries and associates), the acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes is performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information available as at the date of the business combination. Any prospective information that may impact the fair value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail in the future.

The results of the valuation analyses are used as well for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

In 2015 no business combination and related purchase price allocation have occurred.

At the beginning of 2014, the acquisition of TECHNO PLUS, a.s. through merger took place as a transaction under common control, refer to Note 1. General information.

On 9 June 2014, in line with the Group's decision to concentrate mainly on banking activities and after approval of the Croatian National Bank, the Group became 58.33% shareholder of Croatian bank Vaba d.d. banka Varaždin (VABA Bank). The share was acquired by the increase of VABA bank's share capital by J&T BANKA, a.s. in the amount of HRK 75,000 thousand (approximately EUR 9,893 thousand). VABA Bank operates through two financial centres in Varaždin and Zagreb, and 11 branches in Croatia and focuses on the retail and SME segments.

On 5 August 2014 the Group acquired a 50.05% share in Salve Finance, a.s., the company whose activity is intermedation of sale of financial products. There were no fair value adjustments resulting from the acquisition of this Company.

On 12 September 2014, the Group, through its subsidiary J&T Finance, LLC, acquired a 99% share in Hotel Kadashevskaya, LLC for the purchase price of RUB 99 thousand (approximately EUR 2 thousand). Before the acquisition the Group owned 1% share in the Hotel Kadashevskaya, LLC, which was presented as Financial asset available for sale in amount of RUB 1 thousand (EUR 0 thousand). The Hotel Kadashevskaya, LLC is the operator of Hotel Kadashevskaya, a 4*hotel in the center of Moscow, Russia. The company leases the hotel building from Interznanie OAO, a company within the

Group. At the date of acquisition of Hotel Kadashevskaya, LLC the Group reclassified part of investment property rented to the Group to Property, plant and equipment (see Note 24. Investment property). There were no fair value adjustments resulting from the acquisition of this company.

The fair value adjustments resulting from business combinations in 2014 are presented in the following table:

In thousand of EUR

| | Software and other intangible assets | Loans and advances to customers | Deposits and loans from banks | Deposits and loans from customers | Deferred tax asset | Total net effect |
|---|---|---|---|---|---|---|
| VABA Bank | (1,021) | (1,165) | 101 | 124 | 392 | (1,569) |

### 4.2. Goodwill and impairment testing

The Group conducts impairment testing of goodwill arisen in a business combination during the current period and impairment testing of goodwill already recognised in prior years annually (see also Note 5.1. Acquisitions and establishment of subsidiaries and associates and Note 25. Intangible assets). The Group also conducts impairment testing of other intangible assets with indefinite useful lives and of cash-generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows or on the basis of fair value less costs to sell.
Fair value measurements for impairment testing purposes were categorized as a Level 3 measurement based on the inputs used in the valuation technique. In the majority of cases the Group estimated the recoverable amounts of goodwill and the cash generating units based on value in use. Value in use was derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital ("WACC") of each CGU.

#### (i) Interznanie OAO

As at 31 December 2014, the recoverable amount of the Interznanie cash generating unit, with a carrying amount of EUR 24,156 thousand including goodwill of EUR 6,106 thousand was determined on the basis of value in use, considering expected rental income from the rental contracts. An impairment loss was identified and the above mentioned goodwill was fully written off as a result of this impairment test. Expected future cash flows were discounted using WACC of 14.83%

The WACC was the key assumption in the impairment testing. Should the WACC have increased by 1%, the value in use would have decreased and an additional impairment loss of EUR 1,475 thousand would have had to be recognized.

**(ii) Poštová banka, a.s.**

At the acquisition of Poštová banka, a.s. and its subsidiaries (Poštová banka Group) goodwill in amount of EUR 20,033 thousand was recognized. The recoverable amount of the Poštová banka Group cash generating unit, with a carrying amount of EUR 624,127 thousand (share controlled by the Group) as at 31 December 2014 and of EUR 676,737 as at 31 December 2015, was determined on the basis of value in use and the full amount of goodwill recognized at the acquisition was allocated to the Poštová banka Group cash generating unit. The cash flows were derived from the Poštová banka Group's long term business plan, the key assumptions being forecast net interest income and loans provided to customers, and these were applied over a specific five-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 2% (2014: 2%). Expected future cash flows were discounted using a WACC of 7.2% (2014: 7.5%). There was no impairment loss identified as a result of this impairment test. Should net interest income decrease by 10%, the value in use would decrease and an impairment of EUR 27,665 thousand would have to be recognized (2014: EUR 49,215 thousand).

### 4.3. Financial instruments

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from such prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the market for a financial instrument is not active, fair value is estimated by using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information about estimates and assumptions that market participants would use in setting a price for the financial instrument.

Level 2 fair values are based on market values, but adjusted mainly by credit risk taking into account the credit risk of the Group and counterparty when appropriate.

If fair values had been higher or lower by 10% than quoted prices, the net carrying amount of financial instruments on Level 1 and Level 2, would have been EUR 135,843 thousand higher or lower than as disclosed as at 31 December 2015 (2014: EUR 160,027 thousand).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

In the vast majority of cases, the fair value of Level 3 investments was estimated using discounted cash flow ("DCF") models, with inputs coming from the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specificities of the industries and countries in which the investments operate and ranged from 6.4% to 16.1% as at 31 December 2015 (2014: from 6.21% to 16.39%). The key assumptions used in the valuations were the expected cash flows and discount rates.
If the fair values had been higher or lower by 10% from management's estimates, the net carrying amount of financial instruments on Level 3 would have been estimated to be EUR 18,441 thousand higher or lower than as disclosed as at 31 December 2015 (2014: EUR 31,967 thousand).

For more information, refer to the following notes:

- Note 14. Financial assets and liabilities at fair value through profit or loss
- Note 15. Financial assets available for sale
- Note 24. Investment property

### 4.4. Valuation of investment property

Investment property is carried at fair value and classified as Level 2 according to the fair value hierarchy. Fair values of investment property are determined either by independent registered valuers or by management, in both cases based on current market values in an active market for similar properties in the same location and conditions.

Valuations reflect, where appropriate, the type of tenants in occupation or responsible for meeting lease commitments, or likely to be in occupation after letting vacant property, the general market's perception of tenants' creditworthiness and the remaining economic life of the properties.

Were fair values to differ by 10% from management estimates, the carrying amount of investment property would be an estimated EUR 567 thousand higher or lower than disclosed as at 31 December 2015 (2014: EUR 646 thousand).

### 4.5. Determination of control over Investees

Management applies its judgement to determine whether the control indicators set out in Note 3 (a) indicate that the Group controls an investment fund. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. As a result, the Group has concluded that it acts as agent for the investors in all cases (except FOND DLHODOBÝCH VÝNOSOV o.p.f., NÁŠ DRUHÝ REALITNÝ o.p.f. (that were disposed of in 2015), and J&T REALITY otevřený podílový fond, refer to Note 45. Group entities) and therefore has not consolidated these funds.

## 5. Acquisitions and disposals of subsidiaries

### 5.1. Acquisition and establishment of subsidiaries and associates

#### (a) Acquisition of subsidiaries and associates

In thousand of EUR

| | Date of acquisition | Cost | Cash outflow | Group's interest after acquisition (%) |
|---|---|---|---|---|
| 31 December 2015 | | | | |
| XT-Card a.s. | 26. 11. 2015 | 237 | 237 | 32.00 |
| **Total** | **-** | **237** | **237** | **-** |
| | | | | |
| 31 December 2014 | | | | |
| TECHNO PLUS, a.s.[1] | 1. 1. 2014 | - | - | 100.00 |
| Vaba d.d. banka Varaždin | 9. 6. 2014 | 9,893 | - | 58.33 |
| Salve Finance, a.s.[2] | 5. 8. 2014 | 2,000 | 2,000 | 50.05 |
| Hotel Kadashevskaya, LLC[3] | 12. 9. 2014 | 2 | 2 | 100.00 |
| **Total** | **-** | **11,895** | **2,002** | **-** |

[1] TECHNO PLUS, a.s. was acquired within a transaction under common control, refer to Note 1. General information.
[2] The Group acquired a 50.05% share in Salve Finance, a.s. through Poštová banka, a.s. in which it owned 90.01% share (refer to Note 45. Group entities).
[3] The Group acquired a 100% share in Hotel Kadashevskaya, LLC through the subsidiary in which it owns 99.9% share (refer to Note 45. Group entities).

#### (b) Establishment of subsidiaries

No subsidiaries were established in 2015. In 2014, the Group established the following subsidiaries:

| 31 December 2014 | Date of establishment | Group's interest after establishment (%) |
|---|---|---|
| **Subsidiaries** | | |
| PB IT, a.s. | 17. 1. 2014 | 100.00 |
| J&T Global Finance IV., B.V. | 4. 4. 2014 | 100.00 |
| J&T Global Finance V., s. r. o. | 10. 10. 2014 | 100.00 |
| ART FOND – Stredoeurópsky fond súčasného umenia, a.s.[1] | 5. 12. 2014 | 38.46 |
| PBI, a.s. | 15. 12. 2014 | 100.00 |

[1] The Group controls its subsidiary ART FOND – Stredoeurópsky fond súčasného umenia, a.s. through the Board of Directors based on a shareholder's agreement with the remaining shareholders of the company.

### (c) Effect of acquisitions

The acquisitions of new subsidiaries in 2014 had the following effect on the Group's assets and liabilities (refer also to Note 4.1. Business combinations and purchase price allocations):

In thousand of EUR

| | VABA Bank | Other entities | Total |
|---|---|---|---|
| Cash and cash equivalents[1] | 34,935 | 187 | 35,122 |
| Financial assets available for sale | 24,182 | 5 | 24,187 |
| Loans and advances to customers | 100,821 | 464 | 101,285 |
| Trade receivables and other assets | 2,426 | 2,509 | 4,935 |
| Current tax assets | 1 | - | 1 |
| Intangible assets | 969 | 2 | 971 |
| Property, plant and equipment | 6,225 | 15 | 6,240 |
| Deferred tax assets | 430 | 259 | 689 |
| Deposits and loans from banks | (9,018) | (137) | (9,155) |
| Deposits and loans from customers | (133,182) | (129) | (133,311) |
| Subordinated debt | (402) | - | (402) |
| Other liabilities | (10,639) | (2,085) | (12,724) |
| Provisions | (115) | (190) | (305) |
| Non-controlling interests[2] | (6,931) | (100) | (7,031) |
| Net identifiable assets and liabilities | 9,702 | 800 | 10,502 |
| Goodwill on acquisition of new subsidiaries | 191 | 1,899 | 2,090 |
| Negative goodwill | - | (697) | (697) |
| Cost of acquisition | 9,893 | 2,002 | 11,895 |
| Consideration paid, satisfied in cash | - | (2,002) | (2,002) |
| Cash acquired[1] | 25,042 | 187 | 25,229 |
| **Net cash inflow (outflow)** | **25,042** | **(1,815)** | **23,227** |

| | | | |
|---|---|---|---|
| Profit (loss) since acquisition date | (1,157) | 170 | (987) |
| Profit (loss) of the acquired entity for all of 2014 | (870) | 1,230 | 360 |
| Revenues of the acquired entity for all of 2014 | 3,374 | 2,520 | 5,894 |

| | |
|---|---|
| Negative goodwill on acquisition of new subsidiary | (697) |
| Foreign exchange differences | 27 |
| Negative goodwill for the year ended 31 December 2014 | (670) |

[1] VABA Bank was acquired through an increase in the bank's share capital (refer to Note 4.1. Business combinations and purchase price allocations), therefore cash acquired as presented in the table above does not include cash contributed by J&T BANKA, a.s. in amount of EUR 9,893 thousand.

[2] The amount of Non-controlling interests as presented in the table above includes only the impact from acquired companies and does not include an increase of EUR 441 thousand due to a newly established subsidiary ART FOND – Stredoeurópsky fond súčasného umenia, a.s. with a non-controlling interest.

**Effect of the merger in 2014**

In thousand of EUR

| | TECHNO PLUS, a.s. |
|---|---|
| Cash and cash equivalents | 6 |
| Loans and advances to customers | 431 |
| Trade receivables and other assets | 142,107 |
| Deposits and loans from customers | (142,001) |
| Other liabilities | (51,576) |
| **Net identifiable assets and liabilities** | **(51,033)** |
| Effect of merger on Equity attributable to equity holders of the parent | (51,033) |
| Cash acquired | 6 |
| **Net cash inflow** | **6** |

TECHNO PLUS, a.s. was acquired as part of a cross-border merger under common control, therefore there is no cost of acquisition and no goodwill or negative goodwill arisen on the transaction. For details of the transaction, refer to Note 1. General information.

### 5.2. Disposals

#### (a) Disposals of subsidiaries

The following disposals have incurred in 2015 and in 2014:

In thousand of EUR

| | Date of disposal | Sales price | Cash inflow | Gain (loss) on disposal |
|---|---|---|---|---|
| **31 December 2015** | | | | |
| Salve Finance, a.s. | 24. 6. 2015 | - | - | (1,996) |
| NÁŠ DRUHÝ REALITNÝ o.p.f. – PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a.s. | 30. 12. 2015 | 58 | 58 | 5 |
| FOND DLHODOBÝCH VÝNOSOV o.p.f – PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a.s. | 30. 12. 2015 | 102 | 102 | 8 |
| **Total** | | **160** | **160** | **(1,983)** |
| | | | | |
| **31 December 2014** | | | | |
| J&T Advisors (Canada) Inc. | 14. 1. 2014 | - | - | - |
| J&T Sport Team ČR, s.r.o. | 30. 6. 2014 | 7 | - | 13 |
| První zpravodajská a.s. | 30. 6. 2014 | - | - | 3,119 |
| FORESPO PÁLENICA a. s. | 8. 10. 2014 | 2,238 | 2,238 | 213 |
| FORESPO SMREK a. s. | 8. 10. 2014 | 4,856 | 4,856 | 531 |
| FORESPO HOREC a SASANKA a. s. | 8. 10. 2014 | 4,774 | 4,774 | 444 |
| FORESPO HELIOS 1 a. s. | 8. 10. 2014 | 8,301 | 8,301 | 8 |
| FORESPO HELIOS 2 a. s. | 8. 10. 2014 | 12,451 | 12,451 | 97 |
| FORESPO SOLISKO, a. s. | 8. 10. 2014 | 5,010 | 5,010 | 557 |
| INVEST-GROUND a. s. | 8. 10. 2014 | 33,645 | 33,645 | 9,579 |
| FORESPO - RENTAL 1 a.s. | 15. 12. 2014 | 14,994 | 14,994 | 750 |
| FORESPO - RENTAL 2 a. s. | 15. 12. 2014 | 33,131 | 33,131 | (347) |
| FORESPO BDS a.s. | 23. 12. 2014 | 8,461 | 8,461 | 2,753 |
| J&T GLOBAL SERVICES LIMITED | 31. 12. 2014 | 3,849 | - | (146) |
| JTG Services Anstalt | 31. 12. 2014 | - | - | - |
| **Total** | | **131,717** | **127,861** | **17,571** |

### (b) Effect of disposals

The disposals of subsidiaries had the following effect on the Group's assets and liabilities:

**Effect of disposals in 2015**

In thousand of EUR

| | Total effect |
|---|---|
| Cash and cash equivalents | 368 |
| Financial assets at fair value through profit or loss | 12 |
| Financial assets available for sale | 5 |
| Loans and advances to customers | 113 |
| Trade receivables and other assets | 1,791 |
| Current tax assets | 16 |
| Intangible assets | 1,900 |
| Property, plant and equipment | 27 |
| Deposits and loans from banks | (294) |
| Deposits and loans from customers | (21) |
| Other liabilities | (1,307) |
| Provisions | (182) |
| Non-controlling interests | (136) |
| **Net assets and liabilities** | **2,292** |
| | |
| Other assets acquired | 149 |
| Sales price | 160 |
| **Loss on disposal** | **(1,983)** |
| | |
| Consideration received, satisfied in cash | 160 |
| Cash disposed of | (368) |
| **Net cash outflow** | **(208)** |

**Effect of disposals in 2014**

In thousand of EUR

| | Real estate companies[1] | Other entities | Total effect |
|---|---|---|---|
| Cash and cash equivalents | 4,114 | 899 | 5,013 |
| Loans and advances to customers | - | 623 | 623 |
| Trade receivables and other assets | 1,227 | 4,105 | 5,332 |
| Current tax assets | 57 | 44 | 101 |
| Investment property | 109,890 | - | 109,890 |
| Intangible assets | 5 | 5 | 10 |
| Property, plant and equipment | - | 14 | 14 |
| Deposits and loans from customers | (11,328) | (26,077) | (37,405) |
| Other liabilities | (1,433) | (2,471) | (3,904) |
| Current tax liability | (7) | - | (7) |
| Provisions | (93) | - | (93) |
| Deferred tax liabilities | (131) | - | (131) |
| Non-controlling interests | (519) | - | (519) |
| **Net assets and liabilities** | **101,782** | **(22,858)** | **78,924** |
| **Receivables sold in related transaction** | **11,234** | **26,096** | **37,330** |
| | | | |
| Sales price | 127,861 | 3,856 | 131,717 |
| Cumulative income and expense included in other comprehensive income reclassified to profit or loss | (260) | 2,368 | 2,108 |
| **Gain on disposal** | **14,585** | **2,986** | **17,571** |
| | | | |
| Consideration received, satisfied in cash | 127,861 | - | 27,861 |
| Cash disposed of | (4,114) | (899) | (5,013) |
| **Net cash inflow (outflow)** | **123,747** | **(899)** | **122,848** |

[1] Real estate companies disposed by investment funds FOND DLHODOBÝCH VÝNOSOV o.p.f. and NÁŠ DRUHÝ REALITNÝ o.p.f.

## 6. Net interest income

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| **Interest income** | | |
| Loans and advances to banks and customers | 388,894 | 378,959 |
| Bonds and other fixed income securities | 57,626 | 77,435 |
| Repo transactions | 13,438 | 18,649 |
| Bills of exchange | 7,261 | 9,376 |
| Receivables from central banks | 560 | 455 |
| Other | 13,484 | 8,284 |
| **Total interest income** | **481,263** | **493,158** |

| | | |
|---|---|---|
| **Interest expense** | | |
| Deposits and loans from banks and customers | (140,842) | (148,645) |
| Bonds and other securities with fixed interest rate | (19,994) | (21,473) |
| Bills of exchange | (2,140) | (1,811) |
| Repo transactions | (108) | (97) |
| Other | (10,189) | (9,400) |
| **Total interest expense** | **(173,273)** | **(181,426)** |
| **Total net interest income** | **307,990** | **311,732** |

The interest income from loans indicated as impaired accrued in 2015 was in amount of EUR 22,804 thousand (2014: EUR 12,145 thousand).

Interest income from financial assets that are not at fair value through profit or loss in 2015 was EUR 470,819 thousand (2014: EUR 479,968 thousand). Interest expense from financial liabilities that are not at fair value through profit or loss in 2015 was EUR 172,597 thousand (2014: EUR 180,537 thousand).

## 7. Net fee and commission income

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| **Fee and commission income** | | |
| Fees on administration and payment transactions | 36,490 | 33,072 |
| Fees on assets under management | 20,340 | 18,516 |
| Fees on financial instrument operations | 9,610 | 7,229 |
| Fees on promises and guarantees | 5,690 | 5,034 |
| Fees on custody, administration and depositing of valuables | 3,022 | 2,231 |
| Fees on bond issue | 2,751 | 3,139 |
| Intermediation fees | 1,904 | 4,131 |
| Other fees and commission income | 20,133 | 14,632 |
| **Total fee and commission income** | **99,940** | **87,984** |

| | | |
|---|---|---|
| **Fee and commission expense** | | |
| Fees on payment transactions | (12,664) | (12,291) |
| Intermediation fees | (11,772) | (10,304) |
| Fees on financial instrument operations | (4,762) | (3,924) |
| Other fees and commission expenses | (6,323) | (4,095) |
| Total fee and commission expense | (35,521) | (30,614) |
| **Total net fee and commission income** | **64,419** | **57,370** |

Other fees and commission income includes a large number of sundry items that are not significant on an individual basis.

## 8. Net dealing loss

In thousand of EUR

| | 2015 | 2014 |
|---|---:|---:|
| Realised and unrealised gains (losses) on financial instruments at fair value | (47,261) | (11,415) |
| Realised and unrealised gains (losses) from receivables | (5,073) | (14,290) |
| Dividend income | 22,076 | 2,756 |
| **Total net dealing loss** | **(30,258)** | **(22,949)** |

The majority of losses on financial instruments in 2015 were generated from the sale of Greek government bonds of EUR 24,416 thousand (refer to Note 16. Financial assets held to maturity) and from trading in currency derivatives of EUR 13,432 thousand (2014: EUR 42,450 thousand).

The Group also recognized a loss from the revaluation of shares of Best Hotel Properties a.s. ("BHP") in the amount of EUR 20,580 thousand (2014: profit of EUR 2,655 thousand), mainly due to the decrease of the share capital of BHP, which was compensated by income from the decrease in the share capital by EUR 21,245 thousand presented as dividend income above.

## 9. Other operating income

In thousand of EUR

| | 2015 | 2014 |
|---|---:|---:|
| Exchange rate gains | 48,735 | 43,101 |
| Revenues from services and consulting | 14,554 | 12,633 |
| Revenues from receivables written off | 5,850 | 10,013 |
| Income from rendered aircraft and other operating leases | 4,482 | 7,216 |
| Revenues (premium) of insurance companies | 6,743 | 5,282 |
| Goods sold | 6,881 | 4,279 |
| Rental income from investment property | 1,261 | 3,265 |
| Gain from gold bars | 49 | 2,596 |
| Other rental income | 398 | 244 |
| Gain on the disposal of subsidiaries, net (Note 5.2.) | - | 17,571 |
| Other income | 3,985 | 8,451 |
| **Total other operating income** | **92,938** | **114,651** |

Other income includes a large number of sundry items that are not significant on an individual basis.

## 10. Personnel expenses

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| Wages and salaries | (70,234) | (65,480) |
| Compulsory social security contributions | (18,744) | (17,403) |
| Other social expenses | (1,740) | (1,756) |
| **Total personnel expenses** | **(90,718)** | **(84,639)** |

The weighted average number of employees during 2015 was 2,279 (2014: 2,249), out of which executives represent 182 (2014: 201).

### 11. Other operating expenses

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| Rent expenses | (15,698) | (15,019) |
| Advertising expenses | (10,235) | (11,667) |
| Mandatory fees paid by financial institutions | (9,635) | (9,166) |
| Repairs and maintenance expenses | (9,563) | (7,742) |
| Tax on financial transactions | (9,277) | (13,083) |
| Consulting expenses | (7,212) | (9,233) |
| Goods sold | (6,921) | (4,303) |
| Change in impairment of receivables and inventories | (6,711) | (2,591) |
| Communication expenses | (6,085) | (5,721) |
| Change in provisions | (5,619) | (18,081) |
| Materials | (3,878) | (4,714) |
| Insurance technical provisions and claims | (3,529) | (2,841) |
| Sponsoring and gifts | (2,740) | (2,364) |
| Loss on the disposal of subsidiaries, net (Note 5.2.) | (1,983) | - |
| Transport and accommodation, travel expenses | (1,925) | (1,896) |
| Outsourcing | (1,719) | (957) |
| Property and other taxes | (1,452) | (3,571) |
| Training, courses and conferences | (1,175) | (1,106) |
| Handling and operation of aircraft | (931) | (1,243) |
| Energy | (213) | (624) |
| Contractual penalties | (80) | (822) |
| Change in fair value of investment property, net | - | (6,567) |
| Other operating expenses | (14,631) | (16,722) |
| **Total other operating expenses** | **(121,212)** | **(140,033)** |

Other operating expenses include a large number of sundry items that are not significant on an individual basis.

## 12. Income tax

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| **Current tax expense** | | |
| Current year | (30,662) | (37,832) |
| Adjustments for prior periods | (147) | (5) |
| Withheld on interest | (42) | (270) |
| | (30,851) | (38,107) |
| **Deferred tax income (expense)** | | |
| Origination and reversal of temporary differences | 2,504 | 3,662 |
| Change in tax rate | - | (14) |
| | 2,504 | 3,648 |
| **Total income tax expense** | **(28,347)** | **(34,459)** |

The corporate income tax rate in the Czech Republic for 2015 and 2014 is 19%. The corporate income tax rate in Slovakia for 2015 and 2014 is 22%.

### (i) Reconciliation of the effective tax rate

In thousand of EUR

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | % | | % | |
| **Profit before tax** | | **100,898** | | **96,471** |
| | | | | |
| Income tax at 19% (2014: 19%) | (19.0) | (19,171) | (19.0) | (18,329) |
| Effect of tax rates in foreign jurisdictions | (2.2) | (2,226) | 0.8 | 731 |
| Non-deductible expenses | (36.2) | (36,524) | (24.8) | (23,925) |
| Non-taxable income | 31.9 | 32,166 | 9.0 | 8,696 |
| Tax withheld on interest | (0.0) | (42) | (0.3) | (270) |
| Recognition of previously unrecognised tax losses | 0.0 | 40 | 0.7 | 630 |
| Current year tax losses for which no deferred tax asset was recognised | (2.4) | (2,443) | (2.2) | (2,041) |
| Change in temporary differences for which no deferred tax asset was recorded | - | - | 0.1 | 68 |
| Tax charges over provided in prior years | (0.1) | (147) | (0.0) | (5) |
| Change in tax rate | - | - | (0.0) | (14) |
| **Total income tax expense** | **(28.0)** | **(28,347)** | **(35.7)** | **(34,459)** |

### (ii) Income tax recognized in other comprehensive income

In thousand of EUR

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax benefit | Net of tax | Before tax | Tax expense | Net of tax |
| Foreign exchange translation differences | (21,991) | - | (21,991) | (29,125) | - | (29,125) |
| Change in fair value of financial assets available for sale | 13,174 | (2,246) | 10,928 | 4,003 | (529) | 3,474 |
| Share of other comprehensive income of equity accounted investees | (99) | - | (99) | (1,023) | - | (1,023) |
| **Total** | **(8,916)** | **(2,246)** | **(11,162)** | **(26,145)** | **(529)** | **(26,674)** |

### (iii) Movements in deferred tax balances during the year

In thousand of EUR

| | Balance at 1 January 2015 | Recognised in profit or loss | Recognised in other comprehensive income |
|---|---|---|---|
| Property, plant and equipment | (1,491) | (46) | - |
| Intangible assets | (23,783) | 2,881 | - |
| Investment property | (2,891) | 261 | - |
| Impairment of trade receivables and other assets | 107 | (127) | - |
| Financial assets available for sale | (4,436) | 104 | (2,246) |
| Financial assets held to maturity | (11,752) | 6,472 | - |
| Employees benefits (IAS 19) | 717 | (22) | - |
| Unpaid interest, net | (57) | (131) | - |
| Financial assets at fair value through profit or loss | 250 | (265) | - |
| Loans and borrowings | 16,068 | (5,685) | - |
| Provisions | 3,342 | 1,109 | - |
| Tax losses | 13,378 | (4,191) | - |
| Other temporary differences | 250 | 2,144 | - |
| **Total** | **(10,298)** | **2,504** | **(2,246)** |

| Acquired in business combinations (Note 5.1.) | Foreign exchange translation differences | Transfer to disposal group held for sale | Balance at 31 December 2015 |
|---|---|---|---|
| | | | |
| - | (80) | (1) | (1,618) |
| - | (10) | (10) | (20,922) |
| - | 257 | - | (2,373) |
| - | 7 | 37 | 24 |
| - | 1,391 | 277 | (4,910) |
| - | 10 | 57 | (5,213) |
| - | 1 | - | 696 |
| - | - | 153 | (35) |
| - | 15 | - | - |
| - | 100 | 481 | 10,964 |
| - | 76 | - | 4,527 |
| - | 147 | (153) | 9,181 |
| - | (15) | (132) | 2,247 |
| **-** | **1,899** | **709** | **(7,432)** |

### (iii) Movements in deferred tax balances during the year

In thousand of EUR

| | Balance at 1 January 2014 | Recognised in profit or loss | Recognised in other comprehensive income |
|---|---|---|---|
| Property, plant and equipment | (1,359) | (6) | - |
| Intangible assets | (27,240) | 3,024 | - |
| Investment property | (4,461) | (254) | - |
| Impairment of trade receivables and other assets | 111 | (3) | - |
| Financial assets available for sale | (3,502) | (479) | (529) |
| Financial assets held to maturity | (12,567) | 814 | - |
| Employees benefits (IAS 19) | 935 | (217) | - |
| Unpaid interest, net | (83) | 26 | - |
| Financial assets at fair value through profit or loss | 61 | 301 | - |
| Loans and borrowings | 12,957 | 2,828 | - |
| Provisions | 2,019 | 1,277 | - |
| Tax losses | 16,938 | (3,738) | - |
| Other temporary differences | 195 | 75 | - |
| **Total** | **(15,996)** | **3,648** | **(529)** |

See also Note 33. Deferred tax assets and liabilities.

| Acquired in business combinations (Note 5.1.) | Foreign exchange translation differences | Transfer to disposal group held for sale | Balance at 31 December 2014 |
|---|---|---|---|
| | | | |
| - | (126) | - | (1,491) |
| 430 | 3 | - | (23,783) |
| - | 1,693 | 131 | (2,891) |
| - | (1) | - | 107 |
| - | 74 | - | (4,436) |
| - | 1 | - | (11,752) |
| - | (1) | - | 717 |
| - | - | - | (57) |
| - | (112) | - | 250 |
| - | 283 | - | 16,068 |
| - | 46 | - | 3,342 |
| 259 | (81) | - | 13,378 |
| - | (20) | - | 250 |
| **689** | **1,759** | **131** | **(10,298)** |

## 13. Cash and cash equivalents

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Cash and cash equivalents at amortised cost | | |
| Cash on hand | 41,323 | 41,957 |
| Current accounts with banks | 118,414 | 168,150 |
| Current accounts with central banks | 8,705 | 13,080 |
| Loans and advances to central banks | 842,247 | 523,924 |
| Loans and advances to other banks | 9,165 | 137,257 |
| **Total cash and cash equivalents** | **1,019,854** | **884,368** |

Term deposits with an original maturity of up to three months are classified as cash equivalents.

