J & T BANKA, a.s.

Interim Consolidated Financial Statements for the period of six months ended 30 June 2013

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

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Independent Auditor's Report to the Shareholder of J & T BANKA, a.s.

We have audited the accompanying interim consolidated financial statements of J & T BANKA, a.s. which comprise the consolidated statement of financial position as of 30 June 2013, and the consolidated statement of comprehensive income for the six months ended 30 June 2013, the consolidated statement of changes in equity for the six months ended 30 June 2013 and the consolidated statement of cash flows for the six months ended 30 June 2013, and the notes to these interim consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these interim consolidated financial statements.

Statutory Body's Responsibility for the Interim consolidated Financial Statements

The statutory body of J & T BANKA, a.s. is responsible for the preparation of interim 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 interim 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 interim consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim 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 interim 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 interim consolidated financial statements.

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

KPMG

Opinion

In our opinion, the interim consolidated financial statements give a true and fair view of the financial position of J & T BANKA, a.s. as of 30 June 2013, and of its financial performance and its cash flows for the six months ended 30 June 2013 in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague
19 September 2013

KPMG Česká republika Audit

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

Vladimír Dvořáček
Partner

Jindřich Vašina
Partner
Licence number 2059

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Consolidated statement of financial position as at 30 June 2013

(in thousands of Czech crowns – TCZK)

	Note	30.6.2013	31.12.2012
Assets			
Cash and balances with central banks	6	3 202 513	6 977 979
Due from financial institutions	7	3 380 483	6 865 483
Positive fair value of derivatives	8	126 811	117 652
Loans and advances to customers	11a	47 461 662	41 150 044
Investment securities at fair value through profit or loss	9a	10 604 806	5 292 124
Investment securities available for sale	9b	18 512 731	23 045 058
Investment securities held to maturity	9c	2 172 258	2 125 122
Disposal groups held for sale	18	1 794 210	1 595 593
Investment in joint ventures		103 492	-
Current tax asset		21 208	7 175
Investment property	13	646 360	-
Property and equipment	14	223 590	72 673
Intangible assets	15	125 511	147 438
Goodwill	15	454 400	189 715
Prepayments, accrued income and other assets	17	609 525	815 215
Total Assets		***89 439 560***	***88 401 271***
Liabilities and shareholder's equity			
Amounts owed to financial institutions	19	3 327 060	11 248 319
Amounts owed to customers	20	73 584 128	64 032 411
Negative fair value of derivatives	8	382 972	81 747
Subordinated liabilities	21	1 018 750	995 747
Disposal groups held for sale	18	684 869	697 789
Current tax liability		6 172	135 472
Deferred tax liability	26	163 509	140 696
Accruals, provisions and other liabilities	22	3 060 862	3 652 203
Total Liabilities		***82 228 322***	***80 984 384***
Share capital	23	3 858 127	3 858 127
Retained earnings, capital funds and revaluation reserve	23	3 309 867	3 554 575
Total shareholder's equity		***7 167 994***	***7 412 702***
Non-controlling interest	24	43 244	4 185
Total equity		***7 211 238***	***7 416 887***
Total liabilities, non-controlling interest and shareholders' equity		***89 439 560***	***88 401 271***

The accompanying notes, set out on pages 7 to 82, are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the six months ended 30 June 2013

(in thousands of Czech crowns – TCZK)

	Note	1.1.-30.6.2013	1.1.-30.6.2012
Interest income	27	2 056 938	1 888 673
Interest expense	28	(1 200 996)	(1 017 032)
Net interest income		***855 942***	***871 641***
Fee and commission income	29	308 377	335 874
Fee and commission expense	30	(69 361)	(82 564)
Net fee and commission income		***239 016***	***253 310***
Dividends from investment securities available for sale		39 670	17 669
Net trading income	31	316 507	646 533
Other operating income	32	84 062	43 905
Operating income		***1 535 197***	***1 833 058***
Personnel expenses	33	(324 229)	(340 630)
Other operating expenses	34	(465 531)	(291 706)
Depreciation and amortisation	14, 15	(46 628)	(45 813)
Operating expenses		***(836 388)***	***(678 149)***
Profit before allowances for loan losses and income taxes		***698 809***	***1 154 909***
Provisions from financial activities		(44 134)	6 295
Net change in allowances for loan losses	12	(171 254)	(415 778)
Profit before income tax		***483 421***	***745 426***
Profit/(loss) from joint ventures		(307)	-
Income tax	25	(107 776)	(160 839)
Profit from continuing operations		***375 338***	**584 587**
Profit from discontinued operations	*18*	***63 817***	**-**
Profit for the reporting period		***439 155***	***584 587***
Profit attributable to shareholder:			
Profit from continuing operations		373 501	584 520
Profit from discontinued operations		63 504	-
Profit attributable to non-controlling interest:			
Profit from continuing operations		1 837	67
Profit from discontinued operations		313	-
Profit for the reporting period		***439 155***	***584 587***

Consolidated statement of comprehensive income for the six months ended 30 June 2013 (continued)

(in thousands of Czech crowns – TCZK)

Other comprehensive income, net of income tax:		
Revaluation reserve - financial assets available for sale	(421 034)	262 322
Foreign exchange translation differences	(77 930)	(7 773)
Total comprehensive income for the reporting period	***(59 809)***	***839 136***
Attributable to:		
Shareholder	(59 516)	839 052
Non-controlling interest	(293)	84
Total comprehensive income for the reporting period	***(59 809)***	***839 136***

The accompanying notes, set out on pages 7 to 82, are an integral part of these consolidated financial statements.

The Board of Directors approved these consolidated financial statements on 19 September 2013.

Signed on behalf of the Board:

Štěpán Ašer, MBA	Ing. Igor Kováč
Member of the Board of Directors	Member of the Board of Directors

Consolidated statement of changes in equity for the six months ended 30 June 2013

(in thousands of Czech crowns – TCZK)

	Share capital	*Retained earnings*	*Capital funds*	*Revaluation reserve*	*Non-controlling interest*	*Total*
Balance at 1 January 2012	***3 358 127***	***1 944 130***	***93 883***	***(164 593)***	***3 706***	***5 235 253***
Profit for the reporting period	-	584 520	-	-	67	584 587
Transfer to legal reserve fund	-	(15 096)	15 096	-	-	-
Consolidation and FX adjustments	-	(5 176)	(75)	-	-	(5 251)
Revaluation of AFS portfolio	-	-	-	262 322	-	262 322
Foreign exchange differences	-	-	-	(7 773)	11	(7 762)
Balance at 30 June 2012	***3 358 127***	***2 508 378***	***108 904***	***89 956***	***3 784***	***6 069 149***

	Share capital	*Retained earnings*	*Capital funds*	*Revaluation reserve*	*Non-controlling interest*	*Total*
Balance at 1 January 2012	***3 358 127***	***1 944 130***	***93 883***	***(164 593)***	***3 706***	***5 235 253***
Issue of share capital	500 000	-	-	-	-	500 000
Profit for the reporting period	-	1 015 311	-	-	440	1 015 751
Transfer to legal reserve fund	-	(15 296)	15 296	-	-	-
Consolidation and FX adjustments	-	74	(75)	-	-	(1)
Revaluation of AFS portfolio	-	-	-	673 103	-	673 103
Foreign exchange differences	-	-	-	(7 258)	39	(7 219)
Balance at 1 January 2013	***3 858 127***	***2 944 219***	***109 104***	***501 252***	***4 185***	***7 416 887***
Profit for the reporting period	-	437 005	-	-	2 150	439 155
Dividends	-	(251 400)	-	-	-	(251 400)
Transfer to legal reserve fund	-	(45 965)	45 965	-	-	-
Consolidation and FX adjustments	-	68 651	-	-	37 617	106 268
Revaluation of AFS portfolio	-	-	-	(421 034)	-	(421 034)
Foreign exchange differences	-	-	-	(77 930)	(708)	(78 638)
Balance at 30 June 2013	***3 858 127***	***3 152 510***	***155 069***	***2 288***	***43 244***	***7 211 238***

On 21 December 2012 the sole shareholder of the Bank, J&T FINANCE, a.s., increased the Bank's share capital by TCZK 500 000 through subscription of new shares.

The movement in Consolidation and FX adjustments is driven mainly by purchase of TERCES MANAGEMENT LIMITED.

The accompanying notes, set out on pages 7 to 82, are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the six months ended 30 June 2013

(in thousands of Czech crowns – TCZK)

	Note	30.6.2013	30.6.2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		483 421	745 426
Profit after tax from discontinued operations		63 817	-
Profit/(loss) from joint ventures		(307)	-
Adjustments for:			
Depreciation and amortisation	14, 15	46 628	45 813
Allowances for loan losses	12	171 254	415 779
Foreign currency difference from allowances for loan losses	12	11 831	(3 751)
Profit from disposal of intangible and tangible fixed assets	32	(7 224)	(40)
Change in other provisions and deferred tax		(16 359)	85 272
Revaluation - financial assets available for sale		(421 034)	262 322
(Increase) / decrease in operating assets:			
Compulsory minimum reserves in central banks		797 131	110 012
Due from financial institutions		(357 306)	1 313
Loans and advances to customers		(6 121 837)	(4 034 650)
Investment securities held to maturity, AFS and FVTPL		(827 491)	(7 280 686)
Prepayments, accrued income and other assets		222 587	109 600
Increase / (decrease) in operating liabilities:			
Amounts owed to financial institutions		(8 430 455)	4 009 964
Amounts owed to customers		8 748 892	5 136 869
Accruals, provisions and other liabilities		(709 669)	902 270
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		292 066	(276 608)
Income tax paid		(251 112)	(63 527)
Net cash flows from operating activities		***(6 305 167)***	***165 378***
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases (-)/sales (+) of intangible and tangible fixed assets		12 014	(41 576)
Change in disposal groups held for sale		(211 537)	(821 500)
Change in investment property		20 885	-
Change in consolidation and FX adjustment		27 630	(13 012)
Change in goodwill		(264 685)	-
Effect of acquisition of subsidiaries		218 901	-
Formation of joint venture		(103 492)	-
Net cash flows used in investing activities		***(300 284)***	***(876 088)***

CASH FLOWS FROM FINANCING ACTIVITIES			
Subordinated liabilities		4 229	989
Dividends paid		(251 400)	-
Foreign currency difference from subordinated liabilities		18 774	(3 924)
Net cash flows from financing activities		***(228 397)***	***(2 935)***
INCREASE IN CASH AND CASH EQUIVALENTS		***(6 833 848)***	***(713 645)***
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5, 33	11 924 166	9 316 871
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5, 33	5 090 318	8 603 226

Cash flows from operating activities include:		
Interest received	1 817 100	1 606 843
Interest paid	(1 018 414)	(920 983)
Dividends received	39 670	17 669

The accompanying notes, set out on pages 7 to 82, are an integral part of these consolidated financial statements.

(in thousands of Czech crowns – TCZK)

1. General information

J & T BANKA, a.s., ("the Bank") is a joint stock company incorporated on 13 October 1992 in the Czech Republic.

The Bank received a licence to act as securities trader on 25 April 2003 and on 22 December 2003, the Bank's licence was extended to include that activity.

The Bank's activities are focused on private, investment, corporate and retail banking.

The Bank is subject to the regulatory requirements of Czech National Bank ("CNB"). These requirements include limits and other restrictions concerning capital adequacy, the classification of loans and off-balance sheet liabilities, credit exposure with clients of the Bank, liquidity and the Bank's foreign currency position.

The registered office of the Bank is at Pobřežní 14, Prague 8, Czech Republic. The Bank, its subsidiaries and joint venture mentioned in the table below ("the Group") had on average 476 employees in the first half of the year 2013 (1.1.-30.6.2012: 511). The Group operates in the Czech Republic, Slovakia and Russia.

A branch of the Bank was established on 23 November 2005, and was registered in the Commercial Register of the District Court Bratislava I, section Po, file 1320/B as the organizational unit "J & T BANKA, a.s., pobočka zahraniční banky", Dvořákovo nábrežie 8, 811 02 Bratislava, and with the identification number 35964693.

On 15 December 2006, J&T FINANCE GROUP, a.s. contributed its 100% interest in the Bank to the capital of J&T FINANCE, a.s., Pobřežní 297/14, 186 00 Praha 8, which became the Bank's sole shareholder.

On 1 January 2009, Slovakia joined the Euro Area and adopted Euro to replace Slovak crown. With effect from that date, the Branch prepares financial statements and maintains its accounting records in Euro.

In connection with the shareholder's intention to centralise financial services under J & T BANKA, a.s., the following companies have become subsidiaries and joint ventures.

The companies included in the consolidation Group as at 30.6.2013 are as follows:

Company	Country of incorporation	Share capital in TCZK	% shareholding	Principal activities
J & T BANKA, a.s. (parent company)	Czech Republic	3 858 127	-	Banking activities
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	20 000	100	Investment activities
ATLANTIK finanční trhy, a.s.	Czech Republic	80 934	100	Investment activities
J&T IB and Capital Markets, a.s.	Czech Republic	2 000	100	Advisory activities
J&T Bank, zao	Russia	244 874	99.125	Banking activities
TERCES MANAGEMENT LIMITED	Cyprus	52	99	Investment activities
- Interznanie OAO	Russia	121 118	100	Real estate
PGJT B.V.	Netherland	207 600	50	Financial activities
J&T FVE UPF	Czech Republic	-	95.74	Collective investment fund
- FVE Napajedla s.r.o.	Czech Republic	200	100	Production and distribution of electricity
- FVE Slušovice s.r.o.	Czech Republic	200	100	
- FVE Němčice s.r.o.	Czech Republic	200	100	

(in thousands of Czech crowns – TCZK)

1. General information (continued)

The Group provides customers with comprehensive banking services, asset management, financial and capital market transactions for the retail segment, as well as support to start-up and restructuring projects. The Russian market seems to be a growth source for the balance sheet position of J&T Bank, zao.

On 8 February, 2013, the Bank acquired 99% interest in the company TERCES MANAGEMENT LIMITED and subsequently the Bank increased capital this company by TCZK 435 321. TERCES MANAGEMENT LIMITED society holds a 100% interest in the Russian company Interznanie OAO, which deals with the operation and rental of real estate in Moscow.

On 20 March 2013 the Bank repaid the capital in the amount of TEUR 4 000 in the newly founded company PGJT B.V., in which the Bank holds a 50% market share.

Acquisitions and disposals of subsidiaries made in 2013 are further presented in Note 48.

The Bank's ultimate parent is TECHNO PLUS, a.s., a joint-stock company owned by Jozef Tkáč (50%) and Ivan Jakabovič (50%).

The companies included in the consolidation Group as at 31.12.2012 are as follows:

Company	Country of incorporation	Share capital in TCZK	% shareholding	Principal activities
J & T BANKA, a.s. (parent company)	Czech Republic	3 858 127	-	Banking activities
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	20 000	100	Investment activities
ATLANTIK finanční trhy, a.s.	Czech Republic	141 000	100	Investment activities
J&T IB and Capital Markets, a.s.	Czech Republic	2 000	100	Advisory activities
J&T Bank, zao	Russia	244 874	99.125	Banking activities
J&T FVE UPF	Czech Republic	-	99.61	Collective investment fund
- FVE Napajedla s.r.o.	Czech Republic	200	100	Production and distribution of electricity
- FVE Slušovice s.r.o.	Czech Republic	200	100	
- FVE Němčice s.r.o.	Czech Republic	200	100	

2. Basis of preparation

(a) Statement of compliance

The interim consolidated financial statements comprise the accounts of the members of the Group and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union for the reporting period of 1 January 2013 – 30 June 2013 ("reporting period").

This interim consolidated financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group for the reporting period.

The interim consolidated financial statements have been prepared under the historical cost convention except for investment property, financial assets and liabilities at fair value through profit or loss, available-for-sale assets and derivatives, which are measured at fair value.

The members of the Group maintain their accounting books and prepare their statements for regulatory purposes in accordance with local statutory accounting principles. The accompanying financial statements are based on the statutory accounting records together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS.

In particular, information about significant areas of uncertainty estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognized in the financial statements are described in note 4.

Impact of standards that are not yet effective

The Group has evaluated the impact of the standards, interpretations and amendments to valid standards mentioned below, which are not yet in force, but which are already approved and will have an impact on the Group's financial statements in the future. The Group plans to implement these standards as at the date they become effective.

IFRS 10 – Consolidated Financial Statements –The standard replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group is currently assessing the impact of adopting IFRS 10. However, as the impact of adoption depends on the nature of relationships between the Group and other entities at the date of adoption, it is not practical to quantify the effects. The standard becomes effective for reporting periods beginning on or after 1 January 2014.

IFRS 11 – Joint Arrangements – The standard supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements. The standard becomes effective for reporting periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities - The standard requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The Group does not expect the new standard to have a material impact on the financial statements. The standard becomes effective for reporting periods beginning on or after 1 January 2014.

Amendments to IAS 28 – Investments in Associates and Joint Ventures (as revised in 2011). As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group does not expect the amendments to the IAS 28 to have material impact on the financial statements. The amendments become effective for the reporting periods beginning on or after 1 January 2014.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities - The amendments do not introduce new rules for offsetting financial assets and liabilities; rather, they clarify the offsetting criteria to address inconsistencies in their application. The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not expect the amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements. The amendments become effective for the reporting periods beginning on or after 1 January 2014.

2. Basis of preparation (continued)

(b) Functional and presentation currency

The accompanying consolidated financial statements are presented in the national currency of the Czech Republic, the Czech crown ("CZK"), rounded to the nearest thousand.

3. Accounting policies

The particular accounting policies adopted in preparation of the accompanying consolidated financial statements are described below.

(a) Principles of consolidation

The interim consolidated financial statements present the accounts and results of the members of the Group. An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of the subsidiary's registered capital or in which the Bank can exercise more than 50% of the voting rights or otherwise has power to exercise control over operations. Where an entity either began or ceased to be controlled during the reporting period, the results are included only from the date control commenced or to the date it ceased.

Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. 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.

All intra-group balances and transactions, including unrealised intra-group profits, are eliminated on consolidation.

(b) Financial instruments

Classification

Financial instruments at fair value through profit or loss are those that the Group principally holds for 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.

Originated loans and receivables comprise loans, advances to banks and customers other than purchased loans and bills of exchange.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not measured at fair value through profit or loss or held to maturity.

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", management has determined that the Group meets the description of trading assets and liabilities;
- In classifying financial assets as held-to-maturity, management has determined that the Group has both the positive intention and the ability to hold the assets until their maturity date as required.

3. Accounting policies (continued)

(b) Financial instruments (continued)

Recognition

Financial assets at fair value through profit or loss are recognized on the date the Group commits to purchase the assets. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in the statement of comprehensive income.