The weighted average interest rate on loans and advances to banks was 0.09% as at 31 December 2015 (2014: 0.17%).

## 14. Financial assets and liabilities at fair value through profit or loss

### 14.1. Financial assets at fair value through profit or loss

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Non-derivative financial assets at fair value through profit or loss** | | |
| Bonds | 85,842 | 325,299 |
| Shares | 13,461 | 6,696 |
| Other financial assets | 33 | 2,054 |
| **Total trading portfolio** | **99,336** | **334,049** |
| Bonds | - | - |
| Shares | 437 | 21,023 |
| Other financial assets | 3,614 | 2,821 |
| **Total investing portfolio** | **4,051** | **23,844** |
| | 103,387 | 357,893 |
| **Derivatives** | | |
| Option contracts for share purchase | 3,018 | 2,118 |
| Currency contracts | 2,738 | 3,531 |
| Interest rate swaps | 1,242 | - |
| Option contracts for commodity purchase | 27 | 32 |
| | 7,025 | 5,681 |
| **Total financial assets at fair value through profit or loss** | **110,412** | **363,574** |

Debentures for trading as at 31 December 2015 comprises mainly CE Energy, a.s. bonds of EUR 13,419 thousand (2014: EUR 26,238 thousand) and Czech government bonds of EUR 13,139 thousand (2014: EUR 201,483 thousand).

The main amount of financial assets at fair value through profit or loss as at 31 December 2014 in the investing portfolio is shares of Best Hotel Properties, a.s. for EUR 20,999 thousand. As at 31 December 2015 the fair value of these shares decreased to EUR 437 thousand due to the decrease in the share capital of the company (refer to Note 8. Net dealing loss).

Income from debt and other fixed-rate instruments is recognised in interest income. At 31 December 2015 the weighted average interest rate on bonds was 6.25% (2014: 7.12%).

### (i) Fair value measurement of financial assets at fair value through profit or loss

As at 31 December 2015

In thousand of EUR

| | Shares | Bonds | Other financial assets | Total |
|---|---|---|---|---|
| **Fair value of non-derivative financial assets at fair value through profit or loss** | | | | |
| Level 1 – quoted market prices | 13,321 | 82,250 | 754 | 96,325 |
| Level 2 – derived from quoted prices | - | - | 2,107 | 2,107 |
| Level 3 – calculated using valuation techniques | 577 | 3,592 | 786 | 4,955 |
| | 13,898 | 85,842 | 3,647 | 103,387 |
| **Fair value of derivatives** | | | | |
| Level 2 – derived from quoted prices | | | | 7,025 |
| | | | | 7,025 |
| **Total financial assets at fair value through profit or loss** | | | | **110,412** |

As at 31 December 2014

In thousand of EUR

| | Shares | Bonds | Other financial assets | Total |
|---|---|---|---|---|
| **Fair value of non-derivative financial assets at fair value through profit or loss** | | | | |
| Level 1 – quoted market prices | 6,058 | 307,102 | 1,779 | 314,939 |
| Level 2 – derived from quoted prices | - | - | 1,406 | 1,406 |
| Level 3 – calculated using valuation techniques | 21,661 | 18,197 | 1,690 | 41,548 |
| | 27,719 | 325,299 | 4,875 | 357,893 |
| **Fair value of derivatives** | | | | |
| Level 2 – derived from quoted prices | | | | 5,681 |
| | | | | 5,681 |
| **Total financial assets at fair value through profit or loss** | | | | **363,574** |

### (ii) Detail of fair value measurement in Level 3

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousand of EUR

| | Shares | Bonds | Other financial assets | Total |
|---|---|---|---|---|
| Balance at 1 January 2015 | 21,661 | 18,197 | 1,690 | 41,548 |
| Total gains (losses) recognized in profit or loss | (21,103) | (1,318) | 34 | (22,387) |
| Additions | 59 | 2,687 | 16 | 2,762 |
| Disposals | (53) | (15,344) | - | (15,397) |
| Transfer to Level 1 | - | (1,541) | (1,031) | (2,572) |
| Interest income less interest received | - | (112) | - | (112) |
| Effect of movements in foreign exchange | 13 | 1,023 | 77 | 1,113 |
| **Balance at 31 December 2015** | 577 | 3,592 | 786 | 4,955 |
| | | | | |
| Balance at 1 January 2014 | 29,022 | 69,079 | 617 | 98,718 |
| Total gains (losses) recognized in profit or loss | 18 | (614) | 28 | (568) |
| Additions | 19 | 10,521 | 966 | 11,506 |
| Disposals | (7,450) | (55,445) | - | (62,895) |
| Transfer to Level 1 | - | (5,214) | - | (5,214) |
| Interest income less interest received | - | (45) | - | (45) |
| Effect of movements in foreign exchange | 52 | (85) | 79 | 46 |
| **Balance at 31 December 2014** | **21,661** | **18,197** | **1,690** | **41,548** |

Based on changes in market conditions for some financial instruments, market prices for these instruments became available as at 31 December 2015. These bonds amounting to EUR 1,541 thousand (2014: EUR 5,214 thousand) and other financial assets amounting to EUR 1,031 thousand (2014: nil) were therefore transferred from Level 3 to Level 1 during the year. Other financial assets transferred to Level 1 of the fair value hierarchy were sold after the transfer.

There were no transfers of financial assets at fair value through profit or loss between Level 1 and Level 2 of the fair value hierarchy during the years ended 31 December 2015 and 2014.

### 14.2. Financial liabilities at fair value through profit or loss

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Non-derivative financial liabilities at fair value through profit or loss** | | |
| Other financial liabilities at fair value | 6,222 | 482 |
| | 6,222 | 482 |
| **Derivatives** | | |
| Put share options | 5,267 | 4,096 |
| Forward currency contracts | 2,859 | 12,588 |
| Interest rate swaps | 312 | - |
| Commodity derivatives | 5 | 2 |
| Cross currency swaps | - | 20,027 |
| | 8,443 | 36,713 |
| **Total financial liabilities at fair value through profit or loss** | **14,665** | **37,195** |

### (i) Fair value measurement of financial liabilities at fair value through profit or loss

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Fair value of non-derivative financial liabilities at fair value through profit or loss** | | |
| Level 1 – quoted market prices | 6,222 | 482 |
| | 6,222 | 482 |
| **Fair value of derivatives** | | |
| Level 2 – derived from quoted prices | 8,443 | 36,713 |
| | 8,443 | 36,713 |
| **Total financial liabilities at fair value through profit or loss** | **14,665** | **37,195** |

There were no transfers of financial liabilities at fair value through profit or loss between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2015 and 2014.

## 15. Financial assets available for sale

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Shares | 46,291 | 45,744 |
| Investments funds units | 359,051 | 258,909 |
| Bonds | 1,041,656 | 1,288,495 |
| Bills of exchange | 103 | 411 |
| **Total financial assets available for sale** | **1,447,101** | **1,593,559** |

At 31 December 2015 EUR 919,631 thousand (2014: EUR 1,244,739 thousand) of financial assets available for sale are expected to be recovered more than 12 months after the reporting date.

### (i) Fair value measurement of financial assets available for sale

31 December 2015

In thousand of EUR

| | Shares | Investments funds units | Bonds | Bills of exchange | Total |
|---|---|---|---|---|---|
| Level 1 – quoted market prices | 5,993 | 166,983 | 867,105 | - | 1,040,081 |
| Level 2 – derived from quoted prices | 4,229 | 192,068 | 31,163 | 103 | 227,563 |
| Level 3 – calculated using valuation techniques | 36,069 | - | 143,388 | - | 179,457 |
| | **46,291** | **359,051** | **1,041,656** | **103** | **1,447,101** |

31 December 2014

| | Shares | Investments funds units | Bonds | Bills of exchange | Total |
|---|---|---|---|---|---|
| Level 1 – quoted market prices | 8,599 | 81,411 | 1,037,105 | - | 1,127,115 |
| Level 2 – derived from quoted prices | 2,078 | 177,498 | 8,337 | 411 | 188,324 |
| Level 3 – calculated using valuation techniques | 35,067 | - | 243,053 | - | 278,120 |
| | **45,744** | **258,909** | **1,288,495** | **411** | **1,593,559** |

Financial assets available for sale comprise primarily bonds, investment funds units and shares as at 31 December 2015 and 2014. Bonds as at 31 December 2015 comprise Slovak government bonds in amount of EUR 212,929 thousand (2014: EUR 279,461 thousand), Czech government bonds in amount of EUR 198,741 thousand (2014: EUR 447,863 thousand), Polish government bonds of EUR 129,191 thousand (2014: EUR 132,217 thousand) and bonds of Tatry Mountain Resorts, a.s. of EUR 94,987 thousand (2014: EUR 162,711 thousand).

The weighted average interest rate on bonds was 3.32 % (2014: 1.92 %). The maturity of the bonds is between 2016 and 2033. Bonds with maturity in 2033 are in amount of EUR 7 thousand (2014: nil).

Shares as at 31 December 2015 comprise primarily shares of J&T Investment Pool - I - SKK, a.s. of EUR 17,660 thousand (2014: EUR 15,863 thousand), J&T Investment Pool - I - CZK, a.s. of EUR 10,286 thousand (2014: EUR 6,263 thousand), ČEZ, a.s. of EUR 5,424 thousand (2014: EUR 7,028 thousand) and shares of Tatry mountain resorts, a.s. in amount of EUR 4,435 thousand (2014: nil). As at 31 December 2014, shares available for sale comprised also shares of Starland Holding of EUR 5,233 thousand that were sold during 2015.

### (ii) Detail of fair value measurement in Level 3

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousand of EUR

| | Equity instruments | Bonds | Other financial assets | Total |
|---|---|---|---|---|
| Balance at 1 January 2015 | 35,067 | 243,053 | - | 278,120 |
| Total gains (losses) recognized in other comprehensive income | (1,283) | 2,410 | - | 1,127 |
| Total gains (losses) for the period recognised in profit or loss | 2,583 | (1,302) | - | 1,281 |
| Additions | 8,723 | 4,493 | - | 13,216 |
| Disposals | (9,095) | (106,382) | - | (115,477) |
| Interest income less interest received | - | (1,610) | - | (1,610) |
| Effect of movements in foreign exchange | 74 | 2,726 | - | 2,800 |
| **Balance at 31 December 2015** | **36,069** | **143,388** | **-** | **179,457** |
| | | | | |
| Balance at 1 January 2014 | 117,219 | 238,168 | 128,915 | 484,302 |
| Total losses recognised in other comprehensive income | - | (3,770) | (2) | (3,772) |
| Total losses for the period recognised in profit or loss | (122) | (1,508) | - | (1,630) |
| Acquired subsidiaries | - | 5 | - | 5 |
| Additions | 5,729 | 196,386 | - | 202,115 |
| Disposals | (92,947) | (149,014) | (130,840) | (372,801) |
| Interest income less interest received | - | 15,115 | 1,927 | 17,042 |
| Transfer from Level 2 | 5,201 | - | - | 5,201 |
| Transfer to Level 1 | - | (50,904) | - | (50,904) |
| Effect of movements in foreign exchange | (13) | (1,425) | - | (1,438) |
| **Balance at 31 December 2014** | **35,067** | **243,053** | **-** | **278,120** |

Based on changes in market conditions for some financial instruments, derived market prices for these instruments were not available as at 31 December 2014. Financial instruments amounting to EUR 5,201 thousand were therefore transferred from Level 2 to Level 3 as at that date.

During the year ended 31 December 2014, due to changes in market conditions for some instruments, market prices from the active market became available and bonds amounting to EUR 50,904 thousand were therefore transferred from Level 3 to Level 1.

There were no transfers of available for sale financial assets between Level 1, Level 2 or Level 3 of the fair value hierarchy during the year ended 31 December 2015.

### 16. Financial assets held to maturity

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Slovak government bonds | 465,965 | 519,573 |
| Government bonds of other European Union countries | 6,882 | 126,856 |
| Financial institution and corporate bonds | 38,052 | 47,925 |
| **Total financial assets held to maturity** | **510,899** | **694,354** |

Government bonds of other European Union countries as at 31 December 2015 comprise mainly Italian government bonds in amount of EUR 5,142 thousand (2014: nil). As at 31 December 2014 government bonds comprised Greek government bonds in amount of EUR 78,095 thousand and government bonds of Cyprus in amount of EUR 47,021 thousand. Bonds of Financial institution and corporate bonds comprise bonds listed on stock exchanges - MOL Hungarian Oil and Gas in amount of EUR 22,537 thousand (2014: EUR 32,188 thousand) and Tatra banka, a.s. in amount of EUR 15,008 thousand (2014: nil).

As at 31 December 2014 Government Bonds comprised also Greek government bonds in amount of EUR 78,095 thousand acquired by the Group as at 1 July 2013 through the acquisition of Poštová banka, a.s., holder of the bonds. In 2015, following the political crisis in Greece and at that time the Greek government's inability to conclude an agreement with the EU, the Group decided to reclassify these bonds from Financial instruments held to maturity to Financial assets available for sale. The reclassification resulted from a detailed analysis of the economic situation in Greece, characterized by the following:

- inability of Greece to repay its debt to the International Monetary Fund,
- establishment of capital controls,
- closing of banks, limitation of cash withdrawals and foreign payments,
- closing of the Athens Stock Exchange,
- increase of bonds credit spreads,
- unchanged limit in emergency liquidity assistance (ELA) for Greek banks,
- further decrease in Greece's credit rating.

These factors confirmed a significant deterioration in the creditworthiness of Greece and increased the probability of the country's default, which as an isolated event could not have been anticipated by the Group. Therefore the Group changed its intent from held to maturity to sale of the Greek government bonds and in accordance with IAS 39 reclassified these bonds with a carrying amount of EUR 78,774 thousand into Financial assets available for sale and re-measured them at fair value as at 30 June 2015. The fair value of such bonds at the date of reclassification amounted to EUR 62,476 thousand and a loss of EUR 16,298 thousand was recognized in other comprehensive income as a result of the reclassification.

During July 2015 all Greek government bonds reclassified into Financial assets available for sale were sold. The fair value of these bonds as at the sale date amounted to EUR 54,698 thousand. A total loss of EUR 24,076 thousands previously recognized in other comprehensive income was subsequently reclassified to profit or loss.

At 31 December 2015 EUR 379,167 thousand (2014: EUR 557,857 thousand) of financial assets held to maturity are expected to be recovered more than 12 months after the reporting date.

## 17. Disposal group held for sale

During the year 2015, the Group signed an agreement with a third party on sale of 50% interest in J&T Bank, a.o. (Moscow), therefore the Group classified this subsidiary as a disposal group held for sale.
The detailed structure of the assets and liabilities of the disposal group as at 31 December 2015 is as follows:

In thousand of EUR

| | J&T Bank, a.o. | Other assets held for sale | Total |
|---|---|---|---|
| Cash and cash equivalents | 29,615 | - | 29,615 |
| Financial assets at fair value through profit or loss | 21,717 | - | 21,717 |
| Financial assets available for sale | 22,511 | 3,978 | 26,489 |
| Financial assets held to maturity | 1,644 | - | 1,644 |
| Loans and advances to banks | 1,699 | - | 1,699 |
| Loans and advances to customers | 98,094 | - | 98,094 |
| Trade receivables and other assets | 461 | - | 461 |
| Intangible assets | 33 | - | 33 |
| Property, plant and equipment | 1,081 | 1,693 | 2,774 |
| **Total assets** | **176,855** | **5,671** | **182,526** |
| | | | |
| Financial liabilities at fair value through profit or loss | 17 | - | 17 |
| Deposits and loans from customers | 106,687 | - | 106,687 |
| Other liabilities | 692 | - | 692 |
| Current tax liability | 40 | - | 40 |
| Provisions | 43 | - | 43 |
| Deferred tax liabilities | 709 | - | 709 |
| **Total liabilities** | **108,188** | **-** | **108,188** |

The Group recognized cumulative expense accumulated in other comprehensive income relating to the disposal group held for sale in amount of EUR 42,605 thousand as at 31 December 2015 (mainly change in translation reserve).

## 18. Loans and advances to banks

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---:|---:|
| Obligatory minimum reserves deposited in central banks | 108,242 | 86,943 |
| Other deposits in central banks | 203,554 | 435 |
| Term deposits | 3,021 | 3,322 |
| Other loans and advances to banks | 1,199,879 | 84,453 |
| **Total loans and advances to banks** | **1,514,696** | **175,153** |

At 31 December 2015 EUR 2,430 thousand (2014: EUR 2,618 thousand) of loans to banks are expected to be recovered more than 12 months after the reporting date.

The weighted average interest rate of loans to banks as at 31 December 2015 was 0.23% (2014: 2.78%).

Obligatory minimum reserves represent the obligatory minimum reserves maintained by J&T BANKA, a.s., J&T Bank, a.o., Poštová banka, a.s. and VABA d.d. banka Varaždin under regulations of the relevant regulatory authorities. The obligatory minimum reserve for J&T BANKA, a.s. is calculated as 2% of primary deposits with a maturity of less than two years. These obligatory minimum reserves are interest earning. The obligatory minimum reserve for J&T Bank, a.o. is calculated as 5.5% of nonresidents' deposits (including banks) and 4.0% of residents' deposits (excluding banks) minus average balances of deposits and accrued interest multiplied by 0.6. In the case of J&T Bank, a.o., the obligatory minimum reserve is not bearing any interest. As at 31 December 2015 obligatory minimum reserve of J&T Bank, a.o. is presented within Disposal group held for sale. The obligatory minimum reserve for Poštová banka, a.s. is calculated as 1% of primary deposits with maturity of less than two years and is interest bearing. The obligatory minimum reserve for VABA d.d. banka Varaždin is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilites excluding balances with specified banks. The obligatory reserve is calculated as 12% of the above and is not bearing any interest.

## 19. Loans and advances to customers

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Loans and advances to customers | 5,522,061 | 5,396,313 |
| Less allowance for impairment of loans | (161,321) | (137,297) |
| **Net loans and advances to customers** | **5,360,740** | **5,259,016** |

At 31 December 2015 EUR 3,390,720 thousand (2014: EUR 3,075,554 thousand) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

Loans and advances to customers include 413 significant loans and advances, which represent 83.42% of total loans and advances to customers (2014: 421 representing 82.57%).

In 2015 the Group had loans to four customers with an aggregated balance of EUR 479,145 thousand (2014: four customers with aggregated balance of EUR 672,113 thousand).

In 2012 the Group entered into financing arrangements with Energetický a průmyslový holding, a.s. (EPH), based on which a loan of EUR 100,000 thousand, repayable by 31 March 2016 at the latest, was granted. The loan principal was convertible by issuance of new shares into EPH equity (combination of Share capital and Share premium) at the discretion of either EPH (as a debtor) or the lender. The conversion option varied depending on the particular loan and whether the convertor was the lender or borrower. The utmost conversion date was 31 March 2016.

As noted above, this financing arrangement contained embedded options to swap the outstanding amount of loan principal into EPH shares, under pre-defined conditions. Management believed that the fair value of the option could not be reasonably measured due to the fact that it was impossible to reliably determine the time value of the embedded option, which was expected to represent a significant portion of the overall option's fair value. As a consequence, the embedded derivative was measured at cost, which was zero.

As at 31 December 2014 part of the loan in amount of EUR 45,000 thousand was sold to a third party and the option to convert the total amount of loan of EUR 100,000 thousand into new shares of EPH equity was cancelled.

A significant part of the loans provided to customers relate to financing of projects and, as such, the repayment is dependent on realisation of the assets acquired by the customers financed by these loans as part of the projects. The assets are, in many cases, pledged in favour of the Group. Management believes that these receivables will be repaid in full.

The amount of non-interest bearing loans as at 31 December 2015 totaled EUR 7,717 thousand (2014: EUR 3,841 thousand). Receivables from these loans are fully provided for.
The weighted average interest rate of loans to customers as at 31 December 2015 was 4.72% (2014: 5.73%).
The loans and advances from finance lease are analyzed in Note 38.2. Finance lease.

## 20. Impairment of loans

In thousand of EUR

| | Individually assessed | Collectively assessed | Total |
|---|---|---|---|
| Balance at 1 January 2014 | 52,223 | 17,002 | 69,225 |
| Creation | 81,676 | 36,572 | 118,248 |
| Release | (11,003) | (5,854) | (16,857) |
| Use | (24,605) | (7,409) | (32,014) |
| Transfer to disposal group held for sale | - | - | - |
| Changes due to outgoing entities | - | - | - |
| Effect of movements in foreign exchange | (1,294) | (11) | (1,305) |
| **Balance at 31 December 2014** | **96,997** | **40,300** | **137,297** |

| | Individually assessed | Collectively assessed | Total |
|---|---|---|---|
| | | | |
| Balance at 1 January 2015 | 96,997 | 40,300 | 137,297 |
| Creation | 80,821 | 41,502 | 122,323 |
| Release | (25,222) | (8,468) | (33,690) |
| Use | (52,211) | (8,128) | (60,339) |
| Transfer to disposal group held for sale | (4,299) | (28) | (4,327) |
| Changes due to outgoing entities | (20) | - | (20) |
| Effect of movements in foreign exchange | 82 | (5) | 77 |
| **Balance at 31 December 2015** | **96,148** | **65,173** | **161,321** |

## 21. Repurchase and resale agreements

### 21.1. Repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price, plus interest at a predetermined rate. At 31 December 2015 and 2014, total assets sold under repurchase agreement were as follows:

In thousand of EUR

| | Fair value of underlying asset | Carrying amount of liability | Repurchase price |
|---|---|---|---|
| **31 December 2015** | | | |
| Loans and advances from customers | | | |
| - maturity up to 1 month | 1,837 | 1,806 | 1,805 |
| - maturity 1-6 months | 2,391 | 2,392 | 2,392 |
| - maturity 6-12 months | 656 | 656 | 656 |
| Loans and advances from banks | | | |
| - maturity up to 1 month | 2,097 | 2,106 | 2,104 |
| **Total** | **6,981** | **6,960** | **6,957** |

| | | | |
|---|---|---|---|
| **31 December 2014** | | | |
| Loans and advances from customers | | | |
| - maturity up to 1 month | 1,138 | 1,155 | 1,154 |
| - maturity 1-6 months | 92 | 99 | 99 |
| Loans and advances from banks | | | |
| - maturity up to 1 month | 23,055 | 23,070 | 23,069 |
| - maturity 1-6 months | 1,400 | 1,400 | 1,400 |
| **Total** | **25,685** | **25,724** | **25,722** |

### 21.2. Reverse repurchase agreements

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December 2015 and 2014, total assets purchased subject to agreements to resell them were as follows:

In thousand of EUR

| | Fair value of assets held as collateral | Carrying amount of receivable | Repurchase price |
|---|---|---|---|
| **31 December 2015** | | | |
| Loans and advances to customers | | | |
| - maturity up to 1 month | 105,104 | 84,210 | 84,692 |
| - maturity 1-6 months | 77,712 | 31,749 | 31,963 |
| - maturity 6-12 months | 716 | 716 | 716 |
| Loans and advances to banks and Cash and cash equivalents | | | |
| - maturity up to 1 month | 1,249,743 | 1,196,585 | 1,196,736 |
| - maturity 1-6 months | 3,365 | 2,801 | 2,816 |
| **Total** | **1,436,640** | **1,316,061** | **1,316,923** |
| | | | |
| **31 December 2014** | | | |
| Loans and advances to customers | | | |
| - maturity up to 1 month | 315,934 | 227,129 | 234,694 |
| - maturity 1-6 months | 78,725 | 53,704 | 54,123 |
| Loans and advances to banks and Cash and cash equivalents | | | |
| - maturity 6-12 months | 133,048 | 82,881 | 83,358 |
| **Total** | **527,707** | **363,714** | **372,175** |

Loans and advances to banks with an original maturity up to three months are disclosed as cash and cash equivalents.

## 22. Trade receivables and other assets

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Purchased receivables | 32,970 | 20,846 |
| Trade receivables | 20,178 | 21,335 |
| - brutto | 23,930 | 21,744 |
| - allowance | (3,752) | (409) |
| Securities settlement balances | 20,133 | 8,626 |
| Settlement with post offices | 9,552 | 14,278 |
| Receivables from sale and partial sale of subsidiaries | 8,745 | 9,257 |
| Expected proceeds from liquidation | 8,431 | 8,566 |
| - brutto | 9,575 | 8,566 |
| - allowance | (1,144) | - |
| Receivables from insurance and reinsurance | 636 | 637 |
| - brutto | 1,104 | 1,045 |
| - allowance | (468) | (408) |
| Other tax receivables | 525 | 378 |
| Other receivables | 63,661 | 69,094 |
| - brutto | 64,323 | 69,352 |
| - allowance | (662) | (258) |
| **Total receivables presented under risk management (see Note 39)** | **164,831** | **153,017** |
| Prepayments | 19,413 | 21,440 |
| Advance payments | 4,388 | 1,426 |
| - gross | 4,389 | 1,427 |
| - allowance | (1) | (1) |
| Inventories | 541 | 484 |
| **Total non-financial receivables and other assets** | **24,342** | **23,350** |
| **Total trade receivables and other assets** | **189,173** | **176,367** |

At 31 December 2015, EUR 575 thousand (2014: EUR 2,602 thousand) of trade receivables and other assets are expected to be recovered more than 12 months after the reporting date.

Other receivables as at 31 December 2015 include receivable in amount of EUR 21,245 thousand related to the compensation for the decrease of the share capital of Best Hotel Properties, a.s. (refer to note 8. Net dealing loss).

## 23. Investments in equity accounted investees

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| | | |
| Interests in joint ventures | 896 | 1,662 |
| Interest in associate | 353 | 108 |
| **Total interests in equity accounted investees** | **1,249** | **1,770** |

**Joint ventures**

The Group has interest in two individually immaterial joint ventures established by contractual agreement. The Group has a residual interest in the net assets of these joint ventures.

The table analyses, in aggregate, the share of profit and other comprehensive income of these joint ventures:

In thousands of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Share of: | | |
| Loss from continuing operations | (1,150) | (658) |
| Other comprehensive income | (99) | (1,023) |
| **Total share of comprehensive income from joint ventures** | **(1,249)** | **(1,681)** |

Reconciliation of summarised financial information:

In thousands of EUR

| | 2015 | 2014 |
|---|---|---|
| Opening net assets value (100%) | 3,324 | 6,688 |
| Effect of additional investment | 965 | - |
| Profit for the period | (2,299) | (1,317) |
| Other comprehensive income | (199) | (2,047) |
| **Closing net assets value (100%)** | **1,791** | **3,324** |
| **Interests in joint ventures (50%)** | **896** | **1,662** |

## 24. Investment property

In thousand of EUR

| | 2015 | 2014 |
|---|---|---|
| Balance at 1 January | 6,458 | 138,791 |
| Additions | - | 1,328 |
| Change in fair value | - | (6,567) |
| Transfer to property, plant and equipment | (143) | (11,788) |
| Disposals | - | (70) |
| Disposals of subsidiaries | - | (109,890) |
| Effect of movement in foreign exchange | (645) | (5,346) |
| **Balance at 31 December** | **5,670** | **6,458** |

Investment property as at 31 December 2015 includes buildings in amount of EUR 5,670 thousand (2014: buildings in amount of EUR 6,458 thousand).

Due to to the acquisition of Hotel Kadashevskaya, LLC, in 2014 the Group reclassified part of investment property rented to the company to property, plant and equipment (see Note 4.1. Business combinations and purchase price allocations).

Due to loss of control over real estate companies in the second half of the year 2014, the value of investment property decreased significantly (refer to note 5.2. Disposals)

No investment property was subject to pledges as at 31 December 2015 and 2014.

Investment property is insured in full as at 31 December 2015 and 2014.

## 25. Intangible assets

In thousand of EUR

| | Goodwill | Contracts and brand | Customer relation-ships | Software and other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2014 | 48,212 | 89,316 | 75,440 | 38,851 | 251,819 |
| Additions | - | - | - | 11,075 | 11,075 |
| Acquisitions through business combinations | 2,090 | 3 | - | 968 | 3,061 |
| Disposals | - | - | - | (2,095) | (2,095) |
| Disposals of subsidiaries | (1) | - | - | (15) | (16) |
| Effect of movements in foreign exchange | (4,428) | (1) | 4,751 | (281) | 41 |
| **Balance at 31 December 2014** | **45,873** | **89,318** | **80,191** | **48,503** | **263,885** |
| | | | | | |
| Balance at 1 January 2015 | 45,873 | 89,318 | 80,191 | 48,503 | 263,885 |
| Additions | - | - | - | 9,849 | 9,849 |
| Transfers to disposal group held for sale | (2,389) | - | - | (181) | (2,570) |
| Disposals | - | - | - | (2,779) | (2,779) |
| Disposals of subsidiaries | (1,900) | - | - | - | (1,900) |
| Effect of movements in foreign exchange | 173 | - | 4,746 | 402 | 5,321 |
| **Balance at 31 December 2015** | **41,757** | **89,318** | **84,937** | **55,794** | **271,806** |
| | | | | | |
| **Amortization and impairment losses** | | | | | |
| Balance at 1 January 2014 | (12,963) | (3,308) | (40,596) | (12,314) | (69,181) |
| Amortization charge for the year | - | (6,617) | (5,970) | (6,643) | (19,230) |
| Impairment | (10,484) | - | - | (424) | (10,908) |
| Disposals | - | - | - | 77 | 77 |
| Disposals of subsidiaries | - | - | - | 6 | 6 |
| Effect of movements in foreign exchange | 3,246 | - | (4,770) | 160 | (1,364) |
| **Balance at 31 December 2014** | **(20,201)** | **(9,925)** | **(51,336)** | **(19,138)** | **(100,600)** |

| | Goodwill | Contracts and brand | Customer relation-ships | Software and other intangible assets | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2015 | (20,201) | (9,925) | (51,336) | (19,138) | (100,600) |
| Amortization charge for the year | - | (6,616) | (5,976) | (8,817) | (21,409) |
| Impairment | (2,385) | - | - | 424 | (1,961) |
| Transfers to disposal group held for sale | 2,389 | - | - | 148 | 2,537 |
| Disposals | - | - | - | 40 | 40 |
| Disposals of subsidiaries | - | - | - | - | - |
| Effect of movements in foreign exchange | (114) | - | (4,712) | (223) | (5,049) |
| **Balance at 31 December 2015** | **(20,311)** | **(16,541)** | **(62,024)** | **(27,566)** | **(126,442)** |
| | | | | | |
| **Carrying amount** | | | | | |
| At 1 January 2014 | 35,249 | 86,008 | 34,844 | 26,537 | 182,638 |
| **At 31 December 2014** | **25,672** | **79,393** | **28,855** | **29,365** | **163,285** |
| | | | | | |
| At 1 January 2015 | 25,672 | 79,393 | 28,855 | 29,365 | 163,285 |
| **At 31 December 2015** | **21,446** | **72,777** | **22,913** | **28,228** | **145,364** |

In 2015, impairment loss recognized for goodwill comprises impairment loss allocated to cash-generating unit ATLANTIK finanční trhy, a.s. in amount of EUR 2,385 thousand.

In 2014, impairment loss recognized for goodwill comprises mainly impairment loss allocated to cash-generating unit Interznanie OAO in amount of EUR 8,668 thousand. For further detail refer to Note 4.2. Goodwill and impairment testing.

**Assets under development and borrowing costs**

As at 31 December 2015 the cost of intangible assets under development (included in Other intangible assets) was EUR 378 thousand (2014: EUR 1,371 thousand).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2014: nil).

## 26. Property, plant and equipment

In thousand of EUR

| | Land and buildings | Aircraft and related flight equipment | Fixtures, fittings and equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2014 | 26,328 | 8,964 | 23,662 | 58,954 |
| Additions | 1,560 | - | 6,444 | 8,004 |
| Acquisitions through business combinations | 5,559 | - | 681 | 6,240 |
| Transfers | 24 | - | (24) | - |
| Transfers from investment property | 11,788 | - | - | 11,788 |
| Disposals | (1,583) | - | (2,195) | (3,778) |
| Disposals of subsidiaries | - | - | (64) | (64) |
| Effect of movements in foreign exchange | (5,748) | 1,219 | (457) | (4,986) |
| **Balance at 31 December 2014** | **37,928** | **10,183** | **28,047** | **76,158** |
| | | | | |
| Balance at 1 January 2015 | 37,928 | 10,183 | 28,047 | 76,158 |
| Additions | 6,262 | - | 4,724 | 10,986 |
| Transfers | 53 | - | (53) | - |
| Transfers from investment property | 143 | - | - | 143 |
| Transfers to disposal group held for sale | (1,698) | - | (314) | (2,012) |
| Disposals | (2,180) | - | (2,823) | (5,003) |
| Disposals of subsidiaries | - | - | (27) | (27) |
| Effect of movements in foreign exchange | (1,240) | 1,173 | 125 | 58 |
| **Balance at 31 December 2015** | **39,268** | **11,356** | **29,679** | **80,303** |
| | | | | |
| **Depreciation and impairment losses** | | | | |
| Balance at 1 January 2014 | (1,730) | (2,900) | (8,308) | (12,936) |
| Depreciation charge for the year | (1,753) | (479) | (5,582) | (7,814) |
| Impairment | - | (330) | - | (330) |
| Disposals | 329 | - | 625 | 954 |
| Disposals of subsidiaries | - | - | 50 | 50 |
| Effect of movements in foreign exchange | 157 | (471) | 283 | (31) |
| **Balance at 31 December 2014** | **(2,997)** | **(4,180)** | **(12,930)** | **(20,107)** |

| | Land and buildings | Aircraft and related flight equipment | Fixtures, fittings and equipment | Total |
|---|---|---|---|---|
| Balance at 1 January 2015 | (2,997) | (4,180) | (12,930) | (20,107) |
| Depreciation charge for the year | (1,643) | (488) | (6,003) | (8,134) |
| Impairment | (669) | (314) | - | (983) |
| Transfers to disposal group held for sale | - | - | 124 | 124 |
| Disposals | 894 | - | 2,629 | 3,523 |
| Effect of movements in foreign exchange | 90 | (497) | (55) | (462) |
| **Balance at 31 December 2015** | **(4,325)** | **(5,479)** | **(16,235)** | **(26,039)** |
| | | | | |
| **Carrying amount** | | | | |
| At 1 January 2014 | 24,598 | 6,064 | 15,356 | 46,018 |
| **At 31 December 2014** | **34,931** | **6,003** | **15,117** | **56,051** |
| | | | | |
| At 1 January 2015 | 34,931 | 6,003 | 15,117 | 56,051 |
| **At 31 December 2015** | **34,943** | **5,877** | **13,444** | **54,264** |

At 31 December 2015 no property, plant and equipment is subject to pledges (2014: EUR 5,409 thousand).

As at 31 December 2015 the insured amount of the Group's property, plant and equipment totals EUR 94,144 thousand (2014: EUR 124,013 thousand).

#### Assets under construction and borrowing costs

As at 31 December 2015 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 100 thousand (2014: EUR 1 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2014: nil).

#### Idle assets

At 31 December 2015 the Group had no material idle assets (2014: nil).

## 27. Deposits and loans from banks

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Term deposit from banks | 63,170 | 75,821 |
| Received loans from repurchase agreements | 2,106 | 24,470 |
| Other received loans | 70,248 | 42,803 |
| **Total deposits and loans from banks** | **135,524** | **143,094** |

At 31 December 2015 EUR 1,575 thousand (2014: EUR 42,563 thousand) of deposits and loans from banks are expected to be settled more than 12 months after the reporting date.

The weighted average interest rate of deposits and loans from banks as at 31 December 2015 was 2.24% (2014: 2.18%).

For more information about repurchase agreements see Note 21. Repurchase and resale agreements.

## 28. Deposits and loans from customers

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Deposits and loans from customers | | |
| Term and escrow deposits | 5,605,828 | 5,677,533 |
| Received loans from repurchase agreements | 4,854 | 1,254 |
| Deposits payable on demand | 2,423,036 | 1,732,561 |
| Other received loans | 23,510 | 32,550 |
| | 8,057,228 | 7,443,898 |
| **Issued debt securities at amortised cost** | | |
| Issued bills of exchange and loan notes | 71,193 | 95,944 |
| | 71,193 | 95,944 |
| **Total** | **8,128,421** | **7,539,842** |

At 31 December 2015 EUR 1,564,217 thousand (2014: EUR 1,383,813 thousand) of deposits and loans from customers are expected to be settled more than 12 months after the reporting date.

The weighted average interest rate of deposits and loans from customers as at 31 December 2015 was 1.41% (2014: 1.92%).

For more information about repurchase agreements see Note 21. Repurchase and resale agreements.

## 29. Issued bonds

In thousand of EUR

| | Original currency | Interest rate | Maturity date | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|---|
| Bonds listed on Bratislava Stock Exchange | EUR | 6,40% | 6. 2. 2015 | - | 60,089 |
| Bonds listed on Bratislava Stock Exchange | EUR | 6,00% | 21. 6. 2016 | 98,585 | 99,977 |
| Bonds listed on Prague Stock Exchange | CZK | 5,20% | 15. 9. 2017 | 195,714 | 95,606 |
| Bonds listed on Bratislava Stock Exchange | EUR | 5,25% | 12. 12. 2018 | 142,777 | 19,181 |
| Bonds not listed | EUR | 6,00% | 20. 12. 2016 | 10,020 | 10,020 |
| **Total issued bonds** | | | | **447,096** | **284,873** |

In November 2011 the Group issued 1,000 pieces of bonds with a nominal value of CZK 3,000 thousand per piece, that were listed and traded on the Prague Stock Exchange. By the end of 2011 an additional 170 pieces and in February 2012 another 330 pieces of CZK denominated bonds were issued. These bonds were fully repaid in November 2014.

In February 2012 the Group issued 1,000 pieces of bonds with a nominal value of EUR 100 thousand per piece, which were formally accepted by the Bratislava Stock Exchange in March 2012 and are traded on the regulated market.
In June 2013 the Group issued another 100,000 pieces of bonds with a nominal value of EUR 1,000 per piece. The bonds are listed and traded on the Bratislava Stock Exchange.

Furthermore in December 2013 the Group issued another 10,000 pieces of bonds with nominal value of EUR 1,000 per piece that were placed privately and are not traded on any regulated market.

In September 2014 the Group issued 1,481 pieces of bonds with nominal value of CZK 3,000 thousand per piece, that are traded on the Prague Stock Exchange and in December 2014 another 150,000 pieces of bonds with nominal value of EUR 1,000 per piece that are trade on the Bratislava Stock Exchange.

The interest from all issues is paid regularly twice a year.

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2015 and 2014.

The total carrying amoung of the bonds issued does not include the amount of the bonds held by the companies within the Group.

## 30. Subordinated debt

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Subordinated debt at amortised cost | 130,315 | 123,632 |

As at 31 December 2015 subordinated debt includes floating rate subordinated notes issued by J&T BANKA, a.s. with initial amount of EUR 25 million (2014: EUR 25 million) with maturity in 2022, floating rate subordinated notes issued by J&T FINANCE GROUP SE with initial amount of EUR 3 million (2014: EUR 3 million) with maturity in 2022, and fixed interest subordinated deposits with initial amount of EUR 71.5 million (2014: EUR 71.5 million) with maturity in 2023.

Other subordinated debt as at 31 December 2015 includes fixed interest subordinated term deposits in total initial amount of EUR 27 million (2014: EUR 20 million) with maturity between years 2019 and 2025 (2014: 2019-2024).
Floating rate subordinated notes are based on 3 months EURIBOR. The weighted average interest rate on the subordinated debt as at 31 December 2015 was 5.29% (2014: 5.36%).

## 31. Other liabilities

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Payables to clients from securities trading | 162,560 | 78,751 |
| Employee benefits | 32,474 | 27,795 |
| Trade payables | 6,379 | 6,801 |
| Uninvoiced supplies | 7,713 | 5,752 |
| Securities settlement balances | 23,612 | 4,390 |
| Other liabilities | 31,625 | 26,163 |
| **Total other liabilities under risk management (see Note 39)** | **264,363** | **149,652** |
| | | |
| Advance payments received | 552 | 483 |
| Deferred income | 2,376 | 3,681 |
| **Total non-financial other liabilities** | **2,928** | **4,164** |
| | | |
| **Total** | **267,291** | **153,816** |

At 31 December 2015 EUR 421 thousand (2014: EUR 340 thousand) of other liabilities are expected to be paid more than 12 months after the reporting date.
Other liabilities include large number of sundry items that are not significant on an individual basis.

## 32. Provisions

In thousand of EUR

| | Insurance contracts | Other | Total |
|---|---|---|---|
| Balance at 1 January 2014 | 6,890 | 4,418 | 11,308 |
| Additions through business combinations | - | 305 | 305 |
| Provisions recorded during the period | 7,334 | 21,089 | 28,423 |
| Provisions used during the period | - | (572) | (572) |
| Provisions reversed during the period | (5,418) | (1,181) | (6,599) |
| Decrease from outgoing entities | - | (93) | (93) |
| Foreign exchange loss | - | (56) | (56) |
| **Balance at 31 December 2014** | **8,806** | **23,910** | **32,716** |
| Balance at 1 January 2015 | 8,806 | 23,910 | 32,716 |
| Provisions recorded during the period | 8,874 | 10,789 | 19,663 |
| Provisions used during the period | (1,314) | (17,686) | (19,000) |
| Provisions reversed during the period | (5,267) | (3,108) | (8,375) |
| Decrease from outgoing entities | - | (182) | (182) |
| Foreign exchange gain | - | 119 | 119 |
| **Balance at 31 December 2015** | **11,099** | **13,842** | **24,941** |

As at 31 December 2015 provisions in amount of EUR 14,991 thousand (2014: EUR 8,038 thousand) are expected to be used later than 12 months after the reporting date. These include mainly provision for life insurance in amount of EUR 9,684 thousand (2014: EUR 7,481 thousand), provisions for commitments and granted guarantees in the amount of EUR 4,718 thousand (2014: EUR 66 thousand) and provision for unearned premiums of EUR 478 thousand (2014: EUR 437 thousand).

Current provisions include mainly provision for a clients benefit programme (Magnus) of EUR 4,421 thousand (2014: EUR 3,158 thousand) and provision for commitments and granted guarantees of EUR 2,748 thousand (2014: EUR 19,207 thousand). Provison for guarantee and commitments as at 31 December 2014 included provision for guarantee recognized by the Group in the second half of the year 2014 in the amount of EUR 17,384 thousand based on a Guarantee Agreement concluded in 2010 with Česká exportní banka, a.s. (ČEB). The guarantee agreement related to a loan provided by ČEB to SLOVAKIA STEEL MILLS, a.s. for the construction of a steel mill and the corresponding provision was used in 2015.

## 33. Deferred tax assets and liabilities

### 33.1. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Tax losses carried forward | 2,793 | 546 |

An estimation of the expiry of unrecognized tax losses is as follows:

| | 2016 | 2017 | 2018 | 2019 | After 2019 |
|---|---|---|---|---|---|
| Tax losses | 807 | 784 | 601 | 601 | - |

A deferred tax asset is recognised for the carry forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Tax losses expire over a period of five years for losses arisen after 1 January 2004 in the Czech Republic. In Slovakia, tax losses arisen after 1 January 2010 can be amortised in the next four years equally each year. Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

### 33.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

In thousand of EUR

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Property, plant and equipment | 130 | 1,748 | 39 | 1,530 |
| Intangible assets | 369 | 21,291 | 433 | 24,216 |
| Investment property | - | 2,373 | - | 2,891 |
| Impairment of trade receivables and other assets | 24 | - | 107 | - |
| Financial assets available for sale | 1 | 4,911 | 208 | 4,644 |
| Financial assets held to maturity | - | 5,213 | - | 11,752 |
| Employee benefits (IAS 19) | 696 | - | 717 | ,- |
| Unpaid interest, net | - | 35 | - | 57 |
| Financial assets at fair value through profit or loss | - | - | 250 | - |
| Loans and borrowings | 10,964 | - | 16,631 | 563 |
| Provisions | 4,527 | - | 3,351 | 9 |
| Tax losses | 9,181 | - | 13,378 | - |
| Other temporary differences | 2,262 | 15 | 302 | 52 |
| | **28,154** | **35,586** | **35,416** | **45,714** |
| Netting[1] | (22,829) | (22,829) | (30,460) | (30,460) |
| **Total** | **5,325** | **12,757** | **4,956** | **15,254** |

[1] Netting - gross deferred tax assets and liabilities were netted for each individual subsidiary of the Group when applicable.

Many parts of Slovak, Czech and Russian tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

### 34. Shareholders' equity

### (i) Share capital and share premium

As a result of the change of the Parent Company described in Note 1. General information, the structure of equity has changed as at 1 January 2014 after the merger, including the amount of share capital and share premium representing the amounts corresponding to the successor company's share capital. The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2014 consisted of 10 ordinary shares with a par value of CZK 200 thousand, 13,778,752 ordinary shares with a par value of CZK 1 thousand and 437,110,104 ordinary shares with a par value of CZK 1.

On 16 February 2015 the shareholders of the Group decided on an increase of the share capital of J&T FINANCE GROUP SE by CZK 1,960,000 thousand (approximately EUR 70,912 thousand) to CZK 16,177,862 thousand (EUR 589,301 thousand) by a specific mechanism allowed by Czech law according to which the newly subscribed shares were paid by the current shareholders from funds received through a loan from J&T FINANCE GROUP SE. This mechanism is allowed as well based on J&T FINANCE GROUP SE's articles of association and also under the Czech legislation. J&T FINANCE GROUP SE recognised a receivable due from its shareholders in the total amount of CZK 1,960,000 thousand (EUR 70,912 thousand). The receivable is interest bearing and shall be repaid until 31 December 2016.

In 2014 J&T FINANCE GROUP SE and its shareholders signed an agreement about strategic cooperation with the company CEFC China Energy Company Limited (CEFC China).

Consequently, on 23 February 2015 the shareholders of J&T FINANCE GROUP SE agreed on another increase of the share capital of the Company by CZK 852,138 thousand (approximately EUR 30,981 thousand). 637,896 shares with nominal value of CZK 1 were subscribed by the original shareholders. The subscription price of CZK 638 thousand was paid on 10 March 2015.

On 6 March 2015 a contract on the subscription of shares was signed between the Group and CEFC Shanghai International Group Limited (CEFC Shanghai) – a subsidiary of CEFC China, which subscribed 851,500,000 shares with nominal value of CZK 1 for EUR 78,950 thousand (CZK 2,171,520 thousand). The subscription price was paid by CEFC Shanghai on 17 March 2015. The share capital of the Company was thus increased to CZK 17,030,000 thousand (approximately EUR 620,282 thousand) and CEFC Shanghai acquired a 4.8% share in the Group. The difference between the nominal value of the shares and the subscription price in amount of CZK 1,320,020 thousand (approximately EUR 47,992 thousand) was recognised in the equity of J&T FINANCE GROUP SE as share premium.

Another increase of the share capital was agreed by the shareholders of J&T FINANCE GROUP SE on 29 September 2015. The share capital of the Company increased by CZK 710,750 thousand (approximately EUR 26,302 thousand). 710,750,488 shares with nominal value of CZK 1 were subscribed by CEFC Hainan International Holdings Co., Ltd. (CEFC Hainan) – a subsidiary of CEFC China. Subsequently, the subscription price was paid and thus CEFC Hainan acquired a

4.0% share in the Group. The structure of voting rights held by the current shareholders decreased proportionately as a result of the increase by CEFC Hainan. The difference between the nominal value of the shares and the subscription price in amount of CZK 1,231,746 thousand (approximately EUR 45,585 thousand) was recognized as share premium.

The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders. The structure of the shareholders has changed due to the increase of the share capital by the new shareholders as follows:

| 31 December 2015 | Ownership % | Voting rights % |
|---|---|---|
| Ing. Jozef Tkáč | 45.6 | 45.6 |
| Ing. Ivan Jakabovič | 45.6 | 45.6 |
| CEFC Shanghai International Group Limited | 4.8 | 4.8 |
| CEFC Hainan International Holdings Co., Ltd. | 4.0 | 4.0 |
| **Total** | **100.0** | **100.0** |

| 31 December 2014 | Ownership % | Voting rights % |
|---|---|---|
| Ing. Jozef Tkáč | 50.0 | 50.0 |
| Ing. Ivan Jakabovič | 50.0 | 50.0 |
| **Total** | **100.0** | **100.0** |

**(ii) Non-distributable reserves**

Non-distributable reserves include the legal reserve fund of the Parent Company and post-acquisition increases in subsidiaries' legal reserves. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations.

Since 1 January 2014, the creation of a legal reserve fund in the Czech Republic is not required.

In Slovakia creation of a legal reserve fund is required at a minimum of 10% of net profit (annually) and up to a minimum of 20% of the registered share capital (cumulative balance).

In Russia creation of a legal reserve fund is required at a minimum of 5% of net profit (annually) up to a minimum of 5% of the registered share capital.

In Croatia creation of a legal reserve fund is required at a minimum of 20% of net profit (annually) and up to a minimum of 5% of the registered share capital.

### (iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Parent Company.

### (iv) Other reserves and funds

Other reserves comprise changes in the fair value of financial assets available for sale in amount of EUR 20,750 thousand (2014: EUR 10,497 thousand).

In 2015, J&T BANKA, a.s. issued and sold to investors subordinated unsecured perpetuity certificates with a nominal value of CZK 100 thousand and no maturity date in the amount of EUR 30,894 thousand (2014: EUR 32,660 thousand), disclosed as Other capital instruments in the consolidated statement of changes in equity. These certificates bear 9% or 10% annual yield, subject of approval, distributed quarterly from retained earnings, and are listed on the Prague Stock Exchange. The amount of issue, that combines characteristics of equity and debt instruments is following: issue I approved by the Czech National Bank (CNB) on 19 June 2014 is CZK 1,000,000 thousand (EUR 37,006 thousand), issue II approved by CNB on 12 September 2015 is CZK 1,000,000 thousand (EUR 37,006 thousand) and issue III approved on 11 December 2015 is EUR 50,000 thousand. CNB stipulated that these equity instruments comply with the requirements to be recognized as additional capital AT1, part of regulatory capital tier 1 (see also note 39.5. Capital management).

In 2014, the Board of Directors of J&T Banka, a.s. approved new special purpose capital fund (Perpetuity fund), covering distribution of yield generated by the certificates described above, amounting to CZK 100,000 thousand (EUR 3,701 thousand) and in 2015 another CZK 100,000 thousand were transferred to the fund as distribution of 2014 profit. The Group has set up this fund from the retained earnings and distribution of income from the fund comply with the prospectus. Total amount of yield paid in 2015 was EUR 3,925 thousand (2014: EUR 731 thousand) and is presented as distribution of retained earnings in the consolidated statement of changes in equity.

## 35. Non-controlling interests

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---:|---:|
| Equity Holding, a.s. | 18,813 | 17,783 |
| Poštová banka, a.s. | 9,034 | 65,347 |
| J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a. s. | 5,307 | 5,508 |
| Vaba d.d. banka Varaždin | 4,981 | 6,232 |
| Poštová poisťovňa, a. s. | 3,511 | 73 |
| Other | 453 | 144 |
| **Total non-controlling interests** | **42,099** | **95,087** |

The following table summarizes the information relating to Equity Holding, a.s. and Poštová banka, a.s., the Group's subsidiaries that have material non-controlling interests before any intra-group eliminations:

**31 December 2015**

In thousand of EUR

| | Equity Holding, a.s. | Poštová banka, a.s. | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|
| Assets | 50,487 | 4,224,461 | | |
| Liabilities | 128 | 3,617,833 | | |
| Goodwill attributable to the Group | - | 20,033 | | |
| **Net assets excluding Goodwill attributable to the Group** | **50,359** | **586,595** | | |
| Non-controlling interest's percentage | 37.36 % | 1.54 % | | |
| **Carrying amount of non-controlling interest** | **18,813** | **9,034** | **14,252** | **42,099** |
| | | | | |
| Revenue | 2,475 | 130,717 | | |
| Profit | 1,489 | 12,979 | | |
| Other comprehensive income | 1,267 | 6,577 | | |
| Total comprehensive income | 2,756 | 19,556 | | |
| Non-controlling interest's percentage | 37.36 % | 9.99 % - 1.54 % | | |
| **Profit (loss) allocated to non-controlling interest** | **556** | **1 297** | **(1,477)** | **376** |
| **Other comprehensive income allocated to non-controlling interest** | **473** | **657** | **263** | **1,393** |
| | | | | |
| Cash flows from (used in) operating activities | 11 | (72,475) | | |
| Cash flows from investing activities | - | 99,241 | | |
| Cash flows used in financing activities | - | (30,109) | | |
| **Net increase (decrease) in cash and cash equivalents** | **11** | **(3,343)** | | |

The non-controlling interest's percentage in Poštová banka, a.s. changed in December 2015. Therefore the profit allocated to non-controlling interest and other comprehensive income allocated to non-controlling interest was calculated using both percentages before and after acquisition.

**31 December 2014**

In thousand of EUR

| | Equity Holding, a.s. | Poštová banka, a.s. | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|
| Assets | 47,671 | 4,349,560 | | |
| Liabilities | 68 | 3,675,403 | | |
| Goodwill attributable to Group | - | 20,033 | | |
| **Net assets excluding Goodwill atributable to the Group** | **47,603** | **654,124** | | |
| Non-controlling interest's percentage | 37.36 % | 9.99 % | | |
| **Carrying amount of non-controlling interest** | **17,783** | **65,347** | **29,740** | **95,087** |
| | | | | |
| Revenue | 2,509 | 218,366 | | |
| Profit | 2,096 | 28,461 | | |
| Other comprehensive income | 526 | 3,099 | | |
| Total comprehensive income | 31,560 | 31,560 | | |
| Non-controlling interest's percentage | 37.36 % | 11.94 % - 9.99 % | | |
| **Profit allocated to non-controlling interest** | **783** | **3,186** | **1,155** | **5,124** |
| **Other comprehensive income allocated to non-controlling interest** | **196** | **344** | **(614)** | **(74)** |
| | | | | |
| Cash flows from (used in) operating activities | (11) | 155,589 | | |
| Cash flows from investing activities | - | 103,755 | | |
| Cash flows from financing activities | - | 9,165 | | |
| **Net increase (decrease) in cash and cash equivalents** | **(11)** | **268,509** | | |

The non-controlling interest's percentage in Poštová banka, a.s. changed in July 2014 therefore the profit allocated to non-controlling interest and other comprehensive income allocated to non-controlling interest was calculated using both percentages before and after acquisition.

**Changes in non-controlling interests without a change in control**

In February 2015, the Group contributed through J&T BANKA, a.s. to its subsidiary VABA d.d. banka Varaždin HRK 37,500 thousand (EUR 4,937 thousand), increasing its ownership from 58.33% to 67.74%. In September 2015, J&T BANKA, a.s. contributed another HRK 65,000 thousand (EUR 8,558 thousand) and the ownership interest increased to 76.81%. In May 2015, the Group sold through Poštová banka, a.s. a 20% share of its subsidiary Poštová poisťovňa, a.s.

In December 2015, the Group purchased an additional interest of 8.45% in Poštová banka, a.s. The ownership interest increased from 90.01% to 98.46%.

The table below summarizes changes in non-controlling interests in those companies where no change in control occurred and does not include the effect from newly purchased or established entities with non-controlling interests.

In thousand of EUR

| | Poštová banka, a.s. | Other | Total |
|---|---|---|---|
| Non-controlling interest at 1 January 2015 | 65,347 | x | x |
| Change in Company's ownership interest | (56,027) | 4,414 | (51,613) |
| Dividends | (2,240) | (768) | (3,008) |
| Effect of disposals | - | (136) | (136) |
| Share of comprehensive income | 1,954 | (185) | - |
| **Non-controlling interest at 31 December 2015** | **9,034** | **x** | **x** |

In February 2014, the Group contributed through J&T BANKA, a.s., to its subsidiary, J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s. (J&T REALITY OPF), EUR 8,000 thousand increasing its ownership (including share of Poštová banka, a.s. in this company) from 82.1 % to 85.81 %. In July 2014 the Group increased the ownership in Poštová banka, a.s. by subscription of new shares in amount of EUR 60,000 thousand from 88.06 % to 90.01 %.

The breakdown of changes in non-controlling interests is as follows:

| | Poštová banka, a.s. | Other | Total |
|---|---|---|---|
| Non-controlling interest at 1 January 2014 | 66,870 | x | x |
| Change in Company's ownership interest | (5,413) | (1,208) | (6,621) |
| Dividends | 360 | (531) | (171) |
| Effect of disposals | - | (519) | (519) |
| Redemption of investment funds units | - | (991) | (991) |
| Share of comprehensive income | 3,530 | 1,577 | - |
| **Non-controlling interest at 31 December 2014** | **65,347** | **x** | **x** |

### 36. Fair value information

The following table is a comparison of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value:

In thousand of EUR

| 31 December 2015 | | Fair value | | | |
|---|---|---|---|---|---|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,019,854 | - | 1,019,678 | - | 1,019,678 |
| Financial assets held to maturity | 510,899 | 543,691 | - | - | 543,691 |
| Loans and advances to banks | 1,514,696 | - | 1,513,247 | - | 1,513,247 |
| Loans and advances to customers | 5,360,740 | - | 5,272,013 | 601,529 | 5,873,542 |
| Trade receivables and other financial assets under risk management | 164,831 | - | 164,594 | 237 | 164,831 |
| **Financial liabilities** | | | | | |
| Deposits and loans from banks | 135,524 | - | 135,144 | - | 135,144 |
| Deposits and loans from customers | 8,128,421 | - | 8,100,994 | - | 8,100,994 |
| Issued bonds | 447,096 | 453,179 | - | - | 453,179 |
| Subordinated debt | 130,315 | - | 131,603 | - | 131,603 |
| Other financial liabilities under risk management | 264,363 | - | 264,363 | - | 264,363 |

| 31 December 2014 | | Fair value | | | |
|---|---|---|---|---|---|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 884,368 | - | 884,274 | - | 884,274 |
| Financial assets held to maturity | 694,354 | 726,071 | - | - | 726,071 |
| Loans and advances to banks | 175,153 | - | 174,677 | - | 174,677 |
| Loans and advances to customers | 5,259,016 | - | 5,500,407 | 253,682 | 5,754,089 |
| Trade receivables and other financial assets under risk management | 153,017 | - | 152,856 | 161 | 153,017 |
| **Financial liabilities** | | | | | |
| Deposits and loans from banks | 143,094 | - | 148,720 | - | 148,720 |
| Deposits and loans from customers | 7,539,842 | - | 7,524,740 | - | 7,524,740 |
| Issued bonds | 284,873 | 294,680 | - | - | 294,680 |
| Subordinated debt | 123,632 | - | 121,650 | - | 121,650 |
| Other financial liabilities under risk management | 149,652 | - | 149,652 | - | 149,652 |

**Estimation of fair values**

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Loans and advances: Fair value is calculated based on discounted expected future principal and interest cash flows using the appropriate yield curve and risk spread. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

Bank and customer deposits: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the statement of financial position date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using appropriate yield curve.