The Group recognizes available-for-sale assets on the date it commits to purchase the assets. From this date any gains or losses arising from changes in the fair value of the assets are recognized in equity as differences from revaluation of assets.

Held-to-maturity assets are accounted for at trade date.

Measurement

Financial instruments are measured initially at fair value, including transaction costs, except that transaction costs in relation to financial instruments designated at fair value through profit or loss are recognized directly in the statement of comprehensive income.

Subsequent to initial recognition, all instruments designated at fair value through profit or loss and all available-for-sale assets are measured at fair value, except any instrument that does not have a quoted market price on an active market and whose fair value cannot be reliably measured, which is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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 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.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of financial instruments at fair value through profit or loss are recognised in the statement of comprehensive income while gains and losses arising from changes in the fair value of available-for-sale assets are recognized directly in equity as differences arising from revaluation of assets and liabilities. Changes in fair value are derecognised from equity through profit or loss at the moment of sale. Interest from available-for-sale securities is recorded in the statement of comprehensive income.

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 it is extinguished.

Available-for-sale assets and financial assets at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer are recognised on the day the Group commits to sell the assets.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are sold by the Group.

3. Accounting policies (continued)

(b) Financial instruments (continued)

Impairment

Financial assets 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.

The Group assesses at the end of each quarter, 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 to customers and deposits with banks

Loans and advances to customers and deposits with banks are carried at the amount of principal outstanding including accrued interest, net of impairment. The impairment is booked as specific allowance for loan losses.

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 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 regularly basis with 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.

Treasury bills

Treasury bills, comprising bills issued by Czech government agencies, are stated at cost including the amortised discount arising on purchase. The discount is amortised over the term to maturity with the amortisation being included in interest income.

3. Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments including foreign exchange forwards and options are initially recognized in the statement of financial position at cost (including transaction costs) and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models. The positive fair value of derivatives is recognized as an asset while the negative fair value of derivatives is recognized as a liability.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

Changes in the fair value of derivatives are included in net trading income.

Hedge accounting – Fair Value Hedge

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a commitment, changes in the fair value of the derivative are recognised immediately in the statement of comprehensive income together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line as the hedged item).

Hedge accounting is discontinued if the derivative expire or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked. Any adjustment to a hedged item for which the effective interest rate method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

(c) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price (“repurchase agreements”), 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 repurchase agreements”) 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 repurchase 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.

(d) Intangible assets

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.

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.

3. Accounting policies (continued)

(d) Intangible assets (continued)

Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, form the date the asset is available for use. The estimated amortization rates per a year are as follows:

Software	25%
Other intangible assets	11%- 50%
Customers relationships	5% - 33%

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Any other expenditure is expensed as incurred.

(e) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the estimated useful economic life of the asset. Assets under construction are not depreciated. The average depreciation rates used are as follows:

Buildings	2.5%
Office equipment	12.5% – 33%
Fixtures and fittings	12.5% – 33%

Land is not depreciated.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset.

(f) Investment property

Investment properties represent assets that are held to generate rental income or to realise a long-term increase in value, and are not used in production or for administrative purposes or sold as part of the ordinary business activities of the Group.

Investment property is stated at fair value, as determined by an independent registered valuer or by management. Fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies such as expert opinions and yield methods. Any gain or loss arising from a change in fair value is recognised in the income statement.

(g) Leasing

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

3. Accounting policies (continued)

(h) Foreign currency

Transactions denominated in foreign currencies are translated into CZK at the official Czech National Bank exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date. All resulting gains and losses are included in profit or loss in Net trading income, in the period in which they arise.

(i) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Fees and commissions are recognized on an accrual basis.

(j) Taxation

Tax paid is calculated in accordance with the provisions of the relevant legislation based on the profit recognized in the statement of comprehensive income prepared pursuant to local statutory accounting standards, after adjustments for tax purposes.

Deferred tax is calculated using the statement of financial position liability method, providing for temporary differences between the accounting and taxation basis of assets and liabilities. Deferred tax liabilities are recognized for deductible temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred income taxes.

(k) Social security and pension schemes

Contributions are made to the government's health, retirement benefit and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of social security payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Group has no further pension or post retirement commitments.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with original maturities of three months or less, including government debenture.

(m) Provisions

A provision is recognized in the statement of financial position when the Group has a 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) 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 recognized amounts and the transactions are intended to be settled on a net basis.

3. Accounting policies (continued)

(o) Segment reporting

Segment analysis is based on type of clients and provided services. The management of the entity is provided with the information that allows to evaluate the performance of individual segments.

The Group's reportable segments according to IFRS 8 are as follows:

- Financial markets
- Corporate banking
- Private banking
- Retail banking
- Overhead / ALCO

Accounting policies applied to operating segments comply with those described in Note 3. The profits of the segments represent profits before tax achieved by each segment excluding overhead costs and salaries of management. This segment analysis is basis for review and strategic and operating decision making of the management.

For operating segment analysis, all assets and liabilities are allocated to the individual reportable segments except for "other" financial assets and liabilities and current and deferred income tax asset / liability.

IFRS 8 requires that operating segments are identified based on internal reporting about the business units of the Group which are regularly reviewed by CEO and allow proper allocation of resources and evaluation of the performance.

(in thousands of Czech crowns – TCZK)

3. Accounting policies (continued)

(p) Business combinations and purchase price allocations

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. For financial statement reporting purposes, allocation of the total purchase price among the net assets acquired is performed with the support of professional advisors. The valuation analysis is based on historical and prospective information available as of 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 analysis are also used to determine the amortisation and depreciation periods for the values allocated to specific intangible and tangible fixed assets.

Fair value adjustments resulting from business combinations in the period of 1.1.-30.6.2013 are presented in the following table:

Companies	Property and equipment	Investment Property	Deferred tax asset / (liability)	Total net balance sheet effect
TERCES Group	25 028	100 111	(25 028)	**100 111**

TERCES Group contains TERCES MANAGEMENT LIMITED and its subsidiary Interznanie OAO. The company TERCES MANAGEMENT LIMITED was acquired from the member of J&T Group company J&T FINANCE GROUP, a.s. as a common control transaction in accordance with IFRS 3. The Bank presents both subsidiaries in its consolidated financial statements at the same value as they were presented by the parent company at the date of original acquisition. The difference between the net book value at the original and the Bank's date of acquisition is presented as a pricing difference within equity.

Fair value adjustments resulting from business combinations in 2012 are presented in the following table:

Companies	Property and equipment	Deferred tax asset / (liability)	Total net balance sheet effect
FVE Napajedla s.r.o.	97 205	(18 469)	**78 736**
FVE Němčice s.r.o.	120 071	(22 814)	**97 257**
FVE Slušovice s.r.o.	107 011	(20 332)	**86 769**

The Group acquired three companies that own and operate four solar power plants in the Czech Republic: FVE Slušovice s.r.o. on 18 January 2012, and FVE Němčice s.r.o. and FVE Napajedla s.r.o. on 29 February 2012. These companies were acquired by the Group with the intention of further sale to individual investors and are presented as Disposal group held for sale.

The above companies were acquired by the subsidiary J&T IB and Capital Markets, a.s., and subsequently transferred to J&T FVE UPF.

The majority of the result is owned by the Group.

(q) Disposal groups held for sale

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to be completed within one year from the date of classification.

3. Accounting policies (continued)

(q) Disposal groups held for sale (continued)

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous reporting period, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

4. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

These principles supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for loan losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3(b).

The specific counterparty component of the total allowances for loan losses applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash-flows, management makes judgements about the counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy. All estimates of cash flows for the calculation of the allowances are independently approved by Credit Risk Management.

The allowances are created on an on-going basis as a difference between the nominal value of the receivable and the amount recoverable.

Determining fair values

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

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted priced (unadjusted) in active markets for identical assets or liabilities;
- Level 2: derived from observable market data, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from 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.

If the fair values had been higher or lower by 10% than management's estimates, the net carrying amount of Level 3 financial instruments would have been estimated to be TCZK 547 268 higher or lower than as disclosed as at 30 June 2013 (31.12.2012: TCZK 509 761).

(in thousands of Czech crowns – TCZK)

5. Cash and cash equivalents

	30.6.2013	31.12.2012
Cash in hand (note 6)	165 243	135 216
Nostro balance with central banks (note 6)	74 235	174 588
Term deposits in central banks up to 3 months (note 6)	2 041 804	4 915 387
Receivables from banks on demand (note 7)	1 599 642	2 048 739
Term deposits due from fin. institutions up to 3 months (note 7)	1 208 265	2 725 922
Loans due from banks - repurchase agreements (note 7)	613	1 889 372
Effect of acquisitions and disposals (note 48)	516	34 942
Total	***5 090 318***	***11 924 166***

6. Cash and balances with central banks

	30.6.2013	31.12.2012
Balances with central banks (including obligatory minimum reserves)	921 231	1 752 788
Nostro balances with central banks	74 235	174 588
Term deposits in central banks up to 3 months	2 041 804	4 915 387
Total balance with central banks	***3 037 270***	***6 842 763***
Cash in hand	165 243	135 216
Total	***3 202 513***	***6 977 979***

(in thousands of Czech crowns – TCZK)

6. Cash and balances with central banks (continued)

Balances with central banks represent the obligatory minimum reserves maintained under Czech National Bank, National Bank of Slovakia and Central Bank of the Russian Federation regulations. The obligatory minimum reserve is stated as 2% of primary deposits with maturity of less than two years and is interest bearing except for Central Bank of the Russian Federation where the obligatory minimum reserve is non-interest bearing. The Bank must maintain the obligatory minimum reserves in accounts with the respective central banks. Compliance with this requirement is measured using the average daily closing balance over the whole month.