Trade receivables and other assets / liabilities: For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. Other receivables/ payables are discounted to determine the fair value.

Financial assets held to maturity: Fair value is based on quoted market prices traded in active markets at the statement of financial position date. If not available, the fair value is calculated based on discounted expected future principal and interest cash flows using the appropriate yield curve and risk spread. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of financial assets held to maturity reflect changes in credit status since they were acquired and changes in interest rates in the case of fixed rate instruments.

## 37. Financial commitments and contingencies

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Accepted and endorsed bills of exchange | 2,116 | 34,801 |
| Granted guarantees | 308,199 | 323,236 |
| Pledged assets | 236,403 | 191,395 |
| Loan commitments | 532,002 | 412,006 |
| **Total financial commitments and contingencies** | **1,078,720** | **961,438** |

The carrying value of pledged assets that are used as collateral for loan financing is EUR 236,403 thousand (2014: EUR 191,395 thousand). Granted guarantees mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties in amount of EUR 308,199 thousand (2014: EUR 323,236 thousand). These guarantees are disclosed in the table above at the amount of the possible obligation in the future. The maximum amount payable for guarantees given by the Group as at 31 December 2015 is EUR 341,632 thousand (2014: EUR 340,729 thousand). Loan commitments relate to loan facilities granted by the banks of the Group.

The granted guarantees as at 31 December 2015 do not include guarantees granted by J&T Bank, a.o., which is classified as disposal group held for sale, in the amount of EUR 21,242 thousands.

## 38. Leases

### 38.1. Operating lease

### (a) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 7,354 | 5,841 |
| Between one and five years | 18,739 | 17,253 |
| More than five years | 4,974 | 4,947 |
| **Total** | **31,067** | **28,041** |

The Group leases a number of cars and administration space under operating leases. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. During the year ended 31 December 2015, EUR 12,739 thousand was recognized as an expense in the income statement in respect of operating leases (2014: EUR 11,311 thousand ).

### (b) Leases as lessor

The Group leases out its property under operating leases. Non-cancellable operating lease rentals are receivable as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 1,794 | 1,648 |
| Between one and five years | 339 | 596 |
| **Total** | **2,133** | **2,244** |

During the year ended 31 December 2015, EUR 6,140 thousand was recognized as rental income (2014: EUR 10,725 thousand).

### 38.2. Finance lease

**Leases as lessor**

The Group offers to its clients finance lease for various assets (e.g. cars, machinery and equipments). The minimum lease payments under finance lease are as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Gross receivables from finance leasing** | | |
| less than 1 year | 3,659 | 12,120 |
| more than 1 year but less than 5 years | 7,696 | 5,002 |
| more than 5 years | 687 | 989 |
| | 12,042 | 18,111 |
| Deduction of future financial income | (2,120) | (3,418) |
| **Present value of future leasing payments** | **9,922** | **14,693** |

| | | |
|---|---|---|
| **Present value of receivables from finance leasing** | | |
| up to 1 year | 3,524 | 9,904 |
| more than 1 year but less than 5 years | 5,810 | 4,077 |
| more than 5 years | 588 | 712 |
| **Present value of future leasing payments** | **9,922** | **14,693** |
| Impairment loss allowances | (457) | (389) |

## 39. Risk management policies and disclosures

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.
For the purpose of this note, current tax assets are presented within trade receivables and other financial assets under risk management and current tax liability is presented within other financial liabilities under risk management.

### 39.1. Credit risk

The Group's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 37. Financial commitments and contingencies). Most loans and advances are to corporates (companies from the non-financial sector, retail and various manufacturing companies). Further loans and advances are to retail, banks and other financial institutions.

The carrying amount of loans and advances and the off-balance sheet amounts represent the maximum accounting loss that would be recognised on these items at the statement of financial position date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The Group's policy is to require suitable collateral to be provided by customers prior to the disbursement of loans by the Group's banks.

The assessment of credit risk in respect of a counter-party or an issued debt is based on the Group's internal rating system, covering both external credit assessments by the S&P, Moody's or Fitch rating agencies, and the Group's internal scoring system.

The scoring system of the Group has seven degrees. It is based on a standardised point evaluation of relevant criteria, which describe the financial position of a contractual party and its ability to fulfil its credit obligations – in both cases including the expected development, quality and adequacy of the collateral, as well as proposed conditions for effecting the transaction. The internal rating is determined using the credit scale of S&P.

Credit risk in the banking entities of the Group is managed based on credit analysis and the Internal Rating Based (IRB) methodology.

The Group monitors concentrations of credit risk by sector and by geographic location.

## (i) Concentration of credit risk by sector

31 December 2015

In thousand of EUR

| | Corporate | State, government | Financial institutions | Individuals | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 16 | - | 978,531 | 8 | 41,299 | 1,019,854 |
| Financial assets at fair value through profit or loss | 48,345 | 22,488 | 38,842 | 182 | 555 | 110,412 |
| Financial assets available for sale | 240,373 | 717,686 | 489,042 | - | - | 1,447,101 |
| Financial assets held to maturity | 23,044 | 487,833 | 22 | - | - | 510,899 |
| Loans and advances to banks | - | - | 1,514,696 | - | - | 1,514,696 |
| Loans and advances to customers | 3,487,327 | - | 1,096,620 | 773,903 | 2,890 | 5,360,740 |
| Trade receivables and other financial assets under risk management | 98,354 | 18,849 | 62,775 | 2,513 | 504 | 182,995 |
| | **3,897,459** | **1,246,856** | **4,180,528** | **776,606** | **45,248** | **10,146,697** |
| **Liabilities (for informational purposes)** | | | | | | |
| Financial liabilities at fair value through profit or loss | 7,246 | 31 | 7,283 | 105 | - | 14,665 |
| Deposits and loans from banks | - | - | 135,524 | - | - | 135,524 |
| Deposits and loans from customers | 1,507,924 | 325,529 | 331,813 | 5,888,549 | 74,606 | 8,128,421 |
| Issued bonds | 306,427 | - | 60,782 | 79,887 | - | 447,096 |
| Subordinated debt | 80,748 | - | 24,953 | 21,718 | 2,896 | 130,315 |
| Other financial liabilities under risk management | 112,300 | 16,915 | 43,592 | 100,414 | 1,646 | 274,867 |
| Provision for insurance contracts | 427 | - | - | 10,672 | - | 11,099 |
| | **2,015,072** | **342,475** | **603,947** | **6,101,345** | **79,148** | **9,141,987** |

31 December 2014

In thousand of EUR

| | Corporate | State, government | Financial institutions | Individuals | Other | Total |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and cash equivalents | 18 | - | 851,265 | 6 | 33,079 | 884,368 |
| Financial assets at fair value through profit or loss | 99,630 | 218,837 | 44,773 | 19 | 315 | 363,574 |
| Financial assets available for sale | 292,141 | 919,864 | 327,946 | - | 53,608 | 1,593,559 |
| Financial assets held to maturity | 47,263 | 646,429 | 662 | - | - | 694,354 |
| Loans and advances to banks | - | - | 175,153 | - | - | 175,153 |
| Loans and advances to customers | 3,705,518 | - | 831,588 | 721,910 | - | 5,259,016 |
| Trade receivables and other financial assets under risk management | 80,347 | 2,243 | 70,149 | 1,296 | 713 | 154,748 |
| | **4,224,917** | **1,787,373** | **2,301,536** | **723,231** | **87,715** | **9,124,772** |
| **Liabilities (for informational purposes)** | | | | | | |
| Financial liabilities at fair value through profit or loss | 4,678 | - | 32,272 | 245 | - | 37,195 |
| Deposits and loans from banks | - | - | 143,094 | - | - | 143,094 |
| Deposits and loans from customers | 1,508,468 | 224,239 | 328,051 | 5,237,646 | 241,438 | 7,539,842 |
| Issued bonds | 119,161 | 520 | 66,496 | 98,554 | 142 | 284,873 |
| Subordinated debt | 78,663 | - | 24,871 | 17,277 | 2,821 | 123,632 |
| Other financial liabilities under risk management | 47,683 | 28,798 | 10,683 | 75,499 | 9,897 | 172,560 |
| Provision for insurance contracts | 489 | - | - | 8,317 | - | 8,806 |
| | **1,759,142** | **253,557** | **605,467** | **5,437,538** | **254,298** | **8,310,002** |

(ii) **Concentration of credit risk by location**

31 December 2015

In thousand of EUR

| | Slovakia | Czech Republic | Cyprus | Croatia | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 52,255 | 888,061 | - | 21,111 | 58,427 | 1,019,854 |
| Financial assets at fair value through profit or loss | 5,012 | 55,184 | 8,370 | - | 41,846 | 110,412 |
| Financial assets available for sale | 622,161 | 398,046 | 1,711 | 15,139 | 410,044 | 1,447,101 |
| Financial assets held to maturity | 480,952 | - | - | - | 29,947 | 510,899 |
| Loans and advances to banks | 242,882 | 1,170,425 | - | 14,397 | 86,992 | 1,514,696 |
| Loans and advances to customers | 2,013,742 | 716,077 | 1,821,267 | 114,123 | 695,531 | 5,360,740 |
| Trade receivables and other financial assets under risk management | 78,566 | 49,304 | 32,400 | 56 | 22,669 | 182,995 |
| | **3,495,570** | **3,277,097** | **1,863,748** | **164,826** | **1,345,456** | **10,146,697** |
| **Liabilities (for informational purposes)** | | | | | | |
| Financial liabilities at fair value through profit or loss | 5,987 | 4,421 | 430 | - | 3,827 | 14,665 |
| Deposits and loans from banks | 92,954 | 30,316 | - | 5,841 | 6,413 | 135,524 |
| Deposits and loans from customers | 4,413,133 | 2,958,011 | 73,133 | 174,300 | 509,844 | 8,128,421 |
| Issued bonds | 247,113 | 196,745 | 417 | - | 2,821 | 447,096 |
| Subordinated debt | 11,779 | 25,648 | 3,002 | 1 | 89,885 | 130,315 |
| Other financial liabilities under risk management | 69,474 | 106,455 | 63,088 | 858 | 34,992 | 274,867 |
| Provision for insurance contracts | 11,099 | - | - | - | - | 11,099 |
| | **4,851,539** | **3,321,596** | **140,070** | **181,000** | **647,782** | **9,141,987** |

31 December 2014

In thousand of EUR

| | **Slovakia** | **Czech Republic** | **Cyprus** | **Croatia** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and cash equivalents | 307,285 | 439,756 | - | 19,955 | 117,372 | 884,368 |
| Financial assets at fair value through profit or loss | 50,439 | 263,289 | 9,388 | - | 40,458 | 363,574 |
| Financial assets available for sale | 599,616 | 691,588 | 1,080 | 25,025 | 276,250 | 1,593,559 |
| Financial assets held to maturity | 519,573 | - | 47,021 | - | 127,760 | 694,354 |
| Loans and advances to banks | 30,281 | 45,093 | - | 13,997 | 85,782 | 175,153 |
| Loans and advances to customers | 1,641,950 | 976,841 | 2,059,141 | 88,641 | 492,443 | 5,259,016 |
| Trade receivables and other financial assets under risk management | 56,363 | 20,792 | 57,882 | 3,455 | 16,256 | 154,748 |
| | **3,205,507** | **2,437,359** | **2,174,512** | **151,073** | **1,156,321** | **9,124,772** |
| **Liabilities (for informational purposes)** | | | | | | |
| Financial liabilities at fair value through profit or loss | 4,313 | 5,516 | 58 | - | 27,308 | 37,195 |
| Deposits and loans from banks | 83,574 | 47,665 | - | 4,598 | 7,257 | 143,094 |
| Deposits and loans from customers | 4,346,614 | 2,698,209 | 86,908 | 145,750 | 262,361 | 7,539,842 |
| Issued bonds | 144,183 | 130,536 | 401 | - | 9,753 | 284,873 |
| Subordinated debt | 11,755 | 20,722 | 3,002 | 401 | 87,752 | 123,632 |
| Other financial liabilities under risk management | 65,296 | 75,250 | 23,012 | 875 | 8,127 | 172,560 |
| Provision for insurance contracts | 8,806 | - | - | - | - | 8,806 |
| | **4,664,541** | **2,977,898** | **113,381** | **151,624** | **402,558** | **8,310,002** |

The above table displays the credit risk by the country of incorporation of the debtor or issuer of the securities.

Securities available for sale in the location Other also include as at 31 December 2015 an investment of EUR 129,191 thousand in Polish government bonds (2014: EUR 132,217 thousand) and an investment of EUR 67,170 thousand in investment funds incorporated in Malta (2014: EUR 55,197 thousand).

Financial instruments held to maturity in the location Other include as at 31 December 2015 investment of EUR 22,537 thousand in MOL Hungarian Oil and Gas bonds (2014: EUR 32,188 thousand). The balance as at 31 December 2014 also comprises EUR 78,095 thousand of Greek government bonds.

Loans and advances to customers in the location Other primarily relates to companies and customers incorporated in the Luxembourg, in the Poland, in the British Virgin Islands and in the Netherlands (2014: companies and customers incorporated primarily in the Poland, in the Netherlands, in the Russian Federation, in the Ireland and in the British Virgin Islands).

In addition, Deposits and loans from customers in the location Other primarily relate to companies and customers incorporated in the Germany, in the Netherlands and in the Switzerland (2014: companies and customers incorporated primarily in the Russian Federation).

### (iii) Credit risk - impairment of financial assets

31 December 2015

In thousand of EUR

| | Financial assets available for sale | Financial assets held to maturity | Loans and advances to banks | Loans and advances to customers | Trade receivables and other financial assets under risk management |
|---|---|---|---|---|---|
| **Maximum exposure to credit risk** | | | | | |
| **Carrying amount** | **1,447,101** | **510,899** | **1,514,696** | **5,360,740** | **182,995** |
| **A) Assets for which a provision has been created** | | | | | |
| - Gross | 2,750 | - | - | 440,084 | 14,696 |
| - Provision individual | (1,203) | - | - | (85,775) | (4,866) |
| - Provision collective | - | - | - | (75,546) | (1,160) |
| **Impaired total (net)** | **1,547** | **-** | **-** | **278,763** | **8,670** |
| **B - Overdue Assets for which a provision has not been created** | | | | | |
| - <30 days | - | - | - | 16,704 | 3,841 |
| - 31-180 days | - | - | - | 34,437 | 804 |
| - 181-365 days | - | - | - | 547 | 481 |
| - >365 days | - | - | - | 7,977 | 711 |
| **Total** | **-** | **-** | **-** | **59,665** | **5,837** |

Loans and advances to customers overdue more than one year but with no provision created mainly consist of receivables acquired through business combination in 2014 and 2013 and were recognized at their fair value as at the date of acquisition. The loans and advances are sufficiently collateralized, thus no impairment allowances have been created.

31 December 2014

In thousand of EUR

| | Financial assets available for sale | Financial assets held to maturity | Loans and advances to banks | Loans and advances to customers | Trade receivables and other financial assets under risk management |
|---|---|---|---|---|---|
| **Maximum exposure to credit risk** | | | | | |
| **Carrying amount** | **1,593,559** | **694,354** | **175,153** | **5,259,016** | **154,748** |
| **A) Assets for which a provision has been created** | | | | | |
| - Gross | - | - | - | 402,361 | 1,235 |
| - Provision individual | - | - | - | (95,189) | (303) |
| - Provision collective | - | - | - | (42,108) | (772) |
| **Impaired total (net)** | **-** | **-** | **-** | **265,064** | **160** |
| **B - Overdue Assets for which a provision has not been created** | | | | | |
| - <30 days | - | - | - | 35,838 | 1,996 |
| - 31-180 days | - | - | - | 17,660 | 328 |
| - 181-365 days | - | - | - | 8,652 | 70 |
| - >365 days | - | - | - | 37,634 | 456 |
| **Total** | **-** | **-** | **-** | **99,784** | **2,850** |

### (iv) Credit risk - collaterals

The Group holds collateral against loans and advances to customers mainly in the form of pledges, securities and acceptances of bills of exchange. Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts. The Group does not generally use non-cash collateral for its own operations.
Loans and advances to customers are secured by collateral with the fair values below:

In thousand of EUR

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** |
| Securities | 1,998,628 | 1,905,288 | 1,315,007 | 1,169,254 |
| Real estate | 947,478 | 740,089 | 973,618 | 748,254 |
| Bills of exchange | 112,395 | 81,133 | 125,117 | 93,254 |
| Cash deposits | 86,500 | 85,296 | 50,423 | 49,907 |
| Other | 546,481 | 381,052 | 580,365 | 319,224 |
| **Total** | **3,691,482** | **3,192,858** | **3,044,530** | **2,379,893** |

As at 31 December 2015 collateral in the amount of EUR 1,246 thousand received by the Group was further used within repurchase operations (2014: EUR 1,229 thousand).
In 2015 the Group has taken possession of collateral held previously as security in total value of EUR 1,562 thousand (2014: nil).

### (v) Credit risk – forbearance

**Exposition forbearance**

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Performing exposition | 4,941,355 | 4,294,870 |
| - performing exposition forbearance | 168,999 | 261,555 |
| Non-performing exposition | 419,385 | 964,146 |
| - non-performing exposition forbearance | 227,128 | 208,285 |
| **Total** | **5,360,740** | **5,259,016** |

The share of loan exposition forbearance on total loans and advances to customers is 7.39% (2014: 8.93%).

**Concentration of loans and advances to customers by economic sector**

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Not forbearance** | | |
| Non-financial organisations | 3,138,197 | 3,278,932 |
| Financial organisations | 1,079,371 | 813,618 |
| Households | 746,022 | 696,627 |
| Other | 1,023 | - |
| **Total** | **4,964,613** | **4,789,176** |

| | | |
|---|---|---|
| **Forbearance** | | |
| Non-financial organisations | 349,126 | 426,790 |
| Financial organisations | 17,307 | 17,767 |
| Households | 27,882 | 25,283 |
| Other | 1,812 | - |
| **Total** | **396,127** | **469,840** |

### 39.2. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of not being able to meet the obligations when they fall due, as well as the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Various methods of managing liquidity risks are used by individual companies in the Group, including individual monitoring of large deposits. The Group's management focuses on methods used by financial institutions, that is, diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category. The amounts disclosed are the contractual undiscounted cash flows and therefore may not agree with the carrying amounts in the statement of financial position.

**Contractual maturities of financial assets and liabilities, including estimated interest payments**

31 December 2015

In thousand of EUR

| | Carrying amount | Contrac-tual cash flows | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undefined maturity |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 1,019,854 | 1,019,858 | 1,019,858 | - | - | - | - |
| Financial assets at fair value through profit or loss | 103,387 | 122,478 | 3,246 | 13,320 | 44,110 | 44,258 | 17,544 |
| Financial assets available for sale | 1,447,101 | 1,565,859 | 66,035 | 60,391 | 598,008 | 436,082 | 405,343 |
| Financial assets held to maturity | 510,899 | 553,160 | 18,773 | 113,402 | 344,736 | 76,249 | - |
| Loans and advances to banks | 1,514,696 | 1,514,890 | 1,199,564 | 1,085 | 2,444 | - | 311,797 |
| Loans and advances to customers | 5,360,740 | 6,251,925 | 671,073 | 1,376,471 | 2,697,665 | 1,447,331 | 59,385 |
| Trade receivables and other financial assets under risk management | 182,995 | 182,993 | 105,271 | 30,484 | 42 | - | 47,196 |
| | **10,139,672** | **11,211,163** | **3,083,820** | **1,595,153** | **3,687,005** | **2,003,920** | **841,265** |
| **Derivative financial assets** | | | | | | | |
| Forward currency contracts | | | | | | | |
| - outflow | - | (540,789) | (519,531) | (19,770) | (1,488) | - | - |
| - inflow | 2,738 | 543,602 | 521,790 | 20,305 | 1,507 | - | - |
| Other derivatives | | | | | | | |
| - outflow | - | (25,181) | (57) | (2,693) | (17,920) | (4,511) | - |
| - inflow | 4,287 | 29,477 | 72 | 3,583 | 20,502 | 5,320 | - |
| | **7,025** | **7,109** | **2,274** | **1,425** | **2,601** | **809** | **-** |

| | Carrying amount | Contractual cash flows | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undefined maturity |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Financial liabilities at fair value through profit or loss | 6,222 | (6,222) | (6,222) | - | - | - | - |
| Deposits and loans from banks | 135,524 | (137,935) | (64,869) | (71,298) | (1,768) | - | - |
| Deposits and loans from customers | 8,128,421 | (8,415,407) | (5,072,038) | (1,709,927) | (1,573,441) | (60,001) | - |
| Issued bonds | 447,096 | (488,152) | (4,951) | (124,498) | (167,351) | (191,352) | - |
| Subordinated debt | 130,315 | (174,573) | (3,851) | (3,132) | (45,999) | (121,591) | - |
| Other financial liabilities under risk management | 274,867 | (273,732) | (222,055) | (17,840) | (229) | (123) | (33,485) |
| Provision for insurance contracts | 11,099 | (11,097) | (775) | (1,250) | (1,119) | (7,953) | - |
| | **9,133,544** | **(9,507,118)** | **(5,374,761)** | **(1,927,945)** | **(1,789,907)** | **(381,020)** | **(33,485)** |
| Accepted and endorsed bills of exchange | 2,116 | (2,116) | - | - | - | (2,116) | - |
| Granted guarantees | 308,199 | (341,632) | (341,632) | - | - | - | - |
| Loan commitments | 532,002 | (582,767) | (214,447) | (13,227) | (41,285) | (4,796) | (309,012) |
| | 842,317 | (926,515) | (556,079) | (13,227) | (41,285) | (6,912) | (309,012) |
| | **9,975,861** | **(10,433,633)** | **(5,930,840)** | **(1,941,172)** | **(1,831,192)** | **(387,932)** | **(342,497)** |
| **Derivative financial liabilities** | | | | | | | |
| Forward currency contracts | | | | | | | |
| - outflow | (2,859) | (673,301) | (644,048) | (26,948) | (2,305) | - | - |
| - inflow | - | 670,208 | 641,798 | 26,129 | 2,281 | - | - |
| Other derivatives | | | | | | | |
| - outflow | (5,584) | (13,914) | (288) | (6,005) | (6,174) | (1,447) | - |
| - inflow | - | 8,331 | 181 | 1,452 | 5,850 | 848 | - |
| | **(8,443)** | **(8,676)** | **(2,357)** | **(5,372)** | **(348)** | **(599)** | **-** |

The liquidity gap up to one year comes essentially from Deposits and loans from customers, which are expected to be prolonged as shown by historical evidence.

31 December 2014

In thousand of EUR

| | Carrying amount | Contractual cash flows | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undefined maturity |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | | | | | | | |
| Cash and cash equivalents | 884,368 | 884,293 | 884,293 | - | - | - | - |
| Financial assets at fair value through profit or loss | 357,893 | 415,995 | 28,436 | 45,844 | 195,135 | 115,167 | 31,413 |
| Financial assets available for sale | 1,593,559 | 1,694,224 | 35,282 | 17,147 | 743,676 | 593,465 | 304,654 |
| Financial assets held to maturity | 694,354 | 892,942 | 68,072 | 77,670 | 296,363 | 450,837 | - |
| Loans and advances to banks | 175,153 | 175,714 | 83,413 | 2,003 | 2,632 | - | 87,666 |
| Loans and advances to customers | 5,259,016 | 6,505,466 | 1,137,823 | 1,311,675 | 2,508,427 | 1,538,145 | 9,396 |
| Trade receivables and other financial assets under risk management | 154,748 | 153,777 | 78,584 | 68,834 | 697 | - | 5,662 |
| | **9,119,091** | **10,722,411** | **2,315,903** | **1,523,173** | **3,746,930** | **2,697,614** | **438,791** |
| **Derivative financial assets** | | | | | | | |
| Forward currency contracts | | | | | | | |
| - outflow | - | (227,877) | (151,510) | (76,367) | - | - | - |
| - inflow | 3,531 | 231,185 | 154,170 | 77,015 | - | - | - |
| Other derivatives | | | | | | | |
| - outflow | - | - | - | - | - | - | - |
| - inflow | 2,150 | 2,168 | 8 | 16 | 2,144 | - | - |
| | **5,681** | **5,476** | **2,668** | **664** | **2,144** | **-** | **-** |

| | Carrying amount | Contractual cash flows | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undefined maturity |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Financial liabilities at fair value through profit or loss | 482 | (482) | (482) | - | - | - | - |
| Deposits and loans from banks | 143,094 | (145,807) | (63,541) | (38,517) | (43,749) | - | - |
| Deposits and loans from customers | 7,539,842 | (7,657,799) | (4,438,354) | (1,756,702) | (1,401,091) | (59,936) | (1,716) |
| Issued bonds | 284,873 | (312,414) | (62,893) | (10,044) | (239,477) | - | - |
| Subordinated debt | 123,632 | (172,192) | (4,165) | (2,914) | (30,064) | (135,049) | - |
| Other financial liabilities under risk management | 172,560 | (172,489) | (141,713) | (24,803) | (308) | - | (5,665) |
| Provision for insurance contracts | 8,806 | (5,489) | 1,144 | 3,311 | 4,930 | (14,874) | - |
| | **8,273,289** | **(8,466,672)** | **(4,710,004)** | **(1,829,669)** | **(1,709,759)** | **(209,859)** | **(7,381)** |
| Accepted and endorsed bills of exchange | 34,801 | (34,801) | (8,200) | (24,485) | - | (2,116) | - |
| Granted guarantees | 323,236 | (323,249) | (323,249) | - | - | - | - |
| Loan commitments | 412,006 | (412,006) | (102,462) | (73,572) | (127,560) | - | (108,412) |
| | 770,043 | (770,056) | (433,911) | (98,057) | (127,560) | (2,116) | (108,412) |
| | **9,043,332** | **(9,236,728)** | **(5,143,915)** | **(1,927,726)** | **(1,837,319)** | **(211,975)** | **(115,793)** |
| **Derivative financial liabilities** | | | | | | | |
| Forward currency contracts | | | | | | | |
| - outflow | (32,615) | (1,478,594) | (1,274,160) | (204,365) | (69) | - | - |
| - inflow | - | 1,446,653 | 1,262,151 | 184,441 | 61 | - | - |
| Other derivatives | | | | | | | |
| - outflow | (4,098) | (34,782) | (20) | (418) | (34,344) | - | - |
| - inflow | - | 26,329 | - | 394 | 25,935 | - | - |
| | **(36,713)** | **(40,394)** | **(12,029)** | **(19,948)** | **(8,417)** | **-** | **-** |

### 39.3. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group separates its exposure to market risk between the trading and non-trading portfolios. Trading portfolios include positions arising from market making and position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group uses the Value at Risk ("VaR") methodology to evaluate market risk on its trading portfolio as a whole using a confidence level of 99% and a horizon of 10 business days. A historical simulation method is implemented for VaR calculation. The Group performs backtesting for market risk associated with its trading portfolio, by applying a method of hypothetical backtesting, on a quarterly basis.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The VaR measure is dependent on the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

In thousand of EUR

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| VaR market risk overall | 10,069 | 38,418 |

### (i) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (inc-luding investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non interest-bearing are grouped together in the "maturity undefined" category.