With regard to the current uncertain situation on the financial markets, the Group has a prudent liquidity policy and holds a significant part of its liquidity surplus in highly liquid assets. Highly liquid assets include balances with the central banks, short term deposits in financial institutions and highly liquid corporate and government bonds. The Group decides on placements based on the credibility of the counterparty and the offered conditions.

7. Due from financial institutions

	30.6.2013	**31.12.2012**
Receivables from banks on demand	1 599 642	2 048 739
Term deposits and loans up to 3 month	1 208 265	2 725 922
Term deposits and loans over 3 month	260 395	201 450
Loans due from banks - repurchase agreements	613	1 889 372
Other receivables	311 568	-
Total	***3 380 483***	***6 865 483***

There were no overdue receivables from banks as of 30 June 2013 and 31 December 2012.

The weighted average interest rate on deposits and loans with other banks was 0.88% p.a. as at 30 June 2013 (31.12.2012: 1.64% p.a.).

(in thousands of Czech crowns – TCZK)

8. Derivative financial instruments

(a) Derivatives held for trading:

	30.6.2013 Notional amount buy	30.6.2013 Notional amount sell	30.6.2013 Fair value Positive	30.6.2013 Fair value Negative
Currency derivatives	33 427 266	(33 576 931)	112 461	(270 336)
Equity derivatives	9 538	(8 346)	-	(278)
Commodity derivatives	692 972	(695 903)	3 736	(991)
Total as at 30 June 2013	***34 129 776***	***(34 281 180)***	***116 197***	***(271 605)***

	31.12.2012 Notional amount buy	31.12.2012 Notional amount sell	31.12.2012 Fair value Positive	31.12.2012 Fair value Negative
Currency derivatives	25 983 175	(25 922 261)	107 220	(48 171)
Equity derivatives	9 256	(7 838)	-	(395)
Commodity derivatives	608 861	(610 711)	5 503	(648)
Total as at 31 December 2012	***26 601 292***	***(26 540 810)***	***112 723***	***(49 213)***

All derivatives held for trading are classified as level 2 according to the fair value hierarchy.

Purchased and written options are recognized in the trading portfolio. Written options comprise derivatives embedded in structured client deposits. The Group has purchased matching options (with the same underlying assets, maturity and strike rates) from third parties in order to hedge the exposures. Accordingly, the fair value of the purchased options portfolio equals the fair value of the sum of the written options. Although these options represent an economic hedge, they are presented as trading.

FX forward contracts are commitments to either purchase or sell a designated currency at a specified date for a specified price. Forward contracts result in a credit exposure at a specified future date for a specified price. Forward contracts also result in exposure to market risk based on changes in market prices relative to the contracted amounts.

The foreign currency structure of these transactions was as follows:

Long position	**CZK**	**EUR**	**USD**	**RUB**	**other**
30 June 2013	81%	16%	2%	1%	-
31 December 2012	81%	14%	3%	2%	-

The foreign currency structure of the second leg of these transactions was as follows:

Short position	**CZK**	**EUR**	**USD**	**RUB**	**other**
30 June 2013	16%	69%	14%	-	1%
31 December 2012	14%	66%	16%	1%	3%

(in thousands of Czech crowns – TCZK)

8. Derivative financial instruments (continued)

(b) Derivatives held for risk management:

Fair value hedging

	30.6.2013 Notional amount buy	30.6.2013 Notional amount sell	30.6.2013 Fair value Positive	30.6.2013 Fair value Negative
Currency derivatives	4 322 000	(4 411 500)	10 614	(111 367)
Total as at 30 June 2013	***4 322 000***	***(4 411 500)***	***10 614***	***(111 367)***

	31.12.2012 Notional amount buy	31.12.2012 Notional amount sell	31.12.2012 Fair value Positive	31.12.2012 Fair value Negative
Currency derivatives	2 658 701	(2 672 798)	4 929	(32 534)
Total as at 31 December 2012	***2 658 701***	***(2 672 798)***	***4 929***	***(32 534)***

All derivatives held for risk management are classified as level 2 according to fair value hierarchy.

The objective of this hedge is to cover the foreign currency exposure to changes in fair value of investment securities available for sale over the hedging period. The Group uses currency forwards to reach effectiveness into this hedging relationship.

9. Investment securities at fair value through profit or loss, investment securities available for sale and investment securities held to maturity

(a) Investment securities at fair value through profit or loss:

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- domestic	10 125	2 498
- foreign	71 312	83 803
Allotment certificates		
- domestic	239	99
- foreign	577	3 986
Bonds		
- domestic	4 498 124	2 753 939
- foreign	6 024 429	2 447 799
Total	***10 604 806***	***5 292 124***

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- listed	81 437	86 301
Allotment certificates		
- not listed	816	4 085
Bonds		
- listed	10 522 553	5 201 738
Total	***10 604 806***	***5 292 124***

(in thousands of Czech crowns – TCZK)

9. Investment securities at fair value through profit or loss, investment securities available for sale, investment held for sale and investment securities held to maturity (continued)

(a) Investment securities at fair value through profit or loss (continued):

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- corporate	78 775	74 356
- financial institutions	2 662	11 945
Allotment certificates		
- corporate	183	-
- financial institutions	633	4 085
Bonds		
- government	6 343 267	1 843 676
- financial institutions	1 455 047	865 886
- corporate	2 724 239	2 492 176
Total	***10 604 806***	***5 292 124***

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- Level 1 - market price	57 867	64 761
- Level 3 - unobservable inputs	23 570	21 540
Allotment certificates		
- Level 1 - market price	816	4 085
Bonds		
- Level 1 - market price	8 810 558	4 058 894
- Level 3 - unobservable inputs	1 711 995	1 142 844
Total	***10 604 806***	***5 292 124***

No movements from level 1 to level 2 occurred in the period of 1.1.-30.6.2013 and in 2012.

The weighted average interest rate on bonds was 3.92% p.a. as at 30 June 2013 (31.12.2012: 5.43% p.a.).

The following table shows a reconciliation of the opening and closing balances of Level 3 financial instruments that are recorded at fair value:

	Shares	Bonds	Total
Balance as at 1 January 2013	***21 540***	***1 142 844***	***1 164 384***
Total gains / (losses) recognised in profit or loss	270	21 182	21 452
Addition	1 145	105 211	106 356
Disposal	-	(177 873)	(177 873)
Transfer from Level 1	-	591 221	591 221
Effects of movements in foreign exchange	615	(18 997)	(18 382)
Interest income	-	48 407	48 407
Balance as at 30 June 2013	***23 570***	***1 711 995***	***1 735 565***

During the reporting period, due to changes in market conditions for certain investment securities, quoted prices in active market were no longer available for these securities. The Group transferred from Level 1 to Level 3 bonds amounting to TCZK 591 221.

In 2012 the Group transferred from Level 1 to Level 3 shares amounting to TCZK 17 904 and bonds amounting to TCZK 942 083.

(in thousands of Czech crowns – TCZK)

9. Investment securities at fair value through profit or loss, investment securities available for sale, investment held for sale and investment securities held to maturity (continued)

(b) Investment securities available for sale:

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- domestic	406 705	455 808
- foreign	1 144 681	2 172 837
Allotment certificates		
- domestic	108 110	204 045
- foreign	2 836 867	1 094 105
Bonds		
- domestic	11 604 844	12 095 808
- foreign	2 411 524	7 022 455
Total	***18 512 731***	***23 045 058***

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- listed	1 391 618	2 401 726
- not listed	159 768	226 919
Allotment certificates		
- not listed	2 944 977	1 298 150
Bonds		
- listed	13 609 412	18 728 723
- not listed	406 956	389 540
Total	***18 512 731***	***23 045 058***

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- financial institution	31 733	261 600
- corporate	1 519 653	2 367 045
Allotment certificates		
- financial institution	2 500	-
- corporate	2 942 477	1 298 150
Bonds		
- government	10 175 239	15 734 604
- financial institution	416 852	422 620
- corporate	3 424 277	2 961 039
Total	***18 512 731***	***23 045 058***

(in thousands of Czech crowns – TCZK)

9. Investment securities at fair value through profit or loss, investment securities available for sale, investment held for sale and investment securities held to maturity (continued)

(b) Investment securities available for sale (continued):

	30.6.2013 Fair value	31.12.2012 Fair value
Shares		
- Level 1 - market price	321 540	612 645
- Level 2 – observable market data	18 971	-
- Level 3 - unobservable inputs	1 210 875	2 016 000
Allotment certificates		
- Level 1 - market price	2 942 555	1 298 150
- Level 2 – observable market data	2 422	-
Bonds		
- Level 1 - market price	11 386 254	17 165 371
- Level 3 - unobservable inputs	2 630 114	1 952 892
Total	***18 512 731***	***23 045 058***

No movements from level 1 to level 2 occurred in the period of 1.1.-30.6.2013 and in 2012.

The weighted average interest rate on bonds was 3.06% p.a. as at 30 June 2013 (31.12.2012: 3.22% p.a.).

The following table shows a reconciliation of the opening and closing balances of Level 3 financial instruments that are recorded at fair value:

	Shares	Bonds	Total
Balance as at 1 January 2013	***2 016 000***	***1 952 892***	***3 968 892***
Total gains / (losses) recognised in profit or loss	58 705	-	58 705
Total gains / (losses) recognised in equity	(526)	1 180	654
Addition	-	695 035	695 035
Disposal	(837 748)	-	(837 748)
Effects of movements in foreign exchange	(25 556)	(36 544)	(62 100)
Interest income	-	17 551	17 551
Balance as at 30 June 2013	***1 210 875***	***2 630 114***	***3 840 989***

During the current reporting period, due to changes in market conditions for certain investment securities, quoted prices in active market were no longer available for these securities.