The VaR statistics for the trading portfolio is as follows:

In thousand of EUR

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| VaR interest rate risk | 7,041 | 27,857 |

A summary of the Group´s interest rate gap position as per the carrying amounts is as follows:

31 December 2015

In thousand of EUR

| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undefined maturity | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 978,531 | - | - | - | 41,323 | 1,019,854 |
| Financial assets at fair value through profit or loss | 6,320 | 16,956 | 23,891 | 41,359 | 21,886 | 110,412 |
| Financial assets available for sale | 99,297 | 238,418 | 446,498 | 257,545 | 405,343 | 1,447,101 |
| Financial assets held to maturity | 40,854 | 107,554 | 302,156 | 60,335 | - | 510,899 |
| Loans and advances to banks | 1,499,784 | 475 | - | - | 14,437 | 1,514,696 |
| Loans and advances to customers | 1,879,837 | 2,052,139 | 904,383 | 406,242 | 118,139 | 5,360,740 |
| Trade receivables and other financial assets under risk management | 32,085 | 36 | - | - | 150,874 | 182,995 |
| | **4,536,708** | **2,415,578** | **1,676,928** | **765,481** | **752,002** | **10,146,697** |
| **Liabilities** | | | | | | |
| Financial liabilities at fair value through profit or loss | 3,726 | 2,613 | 146 | - | 8,180 | 14,665 |
| Deposits and loans from banks | 64,361 | 69,600 | 1,563 | - | - | 135,524 |
| Deposits and loans from customers | 5,099,108 | 1,501,029 | 1,471,272 | 49,776 | 7,236 | 8,128,421 |
| Issued bonds | 2,937 | 108,979 | 335,180 | - | - | 447,096 |
| Subordinated debt | 27,753 | 229 | 19,809 | 82,524 | - | 130,315 |
| Other financial liabilities under risk management | 3,102 | 616 | - | - | 271,149 | 274,867 |
| Provision for insurance contracts | - | - | - | - | 11,099 | 11,099 |
| | **5,200,987** | **1,683,066** | **1,827,970** | **132,300** | **297,664** | **9,141,987** |

31 December 2014

In thousand of EUR

| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undefined maturity | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 842,411 | - | - | - | 41,957 | 884,368 |
| Financial assets at fair value through profit or loss | 36,672 | 96,216 | 137,709 | 41,432 | 51,545 | 363,574 |
| Financial assets available for sale | 135,994 | 337,426 | 447,044 | 339,160 | 333,935 | 1,593,559 |
| Financial assets held to maturity | 142,625 | 164,560 | 139,371 | 247,798 | - | 694,354 |
| Loans and advances to banks | 159,046 | 398 | 440 | - | 15,269 | 175,153 |
| Loans and advances to customers | 3,315,177 | 1,092,122 | 486,664 | 298,059 | 66,994 | 5,259,016 |
| Trade receivables and other financial assets under risk management | 47,622 | 1,501 | - | - | 105,625 | 154,748 |
| | **4,679,547** | **1,692,223** | **1,211,228** | **926,449** | **615,325** | **9,124,772** |
| **Liabilities** | | | | | | |
| Financial liabilities at fair value through profit or loss | 22,550 | 10,058 | 8 | - | 4,579 | 37,195 |
| Deposits and loans from banks | 67,892 | 31,663 | 43,529 | - | 10 | 143,094 |
| Deposits and loans from customers | 4,907,835 | 1,276,543 | 1,238,704 | 47,945 | 68,815 | 7,539,842 |
| Issued bonds | 61,747 | - | 223,126 | - | - | 284,873 |
| Subordinated debt | 25,719 | 194 | 4,688 | 93,031 | - | 123,632 |
| Other financial liabilities under risk management | 3,193 | 157 | 62 | - | 169,148 | 172,560 |
| Provision for insurance contracts | - | - | - | - | 8,806 | 8,806 |
| | **5,088,936** | **1,318,615** | **1,510,117** | **140,976** | **251,358** | **8,310,002** |

An analysis of the Group's sensitivity to an increase or decrease in market interest rates on the non-trading portfolio, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

In thousand of EUR

| | Impact on Profit or Loss | | Impact on Other Comprehensive Income | |
|---|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| Decrease in interest rates by 100 bp | 4,691 | 785 | 23,158 | 27,754 |
| Increase in interest rates by 100 bp | (4,691) | (785) | (23,158) | (27,754) |

| | Total impact on Equity | |
|---|---|---|
| | **31 December 2015** | **31 December 2014** |
| Decrease in interest rates by 100 bp | 27,849 | 28,539 |
| Increase in interest rates by 100 bp | (27,849) | (28,539) |

### (ii) Foreign exchange risk

The breakdown of the carrying amounts by currency translated to thousands EUR is as follows:

31 December 2015

In thousand of EUR

| | EUR | CZK | USD | HRK | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 138,725 | 851,160 | 12,514 | 10,319 | 7,136 | 1,019,854 |
| Financial assets at fair value through profit or loss | 37,620 | 45,574 | 17,169 | - | 10,049 | 110,412 |
| Financial assets available for sale | 1,248,696 | 190,328 | 2,164 | 5,296 | 617 | 1,447,101 |
| Financial assets held to maturity | 510,899 | - | - | - | - | 510,899 |
| Loans and advances to banks | 243,050 | 1,167,980 | 90,983 | 12,208 | 475 | 1,514,696 |
| Loans and advances to customers | 4,142,200 | 1,064,704 | 90,726 | 18,080 | 45,030 | 5,360,740 |
| Trade receivables and other financial assets under risk management | 136,410 | 24,125 | 21,590 | 49 | 821 | 182,995 |
| | **6,457,600** | **3,343,871** | **235,146** | **45,952** | **64,128** | **10,146,697** |
| Off balance sheet assets | 1,238,144 | 1,762,476 | 22,581 | 13,778 | 75,748 | 3,112,727 |
| | | | | | | |
| **Liabilities** | | | | | | |
| Financial liabilities at fair value through profit or loss | 7,228 | 7,437 | - | - | - | 14,665 |
| Deposits and loans from banks | 99,244 | 32,298 | 102 | 3,880 | - | 135,524 |
| Deposits and loans from customers | 4,970,876 | 2,962,904 | 121,241 | 55,460 | 17,940 | 8,128,421 |
| Issued bonds | 251,382 | 195,714 | - | - | - | 447,096 |
| Subordinated debt | 104,757 | 25,558 | - | - | - | 130,315 |
| Other financial liabilities under risk management | 126,125 | 137,423 | 9,137 | 851 | 1,331 | 274,867 |
| Provision for insurance contracts | 11,099 | - | - | - | - | 11,099 |
| | **5,570,711** | **3,361,334** | **130,480** | **60,191** | **19,271** | **9,141,987** |
| Off balance sheet liabilities | 1,789,780 | 323,903 | 143,519 | 21,406 | 76,729 | 2,355,337 |
| | | | | | | |
| **Net position (including Off balance sheet)** | **335,253** | **1,421,110** | **(16,272)** | **(21,867)** | **43,876** | **1,762,100** |

31 December 2014

In thousand of EUR

| | EUR | CZK | USD | HRK | Other | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 249,601 | 556,457 | 28,479 | 9,755 | 40,076 | 884,368 |
| Financial assets at fair value through profit or loss | 76,262 | 252,667 | 13,878 | - | 20,767 | 363,574 |
| Financial assets available for sale | 1,120,718 | 448,410 | 6,714 | 15,026 | 2,691 | 1,593,559 |
| Financial assets held to maturity | 693,,692 | - | 662 | - | - | 694,354 |
| Loans and advances to banks | 30,625 | 43,250 | 86,656 | 11,738 | 2,884 | 175,153 |
| Loans and advances to customers | 3,949,740 | 922,254 | 246,174 | 82,686 | 58,162 | 5,259,016 |
| Trade receivables and other financial assets under risk management | 120,530 | 16,,935 | 12,160 | 3,361 | 1,762 | 154,748 |
| | **6,241,168** | **2,239,973** | **394,723** | **122,566** | **126,342** | **9,124,772** |
| Off balance sheet assets | 954,764 | 2,110,289 | 29,181 | 9,873 | 15,237 | 3,119,344 |
| | | | | | | |
| **Liabilities** | | | | | | |
| Financial liabilities at fair value through profit or loss | 4,134 | 33,059 | 2 | - | - | 37,195 |
| Deposits and loans from banks | 85,076 | 53,356 | 63 | 4,599 | - | 143,094 |
| Deposits and loans from customers | 4,616,414 | 2,680,162 | 120,585 | 46,418 | 76,263 | 7,539,842 |
| Issued bonds | 189,267 | 95,606 | - | - | - | 284,873 |
| Subordinated debt | 103,019 | 20,613 | - | - | - | 123,632 |
| Other financial liabilities under risk management | 87,369 | 74,153 | 8,561 | 861 | 1,616 | 172,560 |
| Provision for insurance contracts | 8,806 | - | - | - | - | 8,806 |
| | **5,094,085** | **2,956,949** | **129,211** | **51,878** | **77,879** | **8,310,002** |
| Off balance sheet liabilities | 1,919,139 | 389,084 | 385,050 | 9,374 | 24,835 | 2,727,482 |
| | | | | | | |
| **Net position (including Off balance sheet)** | **182,708** | **1,004,229** | **(90,357)** | **71,187** | **38,865** | **1,206,632** |

Off balance sheet items mostly relate to derivative operations and granted and received guarantees.

The VaR statistic is as follows

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| VaR foreign exchange risk | 3,713 | 10,619 |

An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates is presented in the table below.

Translation risk arising from translating the financial statements of a foreign operation into the presentation currency of the Group, does not meet the definition of currency risk. Consequently, translation risk should not be included in the sensitivity analysis. However, foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation is not fully eliminated.

A one percent strengthening in foreign currencies would have had the following effects on profit or loss and other comprehensive income:

In thousand of EUR

| | **Impact on Profit or Loss** | | **Impact on Other Comprehensive Income** | |
|---|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| EUR | (5,761) | (7,833) | (1,629) | (1,232) |
| CZK | (2,676) | 396 | (170) | (129) |
| USD | (1,048) | (2,803) | - | - |
| RUB | - | (31) | - | - |

| | **Total impact on Equity** | |
|---|---|---|
| | **31 December 2015** | **31 December 2014** |
| EUR | (7,390) | (9,065) |
| CZK | (2,846) | 267 |
| USD | (1,048) | (2,803) |
| RUB | - | (31) |

### (iii) Equity price risk

Equity price risk arises from the quoted financial instruments held by the Group, further to changes in perception by the markets of the expected financial performance of the investments concerned. Equity price risk is essentially managed through diversification of the investment portfolio of available for sale and fair value through profit or loss equity securities.

The VaR statistics is as follows:

In thousand of EUR

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| VaR stock risk (trading book) | 603 | 468 |

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below. A 100 bp increase in the price of financial assets available for sale would have had a positive effect on other comprehensive income as set out below. A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

In thousand of EUR

| | Impact on Profit or Loss | | Impact on Other Comprehensive Income | |
|---|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| Level 1 – quoted market prices | 141 | 77 | 1,730 | 2,675 |
| Level 2 – derived from quoted prices | 21 | 14 | 1,963 | 21 |
| Level 3 – calculated using valuation techniques | 14 | 223 | 361 | 351 |
| **Total** | **176** | **314** | **4,054** | **3,047** |

| | Total impact on Equity | |
|---|---|---|
| | **31 December 2015** | **31 December 2014** |
| Level 1 – quoted market prices | 1,871 | 2,752 |
| Level 2 – derived from quoted prices | 1,984 | 35 |
| Level 3 – calculated using valuation techniques | 375 | 574 |
| **Total** | **4,230** | **3,361** |

### 39.4. Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk which is done by the Risk Management Department and which cover the following areas:

- Requirements for the reconciliation and monitoring of transactions.
- Identification of operational risk within the framework of each subsidiary's control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- Reporting of operational risk events by entering the corresponding information into the Regulated Consolidated Group's database of operational risk events (see Note 39.5. Capital management section regarding the definition of the Regulated Consolidated Group).
- This overview of the Group's operational risk events allows the Group to specify the direction of the steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
- accepting the individual risks that are faced;
- initiating processes leading to limitation of possible impacts; or
- decreasing the scope of the relevant activity or discontinuing it entirely.

### 39.5. Capital management

The Group's policy is to hold a strong capital base so as to maintain creditor and market confidence and to sustain future development of its business.

Consolidated capital adequacy is calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 23 June 2013 as from 1 January 2014. Until 31 December 2013 it was calculated in accordance with regulation of the Central Bank of the Czech Republic Decree No. 123/2007 Coll.
The Consolidated Group's capital is analysed into two tiers:
- Tier 1 capital, which is divided into:

1, Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit of current year is excluded), accumulated other comprehensive income and non-controlling interests after deduction of goodwill and intangible assets and additional value adjustments;
2, Additional Tier 1 capital (AT1), which can include perpetual instruments issued in accordance with CRR (see Note 34. Shareholders' equity)
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Czech Act on Banks No. 21/1992 and Decree No. 163/2014 Coll. According to this regulation, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP SE as from 1 January 2014 (J&T FINANCE GROUP, a.s as at 31 December 2013). (see Note 1. General information) is defined as the RCG. Different consolidation rules are applicable for RCG's purposes – only companies which have the status of financial institutions as defined by CRR are fully consolidated.

In thousand of EUR

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Common equity tier 1 capital (CET1) | 957,459 | 804,149 |
| Additional tier 1 capital (AT1) | 64,467 | 32,425 |
| Total Tier 1 capital | 1,021,926 | 836,574 |
| Supplementary capital (Tier 2) | 120,387 | 116,122 |
| **Total regulatory capital** | **1,142,313** | **952,696** |
| | | |
| **Risk Weighted Assets (RWA)** | | |
| Credit risk of investment portfolio | 7,051,000 | 6,786,743 |
| Operational risk (BIA) | 474,941 | 297,310 |
| | | |
| General interest risk | 143,111 | 186,645 |
| General equity risk | 30,441 | 15,308 |
| Currency risk | 122,187 | 180,771 |
| Commodity risk | 886 | 1,065 |
| Credit risk of trading portfolio | 296,625 | 383,789 |
| **Total amount of capital requirements** | **7,822,566** | **7,467,842** |

The capital adequacy is calculated for CET 1 capital, Tier 1 capital and total regulatory capital as a portion of the capital to risk weighted assets (RWA).The regulatory capital is calculated as the sum of the common equity tier 1 capital (CET1), additional tier 1 (AT1) and supplementary capital (Tier 2) reduced by deductible items. CET1 capital comprises paid-up share capital, the statutory reserve fund, other equity funds, retained earnings and additional value adjustments. Tier 2 capital comprises subordinated debt approved by the Czech National Bank in an amount of EUR 120,387 thousand (31 December 2014: EUR 116,122 thousand). The deductible items include intangible assets at net book value and net deferred tax liabilities related to these intangible assets.

**Capital adequacy ratios**

Requirements for capital adequacy ratios are as follows:

In %

| | Minimum requirements | Capital conservation buffer | Total requirements |
|---|---|---|---|
| CET1 ratio | 4.5 | 2.5 | 7.0 |
| Tier 1 ratio | 6.0 | 2.5 | 8.5 |
| **Total regulatory capital ratio** | **8.0** | **2.5** | **10.5** |

Additional Capital conservation buffer of 2.5% for CET1 was imposed by the Czech National bank. Capital adequacy ratios of RCG as at 31 December 2015 and 2014 were as follows:

In %

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Common equity tier 1 (CET1) | 12.24 | 10.77 |
| Tier 1 capital | 13.06 | 11.20 |
| **Total regulatory capital ratio** | **14.60** | **12.76** |

### 40. Assets under management

In thousand of EUR

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Assets in own-managed funds | 1,551,328 | 1,308,801 |
| Assets with discretionary mandates | 152,117 | 125,896 |
| Other assets under management | 1,557,365 | 1,274,028 |
| **Total assets under management (including double counting)** | **3,260,810** | **2,708,725** |
| Of which double counting (see below 40 (e)) | - | 97 |

#### (a) Calculation method

Assets under management comprise all client assets managed or held for investment purposes only. In summary, these include all balances due to customers, fiduciary time deposits and all valued portfolio assets. Custodial assets (assets held solely for transaction and safe-keeping purposes) are not included in assets under management. Assets under management are measured at fair value for quoted financial instruments. If these are not quoted, debt and equity financial instruments are valued at amortized cost or using common valuation techniques (e.g. pricing models with market inputs as available), respectively.

#### (b) Assets in own-managed funds

This comprises assets of all the Group's investment funds.

#### (c) Assets with discretionary mandates

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of assets with discretionary mandates. The figures comprise both assets deposited with Group companies and assets deposited with third parties, for which the Group companies hold a discretionary mandate.

#### (d) Other assets under management

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of other assets under management. The figures comprise assets for which an administration or advisory mandate is exercised.

#### (e) Double counting

This item comprises fund units from own-managed funds, which are disclosed also in client portfolios with discretionary mandates or in other assets under management.

## 41. Related parties

**Identity of related parties**

The Group has, or had, a related party relationship with its parent company, ultimate parent and the owners of the ultimate parent and other parties, as identified in the following table, either at 31 December 2015 and 2014 or during the years:

(1) Ultimate shareholders and companies they control
(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates
(3) Associates
(4) Joint ventures in which the Group is a venturer
(5) Key management personnel of the Company or parent of the Company and companies they control or jointly control

"Ultimate shareholders and companies they control" includes the following: Jakabovič Ivan, Tkáč Jozef, DANILLA EQUITY LIMITED, J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o. and KPRHT 19, s.r.o. None of these produce publicly available consolidated financial statements which include the Group.

The summary of transactions with related parties during 2015 and 2014 is as follows:

In thousand of EUR

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | **Accounts receivable** | **Accounts payable** | **Accounts receivable** | **Accounts payable** |
| Ultimate shareholders and companies they control | 107,878 | 2,017 | 35,325 | 2,332 |
| Associates and joint ventures | 955 | 1,250 | 127 | 1,607 |
| Key management personnel of the entity or its parent and companies they control or jointly control | 279,192 | 13,966 | 364,293 | 27,630 |
| **Total** | **388,025** | **17,233** | **399,745** | **31,569** |

There was no provision for doubtful debts due from the "Ultimate shareholders and companies they control" as at 31 December 2015 (2014: nil).

The summary of transactions with related parties during 2015 and 2014 is as follows:

In thousand of EUR

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Revenues** | **Expenses** | **Revenues** | **Expenses** |
| Ultimate shareholders and companies they control | 2,591 | 13 | 727 | 18 |
| Associates and joint ventures | 398 | 1,724 | 2,669 | 3,243 |
| Key management personnel of the entity or its parent and companies they control or jointly control | 28,557 | 3,247 | 26,780 | 948 |
| **Total** | **31,546** | **4,984** | **30,176** | **4,209** |

The summary of guarantees with related parties at year-end is as follows:

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | **Guarantees received** | **Guarantees granted** | **Guarantees received** | **Guarantees granted** |
| Ultimate shareholders and companies they control | 7,142 | 5 | 7,812 | 159 |
| Key management personnel of the entity or its parent and companies they control or jointly control | 9,689 | 92 | 21,599 | 149 |
| **Total** | **16,831** | **97** | **29,411** | **308** |

As at 31 December 2015 the shareholders of the Group guaranteed to the creditors of the Group for its loans in amount of EUR 38,208 thousand (2014: EUR 30,543 thousand).

**Transactions with directors and key management**

Total remuneration included in "personnel expenses" and loans to directors and key management are as follows:

In thousand of EUR

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Remuneration | 430 | 435 |
| Loans | 552 | 1,540 |

Of the loans to directors and key management, new loans of EUR 28 thousand were granted during 2015 (2014: EUR 1,025 thousand) and EUR 1,036 thousand was repaid (2014: EUR 50 thousand).

## 42. Unconsolidated structured entities

The Group engages in various business activities with structured entities which are companies designed to achieve a specific business purpose and usually designed so that voting or similar rights are not a dominant factor in deciding who controls the entity.

A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The Group provides financing to certain structured entities for the purchase of assets that are collateralized in favor of the Group by the structured entities. The Group enters into transactions with these entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. The entities covered by this disclosure note are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means.

Income derived from involvement with structured entities represents interest income recognized by the Group on the funding provided to structured entities.

The Group's interests in unconsolidated structured entities refer to contractual involvement that exposes the group to variability of returns from the performance of the structured entities.

The maximum exposure to loss for the Group is determined by considering the nature of the interest in the unconsolidated structured entity and represents the maximum loss that the Group could be required to report as a result of its involvement with unconsolidated structured entities regardless of the probability of the loss being incurred.
The maximum exposure to loans is reflected by their carrying amounts in the consolidated balance sheet as at 31 December 2015 in amount of EUR 590,008 thousand (2014: EUR 567,214 thousand) and there was no loss incurred in 2015 in respect of these loans provided (2014: nil). There are no additional contractual arrangements with these entities regarding providing any further funding or guarantees. Liabilities of the unconsolidated structured entities due to other entities are subordinated to liabilities due to the Group.

The total assets value for 5 unconsolidated structured entities, as indication of their size, is EUR 925,585 thousand (2014: EUR 837,207 thousand).

## 43. Efekt fúze

The following table provides details about the effect on the consolidated statement of financial position of the cross-border merger described in Note 1. General information, i.e. the breakdown of changes between consolidated balances of J&T FINANCE GROUP, a.s. published as at 31 December 2013 and consolidated statement of financial position of J&T FINANCE GROUP SE as at 1 January 2014.

In thousand of EUR

| | J&T FINANCE GROUP, a.s. (consolidated) 31 December 2013 | TECHNO PLUS, a.s. 31 December 2013 | Inter-company eliminations due to the merger |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 499,094 | 6 | (6) |
| Financial assets at fair value through profit or loss | 365,057 | - | - |
| Financial assets available for sale | 1,336,265 | - | - |
| Financial assets held to maturity | 892,233 | - | - |
| Disposal group held for sale | 9,495 | - | - |
| Loans and advances to banks | 237,392 | - | - |
| Loans and advances to customers | 4,348,687 | 431 | - |
| Trade receivables and other assets | 322,381 | 142,107 | (142,000) |
| Current tax assets | 2,798 | - | - |
| Investments in equity accounted investees | 3,398 | - | - |
| Participations with control | - | 256,314 | - |
| Investment property | 138,791 | - | - |
| Intangible assets | 182,638 | - | - |
| Property, plant and equipment | 46,018 | - | - |
| Deferred tax assets | 3,294 | - | - |
| **Total assets** | **8,387,541** | **398,858** | **(142,006)** |

[1]TECHNO PLUS, a.s. and J&T FINANCE GROUP, a.s. ceased to exist due to the merger
[2]J&T FINANCE GROUP SE (former J&T FINANCE, a.s.)

| Change in structure of equity | | | |
|---|---|---|---|
| Derecognition of investment of TECHNO PLUS, a.s. in J&T FINANCE GROUP, a.s. | transfer of equity items of merged entities[1] | transfer of share capital of successor entity[2] | J&T FINANCE GROUP SE (consolidated) 1 January 2014 |
| | | | |
| - | - | - | 499,094 |
| - | - | - | 365,057 |
| - | - | - | 1,336,265 |
| - | - | - | 892,233 |
| - | - | - | 9,495 |
| - | - | - | 237,392 |
| - | - | - | 4,349,118 |
| - | - | - | 322,488 |
| - | - | - | 2,798 |
| - | - | - | 3,398 |
| (256,314) | - | - | - |
| - | - | - | 138,791 |
| - | - | - | 182,638 |
| - | - | - | 46,018 |
| - | - | - | 3,294 |
| **(256,314)** | **-** | **-** | **8,388,079** |

In thousand of EUR

| | J&T FINANCE GROUP, a.s. (consolidated) 31 December 2013 | TECHNO PLUS, a.s. 31 December 2013 | Inter-company eliminations due to the merger |
|---|---|---|---|
| **LIABILITIES** | | | |
| Financial liabilities at fair value through profit or loss | 29,257 | - | - |
| Deposits and loans from banks | 236,090 | - | - |
| Deposits and loans from customers | 6,450,369 | 142,001 | (142,006) |
| Issued bonds | 302,482 | - | - |
| Subordinated debt | 156,686 | - | - |
| Other liabilities | 165,778 | 51,576 | - |
| Current tax liability | 4,207 | - | - |
| Provisions | 11,308 | - | - |
| Deferred tax liabilities | 19,290 | - | - |
| Total liabilities | 7,375,467 | 193,577 | (142,006) |
| | | | |
| **EQUITY** | | | |
| Share capital | 31,540 | 33 | - |
| Share premium | 14,937 | - | - |
| Retained earnings and other reserves | 874,730 | 205,248 | - |
| **Equity attributable to equity holders of the parent** | **921,207** | **205,281** | **-** |
| Non-controlling interests | 90,867 | - | - |
| **Total equity** | **1,012,074** | **205,281** | **-** |
| | | | |
| **Total equity and liabilities** | **8,387,541** | **398,858** | **(142,006)** |

[1]TECHNO PLUS, a.s. and J&T FINANCE GROUP, a.s. ceased to exist due to the merger
[2]J&T FINANCE GROUP SE (former J&T FINANCE, a.s.)

| Change in structure of equity | | | |
|---|---|---|---|
| Derecognition of investment of TECHNO PLUS, a.s. in J&T FINANCE GROUP, a.s. | transfer of equity items of merged entities[1] | transfer of share capital of successor entity[2] | J&T FINANCE GROUP SE (consolidated) 1 January 2014 |
| | | | |
| - | - | - | 29,257 |
| - | - | - | 236,090 |
| - | - | - | 6,450,364 |
| - | - | - | 302,482 |
| - | - | - | 156,686 |
| - | - | - | 217,354 |
| - | - | - | 4,207 |
| - | - | - | 11,308 |
| - | - | - | 19,290 |
| - | - | - | 7,427,038 |
| | | | |
| | | | |
| - | (31,573) | 518,389 | 518,389 |
| - | (14,937) | - | - |
| (256,314) | 46,510 | (518,389) | 351,785 |
| **(256,314)** | **-** | **-** | **870,174** |
| - | - | - | 90,867 |
| **(256,314)** | **-** | **-** | **961,041** |
| | | | |
| **(256,314)** | **-** | **-** | **8,388,079** |

## 44. Subsequent events

On 1 January 2016 subsidiary J&T Cafe, s.r.o. started a process of liquidation and was renamed to J&T Cafe, s.r.o. in liquidation.

The Group lost control over its subsidiary ART FOND - Stredoeurópský fond súčasného umenia, a.s. due to assignment of its rights based on shareholder's agreement with remaining shareholders to another shareholder of the company on 24 February 2016.

On 27 February 2016 the Group established a subsidiary J&T Global Finance VI, s.r.o., with seat in Slovakia.

On 18 March 2016 J&T FINANCE GROUP SE issued subordinated unsecured perpetuity certificates with nominal value of EUR 200,000 thousand. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. On 21 April 2016, CNB stipulated that these equity instruments comply with the requirements to be recognized as additional capital AT1, part of regulatory capital tier 1 (see also note 39.5. Capital management).

On 29th March 2016 the shareholders of J&T FINANCE GROUP SE entered into several agreements which shall result in the increase of CEFC's share of the Company's share capital to 50%. The share capital of the Company should subsequently increase by EUR 237,504 thousand.

These transactions agreed among shareholders of the Company are subject to the regulatory approvals both in China and in countries where the Group operates as well as to approval of the European Central Bank.

## 45. Group entities

The list of the Group entities as at 31 December 2015 and 2014 is set out below:

| | | December 2015 | | | December 2014 | |
|---|---|---|---|---|---|---|
| **Company name** | **Country of incorporation** | **Consolidated %** | **Ownership interest** | **Consolidation method** | **Consolidated %** | **Ownership interest** |
| J&T FINANCE GROUP SE | Czech Republic | parent company | | parent company | | |
| J&T BANKA. a.s. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| ATLANTIK finanční trhy. a.s. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| J&T INVESTIČNÍ SPOLEČNOST. a.s. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| J&T IB and Capital Markets. a.s. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| XT-Card a.s. | Czech Republic | 32.00 | direct | Equity | | - |
| J&T Bank. a.o. (J&T Bank ZAO) [1] | Russia | 100.00 | direct | Full | 100.00 | direct |
| TERCES MANAGEMENT LIMITED [2] | Cyprus | 100.00 | direct | Full | 100.00 | direct |
| Interznanie OAO[3] | Russia | 100.00 | direct | Full | 100.00 | direct |
| PGJT B.V. | Netherlands | 50.00 | direct | Equity | 50.00 | direct |
| PROFIREAL OOO | Russia | 50.00 | direct | Equity | 50.00 | direct |
| J&T REALITY otevřený podílový fond. J&T INVESTIČNÍ SPOLEČNOST. a.s. [4] | Czech Republic | 88.88 | direct | Full | 85.81 | direct |
| VABA d.d. banka Varaždin | Croatia | 76.81 | direct | Full | 58.33 | direct |
| J&T Cafe. s.r.o. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| ART FOND - Stredoeurópský fond súčasného umenia. a.s. | Slovakia | 38.46 | direct | Full | 38.46 | direct |
| J&T INTEGRIS GROUP LIMITED | Cyprus | 100.00 | direct | Full | 100.00 | direct |
| Bayshore Merchant Services Inc. | British Virgin Islands | 100.00 | direct | Full | 100.00 | direct |
| J&T Bank and Trust Inc. | Barbados | 100.00 | direct | Full | 100.00 | direct |
| J and T Capital. Sociedad Anonima de Capital Variable | Mexiko | 100.00 | direct | Full | 100.00 | direct |
| J&T MINORITIES PORTFOLIO LIMITED | Cyprus | 100.00 | direct | Full | 100.00 | direct |
| Equity Holding. a.s. | Czech Republic | 62.64 | direct | Full | 62.64 | direct |
| ABS PROPERTY LIMITED | Ireland | 100.00 | direct | Full | 100.00 | direct |
| J&T Global Finance I.. B.V. in liquidation | Netherlands | 100.00 | direct | Full | 100.00 | direct |
| J&T Global Finance II.. B.V. in liquidation | Netherlands | 100.00 | direct | Full | 100.00 | direct |
| J&T Global Finance III. s.r.o. | Slovakia | 100.00 | direct | Full | 100.00 | direct |
| J&T Global Finance IV.. B.V. | Netherlands | 100.00 | direct | Full | 100.00 | direct |
| J&T Global Finance V.. s.r.o. | Slovakia | 100.00 | direct | Full | 100.00 | direct |
| J&T Concierge. s.r.o. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| KHASOMIA LIMITED[5] | Cyprus | - | - | - | 100.00 | direct |

| | | | | | | |
|---|---|---|---|---|---|---|
| J&T SERVICES ČR. a.s. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| J&T SERVICES SR. s.r.o. | Slovakia | 100.00 | direct | Full | 100.00 | direct |
| J&T Finance. LLC | Russia | 99.90 | direct | Full | 100.00 | direct |
| Hotel Kadashevskaya. LLC | Russia | 99.90 | direct | Full | 99.90 | direct |
| PBI. a.s. | Czech Republic | 100.00 | direct | Full | 100.00 | direct |
| Poštová banka. a.s. [6] | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| Poštová poisťovňa. a.s. (Poisťovňa Poštovej banky. a.s.) | Slovakia | 78.79 | direct | Full | 90.01 | direct |
| Dôchodková správcovská spoločnosť Poštovej Banky. d.s.s.. a.s. | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY. správ.spol.. a.s. | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| POBA Servis. a. s. | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| PB PARTNER. a.s. | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| Salve Finance. a.s. | Slovakia | - | - | - | 45.05 | direct |
| PB Finančné služby. a.s. | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| PB IT. a.s. | Slovakia | 98.46 | direct | Full | 90.01 | direct |
| SPPS. a.s. | Slovakia | 39.38 | direct | Equity | 36.00 | direct |
| FOND DLHODOBÝCH VÝNOSOV o.p.f. - PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY. správ.spol.. a.s. [7] | Slovakia | - | - | - | 94.99 | direct |
| NÁŠ DRUHÝ REALITNÝ o.p.f. - PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY. správ.spol.. a.s. [8] | Slovakia | - | - | - | 94.66 | direct |

The structure above is listed by ownership of companies at the different levels within the Group.

[1]The Group owns a 99.945% share in J&T Bank. a.o. through the subsidiary J&T BANKA. a.s. and another 0.055% share through J&T FINANCE GROUP SE (2014: 99.54% and 0.46%).

[2]The Group owns a 99% share in TERCES MANAGEMENT LIMITED through the subsidiary J&T BANKA. a.s. and another 1% share through the subsidiary J&T Finance. LLC.

[3]The Group owns a 50% share in Interznanie OAO through the subsidiary TERCES MANAGEMENT LIMITED and another 50% share through the subsidiary J&T Bank. a.o. (2014: 100% through the subsidiary TERCES MANAGEMENT LIMITED).

[4]The Group owns a 53.08% share in J&T REALITY otevřený podílový fond. J&T INVESTIČNÍ SPOLEČNOST.. a.s. through the subsidiary J&T BANKA. a.s. and another 35.8% share through the subsidiary Poštová banka. a.s. (2014: 53.08% and 32.73%).

[5]On 16 February 2015 J&T FINANCE GROUP SE merged with its subsidiary KHASOMIA LIMITED (effective date 1 March 2014) that ceased to exist due to the merger and J&T FINANCE GROUP SE became the successor company.

[6]The Group owns a 64.46% share in Poštová banka.. a.s. through J&T FINANCE GROUP SE and another 34% share through the subsidiary PBI. a.s. (2014: 52.85% through J&T FINANCE GROUP SE and 37.16% through the subsidiary J&T Banka. a.s.).

[7]As at 31 December 2014 the Group owned a 49.81% share in FOND DLHODOBÝCH VÝNOSOV o.p.f. - PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOST POŠTOVEJ BANKY. správ.spol.. a.s. through the subsidiary J&T BANKA. a.s. and another 45.18% share through the subsidiary Poštová banka. a.s.

[8]As at 31 December 2014 the Group owned a 46.54% share in NÁŠ DRUHÝ REALITNÝ o.p.f. - PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOST POŠTOVEJ BANKY. správ.spol.. a.s. through the subsidiary J&T BANKA. a.s. and another 48.12% share through the subsidiary Poštová banka. a.s.

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# Independent Auditor's Report to the Shareholders of J&T FINANCE GROUP SE

We have audited the accompanying financial statements of J&T FINANCE GROUP SE, prepared in accordance with Czech accounting legislation, which comprise the balance sheet as of 31 December 2015, the income statement for the period from 1 March 2014 to 31 December 2015, and the notes to these financial statements, including a summary of significant accounting policies and other explanatory notes. Information about J&T FINANCE GROUP SE is set out in Note 1 to these financial statements.

*Statutory Body's Responsibility for the Financial Statements*

The statutory body of J&T FINANCE GROUP SE is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 give a true and fair view of the financial position of J&T FINANCE GROUP SE as of 31 December 2015 and of its financial performance for the period from 1 March 2014 to 31 December 2015 in accordance with Czech accounting legislation.

*Other Information*

Other information is defined as information (other than the financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information. In connection with our audit of the financial statements, our responsibility is to report on the other information.

J&T FINANCE GROUP SE has not prepared an annual report as at 31 December 2015, as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Prague
29 April 2016

KPMG Česká republika Audit

Vladimír Dvořáček
Partner
Registration number 2332

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

# BALANCE SHEET
## IN FULL FORMAT

### As at 31 December 2015
### (In thousands of Czech crowns "TCZK")

Translated from the Czech original

Name and regist. office of the company

J&T FINANCE GROUP SE
Pobřežní 297/14
186 00 Praha 8
Czech Republic

Identification number

27592502

| Ident. | ASSETS | line | Current period | | | Prior period |
|---|---|---|---|---|---|---|
| | | | Gross | Adjust. | Net | Net |
| a | b | c | 1 | 2 | 3 | 4 |
| | **TOTAL ASSETS (L.02+03+31+63)** | 001 | 54 491 475 | 3 503 394 | 50 988 081 | 42 814 669 |
| **A.** | **Receivables for subscribed registered capital** | 002 | | | | |
| **B.** | **Fixed assets (L.04+13+23)** | 003 | 38 161 175 | 2 947 920 | 35 213 255 | 24 910 997 |
| B.I. | Intangible fixed assets (L.05 to 12) | 004 | 463 | 169 | 294 | |
| B.I.1. | Incorporation expenses | 005 | | | | |
| 2. | Research and development | 006 | | | | |
| 3. | Software | 007 | 71 | 71 | | |
| 4. | Intellectual property rights | 008 | | | | |
| 5. | Goodwill | 009 | | | | |
| 6. | Other intangible fixed assets | 010 | 392 | 98 | 294 | |
| 7. | Intangible fixed assets under construction | 011 | | | | |
| 8. | Advance payments for intangible fixed assets | 012 | | | | |
| B.II. | Tangible fixed assets (L.14 to 22) | 013 | 229 192 | 44 741 | 184 451 | 223 835 |
| B.II.1. | Land | 014 | | | | |
| 2. | Buildings | 015 | 159 735 | 18 312 | 141 423 | 158 110 |
| 3. | Plant and equipment | 016 | 66 539 | 26 429 | 40 110 | 62 807 |
| 4. | Cultivated areas | 017 | | | | |
| 5. | Adult livestock | 018 | | | | |
| 6. | Other tangible fixed assets | 019 | 2 918 | | 2 918 | 2 918 |
| 7. | Tangible fixed assets under construction | 020 | | | | |
| 8. | Advance payments for tangible fixed assets | 021 | | | | |
| 9. | Adjustments to acquired fixed assets | 022 | | | | |
| B.III. | Long-term investments (L.24 to 30) | 023 | 37 931 520 | 2 903 010 | 35 028 510 | 24 687 162 |
| B.III.1. | Equity investments - subsidiaries | 024 | 37 620 962 | 2 903 010 | 34 717 952 | 24 378 772 |
| 2. | Equity investments - associated companies | 025 | | | | |
| 3. | Other long-term securities and ownership interests | 026 | 4 509 | | 4 509 | 4 511 |
| 4. | Loans - group undertakings, associated companies | 027 | | | | |
| 5. | Other long-term investments | 028 | 306 049 | | 306 049 | 303 879 |
| 6. | Long-term investments (provisional value) | 029 | | | | |
| 7. | Advance payments for long-term investments | 030 | | | | |

## J&T FINANCE GROUP SE

**Balance sheet**
as at 31 December 2015

| Ident. | ASSETS | line | Current period | | | Prior period |
|---|---|---|---|---|---|---|
| | | | Gross | Adjust. | Net | Net |
| a | b | c | 1 | 2 | 3 | 4 |
| **C.** | **Current assets (L.32+39+48+58)** | 031 | 16 329 981 | 555 474 | 15 774 507 | 17 899 220 |
| C.I. | Inventories (L.33 to 38) | 032 | 202 | | 202 | |
| C.I.1. | Raw materials | 033 | 202 | | 202 | |
| 2. | Work-in-progress and semi-finished products | 034 | | | | |
| 3. | Finished goods | 035 | | | | |
| 4. | Young and other livestock | 036 | | | | |
| 5. | Goods for resale | 037 | | | | |
| 6. | Advance payments for inventories | 038 | | | | |
| C.II. | Long-term receivables (L.40 to 47) | 039 | 11 544 | | 11 544 | 4 445 938 |
| C.II.1. | Trade receivables | 040 | 11 544 | | 11 544 | 4 445 938 |
| 2. | Receivables - group undertakings | 041 | | | | |
| 3. | Receivables - associated companies | 042 | | | | |
| 4. | Receivables from shareholders/members | 043 | | | | |
| 5. | Long-term advances paid | 044 | | | | |
| 6. | Estimated receivables | 045 | | | | |
| 7. | Other receivables | 046 | | | | |
| 8. | Deferred tax asset | 047 | | | | |
| C.III. | Short-term receivables (L.49 to 57) | 048 | 15 442 729 | 555 474 | 14 887 255 | 12 023 428 |
| C.III.1. | Trade receivables | 049 | 12 175 417 | 85 539 | 12 089 878 | 10 925 300 |
| 2. | Receivables - group undertakings | 050 | 1 994 260 | | 1 994 260 | 954 249 |
| 3. | Receivables - associated companies | 051 | | | | |
| 4. | Receivables from shareholders/members | 052 | | | | |
| 5. | Social security and health insurance | 053 | | | | |
| 6. | Tax receivables | 054 | 48 743 | | 48 743 | 975 |
| 7. | Short-term advances paid | 055 | 2 083 | | 2 083 | 2 948 |
| 8. | Estimated receivables | 056 | 3 220 | | 3 220 | 20 000 |
| 9. | Other receivables | 057 | 1 219 006 | 469 935 | 749 071 | 119 956 |
| C.IV. | Short-term financial assets (L.59 to 62) | 058 | 875 506 | | 875 506 | 1 429 854 |
| C.IV.1. | Cash | 059 | 288 | | 288 | 35 |
| 2. | Bank accounts | 060 | 863 408 | | 863 408 | 855 925 |
| 3. | Short-term securities and ownership interests | 061 | 11 810 | | 11 810 | 573 894 |
| 4. | Short-term investments (provisional value) | 062 | | | | |
| **D.I.** | **Deferrals (L. 64+65+66)** | 063 | 319 | | 319 | 4 452 |
| D.I.1. | Prepaid expenses | 064 | 313 | | 313 | 4 452 |
| 2. | Complex prepaid expenses | 065 | | | | |
| 3. | Accrued revenues | 066 | 6 | | 6 | |

## J&T FINANCE GROUP SE

**Balance sheet**
as at 31 December 2015

| Ident.<br>a | LIABILITIES<br>b | line<br>c | Current period<br>5 | Prior period<br>6 |
|---|---|---|---|---|
| | **TOTAL LIABILITIES AND EQUITY (L.68+89+122)** | 067 | 50 988 081 | 42 814 669 |
| **A.** | **Equity (L.69+73+80+83+87+88)** | 068 | 27 220 518 | 19 709 646 |
| A.I. | Registered capital (L.70+71+72) | 069 | 17 740 750 | 14 217 862 |
| A.I.1. | Registered capital | 070 | 17 740 750 | 14 217 862 |
| 2. | Own shares and ownership interests (-) | 071 | | |
| 3. | Changes in registered capital | 072 | | |
| A.II. | Capital contributions (L.74 to 79) | 073 | 2 655 296 | 196 146 |
| A.II.1. | Premium | 074 | 2 551 766 | |
| 2. | Other capital contributions | 075 | 208 882 | 208 882 |
| 3. | Revaluation of assets and liabilities | 076 | - 105 352 | - 12 736 |
| 4. | Revaluation reserve on transformations | 077 | | |
| 5. | Differences resulting from transformations | 078 | | |
| 6. | Change in revaluation reserve on transformations | 079 | | |
| A.III. | Funds from profit (L.81+82) | 080 | 2 160 082 | 200 082 |
| A.III.1. | Reserve fund | 081 | 200 082 | 200 082 |
| 2. | Statutory and other funds | 082 | 1 960 000 | |
| A.IV. | Retained earnings (L.84+85+86) | 083 | 3 130 608 | 5 095 556 |
| A.IV.1. | Retained profits | 084 | 3 130 608 | 5 095 556 |
| 2. | Accumulated losses | 085 | | |
| 3. | Other retained earnings | 086 | | |
| A.V.1 | Profit (loss) for the current period (+/-) | 087 | 1 533 782 | |
| A.V.2 | Approved advance profit distribution (-) | 088 | | |
| **B.** | **Liabilities (L.90+95+106+118)** | 089 | 23 763 071 | 23 104 612 |
| B.I. | Provisions (L.91 to 94) | 090 | 77 256 | 7 785 |
| B.I.1. | Tax-deductible provisions | 091 | | |
| 2. | Provision for pensions and other similar payables | 092 | | |
| 3. | Income tax provision | 093 | | |
| 4. | Other provisions | 094 | 77 256 | 7 785 |
| B.II. | Long-term liabilities (L.96 to 105) | 095 | 12 366 292 | 7 029 559 |
| B.II.1. | Trade payables | 096 | 1 697 966 | 1 652 160 |
| 2. | Liabilities - group undertakings | 097 | 9 304 945 | 3 985 394 |
| 3. | Liabilities - associated companies | 098 | | |
| 4. | Liabilities to shareholders/members | 099 | | |
| 5. | Long-term advances received | 100 | | |
| 6. | Debentures and bonds issued | 101 | 1 352 700 | 1 376 674 |
| 7. | Long-term bills of exchange payable | 102 | | |
| 8. | Estimated payables | 103 | | |
| 9. | Other payables | 104 | | |
| 10. | Deferred tax liability | 105 | 10 681 | 15 331 |

## J&T FINANCE GROUP SE

**Balance sheet**
as at 31 December 2015

| Ident. a | LIABILITIES b | line c | Current period 5 | Prior period 6 |
|---|---|---|---|---|
| B.III. | Short-term liabilities (L.107 to 117) | 106 | 8 893 961 | 10 415 238 |
| B.III.1. | Trade payables | 107 | 660 038 | 525 257 |
| 2. | Liabilities - group undertakings | 108 | 8 025 628 | 8 225 865 |
| 3. | Liabilities - associated companies | 109 | | |
| 4. | Liabilities to shareholders/members | 110 | 42 439 | 1 409 934 |
| 5. | Payables to employees | 111 | 1 344 | 1 260 |
| 6. | Social security and health insurance liabilities | 112 | 390 | 750 |
| 7. | Tax liabilities and subsidies | 113 | 2 414 | 12 019 |
| 8. | Short-term advances received | 114 | | |
| 9. | Debentures and bonds issued | 115 | | |
| 10. | Estimated payables | 116 | 12 839 | 1 330 |
| 11. | Other payables | 117 | 148 869 | 238 822 |
| B.IV. | Bank loans and overdrafts (L.119 to 121) | 118 | 2 425 562 | 5 652 030 |
| B.IV.1. | Long-term bank loans | 119 | | |
| 2. | Short-term bank loans | 120 | 1 014 986 | 686 955 |
| 3. | Short-term financial liabilities | 121 | 1 410 576 | 4 965 075 |
| **C.I.** | **Accruals (L.123+124)** | 122 | 4 492 | 411 |
| C.I.1. | Accrued expenses | 123 | 4 492 | 411 |
| 2. | Deferred revenues | 124 | | |

# INCOME STATEMENT

**classification by nature**

for the year ended 31 December 2015

( in thousands of Czech crowns "TCZK" )

Translated from the Czech original

Name and regist. office of the company

Identification number

27592502

J&T FINANCE GROUP SE
Pobřežní 297/14
186 00 Praha 8
Czech Republic

| Ident. a | TEXT b | Line c | **Current period** 1 | **Prior period** 2 |
|---|---|---|---|---|
| I. | Revenue from goods | 01 | | |
| A. | Cost of goods sold | 02 | | |
| **+** | **Gross profit (L.01-02)** | 03 | | |
| II. | Revenue from production (L.05+06+07) | 04 | 36 231 | |
| II.1. | Revenue from own products and services | 05 | 36 231 | |
| II.2. | Change in inventory of own production | 06 | | |
| II.3. | Own work capitalised | 07 | | |
| B. | Cost of sales (L.09+10) | 08 | 233 633 | |
| B.1. | Materials and consumables | 09 | 3 075 | |
| B.2. | Services | 10 | 230 558 | |
| **+** | **Added value (L.03+04-08)** | 11 | - 197 402 | |
| C. | Personnel expenses (L.13 to 16) | 12 | 36 000 | |
| C.1. | Wages and salaries | 13 | 27 368 | |
| C.2. | Remuneration of board members | 14 | | |
| C.3. | Social security and health insurance expenses | 15 | 8 179 | |
| C.4. | Social expenses | 16 | 453 | |
| D. | Taxes and charges | 17 | 1 489 | |
| E. | Depreciation of intangible and tangible fixed assets | 18 | 39 757 | |
| III. | Proceeds from disposals of fixed assets and raw material (L.20+21) | 19 | 388 | |
| III.1 | Proceeds from disposals of fixed assets | 20 | 182 | |
| III.2 | Proceeds from disposals of raw material | 21 | 206 | |
| F. | Net book value of fixed assets and raw material sold (L.23+24) | 22 | 262 | |
| F.1. | Net book value of fixed assets sold | 23 | 112 | |
| F.2. | Raw materials sold | 24 | 150 | |
| G. | Change in provisions and adjustments relating to operating activity and change in complex prepaid expenses | 25 | - 153 019 | |
| IV. | Other operating revenues | 26 | 353 589 | |
| H. | Other operating expenses | 27 | 382 429 | |
| V. | Transfer of operating revenues | 28 | | |
| I. | Transfer of operating expenses | 29 | | |
| * | **Operating profit (loss)** (L.11-12-17-18+19-22-25+26-27+28-29) | 30 | - 150 343 | |

## J&T FINANCE GROUP SE

**Income statement - classification by nature**
for the year ended 31 December 2015

| Ident.<br>a | TEXT<br>b | Line<br>c | **Current period**<br>1 | **Prior period**<br>2 |
|---|---|---|---|---|
| VI. | Proceeds from sale of securities and ownership interests | 31 | 1 458 165 | |
| J. | Securities and ownership interests sold | 32 | 1 474 148 | |
| VII. | Revenue from long-term investments (L.34+35+36) | 33 | 2 845 764 | |
| VII.1. | Revenue from investments in group undertakings and associated companies | 34 | 2 845 764 | |
| VII.2. | Revenue from other long-term securities and ownership interests | 35 | | |
| VII.3. | Revenue from other long-term investments | 36 | | |
| VIII. | Revenue from short-term financial investments | 37 | 34 582 | |
| K. | Financial assets expenses | 38 | | |
| IX. | Revenue from revaluation of securities and derivatives | 39 | 574 554 | |
| L. | Expenses for revaluation of securities and derivatives | 40 | 1 240 305 | |
| M. | Change in provisions and adjustments relating to financial activity | 41 | 74 190 | |
| X. | Interest revenue | 42 | 1 485 355 | |
| N. | Interest expense | 43 | 2 168 358 | |
| XI. | Other financial revenues | 44 | 1 002 341 | |
| O. | Other financial expenses | 45 | 724 794 | |
| XII. | Transfer of financial revenues | 46 | | |
| P. | Transfer of financial expenses | 47 | | |
| * | **Profit (loss) from financial operations** (L.31-32+33+37-38+39-40-41+42-43+44-45+46-47) | 48 | 1 718 966 | |
| Q. | Income tax on ordinary profit (loss) (L.50+51) | 49 | 34 841 | |
| Q.1. | - current | 50 | 39 491 | |
| Q.2. | - deferred | 51 | - 4 650 | |
| ** | **Profit (loss) on ordinary activities after tax** (L.30+48-49) | 52 | 1 533 782 | |
| XIII. | Extraordinary revenues | 53 | | |
| R. | Extraordinary expenses | 54 | | |
| S. | Income tax on extraordinary profit (loss) (L.56+57) | 55 | | |
| S.1. | - current | 56 | | |
| S.2. | - deferred | 57 | | |
| * | **Extraordinary profit (loss) (L.53-54-55)** | 58 | | |
| T. | Transfer of profit or loss to shareholders/members | 59 | | |
| *** | **Profit (loss) for the accounting period** (L.52+58-59) | 60 | **1 533 782** | |
| **** | Profit (loss) before tax (L.30+48+53-54) | 61 | 1 568 623 | |

# NOTES TO FINANCIAL STATEMENTS

## As at 31 December 2015
## (In thousands of Czech crowns "TCZK")

**1. Description and principal activities**

**Establishment and description of the Company**

J&T FINANCE GROUP SE ("the Company") was registered on 24 August 2006. The principal business activities of the Company are the manufacture, trade and services not listed in appendices 1 to 3 of the Trades Licensing Act. The principal activities are the acquisition and holding interests in legal entities.

**Ownership structure**

The shareholders of the Company as at 31 December 2015 were:

| | |
|---|---|
| Jozef Tkáč | 45.6% |
| Ivan Jakabovič | 45.6% |
| CEFC Hainan International Holdings Co, Ltd. | 4.0% |
| CEFC Shanghai International Group Limited | 4.8% |

There was a cross-border merger with the company KHASOMIA LIMITED as at 1 March 2014. The merger was registered by the commercial court on 16 February 2015. As a result, the assets and liabilities of the dissolving company were transferred to the Company.

**Registered office**

J&T FINANCE GROUP SE
Pobřežní 297/14
186 00 Praha 8 - Karlín
Czech Republic

**Identification number**

275 92 502

**Members of the board of directors and supervisory board as at 31 December 2015**

| Members of the board of directors | Members of the supervisory board |
|---|---|
| Jozef Tkáč (Chairman) | Marta Tkáčová (Chairman) |
| Patrik Tkáč | Ivan Jakabovič senior |
| Ivan Jakabovič | Jana Šuterová |
| Dušan Palcr | |
| Gabriela Lachoutová | |

During the accounting period members of the board of directors and the supervisory board did not change.

**Changes in the Commercial Register**

For the period from 1 March 2014 to 31 December 2015, the following changes in the board of directors and the supervisory board were made:

- on 11 April 2014 Jozef Tkáč's address was changed,
- on 11 April 2014 Marta Tkáčová's address was changed.

On 16 February 2015 the following event was recorded in the Commercial Register:
Based on the project of cross-border merger by acquisition dated 7 October 2014, cross-border merger by acquisition was carried out – J&T FINANCE GROUP SE (the successor company) was transferred the assets and liabilities of the dissolving company KHASOMIA LIMITED adhering to the Cyprus law, registration number: HE 238546, with its registered office at Klimentos, 41 43 KLIMENTOS TOWER, 2nd floor, Flat/Office 21, Nicosia, post code 1061, Cyprus.
On 18 February 2015 there was an increase of the registered capital by TCZK 1,960,000.
On 20 April 2015 there was another increase of the registered capital by TCZK 852,138.
On 11 December 2015 there was another increase of the registered capital by TCZK 710,750.

**Organisational structure**

The Company does not have an internal structure – it has 2 executives and the Company's management is its board of directors.

**Administrative branch**

J&T FINANCE GROUP SE, organizačná zložka ("administrative branch") was established in Slovakia based on the decision of the board of directors of J&T FINANCE, a.s. dated 6 November 2013 and on 15 November 2013 it was recorded in the Commercial Register maintained by the District Court in Bratislava I, section Po, insert 2332/B as an administrative branch of a foreign entity.

**Basic information about the branch:**

| | |
|---|---|
| Company name: | J&T FINANCE GROUP SE, organizačná zložka |
| Place of business: | Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic |
| Identification number: | 47 251 735 |

**The principal activities of the Company are as follows:**

- mediation of providing loans and borrowings from funds solely acquired without a public invitation and without a public offer of property values
- lease of real estate without providing other than basic services associated with the lease
- mediation services in the field of trade, services and manufacture
- business, organisational and economic advisory
- advertising and marketing services

**Head of the administrative branch:**

| Function | Name |
|---|---|
| Head of the administrative branch | Ing. Beáta Ondušková |
| | Bratislava, Miletičova 54, post code 821 09, Slovak Republic |

As at 31 December 2015 the administrative branch had 10 employees.

## 2. Significant accounting policies applied by the Company

The financial statements have been prepared based on the accounting records kept in compliance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic.

These financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, ("the Act on Accounting") and Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of the Act on Accounting for business entities using double entry bookkeeping, as amended for 2015 and 2014.

As the cross-border merger as at 1 March 2014 with KHASOMIA LIMITED was recorded in the Commercial Register on 16 February 2015, the ordinary financial statements have been prepared for the period from 1 March 2014 to 31 December 2015.

### a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing up to TCZK 40 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

The cost of internally produced fixed assets includes direct materials, direct wages and overheads directly related to the creation of the asset until it is put into use.

Assets are depreciated using the following methods over the following periods:

| Assets | Method | Period |
|---|---:|---:|
| Buildings | Straight-line | 30 years |
| Machinery and equipment | Straight-line | 8 years |
| Motor vehicles | Declining balance | 4 years |
| Patents and other intangibles | Straight-line | 5 years |
| Software | Declining balance | 3 years |
| Adjustments to acquired fixed assets | Straight-line | 15 years |

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and their estimated useful lives.

### b) Long-term investments

Long-term investments comprise equity investments in subsidiaries and associated companies, debt securities that the Company has the intent and ability to hold to maturity, and other long-term securities for which the Company's intent is not known upon acquisition. Long-term investments also include long-term loans provided to group undertakings and associated companies and other long-term loans granted.

Long-term investments are stated at cost, which includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges, and also includes foreign exchange differences arising from advances for the acquisition of investments.

Securities, except held-to-maturity securities and securities comprising equity investments in subsidiaries and associated companies, are measured at fair value as at the balance sheet date. Gains/losses arising from the change in fair value are not included in the net profit or loss for the period until they are realised, and are recorded as changes in "Revaluation of assets and liabilities" in equity.

The Company uses the market value of securities as at the last day of the accounting period as the fair value. In the case of securities and interests not traded on public market, the fair value is determined based on a qualified estimate made by the Company's management.

As at the balance sheet date, equity investments in subsidiaries and associated companies are recognised at acquisition cost, and if a particular investment has been impaired, an adjustment is established. The Company establishes adjustments as at the last day of the accounting period.

As at the balance sheet date unrealised foreign exchange gains and losses from long-term securities and ownership interests are included in the revaluation of assets and liabilities at fair value or are determined using the equity method.

### c) Short-term securities and ownership interests

On acquisition, securities held for trading and held-to-maturity debt securities due within one year are recorded at acquisition cost.

As at the balance sheet date short-term securities held for trading are measured at fair value. Any change in valuation in the accounting period is recorded in revenues (expenses) from revaluation of securities and derivatives. Where fair value cannot be reliably determined, short-term securities held for trading are recognised at cost. Adjustments are established if the net realisable value of these assets has been impaired.

The value of debt securities as at the balance sheet date also includes the proportionate part of interest revenue that is recognised in the income statement. Adjustments are established where the value of held-to-maturity debt securities has been impaired.

### d) Inventories

Raw materials inventory is stated at cost, which includes the purchase price of the inventory and related customs duties and in-transit storage and freight costs incurred in delivering the inventory to the manufacturing facility. Cost is determined using the first-in, first-out (weighted average) method.

Goods for resale are stated at cost, which includes the purchase price of the goods and related customs duties and in-transit storage and freight costs incurred in delivering the goods to the warehouse. Cost is determined using the first-in, first-out (weighted average) method.

## e) Establishment of adjustments and provisions

**Receivables**

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables.

**Investments**

Adjustments for investments are established where the book value is temporarily higher than the net realisable value of an investment, represented by the value of equity or a qualified estimate.

**Provisions**

As at the balance sheet date, a provision for untaken holidays is established based on an analysis of untaken holidays in the accounting period and average payroll expenses, including social security and health insurance expenses per employee.

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined. In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

Other provisions are established for warranties. These provisions are established based on an analysis of the Company's management where provisions are established for risk guarantees.

## f) Foreign currency translation

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement.

As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Unrealised foreign exchange gains and losses are recognised in profit or loss.

## g) Derivatives

A derivative is a financial instrument that meets all of the following conditions.

- Its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable ("the underlying asset").
- It requires a small or no initial net investment compared with other types of contract based on a similar response to changes in market factors.
- It is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet at fair value. Positive fair values of derivatives are recognised in assets under "Other receivables". Negative fair values of derivatives are recognised in liabilities under "Other payables". The fair value of financial derivatives is the present value of expected cash flows from these transactions.

**Trading derivatives**

Derivatives held for trading are recognised in the balance sheet at fair value. Gains/losses from changes in fair value are recorded in the income statement under "Revenue from revaluation of securities and derivatives"/"Expenses for revaluation of securities and derivatives".

**Embedded derivatives**

In some instances, a derivative may be part of a compound financial instrument, which includes both the host instrument and the derivative (embedded derivative) that influences the cash flow or otherwise modifies the characteristics of the host instrument. Pursuant to Section 52 (7) of Decree No. 500/2002 Coll., the Company does not account for embedded derivatives.

### h) Leased assets

Lease payments are expensed on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price.

### i) Recognition of revenues and expenses

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing.