(in thousands of Czech crowns – TCZK)

9. Investment securities at fair value through profit or loss, investment securities available for sale, investment held for sale and investment securities held to maturity (continued)

(c) Investment securities held to maturity:

	30.6.2013 Amortised cost	31.12.2012 Amortised cost
Bonds		
- domestic	547 717	1 308 486
- foreign	1 624 541	816 636
Total	***2 172 258***	***2 125 122***

	30.6.2013 Amortised cost	31.12.2012 Amortised cost
Bonds		
- listed	2 172 258	2 125 122
- not listed	-	-
Total	***2 172 258***	***2 125 122***

	30.6.2013 Amortised cost	31.12.2012 Amortised cost
Bonds		
- financial institution	1 367 121	1 338 644
- corporate	805 137	786 478
Total	***2 172 258***	***2 125 122***

The weighted average interest rate on bonds was 6.46% p.a. as at 30 June 2013 (31.12.2012: 6.26% p.a.).

(in thousands of Czech crowns – TCZK)

10. Repurchase and resale agreements

(a) Resale agreements

The Group purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers. At 30 June 2013 and 31 December 2012, assets purchased pursuant to the agreements to resell them were as follows:

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to banks	594	613	To 1 Month	613
Loans and advances to customers	11 000 780	8 473 105	To 1 Year	8 503 495
Total as at 30 June 2013	***11 001 374***	***8 473 718***		***8 504 108***

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks	2 045 664	1 889 372	To 3 Months	1 890 953
Loans and advances to customers	8 979 997	6 807 127	To 3 Months	6 820 798
Total as at 31 December 2012	***11 025 661***	***8 696 499***		***8 711 751***

The Group did not use the acquired collateral for subsequent sale or for hedging of its trading activities.

(b) Repurchase agreements

Transactions where securities are sold under a repurchase agreement (repo transaction) at a predetermined price are accounted for as loans collateralised by the securities. The legal title to the respective securities is transferred to the lender. However, the securities transferred under a repo transaction are still recognised in the statement of financial position. The price for the sold securities are recognised as a liability and presented under "Amounts owed to financial institutions" or "Amounts owed to customers".

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans from central banks	238 190	194 641	To 1 Month	194 731
Loans and advances from customers	23 656	26 054	To 3 Months	25 440
Total as at 30 June 2013	***261 846***	***220 695***		***220 171***

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans from banks	22 440	22 308	To 1 Month	22 308
Loans and advances from customers	90 997	88 629	To 3 Months	88 788
Total as at 31 December 2012	***113 437***	***110 937***		***111 096***

(in thousands of Czech crowns – TCZK)

10. Repurchase and resale agreements (continued)

(b) Repurchase agreements (continued)

As at 30 June 2013, the Group sold securities under repurchase agreements at TCZK 2 078 (31.12.2012: TCZK 0), which are recognized in the statement of financial position, and securities under repurchase agreements at TCZK 259 768 (31.12.2012: TCZK 113 437) which were purchased under reverse repurchase operations before.

11. Loans and advances to customers, contingent assets

(a) Loans and advances to customers

	30.6.2013	**31.12.2012**
Loans and advances to customers	33 727 578	32 577 711
Loans and advances to customers – repurchase agreements	8 473 105	6 807 127
Bank overdraft	5 851 059	2 151 323
Debt securities – bills of exchange	137 791	280 087
Other receivables	126 332	148 398
Less allowances for loan losses (note 12)	(854 203)	(814 602)
Total net loans and advances to customers	***47 461 662***	***41 150 044***

Loans and advances to customers as at 30 June 2013 include loans amounting to TCZK 15 542 509 (2012: TCZK 12 901 469) where the repayment of the loans is dependent upon the successful realization of the assets whose acquisition was financed by the relevant loans. These assets are pledged in favour of the Group.

Allowances for loan losses and advances to customers are determined and created based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral as well as guarantees from third parties.

The amount of non-interest bearing loans as at 30 June 2013 totalled to TCZK 81 435 (31.12.2012: TCZK 81 431). These loans were mostly acquired from the former Podnikatelská banka. Receivables from these loans are fully provisioned.

The weighted average interest rate on loans to customers was 7.05% p.a. as at 30 June 2013 (31.12.2012: 7.55% p.a.).

The weighted average interest rate on bills of exchange was 9.35% p.a. as at 30 June 2013 (31.12.2012: 7.94% p.a.).

(b) Contingent assets

Some of the loan agreements entitle the Group to a share of the profits earned from projects that are financed by the Group. These rights may generate additional revenues in the future. The current value of these rights, however, cannot be reliably measured or estimated. The Group is not exposed to any additional risk that would arise from such agreements.

12. Allowances for loan losses

	30.6.2013	**31.12.2012**
1 January 2013	**814 602**	**1 233 171**
Charge / (reversal) in the reporting period	171 254	485 765
Use / write-offs	(143 484)	(892 997)
Currency difference	11 831	(11 337)
At the end of period	***854 203***	***814 602***

(in thousands of Czech crowns – TCZK)

13. Investment property

	30.6.2013
1 January 2013	**-**
Acquisition through business combination	667 245
Effect of movement in foreign exchange	(20 885)
At the end of period	***646 360***

The Group acquired investment property in the period of 1.1.-30.6.2013 through the acquisition of Interznanie OAO (refer Note 3(p) - Business combinations and purchase price allocations and the Note 48 Acquisitions and disposals of subsidiaries and joint ventures). Investment property is insured in full as at 30 June 2013.

All investment property is classified as Level 3 according to fair value hierarchy.

(in thousands of Czech crowns – TCZK)

14. Property and equipment

The movements during the period were as follows:

	Land and buildings	Fixtures, fittings and equipment	Under construction	Total
Cost				
1 January 2012	***3 064***	***126 786***	***8 439***	***138 289***
Additions	12 305	36 252	-	48 557
Additions from acquisition	-	-	-	-
Disposals	-	(18 634)	(1 952)	(20 586)
Other	(78)	(84)	-	(162)
31 December 2012	***15 291***	***144 320***	***6 487***	***166 098***
Accumulated depreciation				
1 January 2012	***116***	***79 866***	***-***	***79 982***
Depreciation	1 282	30 218	-	31 500
Depreciation from acquisition	-	-	-	-
Disposals	(4)	(18 003)	-	(18 007)
Other	(3)	(47)	-	(50)
31 December 2012	***1 391***	***92 034***	***-***	***93 425***
Cost				
1 January 2013	***15 291***	***144 320***	***6 487***	***166 098***
Additions	-	8 959	-	8 959
Additions from acquisition	166 811	20 097	-	186 908
Disposals	-	(68 650)	(6 487)	(75 137)
Other and foreign exchange	(619)	1 183	-	564
30 June 2013	***181 483***	***105 909***	***-***	***287 392***
Accumulated depreciation				
1 January 2013	***1 391***	***92 034***	***-***	***93 425***
Depreciation	3 464	13 536	-	17 000
Depreciation from acquisition	1 879	4 621	-	6 500
Disposals	-	(52 759)	-	(52 759)
Other	(142)	(222)	-	(364)
30 June 2013	***6 592***	***57 210***	***-***	***63 802***
Net book value				
31 December 2012	***13 900***	***52 286***	***6 487***	***72 673***
30 June 2013	***174 891***	***48 699***	***-***	***223 590***

Property is insured against theft and natural disaster.

The additions from acquisition in the period of 1.1.-30.6.2013 are represented by the property owned by the newly acquired subsidiary Interznanie OAO.

Disposal of Fixtures, fittings and equipment in the period of 1.1.-30.6.2013 mainly relates to the fact that since 1 January 2013 the Bank has transferred all IT services including related equipment to the company within J&T group.

(in thousands of Czech crowns – TCZK)

15. Intangible assets

The movements during the period were as follows:

	Software	Establish-ment expenses	Other intan-gible assets	Goodwill	Assets under construction	Total
Cost						
1 January 2012	***264 878***	***94***	***129 505***	***308 752***	***403***	***703 632***
Additions	37 265	-	-	-	40 133	77 398
Additions from acquisition	-	-	-	-	-	-
Disposals	(59 262)	-	-	-	(34 568)	(93 830)
Other	(738)	-	-	1 345	-	607
31 December 2012	***242 143***	***94***	***129 505***	***310 097***	***5 968***	***687 807***
Accumulated						
1 January 2012	***183 575***	***94***	***32 176***	***119 037***	***-***	***334 882***
Amortisation	40 314	-	20 335	-	-	60 649
Amortisation from acquisition	-	-	-	-	-	-
Disposals	(45 564)	-	-	-	-	(45 564)
Other	(658)	-	-	1 345	-	687
31 December 2012	***177 667***	***94***	***52 511***	***120 382***	***-***	***350 654***
Cost						
1 January 2013	***242 143***	***94***	***129 505***	***310 097***	***5 968***	***687 807***
Additions	8 391	-	-	-	2 630	11 021
Additions from acquisition	-	-	-	273 237	-	273 237
Disposals	(21 237)	-	-	-	-	(21 237)
Other and foreign exchange	829	-	-	(12 257)	5	(11 423)
30 June 2013	***230 126***	***94***	***129 505***	***571 077***	***8 603***	***939 405***
Accumulated amortisation						
1 January 2013	***177 667***	***94***	***52 511***	***120 382***	***-***	***350 654***
Amortisation	19 782	-	9 845	-	-	29 627
Amortisation from acquisition	-	-	-	-	-	-
Disposals	(17 859)	-	-	-	-	(17 859)
Other and foreign exchange	777	-	-	(3 705)	-	(2 928)
30 June 2013	***180 367***	***94***	***62 356***	***116 677***	***-***	***359 494***
Net book value						
31 December 2012	***64 476***	***-***	***76 994***	***189 715***	***5 968***	***337 153***
30 June 2013	***49 759***	***-***	***67 149***	***454 400***	***8 603***	***579 911***

The increase in goodwill by TCZK 273 237 in the period of 1.1.-30.6.2013 is represented by the goodwill arisen from the acquisition of 99% ownership interest in TERCES MANAGEMENT LIMITED (see the note 48).

(in thousands of Czech crowns – TCZK)

16. Operating leases

(a) Leases entered into as lessee

The Group has non-cancellable operating lease payables as follows:

	30.6.2013	31.12.2012
Less than one year	83 613	88 977
Between one and five years	300 339	306 328
More than five years	177 167	217 268
Total	***561 119***	***612 573***

(b) Leases entered into as lessor

The Group leases out its headquarters to other companies under operating leases. The Group has non-cancellable operating lease receivables as follows:

	30.6.2013	31.12.2012
Less than one year	1 886	531
Between one and five years	2 076	2 011
More than five years	1 038	1 383
Total	***5 000***	***3 925***

17. Prepayments, accrued income and other assets

	30.6.2013	31.12.2012
Prepayments and accrued income	190 100	116 186
Receivables from customers from securities trading	234 771	350 101
Other trading receivables	124 356	263 219
Other tax assets	6 335	115
Receivables from fees for portfolio management	7 353	22 301
Other receivables	22 050	47 661
Advance payments – other	31 389	23 859
Allowances for impairment of other assets	(6 829)	(8 227)
Total	***609 525***	***815 215***

Other trading receivables as at 30 June 2013 include reward for the issue of bonds and bills of TCZK 12 036 (2012: TCZK 156 769).

(in thousands of Czech crowns – TCZK)

17. Prepayments, accrued income and other assets (continued)

Allowances for impairment of other assets:

	2013	2012
1 January	8 227	6 688
Charged / (reversed) in the period	(1 398)	1 539
At the end of period	***6 829***	***8 227***

18. Disposal groups held for sale

The disposal group held for sale includes mainly three companies that own and operate four solar power plants in the Czech Republic: FVE Slušovice s.r.o., FVE Němčice s.r.o. and FVE Napajedla s.r.o. These companies were acquired by the Group with the intention of further sale.

The structure of the assets and liabilities of the disposal group held for sale as at 30 June 2013 is as follows:

	FVE solar power plants	Other assets	Total
Disposal groups held for sale	1 646 229	147 981	**1 794 210**
Liabilities associated with assets held for sale	684 869	-	**684 869**
Net amount of disposal group held for sale	**961 360**	**147 981**	**1 109 341**
Profit from discontinued operations	**63 817**	**-**	**63 817**

The structure of the assets and liabilities of the disposal group held for sale as at 31 December 2012 is as follows:

	FVE solar power plants
Disposal groups held for sale	1 595 593
Liabilities associated with assets held for sale	697 789
Net amount of disposal group held for sale	**897 804**
Profit from discontinued operations	**94 853**

(in thousands of Czech crowns – TCZK)

19. Amounts owed to financial institutions

Amounts owed to financial institutions comprise:

	30.6.2013	**31.12.2012**
Amounts owed to banks	3 132 419	3 751 335
Loans from banks – repurchase agreements	-	22 308
Amounts owed to central banks	-	7 474 676
Loans from central banks – repurchase agreements	194 641	-
Total amounts owed to financial institutions	***3 327 060***	***11 248 319***

The weighted average interest rate on amounts owed to banks was 2.07% p.a. as at 30 June 2013 (31.12.2012: 1.62% p.a.).

The branch of the Bank prematurely repaid the loan amounting to TCZK 7 099 033 to National Bank of Slovakia on 27 February 2013 under the terms announced and published by the European Central Bank. This loan was granted on 1.3.2012 at the rate of 1% p.a. There are no financial obligations relating to the early repayment by the Group.

(in thousands of Czech crowns – TCZK)

20. Amounts owed to customers

Amounts owed to customers comprise:

	30.6.2013	31.12.2012
Current accounts	7 435 461	8 024 265
Term deposits	65 975 334	55 813 884
Depository notes	135 257	99 833
Loans from customers – repurchase agreements	26 054	88 629
Other	12 022	5 790
Total	***73 584 128***	***64 032 411***

The weighted average interest rate on amounts owed to customers was 2.89% p.a. as at 30 June 2013 (31.12.2012: 2.81% p.a.).

21. Subordinated liabilities

Subordinated liabilities at amortised cost:

	30.6.2013	31.12.2012
Issued subordinated bonds	642 529	621 635
Subordinated liabilities – term deposit from customers	376 221	374 112
Total	***1 018 750***	***995 747***

On 28 February 2007, the Bank issued subordinated bonds with a notional amount of TEUR 25 000 maturing in 2022. The interest rate was 4.96% p.a. as at 30 June 2013 (31.12.2012: 4.93% p.a.).

The subordinated liabilities – term deposit from customers with a maturity up to 2021 bear an interest rate between 5% and 8% p.a.

Czech National Bank approved the subordinated liabilities as a part of the capital for regulatory purposes.

(in thousands of Czech crowns – TCZK)

22. Accruals, provisions and other liabilities

Accruals, provisions and other liabilities:

	30.6.2013	31.12.2012
Trade payables	42 563	101 845
Other liabilities	255 270	120 680
Employee benefits	9 601	5 405
Provisions for personnel costs	15 050	16 560
Provision for off-balance sheet items	54 930	10 480
Loyalty programmes	48 841	30 116
Other current provisions	1 258	-
Estimated payables – employee bonuses	119 132	144 361
Payables to employees	17 139	93 064
Payables related to social costs	10 063	10 873
Payables from securities of clients at trader´s disposal	2 217 329	2 922 378
Provisions, accruals and deferred income	240 958	149 099
Other tax liabilities	28 728	47 342
Total	***3 060 862***	***3 652 203***

Other liabilities primarily include payables from clearing of TCZK 113 301 (2012: TCZK 9 671) and incoming and outgoing payments from nostro accounts of TCZK 63 255 (2012: TCZK 94 509).

Provisions:

	Balance as at 1 January 2013	Additions / Creations	Use	Release	Foreign exchange difference	Balance as at 30 June 2013
Employee benefits	5 405	6 966	(2 605)	-	(165)	9 601
Provision for personnel costs	16 560	6 713	(5 054)	(3 210)	41	15 050
Provision for off-balance sheet items	10 480	46 316	-	(2 182)	316	54 930
Loyalty programmes	30 116	19 863	(1 131)	(7)	-	48 841
Other current provisions	-	1 311	-	-	(53)	1 258
Total	***62 561***	***81 169***	***(8 790)***	***(5 399)***	***139***	***129 680***

23. Share capital, retained earnings and capital funds

Share capital is fully paid and consists of:

	30.6.2013
3 857 126 ordinary shares with a nominal value of CZK 1 000 per share	3 857 126
700 000 ordinary shares with a nominal value of CZK 1.43 per share	1 001
Total share capital	***3 858 127***

The Group does not provide any employee incentive scheme involving the option to buy own shares, or remuneration in the form of equity options.

The allocation of the profit will be approved at the General Meeting. The Group's Management assumes that the part of the profit will be paid as a dividend to shareholders.

(in thousands of Czech crowns – TCZK)

23. Share capital, retained earnings and capital funds (continued)

Retained earnings

Retained earnings are distributable to the Group's shareholders and are subject to the shareholders meeting resolution. As at 30 June 2013, retained earnings amounted to TCZK 3 152 510 (31.12.2012: TCZK 2 944 219).

Capital funds

Capital funds consist of a statutory reserve fund and other capital fund.

The use of the statutory reserve fund is limited by legislation and the articles of association of the Group. The Group is obliged to contribute an amount to the fund each year, which is not less than 5% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not distributable to shareholders.

The legal reserve fund amounted to TCZK 155 069 as at 30 June 2013 (31.12.2012: TCZK 109 104).

Revaluation reserve

The revaluation reserve comprises the items arisen from the following:
- changes in the fair value of financial instruments available for sale
- translation reserve – comprises all foreign exchange difference arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

The revaluation reserve amounted to TCZK 2 288 as at 30 June 2013 (2012: TCZK 501 252).

24. Non-controlling interest

	30.6.2013	31.12.2012
J&T BANK ZAO	4 031	4 185
Interznanie OAO	(3 727)	-
Terces Management Limited	5 348	-
J&T FVE UPF	35 853	-
- FVE Napajedla s.r.o.	600	-
- FVE Nemcice s.r.o.	349	-
- FVE Slusovice s.r.o.	790	-
Total	***43 244***	***4 185***

(in thousands of Czech crowns – TCZK)

25. Corporate income tax

Corporate income tax was calculated in accordance with Czech tax regulations at the rate of 19% in 2013 (2012: 19%). The corporate income tax rate for 2014 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax law. The tax paid by the branch in Slovakia is offset against the income tax for the Bank as a whole paid in the Czech Republic.
The corporate income tax rate in Slovakia for 2012 is 19%. As from 1 January 2013 the tax rate in Slovakia is 23%.