### j) Income tax

Income tax for the period comprises current tax and the change in deferred tax.
Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.
Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.
A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

### k) Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year of the balance sheet date.

### l) Consolidation

Pursuant to Section 62 (2) of Decree No. 500/2002 Coll. ("the Decree"), the financial statements of the Company and of all its consolidated entities have been included in the consolidated financial statements of the company J&T FINANCE GROUP SE. The consolidated financial statements of the parent company will be published in accordance with Section 62 (3c) of the Decree and with Section 21a of the Act on Accounting.
The Company prepares consolidated financial statements in accordance with IFRS.

### m) Accounting of the administrative branch

Accounting of the administrative branch is maintained separately in Slovakia in EUR. Balances of all accounts are taken over once per month and are translated using the daily Czech National Bank official rate. As at the balance sheet date, assets and liabilities in EUR are translated using the foreign exchange rate announced by the Czech National Bank. Foreign exchange differences arising from the translation of the balance sheet and profit and loss account are charged to the profit and loss account as at the balance sheet date.

### n) Comparability of information

As described in note 1, the Company was part of the merger project with the decisive date on 1 March 2014. The merger was recorded by the registration court on 16 February 2015. Information disclosed in the prior period financial statements represent the Company's opening balance sheet as at 1 March 2014. Accordingly, comparable information is not disclosed in the profit and loss account.

The financial statements have been prepared for the period from 1 March 2014 to 31 December 2015 (hereinafter "the 2015 period").

### 3. Fixed assets

#### a) Intangible fixed assets

| | Intellectual property rights | Software | Total |
|---|---|---|---|
| **Acquisition cost** | | | |
| Balance at 1. 3. 2014 | -- | 71 | 71 |
| Additions | 392 | -- | 392 |
| Disposals | -- | -- | -- |
| Balance at 31. 12. 2015 | 392 | 71 | 463 |
| **Accumulated depreciation** | | | |
| Balance at 1. 3. 2014 | -- | 71 | 71 |
| Depreciation expense | 98 | -- | 98 |
| Disposals | -- | -- | -- |
| Balance at 31. 12. 2015 | 98 | 71 | 169 |
| **Net book value 1. 3. 2014** | **--** | **--** | **--** |
| **Net book value 31. 12. 2015** | **294** | **--** | **294** |

#### b) Tangible fixed assets

| | Land | Buil-dings | Machin. and equip. | Motor vehicles | Office equip. | Low -value assets | Valuable items | Total |
|---|---|---|---|---|---|---|---|---|
| Acquisition cost | | | | | | | | |
| Balance at 1. 3. 2014 | -- | 159,633 | 164 | 1,488 | 32,883 | 31,941 | 2,918 | 229,027 |
| Additions | -- | 102 | 44 | 296 | | -- | -- | 442 |
| Disposals | -- | -- | -- | -- | -23 | -254 | -- | -277 |
| **Balance at 31. 12. 2015** | -- | 159,735 | 208 | 1,784 | 32,860 | 31,687 | 2,918 | 229,192 |
| Accumulated depreciation | | | | | | | | |
| Balance at 1. 3. 2014 | -- | 1,523 | 16 | 1,479 | 1,426 | 748 | -- | 5,192 |
| Depreciation expense | -- | 16,789 | 130 | 77 | 14,729 | 8,098 | -- | 39,823 |
| Disposals | -- | -- | -- | -- | -22 | -252 | -- | -274 |
| Balance at 31. 12. 2015 | -- | 18,312 | 146 | 1,556 | 16,133 | 8,594 | -- | 44,741 |
| Adjustments | | | | | | | | |
| Balance at 1. 3. 2014 | -- | -- | -- | -- | -- | -- | -- | -- |
| Change in adjustments | -- | -- | -- | -- | -- | -- | -- | -- |
| **Balance at 31. 12. 2015** | -- | -- | -- | -- | -- | -- | -- | -- |
| **Net book value 1. 3. 2014** | **--** | **158,110** | **148** | **9** | **31,457** | **31,193** | **2,918** | **223,835** |
| **Net book value 31. 12 .2015** | **--** | **141,423** | **62** | **228** | **16,727** | **23,093** | **2,918** | **184,451** |

The assets are mainly assets of an administrative branch.

## 4. Leased assets

### Operating leases

The Company has an operating lease for automobiles. In the Czech part of the company the operating lease was terminated in November 2014; expenses as at 31 December 2015 amounted to TCZK 1,003.
In the administrative branch three cars were under operating leases as at 31 December 2015. The related expenses amount to TCZK 3,477.

## 5. Non-capitalised tangible and intangible fixed assets

In accordance with the accounting policy described in note 2 a) above, the Company expensed low value tangible and intangible fixed assets in the year that they were acquired. The cumulative acquisition cost of these tangible and intangible fixed assets that were still in use was as follows:

| | Balance at | |
|---|---|---|
| | **31. 12. 2015** | **1. 3. 2014** |
| Tangible fixed assets | 356 | 30 |
| Intangible fixed assets (software) | 49 | -- |
| **Total** | **405** | **30** |

## 6. Investments

### a) Long-term investments

At 31. 12. 2015

Ownership interests

| | Ownership | Shares held | Nominal share value in CZK | Total profit (+) loss (-) at 31.12.2015 | Equity at 31. 12. 2015 | Acquisition cost | Value of the share in equity (equity method valuation) |
|---|---|---|---|---|---|---|---|
| PBI, a.s. | 100 % | 5,777 | 1,000,000 | 4,888 | 6,252,618 | 6,244,522 | 6,244,522 |
| J&T INTEGRIS GROUP LIMITED | 100 % | 4,000 | 27.025 | 68,050 | 7,065,558 | 8,059,244 | 6,164,546 |
| J&T BANKA, a.s. | 100 % | 700,000<br>10,637,126 | 1.43<br>1,000 | 1,733,000 | 16,799,000 | 11,142,805 | 11,142,805 |
| J&T Concierge, s.r.o. | 100 % | 1 | 1,600,000 | 1,705 | -1,282 | 1,620 | 1,620 |
| J&T Bank (Schweiz) AG in Liquidation | 100 % | 200,000 | 2,493 | -- | -- | 1,190,372 | 211,905 |
| Poštová banka, a.s. | 64.457 % | 213,288 | 29,917 | 1,996,661 | 16,237,944 | 10,843,061 | 10,843,061 |
| J&T SERVICES ČR, a.s. | 100 % | 10<br>139,134 | 200,000<br>1,000 | 31,843 | 175,006 | 139,338 | 109,493 |
| **Total ownership interests** | | | | | | **37,620,962** | **34,717,952** |

**Available-for-sale securities**

| | Ownership | Shares held | Nominal share value in CZK | Total profit (+) loss (-) at 31.12.2015 | Acquisition cost | Fair value |
|---|---|---|---|---|---|---|
| Steel Assets Management Limited B.V. | 9.9 % | 1,797 | 27.025 | -- | 48 | 48 |
| J&T Bank, a.o. | 0.1 % | 70,000 | 62.44 | -- | 4,371 | 4,371 |
| IBERTAX, a.s | 10 % | 2 | 44,862 | -- | 90 | 90 |
| **Total available-for-sale securities** | | | | | **4,509** | **4,509** |

**Other long-term investments**

| In TCZK | Principal | % p.a. | Accrued interest | Maturity | Carrying value |
|---|---|---|---|---|---|
| J&T BANKA, a.s. – long-term loan | 300 000 | 8 % | 6,049 | 13. 10. 2021 | 306,049 |
| **Total long-term investments** | | | | | **35,028,510** |

Financial information on the above companies were taken from preliminary, unaudited financial statement of individual companies.

At 1. 3. 2014

**Ownership interests**

| | Ownership | Shares held | Nominal share value in CZK | Equity at 1. 3. 2014 | Acquisition cost | Value of the share in equity (equity method valuation) |
|---|---|---|---|---|---|---|
| PBI, a.s. | 100 % | 1 | 200,000 | -3,478 | 230 | 230 |
| J&T INTEGRIS GROUP LIMITED | 100 % | 4,000 | 27.34 | 7,039,760 | 8,153,182 | 6,236,399 |
| J&T BANKA, a.s. | 100 % | 700,000<br>3,857,126 | 1.43<br>1,000 | 13,152,706 | 10,062,805 | 10,062,805 |
| J&T Concierge, s.r.o. | 100 % | 1 | 1,600,000 | -1,823 | 1,620 | 1,620 |
| J&T Bank (Schweiz) AG in Liquidation | 100 % | 200,000 | 2,250 | -- | 1,074,200 | 191,225 |
| Poštová banka, a.s. | 51.7 % | 143,046 | 30,237 | 12,980,704 | 7,777,000 | 7,777,000 |
| J&T SERVICES ČR, a.s. | 100 % | 10<br>139,134 | 200,000<br>1,000 | 190,848 | 139,338 | 109,493 |
| **Total ownership interests** | | | | | **27,208,375** | **24,378,772** |

**Available-for-sale securities**

| | Ownership | Shares held | Nominal share value in CZK | | Acquisition cost | Fair value |
|---|---|---|---|---|---|---|
| Steel Assets Management Limited B.V. | 9.9 % | 1,797 | 27.43 | | 49 | 49 |
| J&T Bank, a.o. | 1 % | 70,000 | 62.44 | | 4,371 | 4,371 |
| IBERTAX, a.s | 10 % | 2 | 45,384 | | 91 | 91 |
| **Total available-for-sale securities** | | | | | **4,511** | **,4,511** |

**Other long-term investments**

| In TCZK | Principal | % p.a. | Accrued interest | Maturity | Carrying value |
|---|---|---|---|---|---|
| J&T BANKA, a.s. – long-term loan | 300 000 | 8 % | 3,879 | 13. 10. 2021 | 303,879 |
| **Total long-term investments** | | | | | **24,687,162** |

The equity of ownership interests as at 1 March 2014 comprises data from the financial statements as at 28 February 2014.

During the period for which these financial statements are prepared, the Company had revenue from long-term investments relating to dividends received from J&T Banka, a.s. of TCZK 1,774,020, from Poštová banka, a.s. of TCZK 461,532 and from J&T Services ČR, a.s. of TCZK 50,000.

**The registered offices of the subsidiaries are as follows:**

Poštová banka, a.s.
Dvořákovo nábrežie 4
811 02 Bratislava 186 00
Slovak Republic

PBI, a.s.
Pobřežní 297/14
Praha 8
Czech Republic

J&T INTEGRIS GROUP LTD
Klimentos 41-43,
Klimentos Tower 2nd floor, flat/office 21
1016 Nicosia
Cyprus

J&T BANKA, a.s.
Pobřežní 297/14
186 00 Praha 8
Czech Republic

J&T Concierge, s.r.o.
Pobřežní 297/14
186 00 Praha 8
Czech Republic

J&T Bank (Schweiz) AG in Liquidation
Talacker 50
CH-8001 Zurich
Schweiz

J&T SERVICES ČR, a.s.
Pobřežní 297/14
186 00 Praha 8
Czech Republic

**b) Short-term investments**

**Securities held for trading**

| | Ownership | Number of shares held | Nominal share value in CZK | Acquisition cost | Dividends received | 31. 12. 2015 Fair value | 1. 3. 2014 Fair value |
|---|---|---|---|---|---|---|---|
| Best Hotel Properties a.s. | 6.57 % | 2,300,000 | 27.025 | 767,653 | -- | 11,810 | 573,894 |
| **Total** | | | | **767,653** | **--** | **11,810** | **573,894** |

During the accounting period, Best Hotel Properties reduced its registered capital, as a result of which the fair value of shares held was reduced; on the other hand, the Company was incurred a receivable which is described in note 9.

## 7. Adjustments for investments

| | Adjustment for ownership interests | Adjustment for other long-term securities | Total |
|---|---|---|---|
| **Balance at 1. 3. 2014** | **2,829,603** | **--** | **2,829,603** |
| Additions | 73,407 | -- | 73,407 |
| Release/utilization | ,-- | -- | ,-- |
| **Balance at 31. 12. 2015** | **2,903,010** | **--** | **2,903,010** |

J&T Bank Switzerland entered into liquidation in 2012. As at 1 March 2014 adjustments totalling TCZK 882,975 were established (the amount of adjustment was determined based on information concerning entering the company into liquidation). As at 31 December 2015 only foreign exchange revaluation was carried out.

An adjustment of TCZK 1,916,782 was established as at 1 March 2014 for an investment in J&T INTEGRIS GROUP LIMITED. The adjustment was established based on the equity of the above company. As at 31 December 2015 only foreign exchange revaluation was carried out.

J&T FINANCE GROUP, a.s. established an adjustment of TCZK 29,845 for an investment in J&T SERVICES ČR, a.s., and this was entered into the Company's accounting records prior to the merger.

## 8. Inventories

Inventories of material comprise access cards to the building that will be subsequently handed over to the lessees, and amount to TCZK 202 (as at 1 March 2014 – TCZK 0).

## 9. Trade receivables and payables

a) Short-term trade receivables total TCZK 696,687 (as at 1 March 2014 – TCZK 30,612), of which TCZK 61,348 (as at 1 March 2014 – TCZK 29,584) is overdue.
As at 1 March 2014 the Company had bills of exchange totalling TCZK 1,367,000. All bills of exchange were repaid during the year.
Short-term trade receivables also comprise loans and borrowings provided by the Company, amounting to TCZK 11,478,730 (as at 1 March 2014 – TCZK 9,983,733).
Trade receivables also consist of a receivable relating to the reduction of the registered capital of Best Hotel Properties, a. s. (see note 6 b) of the notes.
Long-term receivables of TCZK 11,544 (as at 1 March 2014 – TCZK 4,445,938) are due in more than one year. These receivables represent loans and borrowings provided by the Company. A significant decrease in long-term receivables was due to their reclassification from long-term to short-term.

**Summary of loans and borrowings:**

Loans and borrowings:

In TCZK

| | 1. 3. 2014 | 31. 12. 2015 |
|---|---|---|
| Loans and borrowing provided – shortterm | 10,937,982 | 13,472,990 |
| Loans and borrowing provided – longterm | 4,445,937 | 11,544 |
| **Total** | **15,383,919** | **13,484,534** |

In the current period the Company provided its clients with a total of 20 short-term loans and borrowings and one long-term loan (contracted in the current period in the previous years). In the prior period (at 1 March 2014) this concerned 13 short-term loans and borrowings and one long-term loan.

None of the below short-term loans/borrowings were overdue and these were receivables bearing an interest of 2% - 10% p.a. for the Company; the weighted average of interest rates was 4.09 % p.a. (5.57% p.a. in the prior accounting period).

Interest in respect of long-term loans was 5.5% p.a. (6.6% p.a. was the weighted average in the prior accounting period). A portion of short-term receivables totalling TCZK 1,994,260 consists of receivables from shareholders. The Company's registered capital was increased from these receivables.

The companies whose loans were due by the end of 2015 prolonged the maturity of the particular loans by one calendar year.

b) Other short-term receivables as at 31 December 2015 of TCZK 1,219,006 (as at 1 March 2014 – TCZK 119,956) primarily consist of receivables from 3 companies.

c) Short-term trade payables total TCZK 660,038 (as at 1 March 2014 – TCZK 525,257), of which TCZK 1,297 (as at 1 March 2014 – TCZK 2,118) is overdue. None of the payables are due in more than 5 years.

**Short-term trade payables primarily consist of bills of exchange below:**

In TCZK

| | 1. 3. 2014 | 31. 12. 2015 |
|---|---|---|
| Bills of exchange provided – due within 1 year | 451,930 | 600,169 |
| Bills of exchange provided – due upon presentation | 56,985 | 52,213 |
| **Total** | **508,915** | **652,382** |

J&T FINANCE GROUP SE as at 31 December 2015 has bills of exchange provided by 4 creditors (contracted in 2015 or in the previous years). In the prior accounting period there were also 4 creditors.

None of these bills of exchange are past their due date and these are liabilities bearing an interest of 5.00 % p.a. – 6.75% p.a.; the weighted average of interest rates was 6.37% p.a. in the current accounting period (as at 1 March 2014 – 6.33% p.a.).

d) Payables to shareholders of TCZK 42,439 (as at 1 March 2014 – TCZK 1,409,934) relate to dividends. These payables were taken over under the merger from TECHNO PLUS, a.s.; as at 1 March 2014 they also consisted of bills of exchange that were repaid during the year.

e) Other short-term payables as at 31 December 2015 of TCZK 148,869 (as at 1 March 2014 – TCZK 238,822) primarily relate to the revaluation of sold options.

## 10. Short-term advances provided

Short-term advances provided as at 31 December 2015 of TCZK 2,083 (as at 1 March 2014 – TCZK 2,948) consist of advances provided for services of TCZK 129 (as at 1 March 2014 – TCZK 927), advances provided to a securities trader of TCZK 1,946 (as at 1 March 2014 – TCZK 1,986) and a deposit rent of TCZK 8 (as at 1 March 2014 – TCZK 35).

## 11. Short-term overdrafts

In TCZK

| | 1. 3. 2014 | 31. 12. 2015 |
|---|---|---|
| Loans and borrowings received – short-term | 4,965,075 | 1,410,576 |
| Loans and borrowings received – short-term – group undertakings | 8,225,865 | 8,025,628 |
| **Total** | **13,190,940** | **9,436,204** |

As at 31 December 2015 J&T FINANCE GROUP SE received loans and borrowings from 5 creditors (contracted in 2015 or in the previous years). In the prior accounting period there were 5 creditors.

None of these loans are past their due date and these are liabilities bearing an interest of 0.69% p.a. – 7.4% p.a.; the weighted average of interest rates was 3.57% p.a. in the current accounting period (as at 1 March 2014 – 5.07% p.a.).

### 12. Long-term overdrafts and bonds

In TCZK

| Broken down according to maturity: | 1. 3. 2014 | 31. 12. 2015 |
|---|---|---|
| 1 – 2 years | 974,954 | 5,300,761 |
| 2 - 5 years | 3,010,440 | 4,004,184 |
| More than 5 years | 3,025,613 | 3,050,411 |
| **Total** | **7,011,007** | **12,355,356** |

As at 31 December 2015 J&T FINANCE GROUP SE records long-term loans and borrowings received due within 1 – 2 years from 1 creditor (contracted in 2015 or in the previous years); in the prior accounting period it was 1 creditor. Loans and borrowings due within 2 – 5 years were from 1 creditor; in the prior accounting period it was 1 creditor. Loans and borrowings due in more than 5 years were from 4 creditors; in the prior accounting period there were 4 creditors.

None of these loans are past their due date and these are liabilities bearing an interest of 3.62% p.a. – 6.62% p.a.; the weighted average of interest rates in the current period was 6.18% p.a. (as at 1 March 2014 – 5.95% p.a.).

Other long-term payables consist of retention of TCZK 55 (as at 1 March 2014 – TCZK 3,220).

### 13. Prepaid expenses

Prepaid expenses of TCZK 314 (as at 1 March 2014 – TCZK 4,452) primarily related to expenses of the administrative branch for property insurance and vignettes.

### 14. Derivatives

The fair value of financial derivatives is reported in other receivables (if positive) or other payables (if negative).
As at 14 February 2008 the Company terminated a hedging derivative for a foreign exchange investment in Swiss francs. The nominal value of a derivative was TCHF 24,950. The revaluation of this derivative of TCZK 29,485 was recorded in account 414 – adjustments for an investment, when this balance will be held until the liquidation of this investment.

The Company held the following financial derivatives for trading:

31. 12. 2015

| Term transaction reported in Other receivables | Counterparty | Due date (expiry) | Fair value at 31. 12. 2015 |
|---|---|---|---|
| Forward purchase EUR/CZK | J&T BANKA, a.s. | 15. 3. 2016 | -5,447, |
| Forward purchase EUR/CZK | J&T PRIVATE EQUITY GROUP LIMITED | 5. 1. 2016 | -590 |
| **Total swaps and forwards at 31. 12. 2015** | | | **-6,037** |
| Purchased equity options | | | 3,264 |
| Sold equity options | | | -142,350 |
| **Total equity options as at 31. 12. 2015** | | | **-139,086** |

1. 3. 2014

| Term transaction reported in Other receivables | Counterparty | Due date (expiry) | Fair value at 31. 12. 2015 |
|---|---|---|---|
| **Total swaps and forwards as at 1. 3. 2014** | | | **0** |
| Sold equity options | | | -238,546 |
| **Total options as at 1. 3. 2014** | | | **-238,546** |

## 15. Adjustments

| | Adjustment to inventory | Adjustment to receivables | Total |
|---|---|---|---|
| **Balance at 1. 1. 2015** | **--** | **592,759** | **592,759** |
| Additions | -- | 551,934 | 551,934 |
| Release/utilization | -- | -589,219 | -589,219 |
| **Balance at 31. 12. 2015** | **--** | **555,474** | **555,474** |

Adjustments were created for two companies.

## 16. Registered capital

| | Registered capital | Share premium | Total |
|---|---|---|---|
| **Balance at 1. 3. 2014** | **14,217,862** | | **14,217,862** |
| 10 bearer shares at CZK 200 000 per share | 2,000 | -- | 2,000 |
| 437 110 104 bearer shares at CZK 1 per share | 437,110 | -- | 437,110 |
| 13 778 752 bearer shares at 1 000 per share | 13,778,752 | -- | 13,778,752 |
| **Balance at 31. 12. 2015** | **17,740,750** | | **17,740,750** |
| 10 bearer shares at 200 000 per share | 2,000 | -- | 2,000 |
| 3 959 998 488 bearer shares at 1 per share | 3,959,998 | -- | 3,959,998 |
| 13 778 bearer shares at 1 000 per share | 13,778,752 | -- | 13,778,752 |

## 17. Equity

### a) The planned distribution of the current year's profit:

| | |
|---|---|
| **Current year profit** | **1,533,782** |
| Transfer to statutory reserve fund | -- |
| Transfer to social fund | -- |
| Net profit bonuses to board members | -- |
| Transfer to perpetuity fund | -486,900 |
| Retained profits | -1,046,882 |
| **Retained earnings** | **0** |

### b) Movements in the "Capital funds" account:

| | |
|---|---|
| **Balance at 1. 3. 2014** | **196,146** |
| Share premium | 2,551,766 |
| Change in fair value of hedged assets/liabilities | -- |
| Change in the method of recognising fair value of hedged assets and liabilities | -- |
| Change in fair value of hedging derivatives (hedge of future cash flows) | -- |
| Change in valuation of an ownership interest | -92,616 |
| Change in fair value of available-for-sale securities | ,-- |
| Change in deferred tax relating to the revaluation of assets and liabilities | -- |
| **Balance at 31. 12. 2015** | **2,655,296** |

c) Movements in the funds from profit account (statutory and other funds):

| | |
|---|---|
| **Balance at 1. 3. 2014** | **200,082** |
| Financial assistance (according to Section 311 of the Corporations Act) | 1,960,000 |
| **Balance at 31. 12. 2015** | **2,160,082** |

d) "Capital funds" comprises:

| | |
|---|---|
| Share premium | 2,551,766 |
| Contribution to registered capital (in the dissolved company TECHNO PLUS) | 208,882 |
| Revaluation of ownership interest in J&T INTEGRIS GROUP LTD | -119,285 |
| Revaluation of ownership interest in J&T Bank (Schweiz) AG in Liquidation | 123,478 |
| Revaluation of Poštová banka, a.s. shares | -139,028 |
| Hedging derivative for investment in J&T Bank (Schweiz) AG | 29,485 |
| Revaluation of IBERTAX shares | -1 |
| Revaluation of Steel Assets Management shares | -1 |
| **Balance at 31. 12. 2015** | **2,655,296** |

## 18. Provisions

| | Other provisions | Income tax provision | Total |
|---|---|---|---|
| **Balance at 1. 3. 2014** | **7,785** | **--** | **7,785** |
| Additions | 76,608 | 22,610 | 99,218 |
| Utilization | -6,250 | -- | -6,250 |
| Release | -887 | -- | -887 |
| **Balance at 31. 12. 2015** | **77,256** | **22,610** | **99,866** |
| Income tax prepayments | -- | 71,423 | -71,423 |
| **Balance at 31. 12. 2015** | **77,256** | **--** | **77,256** |

Other provisions are established in respect of one company and relate to contracted guarantees.

In the taxable period income tax prepayments exceeded the income tax provision. The provision was used to reduce tax receivables relating to income tax prepayments.

## 19. Bank loans

At 31. 12. 2015

| company | currency | principal | percentages* | interests at 31. 12. 2015 | due date of principal | due date of interest | translation to TCZK |
|---|---|---|---|---|---|---|---|
| Prima banka | EUR | 37 500 000 | fixed | 57,292 | 19. 12. 2016 | 1x in 3 months | 1,014,986 |
| Total | | | | | | | 1,014,986 |

*All fixed interest rates are market-based.

At 1. 3. 2014

| company | currency | principal | percentages* | interests at 31. 12. 2015 | due date of principal | due date of interest | translation to TCZK |
|---|---|---|---|---|---|---|---|
| Prima banka | EUR | 25 000 000 | fixed | 126,389 | 7. 11. 2014 | 1x in 3 months | 686,955 |
| Total | | | | | | | 686,955 |

*All fixed interest rates are market-based.

The column "interests at" represent already accrued interest in the balance sheet.

As at 1 March 2014 the loan from Prima banka is secured with the shares of Best Hotel Properties, a.s.; as at 31 December 2015 it was no longer secured.

## 20. Segment information

Selected items are summarised below:

| | Year | Domestic sales | Europe | Total |
|---|---|---|---|---|
| Interest revenue | 2015 | 252,206 | 1,233,149 | 1,485,355 |
| Guarantees and warranties | 2015 | 12,884 | 231,344 | 244,228 |
| Other sales | 2015 | 5,067 | 31,164 | 36,231 |
| **Total** | **2015** | **270,157** | **1,495,657** | **1,765,814** |

## 21. Related parties

### a) Transactions with related parties

| | Volume of mutual transactions | | Receivables/Payables at | |
|---|---|---|---|---|
| | 31. 12. 2015 | 1. 3. 2014 | 31. 12. 2015 | 1. 3. 2014 |
| Sale of goods and services | | | | |
| Shareholders of the Company | -- | -- | -- | -- |
| Other companies in the group | 157,798 | -- | 21,855 | 3,440 |
| | | | | |
| Purchase of goods and services | | | | |
| Shareholders of the Company | -- | -- | -- | -- |
| Other companies in the group | 195,780 | -- | 15,737 | 2,306 |
| | | | | |
| Loans granted | | | | |
| Shareholders of the Company | 34,260 | -- | 1,994,260 | 1,367,000 |
| Other companies in the group | 51,764 | -- | 306,049 | 1,258,129 |
| | | | | |
| Loans received | | | | |
| Shareholders of the Company | -- | -- | 42,439 | 1,409,934 |
| Other companies in the group | 1,650,433 | -- | 18,687,824 | 16,784,122 |

Loans received are included in the long-term and short-term payables and are described in notes 9, 11, 12 and 19.

Loans granted are described in notes 6 and 9.

The Company purchases materials from, utilises services of and sells products to related parties as part of its regular business activities. All material transactions with related parties were carried out based on the arm's length principle.

### b) Remuneration and loans provided to directors and supervisory board members

| | Board of directors 31. 12. 2015 | Supervisory board 31. 12. 2015 |
|---|---|---|
| Number of members | 5 | 3 |
| Fees paid | -- | -- |
| Bonuses paid to supervisory board members | -- | -- |
| Other (supplementary pension insurance, etc.) | -- | -- |

## 22. Employees and executives

Average number of employees and executives and personnel expenses for 2015:

| 2015 | Number | Wages and salaries | Social security and health insurance expenses | Social expenses |
|---|---|---|---|---|
| Employees | 9 | 23,981 | 8,140 | 417 |
| Executives | 4 | 3,387 | 39 | 36 |
| **Total** | **13** | **27,368** | **8,179** | **453** |

## 23. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 390 (as at 1 March 2014 – TCZK 750), of which TCZK 149 (as at 1 March 2014 – TCZK 366) represents social security liabilities and TCZK 241 (as at 1 March 2014 – TCZK 384) represents health insurance liabilities. None of these liabilities are overdue.

## 24. Tax liabilities and subsidies

Tax liabilities amount to TCZK 2,414 (as at 1 March 2014 – TCZK 12,019), which primarily represent value added tax. None of these liabilities are overdue.

## 25. Fees payable to statutory auditors

| | **2015** |
|---|---|
| Statutory audit | 13,709 |
| Other assurance services | 2,709 |
| Tax advisory | -- |
| Other non-audit services | -- |
| **Total** | **16,418** |

## 26. Income tax

### a) Current tax

Current income tax includes adjustment of income tax relating to 2013 of TCZK 1,270 and tax for 2014 of TCZK 3,203.

### b) Deferred tax

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **31. 12. 2015** | **1. 3. 2014** | **31. 12. 2015** | **1. 3. 2014** | **31 .12. 2015** | **1. 3. 2014** |
| Tangible fixed assets | -- | -- | -10,665 | -15,315 | 4,650 | -- |
| Intangible fixed assets | -- | | -16 | -16 | -- | -- |
| Long-term investments | -- | -- | -- | -- | -- | -- |
| Receivables | -- | -- | -- | -- | -- | -- |
| Inventories | -- | -- | -- | -- | -- | -- |
| Provisions | -- | -- | -- | -- | -- | -- |
| Tax losses carried forward | -- | -- | -- | -- | -- | -- |
| Revaluation of assets and liabilities recorded in equity | -- | -- | -- | -- | -- | -- |
| Other temporary differences | -- | -- | -- | -- | -- | -- |
| **Deferred tax asset/(liability)** | **--** | **--** | **-10,681** | **-15,331** | **4,650** | **--** |

In accordance with the accounting policy described in note 2 j), a tax rate of 19% was used to calculate deferred tax.