The Czech Republic currently has a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value-added tax, corporate tax, and payroll (social) taxes and various others. Tax declarations, together with other legal compliance areas (such as customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose fines, penalties and interest charges. This results in tax risks in the Czech Republic which are substantially more significant than typically found in countries with more developed tax systems.

Management believes that it has adequately provided for the tax liabilities in the accompanying consolidated financial statements.

The reconciliation of the expected income tax expense is as follows:

	1.1.-30.6.2013	**1.1.-30.6.2012**
Profit before income tax	483 421	745 426
Tax non-deductible expenses	141 999	256 827
Non-taxable revenues and tax refund for the last period	(92 193)	(155 732)
Statutory income tax rate	19%	19%
Income tax	***(101 313)***	***(160 839)***
Adjustments for prior periods	*84*	-
Change in tax rate	*(6 547)*	-
Income tax Total	***(107 776)***	***(160 839)***
Effective tax rate	22.3%	21.6%

The main adjustments when calculating the taxable profit from the accounting profit relate to tax exempt income and expenses to be added to the tax base. The main non-deductible expenses are tax non-deductible provisions to receivables, gifts and representation expenses.

(in thousands of Czech crowns – TCZK)

26. Deferred tax

The Group has the following deferred tax assets and liabilities:

	Deferred tax asset / (liability)	
	30.6.2013	**31.12.2012**
Difference between accounting and tax values of property and equipment	(14 215)	(17 205)
Unpaid penalty interest	(4 810)	(4 002)
Tax losses	667	-
Financial instruments at fair value at through profit or loss	697	1 252
Derivatives	(31)	(70)
Available-for-sale financial assets	(16 812)	(115 730)
Investment properties	(118 732)	-
Other items	(10 273)	(4 941)
Net deferred tax liability	***(163 509)***	***(140 696)***

The deferred tax asset and liability is calculated using the 2013 corporate income tax rate of 19%, for J&T Bank, zao 20% and for J&T Banka Slovak Branch 23% (2012: 19%, 20% and 23%).

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax liabilities in 2013.

	30.6.2013	**31.12.2012**
Deferred tax liability, net as at 1 January	(140 696)	15 707
Incoming from business combination	(120 341)	-
Deferred tax expense in the period	(6 278)	1 369
Deferred tax recognized in equity	98 960	(157 818)
Currency difference	4 846	46
Net deferred tax liability as at the end of the period	***(163 509)***	***(140 696)***

The following table shows the net deferred tax by company as at 30 June 2013:

	Deferred tax		
	Asset	**Liability**	**Net**
J & T BANKA, a.s. (parent company)	-	(28 045)	(28 045)
J&T INVESTIČNÍ SPOLEČNOST, a.s.	-	(2 980)	(2 980)
ATLANTIK finanční trhy, a.s.	-	(4 157)	(4 157)
Interznanie OAO	-	(118 732)	(118 732)
J&T Bank, zao	-	(9 595)	(9 595)
Net deferred tax asset liability	**-**	***(163 509)***	***(163 509)***

(in thousands of Czech crowns – TCZK)

26. Deferred tax (continued)

The following table shows the net deferred tax by company as at 31 December 2012:

	Deferred tax		
	Asset	**Liability**	**Net**
J & T BANKA, a.s. (parent company)	-	(121 594)	(121 594)
J&T INVESTIČNÍ SPOLEČNOST, a.s.	-	(3 363)	(3 363)
ATLANTIK finanční trhy, a.s.	-	(5 537)	(5 537)
J&T Bank, zao	-	(10 202)	(10 202)
Net deferred tax asset liability	***-***	***(140 696)***	***(140 696)***

27. Interest income

	1.1.-30.6.2013	**1.1.-30.6.2012**
Interest income from:		
Due from financial institutions	33 557	66 962
Loans and advances to customers	1 381 444	1 210 191
Repo transactions	181 646	173 303
Bonds and other fixed income securities	458 482	438 217
Other operations	1 809	-
Total	***2 056 938***	***1 888 673***

Item “Loans and advances to customers” includes commissions for origination of loans of TCZK 13 369 (2012: TCZK 29 120).

Interest income according to classes of assets:

	1.1.-30.6.2013	**1.1.-30.6.2012**
Interest income from:		
Financial assets at fair value through profit or loss:		
- those held for trading	95 100	326 403
- those designated at initial recognition	62 847	37 744
Investment securities available for sale	237 543	-
Investment securities held to maturity	64 801	74 070
Loans and other receivables	1 596 647	1 450 456
- of which: Impaired loans and receivables	*74 953*	*98 826*
Total	***2 056 938***	***1 888 673***

28. Interest expense

	1.1.-30.6.2013	**1.1.-30.6.2012**
Interest expense on:		
Amounts owed to financial institutions	(73 018)	(106 413)
Amounts owed to customers	(1 106 056)	(883 253)
Repo transactions	(15)	(6 720)
Bonds and other fixed income securities	(19 344)	(20 646)
Other operations	(2 563)	-
Total	***(1 200 996)***	***(1 017 032)***

(in thousands of Czech crowns – TCZK)

28. Interest expense (continued)

Interest expense according to classes of liabilities:

	1.1-30.6.2013	1.1-30.6.2012
Interest expense on:		
Financial liabilities at amortised cost	(1 198 433)	(1 017 032)
Financial liabilities at fair value through profit or loss	(2 563)	-
Total	***(1 200 996)***	***(1 017 032)***

29. Fee and commission income

	1.1-30.6.2013	1.1-30.6.2012
Fee and commission income from:		
Securities and derivatives for customers	248 539	286 961
Loan activities	20 289	17 691
Payment transactions	20 910	22 347
Other	18 639	8 875
Total	***308 377***	***335 874***

30. Fee and commission expense

	1.1.-30.6.2013	1.1.-30.6.2012
Fee and commission expense on:		
Transactions with securities	(57 957)	(72 841)
Payment transactions	(6 371)	(3 198)
Other	(5 033)	(6 525)
Total	***(69 361)***	***(82 564)***

31. Net trading income

	1.1.-30.6.2013	1.1.-30.6.2012
Realised and unrealised gains / (losses) on securities	344 131	199 506
Net gains / (losses) on derivative operations	(589 542)	398 423
Net profit from foreign currency translation	558 316	47 083
Net gains on hedging derivative operations	709	127
Revenue from dividends	2 893	1 394
Total net trading income	***316 507***	***646 533***

Net trading income comprises of:

	1.1.-30.6.2013	1.1-30.6.2012
Financial assets and liabilities at fair value through profit or loss:		
- those held for trading	(640 613)	559 102
- those designated at initial recognition	1 105	38 780
Financial assets available for sale	397 699	1 569
Exchange rate differences	558 316	47 082
Total	***316 507***	***646 533***

(in thousands of Czech crowns – TCZK)

32. Other operating income

	1.1.-30.6.2013	1.1.-30.6.2012
Rental income	141	245
Rental from investment property	34 924	-
Profit from disposal of fixed assets	7 224	40
Income from advisory services	30 849	34 820
Income from re-invoicing of services	3 674	2 527
Other income	7 250	6 273
Total	***84 062***	***43 905***

Other income of TCZK 7 250 at 30 June 2013 (30.6.2012: TCZK 6 273) includes a large number of sundry items that are not significant on an individual basis.

33. Personnel expenses

	1.1.-30.6.2013	1.1.-30.6.2012
Wages and salaries	(220 037)	(241 290)
Directors' and Supervisory Board members' remuneration	(18 660)	(9 994)
Social costs	(70 162)	(80 556)
Creation of provisions for untaken holiday	(7 843)	68
Other social costs	(7 527)	(8 858)
Total personnel expenses	***(324 229)***	***(340 630)***
Average number of employees during the reporting period	***476***	***511***

There were 20 members of the Group's Board of Directors at 30 June 2013 (30 June 2012: 19).

34. Other operating expenses

	1.1.-30.6.2013	1.1.-30.6.2012
Rent expense	(56 099)	(45 853)
Contributions to Deposit Insurance Fund	(52 6720	(41 981)
Taxes and fees	(59 684)	(14 263)
Operating costs:		
Repairs and maintenance – other	(2 735)	(1 882)
Advisory services	(2 920)	(1 410)
Communication fees	(6 989)	(6 688)
Consumption of material	(8 605)	(9 209)
Marketing and representation	(59 551)	(70 535)
Audit, legal and tax consulting	(20 835)	(21 021)
Travel costs	(7 985)	(9 164)
Expenses form re-invoicing	(3 674)	(2 557)
Repairs and maintenance - IS, IT	(11 494)	(12 404)
Gifts	(6 107)	(1 526)
Services related to rent	(13 247)	(6 628)
Outsourcing	(55 825)	-
Expenses related to investment property	(2 275)	-
Repairs and maintenance of investment property	(352)	-
Other operating costs	(94 482)	(46 585)
Total	***(465 531)***	***(291 706)***

(in thousands of Czech crowns – TCZK)

34. Other operating expenses (continued)

The increase in the cost of outsourcing in the amount of TCZK 55 825 (30.6.2012: TCZK 0) represents mainly transfer of activities relating to the consolidation of information technology services and logistics to the company belonging to the Group, from which the Bank outsources it.

Other operating costs of TCZK 94 482 at 30 June 2013 (30.6.2012: TCZK 46 585) include a large number of sundry items that are not significant on an individual basis.