## 27. Contingencies and commitments

a) The Company has receivables of TCZK 3,195,642 (as at 1 March 2014 – TCZK 2,357,423) and payables from equity options of TCZK 3,371,497 (as at 1 March 2014 – TCZK 2,453,860).

b) The Company provides guarantees for loans totalling TCZK 18,063,270 (as at 1 March 2014 –TCZK 18,860,447).

c) The Company received various guarantees of TCZK 1,186,523 (as at 1 March 2014 – TCZK 1,361,604).

d) As at 31 December 2015 the Company had currency forwards, receivables of TCZK 17,019,228 (as at 1 March 2014 – TCZK 52,793) and payables of TCZK 17,025,750 (as at 1 March 2014 –TCZK 70,022) recorded off-balance sheet.

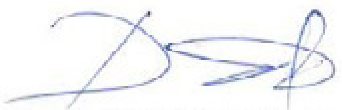
**28. Material subsequent event**

On 18 March 2016 J&T FINANCE GROUP SE issued subordinated unsecured certificates with nominal value of TEUR 200,000. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd.

On 29 March 2016 the shareholders of J&T FINANCE GROUP SE entered into several agreements which shall result in the increase of CEFC's share of the Company's registered capital to 50%. The registered capital of the Company should subsequently increase by TEUR 237,504.

These transactions agreed among shareholders of the Company are subject to the regulatory approvals both in China and in countries where the Group operates as well as to approval of the European Central Bank.

Prepared on: 30 March 2016



Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

# TEXT PART OF THE ANNUAL REPORT

**Description of the Company**

| | |
|---|---|
| Company name: | J&T FINANCE GROUP SE |
| Registered office: | Praha 8, Pobřežní 297/14, post code 186 00, Czech Republic |
| Identification number: | 275 92 502 |
| Legal form: | European Society |
| Registered in: | the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 1317 |
| Principal business activities: | The manufacture, trade and services not listed in appendices 1 to 3 of the Trades Licensing Act |
| Principal activities: | the acquisition and holding interests in legal entities. |

**Board of Directors of the Company as at 31 December 2015:**

| | |
|---|---|
| Chairman of the Board of Directors: | Jozef Tkáč |
| Vice-chairman of the Board of Directors: | Patrik Tkáč |
| Vice-chairman of the Board of Directors: | Ivan Jakabovič |
| Vice-chairman of the Board of Directors: | Dušan Palcr |
| Member of the Board of Directors: | Gabriela Lachoutová |

**Supervisory Board of the Company as at 31 December 2015:**

| | |
|---|---|
| Chairman of the Supervisory Board: | Marta Tkáčová |
| Member of the Supervisory Board: | Ivan Jakabovič |
| Member of the Supervisory Board: | Jana Šuterová |

**Information about the activities of the Company:**

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges its volume.

**Financial results of the Company:**

The Company has a long history as a strong and stable institution. As at 31 December 2015, the Company recorded assets of CZK 51 billion, equity of CZK 27.2 billion and the registered capital of CZK 17.7 billion. In the accounting period, the Company achieved profit of CZK 1.5 billion.

The balance of Company's assets and its financial position is disclosed in the financial statements as at 31 December 2015, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

**Company's ownership interests in group undertakings in the period from 1 March 2014 to 31 December 2015:**

The Company has no interests in group undertakings.

**Information about the acquisition of own shares, interim certificates, business shares of the controlling entity in the period from 1 March 2014 to 31 December 2015:**

The Company did not acquire any interchangeable or senior obligations. In the period from 1 March 2014 to 31 December 2015, the Company held no own shares and has not issue any interim certificates.

**Information about expected economic development in 2016**

In 2016, the Company will continue to focus all its activities on the administration of own assets by means of ownership shares in subsidiaries, provision of loans and guarantees; and the fulfilment of obligation arising thereof.

**Information about the administrative branches of the Company:**

Company has an administrative branch which was established in Slovakia. It was recorded in the Commercial Register under name J&T FINANCE GROUP SE, organizačná zložka, ID: 47 251 735, registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak republic.

**Research and development expenditures:**

In the reporting period, the Company did not incur any research and development expenditures.

**Investments into tangible and intangible financial assets:**

In the reporting period, the Company made no investments into tangible and intangible financial assets.

**Environmental protection:**

In the period from 1 March 2014 to 31 December 2015, the Company realised no environmental protection activities.

**Employee information:**

In the period from 1 March 2014 to 31 December 2015, the average number of employees was 13.

**Declaration:**

The Board of Directors of the Company declares that all information and disclosures in this annual report are true and free of any material omission.

Prague, 30 March 2016

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

# REPORT ON RELATIONS

**between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for the period from 1 March 2014 to 31 December 2015 of J&T FINANCE GROUP SE**

prepared in accordance with Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Act on Business Corporations)

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, P.C. 186 00 Praha 8, ID: 275 92 502, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 1317 („**the Company**"), based on data available.

**I.**
**The structure of relations between the controlling entities and the controlled entity, and between the controlled entity and entities controlled by the same controlling entity, the role of the controlled entity in the structure, and manner and means of control.**

**1.1**
**The Board of Directors of the Company is aware that during the period from 1 March 2014 to 31 December 2015 („the accounting period"), the Company was directly controlled by the following persons:**
**Ivan Jakabovič**,
Date of birth: 8 October 1972, residing at 32 rue COMTE FELIX GASTALDI, 98000 MONACO-VILLE, Principality of Monaco, who, along with Jozef Tkáč (see below), controls J&T FINANCE GROUP SE (hereinafter „**Ivan Jakabovič**" or also „**Controlling entity**")
**In addition, Ivan Jakabovič owns shares in the following companies:**
- **J & T Securities, s.r.o.**

ID: 31 366 431, with its registered office at Bratislava, Dvořákovo nábrežie 8, P.C. 811 02 Bratislava, Slovak Republic

- **DANILLA EQUITY LIMITED**

ID: HE 297027, with its registered office at Akropoleos, 59-61 SAVVIDES CENTER, 1st floor, Flat/Office 102, P.C. 2012, Nicosia, Cyprus, controlled by Ivan Jakabovič and Jozef Tkáč

**Jozef Tkáč,**
Date of birth: 16 June 1950, residing at Bratislava, Júlová 10941/32, P.C. 831 01 Bratislava, Slovak Republic, who, along with Ivan Jakabovič (see above), controls J&T FINANCE GROUP SE
(hereinafter „**Jozef Tkáč**" or also „**Controlling entity**")
**In addition, Jozef Tkáč owns shares in the following company:**
- **DANILLA EQUITY LIMITED**
  ID: HE 297027, with its registered office at Akropoleos, 59-61 SAVVIDES CENTER, 1st floor, Flat/Office 102, P.C. 2012, Nicosia, Cyprus, controlled by Ivan Jakabovič and Jozef Tkáč

1.2

**The Board of Directors of the Company is aware that during the accounting period the Company was controlled by the same entities as the following indirectly controlled entities:**

- **J & T INTEGRIS GROUP LIMITED**
  ID: HE 207436, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 21, P.C. 1061, Nicosia, Cyprus
  In addition, this company controls:

  - **Bayshore Merchant Services Inc.**
    ID: 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands
    In addition, this company controls:

    - **J&T Bank & Trust Inc.**
      ID: 00011908, with its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados

    - **J and T Capital, Sociedad Anonima de Capital Variable**
      ID: 155559102, with its registered office at Explanada 905-A, Lomas de Chapultepec, 11000, Ciudad de Mexico, Mexico

  - **J&T MINORITIES PORTFOLIO LIMITED**
    ID: HE 260754, with its registered office at Akropoleos, 59-61, SAVVIDES CENTER, 1st floor, Flat/Office 102, P. C. 2012, Nicosia, Cyprus
    In addition, this company controls:

    - **ABS PROPERTY LIMITED**
      ID: 385594, with its registered office at 41 Central Chambers, Dame Court, Dublin 2, Ireland

    - **Equity Holding, a.s.**
      ID: 100 05 005, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic

  - **J&T Global Finance I., B.V.**
    ID: 53836146, with its registered office at La Fontainestraat 7, 1902 CW Castricum, Kingdom of the Netherlands
    (since 31 August 2015 the company is in liquidation)

- **J&T Global Finance II., B.V.**
  ID: 53835697, with its registered office at La Fontainestraat 7, 1902 CW Castricum, Kingdom of the Netherlands
  (since 12 November 2015 the company is in liquidation)

- **J&T Global Finance III, s.r.o.**
  ID: 47 101 181, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

- **J&T Global Finance IV., B.V.**
  ID: 60411740, with its registered office at Schiphol Boulevard 403 / Tower C-4, 1118 BK Schiphol, Kingdom of the Netherlands

- **J&T Global Finance V., s.r.o.**
  ID: 47 916 036, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

• **J&T SERVICES ČR, a.s. (J&T Management, a.s.)**
ID: 281 68 305, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
In addition, this company controls:

- **J&T SERVICES SR, s.r.o. (J&T GLOBAL MANAGEMENT, s.r.o.)**
  ID: 46 293 329, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

- **J & T FINANCE, LLC**
  ID: 1067746577326, with its registered office at Rosolimo 17, Moscow, Russian Federation
  In addition, this company controls:

  o **Hotel Kadasevskaya, LLC**
  ID: 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115035 Moscow, Russian Federation

  o **TERCES MANAGEMENT LIMITED**
  ID: HE 201003, with its registered office at Akropoleos 59-61, SAVVIDES CENTER, P.C. 2012, Nicosia, Cyprus, J & T FINANCE, LLC has 1% share in this company
  In addition, this company controls:

  • Interznanie OAO
  ID: 1037700110414, with its registered office at Kadashevskaya embankment 26, 113035 Moscow, Russian Federation
  TERCES MANAGEMENT LIMITED has 50% share in this company

- **J&T Bank (Schweiz) AG in Liquidation**
  ID: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001, Zürich, Swiss Confederation

- **J&T Concierge, s.r.o.**
  ID: 281 89 825, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic

- **J&T Cafe, s.r.o.**
  ID: 241 65 409 with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
  until 1 October 2014

- **PBI, a.s.**
  ID: 036 33 527, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
  sinces 15 December 2014
  In addition, this company controls:

  - **Poštová Banka, a.s.**
    ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic,
    PBI, a.s. has 34% share in this company
    since 23 December 2015

- **J & T BANKA, a.s.**

ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
In addition, this company controls:

  - **J&T BANKA, a.s. pobočka zahraničnej banky**
    ID: 359 64 693, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

  - **J&T Bank, a.o. (J&T Bank ZAO)**
    ID: 1027739121651, with its registered office at Kadashevskaya, Moscow, Russian Federation
    In addition, this company controls:

    - **Interznanie OAO**
      ID: 1037700110414, with its registered office at Kadashevskaya embankment 26, 113035 Moscow, Russian Federation
      J&T Bank, a.o. has 50% share in this company

- **ATLANTIK finanční trhy, a.s.**

  ID: 262 18 062, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
- **J&T INVESTIDNÍ SPOLEČNOST, a.s.,**

  ID: 476 72 684, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic

- **J&T IB Capital Markets, a.s.**
  ID: 247 66 259, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
  In addition, this company controls:

  - **XT-card a.s.**
    ID: 274 08 256, with its registered office at Seifertova 327/85, 130 00 Praha 3, Czech Republic
    J&T IB Capital Markets, a.s. has 32% share in this company
    (since 26 November 2015)

- **TERCES MANAGEMENT LIMITED**
  ID: HE 201003, with its registered office at Akropoleos 59-61, SAVVIDES CENTER, P.C. 2012, Nicosia, Cyprus
  In addition, this company controls:

  - **Interznanie OAO**
    ID: 1037700110414, with its registered office at Kadashevskaya embankment 26, 113035 Moscow, Russian Federation
    TERCES MANAGEMENT LIMITED has 50% share in this company

- **VABA d.d. banka Varaždin**
  ID: 0675539, with its registered office at Aleja kralja Zvonimira 1, 42000, Varaždin, Republic of Croatia

- **PGJT B.V.**
  ID: 57522006, with its registered office at Martinus Nijhofflaan 2, 2624 Delft, Kingdom of the Netherlands, J&T BANKA, a.s. has 50% share in this company
  In addition, this company controls:

  - **PROFIREAL OOO**
    ID: 17003675, with its registered office at Office 501, 4 Grivtsova Pereulok, 190000 Saint-Petersburg, Russian Federation

- **ART FOND Stredoeurópsky fond súčasného umenia, a.s.**
  ID: 1037700110414, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic, J&T BANKA, a.s. has 38.46% share in this company
  since 5 December 2014

- **Poštová Banka, a.s.**
  ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, J & T BANKA, a.s., had 34% share in this company
  until 23 December 2015

- **J&T Cafe, s.r.o.**
  ID: 241 65 409 with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
  since 1 October 2014

• **Poštová Banka, a.s.**
ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic
J&T FINANCE GROUP SE has 64.46% share in this company
In addition, this company controls:

- **Poisťovňa Poštovej banky, a. s.**
  ID: 31 405 410, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

- **Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.**
  ID: 35 904 305, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

- **PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.**
  ID: 31 621 317, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

- **POBA Servis, a. s.**
  ID: 47 234 571, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

- **PB PARTNER, a. s.**
  ID: 36 864 013, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

- **PB Finančné služby, a. s.**
  ID: 35 817 453, with its registered office at Hattalova 12, 831 03 Bratislava, Slovak Republic

- **PB IT, a. s.**
  ID: 47 621 320, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic since 17 January 2014

- **SPPS, a. s.**
  ID: 46 552 723, with its registered office at Nám. SNP 35, 811 01 Bratislava, Slovak Republic, Poštová Banka, a.s. has 40% share in this company.

**1.3**

**The Board of Directors of the Company is aware that during the accounting period the Company was controlled by the same entities as the following other controlled entities, which, however, were no longer related parties as at 31 December 2015.**

**LAPASAN s.r.o**
ID: 03 311 384, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, controlled by J&T IB and Capital Markets, a.s.
until 29 September 2015

**J&T Sport Team ČR, s.r.o.**
ID: 24 215 163, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, controlled by J & T Integris Group Ltd.
until 30 June 2014
**První zpravodajská a.s.**
ID: 27 204 090, with its registered office at Praha 8, Pobřežní 297/14, P.C. 186 00 Czech Republic, controlled by J & T Integris Group Ltd.
until 30 June2014

**J&T GLOBAL SERVICES LIMITED**
ID: HE 131634, with its registered office at Klimentos, 41-43, Klimentos Tower, 2nd floor, Flat/Office 21, P.C. 1061, Nicosia, Cyprus, controlled by J&T SERVICES ČR, a.s. (J&T Management, a.s.)
until 31 December 2014
In addition, this company controlled:

- **JTG Services Anstalt**
  ID: FL00023085917, with its registered office at Industriestrasse 26, 9491 Ruggell, Liechtenstein, controlled by J&T GLOBAL SERVICES LIMITED
  until 31 December 2014

**KHASOMIA LIMITED**
ID: HE 238546, with its registered office at Akropoleos, 59-61, SAVVIDES CENTRE, 1st floor, Flat/Office 102, P.C. 2012, Nicosia, Cyprus
until 16 February 2015 - ceased to exist by merging with J&T FINANCE GROUP SE

**Salve Finance, a.s.**
ID: 35700165, with its registered office at Plynárenská 7/A, 824 60 Bratislava, Slovak Republic, controlled by PB PARTNER, a.s.
until 24 June 2015

**1.4**
**The role of the Company**
**The Company acts as a holding company with shares in other legal entities.**

**1.5**
**Manner and means of control**
**The controlling entities control the Company by holding Company's shares of 91.2 % of the voting rights. Therefore, the exercise of the voting rights is the principal means of control. In the accounting period from 1 March 2014 to 31 December 2015, no particular contracts between the controlling entities and the Company in respect of manner and means of control.**

## II.
## Summary of acts made in the accounting period of 2015 which were made at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity if these acts concerned assets the value of which exceeds 10% of the controlled entity's equity identified from the last financial statements.

In the accounting period, the Company performed no acts at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity in respect of assets the value of which exceeds 10% of Company's equity.

## III.
## Summary of contracts entered into between the controlled entity and the controlling entity or between controlled entities.

In the accounting period, the following contracts were entered into between the Company and the controlling entity or between the entities controlled by the same controlling entities:

**Contracts between the Company and Jozef Tkáč:**
- Agreement to terminate the JT Group restructuring agreement

Scope: termination of the function in the JT Group

- Loan agreement

Scope: provision of funds to the controlling entity

**Contracts between the Company and Ivan Jakabovič:**

- Agreement to terminate the JT Group restructuring agreement

Scope: termination of the function in the JT Groups

- Loan agreement

Scope: provision of funds to the controlling entity

**Contracts between the Company and J & T BANKA, a.s.:**

- Consignment Contract

Scope: provision of security trader services

- Agreement on deposit of securities

Scope: ensuring deposit of securities

- Contract on the lease of a safe deposit boxes

Scope: lease of a safe deposit box

- Contract on the provision of warranty:

Scope: providing warranty to selected bank's clients

- Contract on the provision of services

Scope: maintenance of current account in accordance with bank's Terms and Conditions

- Contract on the provision of Internet banking services

Scope: provision of Internet banking services

- Contract on the provision of services:

Scope: maintenance of term deposit in accordance with in accordance with bank's Terms and Conditions

- Contract on the provision of services:

Scope: issue of charge cards in accordance with bank's Terms and Conditions

- Contract on the provision of services:

Scope: fixed term transactions with currency instruments in accordance with bank's Terms and Conditions

- Contract on the cooperation in the provision of the banking services

Scope: J&T Family and Friends services and Magnus loyalty programme

- Contract on the lease of movable assets

Scope: lease of furniture and equipment in the building at Dvořákovo nábrežie 8

- Contract on cost distribution

Scope: cost distribution in relation to the entry of the strategic investor

- Contract on financial settlement

Scope: settlement of value added tax receivables and liabilities

- Contract on cost distribution

Scope: distribution of cost of consolidation package audit

- Contract on accession to liability

Scope: accession to potential liability of J&T Banka arising on the purchase contract with the initial acquirer of the subordinate debt

- Contract on the sale of shares

Scope: sale of shares of Poštová banka, a.s.

- Contract on the subscription of shares

Scope: subscription of J&T BANKA, a.s. shares

- Framework agreement on the trading on the financial market

Scope: trading on the financial market

**Contracts between the Company and J & T BANKA, a.s. pobočka zahraničnej banky:**

- Contract on the assignment of claim

Scope: claim assignments

**Contracts between the Company and J&T Bank, a.o.:**

- Facility agreement

Scope: provision of funds

**Contracts between the Company and J&T SERVICES ČR, a.s.:**

- Contract on the provision of professional assistance

Scope: personnel and payroll administration

- Contract on bookkeeping

Scope: bookkeeping

- Contract on the lease of non-residential premises

Scope: lease of non-residential premises

- Contract on personal data processing

Scope: personal data processing in HR and payroll

- Contract on tax advisory services

Scope: tax advisory services

- Contract on the provision of professional assistance

Scope: administration

- Contract on the provision of services Legal Managements

Scope: Legal Management services

- Contract on the provision of services - Olas

Scope: provision of logistics services

- Contract on the provision of services (outsourcing)

Scope: preparation of consolidated financial statements under IFRS for selected consolidated entities

- Contract on cooperation in social event organisation

Scope: organising social and cultural events

- Contract on the lease of motor vehicle

Scope: lease of a vehicle

**Contracts between the Company and J&T SERVICES SR, s.r.o.:**

- Contract of mandate on the provision of professional assistance and agency contract

Scope: provision of all acts necessary to ensure Company's existence

- Contract on the lease of movable assets and financial settlement

Scope: office space

**Contracts between the Company and Equity Holding, a.s.:**

- Loan agreement EUR

Scope: lending Company's funds

- Loan agreement CZK

Scope: lending Company's funds

**Contracts between the Company and DANILLA EQUITY LIMITED:**

- Contract on the claim assignments

Scope: assignment of a related party claims

- Loan agreement CZK

Scope: lending Company's funds

**Contracts between the Company and KHASOMIA LIMITED:**

- Loan agreement EUR

Scope: lending Company's funds

- Loan agreement CZK

Scope: lending Company's funds

**Contracts between the Company and J&T MINORITIES PORTFOLIO LIMITED:**

- Loan agreement

Scope: lending funds to a related party

- Contract on liability assignment

Scope: assignment of a related party liability

**Contracts between the Company and J&T INTEGRIS GROUP LIMITED:**

- Loan agreement

Scope: lending funds to a related party

**Contracts between the Company and J&T Global Finance I., B. V.:**

- Contract on debt assignment

Scope: lending Company's funds

- Contract on guarantee

Scope: provision of guarantee to a related party

- Loan agreement

Scope: lending Company's funds

**Contracts between the Company and J&T Global Finance II., B. V.:**

- Contract on debt assignment

Scope: lending Company's funds

- Contract on guarantee

Scope: provision of guarantee to a related party

- Loan agreement

Scope: lending Company's funds

**Contracts between the Company and J&T Global Finance III, s.r.o.:**

- Contract on debt assignment

Scope: lending Company's funds

- Loan agreement

Scope: lending Company's funds

- Contract on guarantee

Scope: provision of guarantee to a related party

**Contracts between the Company and J&T Global Finance IV., B. V.:**

- Loan agreement

Scope: lending Company's funds

- Contract on guarantee

Scope: provision of guarantee to a related party

**Contracts between the Company and J&T Global Finance V., s.r.o.:**

- Loan agreement

Scope: lending Company's funds

- Contract on guarantee

Scope: provision of guarantee to a related party

**Contracts between the Company and PBI, a.s.:**

- Loan agreement

Scope: lending Company's funds

- Contract on the subscription of shares

Scope: subscription of related party shares

## IV.

## Assessment of whether the controlled entity incurred a loss and judgment of its settlement under Sections 71 and 72 of the Act on Business Corporations.

All contracts listed under Section III of this report on relations were concluded in accordance with the arm's length principle. All performances received or rendered based on these contracts were also realised in accordance with the arm's length principle. Thus, the Company incurred no loss in relation to these transactions.

During the accounting period, no other legal acts except those listed in this report were adopted, no other measures were made, no performances were rendered or received in the interest or at the instigation of controlling entities or controlled entities on which the Company would incur a loss.

## V.

## Assessment of advantages and disadvantages arising from relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity including a statement on whether advantages or disadvantages prevail and what are the risks arising from this fact for the controlled entity.

Having reviewed the relations between the Company and the controlling entity and the entities controlled by the same controlling entity, the Board of Directors declares that the Company did not gain any advantages or suffer any disadvantages arising on the relations between the Company and the controlling entity and/or entities controlled by the same controlling entity. The Company incurred no loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

The Board of Directors declares that it has collated and reviewed the information for the purpose of this report on relations with due diligence. The conclusions made were drawn upon a thorough review of collated available information, and the Board of Directors considers all information disclosed in this report on relations as true and complete.

Prague, 30 March 2016

| | |
|---|---|
| Dušan Palcr | Gabriela Lachoutová |
| Vice-chairman of the Board of Directors | Member of the Board of Directors |
| J&T FINANCE GROUP SE | J&T FINANCE GROUP SE |

# REPORT ON ACTIVITIES AND PROPERTY

**Report of the Board of Directors of J&T FINANCE GROUP SE on business activities of the Company and the balance of its assets for the period from 1 March 2014 to 31 December 2015.**

This report has been prepared by the Board of Directors of **J&T FINANCE GROUP SE**, with its registered office at Pobřežní 297/14, 186 00 Praha 8, ID: 275 92 502, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section H, insert 1317 („**the Company**"), in accordance with Section 436 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives („**The Act on Business Corporation**")

**I.**
**The composition of Company's statutory bodies in the period from 1 March 2014 to 31 December 2015 was as follows:**

**Board of Directors of the Company:**

| | |
|---|---|
| Chairman of the Board of Directors: | Jozef Tkáč |
| Vice-chairman of the Board of Directors: | Patrik Tkáč |
| Vice-chairman of the Board of Directors: | Ivan Jakabovič |
| Vice-chairman of the Board of Directors: | Dušan Palcr |
| Member of the Board of Directors: | Gabriela Lachoutová |

**Supervisory Board of the Company:**

| | |
|---|---|
| Chairman of the Supervisory Board: | Marta Tkáčová |
| Member of the Supervisory Board: | Ivan Jakabovič |
| Member of the Supervisory Board: | Jana Šuterová |

**II.**
**Business activities of the Company and the balance of its assets**

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges its volume.
During the period from 1 March 2014 to 31 December 2015, the Company continued to hold and administer own assets, consisting of
100% share in the companies:

- **J & T BANKA, a.s.,**

ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 1731,

- **J&T Bank (Schweiz) AG in Liquidation**

ID: CHO2030069721, with its registered office at Zürich, Talacker 50, 12th floor, P.C. 8001, Swiss Confederation,

- **J&T Cafe, s.r.o.,**

ID: 241 65 409, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section C, insert 184719,
until 30 September 2014, the change of the member was recorded in the Commercial Register on 9 October 2014

- **J&T Concierge, s.r.o.,**

ID: 281 89 825, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic registered in the Commercial Register maintained by the Metropolitan Court in Prague, section C, insert 131691,

- **J & T INTEGRIS GROUP LIMITED,**

ID: HE 207436, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 21, P.C. 1061, Nicosia, Cyprus,

- **J&T SERVICES ČR, a.s.,**

ID: 281 68 305, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, registered in the Commercial Register maintained by the Metropolitan Court in Prague, section B, insert 12445,

- **KHASOMIA LIMITED,**

ID: HE 238546, with its registered office at Klimentos, 41-43 KLIMENTOS TOWER, 2nd floor, Flat/Office 21, P.C. 1061, Nicosia, Cyprus
until 7 October 2014, the change of the member was recorded in the Commercial Register on 16 February 2015

- **PBI, a.s.**

ID: 036 33 527, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic
since 15 December 2014

64.46% share in the company:

- **Poštová banka, a.s.,**

ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, registered in the Commercial Register maintained by the District Court in Bratislava I, section Sa, insert 501/B.

The Company has a long history as a strong and stable institution. As at 31 December 2015, the Company recorded assets of CZK 51 billion, equity of CZK 27.2 billion and the registered capital of CZK 17.7 billion. In the accounting period, the Company achieved profit of CZK 1.5 billion.
The balance of Company's assets and its financial position is disclosed in the financial statements as at 31 December 2015, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

## III.
## Major decisions of Company's bodies

Based on the project of cross-border merger by acquisition dated 7 October 2014, cross-border merger by acquisition was carried out – J&T FINANCE GROUP SE (the successor company) was transferred the assets and liabilities of the dissolving company KHASOMIA LIMITED adhering to the Cyprus law, registration number: HE 238546, with its registered office at Klimentos, 41 43 KLIMENTOS TOWER, 2nd floor, Flat/Office 21, post code 1061, Nicosia, Cyprus. The decisive day of the merger was 1 March 2014.

On 16 February 2015 the shareholders of the Group decided on an increase of the share capital of J&T FINANCE GROUP SE by CZK 1,960,000 thousand to CZK 16,177,862 thousand by assistance specific mechanism allowed by Czech law according to which the newly subscribed shares were paid by the current shareholders from funds received through a loan from J&T FINANCE GROUP SE. This mechanism is allowed as well based on J&T FINANCE GROUP SE's articles of association and also under the Czech legislation. J&T FINANCE GROUP SE recognised a receivable due from its shareholders in the total amount of CZK 1,960,000 thousand. The receivable is interest bearing and shall be repaid until 31 December 2016.

On 23 February 2015 the shareholders of J&T FINANCE GROUP SE agreed on another increase of the share capital of the Company by CZK 852,138 thousand. 637,896 shares with nominal value of CZK 1 were subscribed by the original shareholders. The subscription price of CZK 638 thousand was paid on 10 March 2015.

On 6 March 2015 a contract on the subscription of shares was signed between the Group and CEFC Shanghai International Group Limited (CEFC Shanghai) – a subsidiary of CEFC China, which subscribed 851,500,000 shares with nominal value of CZK 1 for CZK 2,171,520 thousand. The subscription price was paid by CEFC Shanghai on 17 March 2015. The share capital of the Company was thus increased to CZK 17,030,000 thousand and CEFC Shanghai acquired a 5% share in the Group. The difference between the nominal value of the shares and the subscription price in amount of CZK 1,320,020 thousand was recognised in the equity of J&T FINANCE GROUP SE as share premium.

Another increase of the share capital was agreed by the shareholders of J&T FINANCE GROUP SE on 29 September 2015. The share capital of the Company increased by CZK 710,750 thousand. 710,750,488 shares with nominal value of CZK 1 were subscribed by CEFC Hainan International Holdings Co., Ltd. (CEFC Hainan) – a subsidiary of CEFC China. The subscription price was paid by CEFC Hainan on 1 September 2015 and CEFC Hainan acquired a 4% share in the Group. The structure of voting rights held by the current shareholders decreased proportionately as a result of the increase by CEFC Hainan. The difference between the nominal value of the shares and the subscription price in amount of CZK 1,231,746 thousand was recognized as share premium.

During the period from 1 March 2015 to 31 December 2015, the Board of Directors and the Supervisory Board of the Company adopted necessary decisions relating to the ordinary business activities of the Company and the fulfilment of obligations arising to the members of Companies statutory bodies based on relevant regulations and Company's Statute.

Prague, 30 March 2016

Dušan Palcr
Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová
Member of the Board of Directors
J&T FINANCE GROUP SE

**J&T FINANCE GROUP SE**

Pobřežní 297/14
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