In the current year, the government of the Slovak Republic introduced a bank levy ("the levy"). The levy is calculated based on the sum of a bank's total liabilities and equity, as reported in the balance sheet, less equity (if positive), long-term funds provided to a foreign bank's branch (applicable to branches), and subordinated debt. The levy is applied at a rate of 0.4% and is not deductible for corporative tax purposes. The levy does not fall within the scope of IAS 12 Income Taxes. The Group considers the levy to be operational in nature and has accrued the respective cost within "Other operating expenses". Taxes and fees in 2012 include a special levy to the Slovak Tax Authority of TCZK 64 868.

35. Analysis of the balances of cash and cash equivalents as shown in the Statement of Financial Position

	Cash and balances with central bank	Term deposits in central banks up to 3 months	Loans to banks – repurchase agreements	Receivables from bank on demand or up to 3 months	Net cash outflow from disposal and acquisition of subsidiaries	Total
31 December 2011	**196 986**	**361 205**	**800 034**	**8 083 835**	**(125 189)**	**9 316 871**
Change in 1.1.-30.6.2012	289 664	90 066	1 304 452	(2 397 827)	-	(713 645)
30 June 2012	**486 650**	**451 271**	**2 104 486**	**5 686 008**	**(125 189)**	**8 603 226**
Change 1.7.-31.12.2012	(176 846)	4 464 116	(215 114)	(911 347)	160 131	3 320 940
31 December 2012	**309 804**	**4 915 387**	**1 889 372**	**4 774 661**	**34 942**	**11 924 166**
Change 1.1.-30.6.2013	(70 326)	(2 873 583)	(1 888 759)	(1 966 754)	(34 426)	(6 833 848)
30 June 2013	**239 478**	**2 041 804**	**613**	**2 807 907**	**516**	**5 090 318**

"Compulsory minimum reserves with central banks" is not included in "Cash and cash equivalents" for Statement of Financial Position purposes.

36. Financial commitments and contingencies

Financial commitments and contingencies comprise:

	30.6.2013	31.12.2012
Granted guarantees	1 529 728	1 716 947
Unused credit lines	2 993 985	2 970 958
Securities held on behalf of clients	17 632 761	12 401 470
Total	***22 156 474***	***17 089 375***

37. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments pay and receive interest to and from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(a) Business segments

The Group comprises the following main business segments:

- Financial markets
  - Includes the trading and corporate finance activities, mainly activities within financial markets department regardless of level of service and client business segment
  -
- Corporate Banking
  - Includes loans, deposits and other transactions and balances with corporate customers (including business segment: corporations, non-profit organisations, financial institutions)
- Private Banking
  - Includes loans, deposits and other transactions and balances with private banking and premium banking customers
- Retail Banking
  - Includes loans, deposits and other transactions and balances with retail customers
- Overhead / ALCO
  - Includes balance sheet items of strategic importance that are managed by the Asset and Liability Committee

The Group also has a central Shared Services operation that manages the Group's premises and certain corporate costs. Cost-sharing agreements are used to allocate central costs to business segments on a reasonable basis.

Overhead includes balance sheet items of strategic importance that are managed by the Asset and Liability Committee. The most important items are:

- Investment securities available for sale and held to maturity
- Due from financial institutions
- Amount owed to financial institutions
- Cash and balances with central banks
- Equity

Personnel costs, operating expenses and depreciation charges that are not allocated to business segments are also included in this segment.

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(a) Business segments (continued)

Consolidated statement of financial position as at 30 June 2013:

	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Cash in hand and balances with central banks	-	-	-	-	3 202 513	3 202 513
Due from financial institutions	26 113	-	-	-	3 354 370	3 380 483
Financial instruments	9 906 821	-	-	-	21 509 785	31 416 606
Investment in joint ventures	-	-	-	-	103 492	103 492
Investment property	-	-	-	-	646 360	646 360
Loans and advances to customers	12 501 396	26 451 704	8 076 637	431 925	-	47 461 662
Current tax assets	-	-	-	-	21 208	21 208
Prepayments, accrued income and other assets	234 140	-	-	-	1 178 886	1 413 026
Disposal groups held for sale	-	-	-	-	1 794 210	1 794 210
Total Assets	***22 668 470***	***26 451 704***	***8 076 637***	***431 925***	***31 810 824***	***89 439 560***
Negative fair value of derivatives	271 605	-	-	-	111 367	382 972
Amounts owed to banks	-	-	-	-	3 327 060	3 327 060
Amounts owed to customers	-	33 237 769	13 951 233	26 395 126	-	73 584 128
Subordinated liabilities	-	1 018 750	-	-	-	1 018 750
Current tax liabilities	-	-	-	-	6 172	6 172
Deferred tax liabilities	-	-	-	-	163 509	163 509
Accruals, provisions and other liabilities	2 226 831	-	-	-	834 031	3 060 862
Disposal groups held for sale	-	-	-	-	684 869	684 869
Shareholder's equity	-	-	-	-	7 211 238	7 211 238
Total Liabilities and Equity	***2 498 436***	***34 256 519***	***13 951 233***	***26 395 126***	***12 338 246***	***89 439 560***

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(a) Business segments (continued)

Consolidated statement of financial position as at 31 December 2012:

	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Cash in hand and balances with central banks	67	-	-	-	6 977 912	6 977 979
Due from financial institutions	21 720	-	-	-	6 843 763	6 865 483
Financial instruments	4 813 826	-	-	-	25 766 130	30 579 956
Loans and advances to customers	10 554 474	23 940 030	6 207 612	360 490	87 438	41 150 044
Current tax assets	-	-	-	-	7 175	7 175
Prepayments, accrued income and other assets	349 941	-	-	-	875 100	1 225 041
Disposal groups held for sale	-	-	-	-	1 595 593	1 595 593
Total Assets	***15 740 028***	***23 940 030***	***6 207 612***	***360 490***	***42 153 111***	***88 401 271***
Negative fair value of derivatives	81 747	-	-	-	-	81 747
Amounts owed to banks	50 161	762 397	-	-	10 435 761	11 248 319
Amounts owed to customers	5 788	32 653 275	10 221 800	21 144 003	7 545	64 032 411
Subordinated liabilities	-	995 747	-	-	-	995 747
Current tax liabilities	-	-	-	-	135 472	135 472
Deferred tax liabilities	-	-	-	-	140 696	140 696
Accruals, provisions and other liabilities	2 925 458	-	-	-	726 745	3 652 203
Disposal groups held for sale	-	-	-	-	697 789	697 789
Shareholder's equity	-	-	-	-	7 416 887	7 416 887
Total Liabilities and Equity	***3 063 154***	***34 411 419***	***10 221 800***	***21 144 003***	***19 560 895***	***88 401 271***

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(a) Business segments (continued)

Consolidated statement of comprehensive income for the six months ended 30 June 2013:

	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Net interest income	***82 237***	***454 965***	***138 247***	***88 723***	***91 770***	***855 942***
Fee and commission income	259 144	42 188	5 546	1 499	-	308 377
Fee and commission expense	(58 489)	(10 618)	(18)	(236)	-	(69 361)
Dividends from investments in AFS	-	-	-	-	39 670	39 670
Net trading income / (expense)	316 507	-	-	-	-	316 507
Other operating income	66 090	-	-	-	17 972	84 062
Operating profit						***1 535 197***
Personnel expenses	(59 171)	(53 139)	(48 818)	(13 788)	(149 313)	(324 229)
Other operating expenses	(49 307)	(18 723)	(15 003)	(9 139)	(373 359)	(465 531)
Depreciation	(15 436)	(934)	(299)	(62)	(29 897)	(46 628)
Profit before allowances						***698 809***
Provisions from financial activities	-	(44 134)	-	-	-	(44 134)
Net change in allowances for loan losses	3 627	(163 580)	(4 745)	(5 594)	(962)	(171 254)
Profit before income tax						***483 421***
Profit/(loss) from joint ventures	-	-	-	-	(307)	(307)
Income tax	(122 029)	(36 639)	(15 874)	(19 565)	86 331	(107 776)
Profit from continuing operations						***375 338***
Profit from discontinued operations						***63 817***
Profit for the reporting period						***439 155***

Consolidated statement of comprehensive income for the six months ended 30 June 2012:

	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Net interest income	***68 181***	***421 502***	***129 281***	***118 686***	***133 991***	***871 641***
Fee and commission income	299 292	31 685	3 882	1 015	-	335 874
Fee and commission expense	(73 193)	(9 309)	(1)	(61)	-	(82 564)
Dividends from investments in AFS	-	-	-	-	17 669	17 669
Net trading income / (expense)	646 533	-	-	-	-	646 533
Other operating income	37 437	-	-	-	6 468	43 905
Operating profit						***1 833 058***
Personnel expenses	(43 007)	(39 571)	(34 063)	(10 117)	(213 872)	(340 630)
Other operating expenses	(33 088)	(14 076)	(11 539)	(7 981)	(225 022)	(291 706)
Depreciation	(9 550)	(1 330)	(315)	(66)	(34 552)	(45 813)
Profit before allowances						***1 154 909***
Provisions from financial activities	40	6 251	4	-	-	6 295
Net change in allowances for loan losses	(107 053)	(287 735)	(20 997)	(3)	10	(415 778)
Profit before income tax						***745 426***
Income tax	(170 645)	(23 807)	(15 259)	(23 827)	72 699	(160 839)
Profit from continuing operations						***584 587***
Profit from discontinued operations						***-***
Profit for the reporting period						***584 587***

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(b) Geographical segments

In presenting information on the basis of geographical areas, revenue is based on the customer's country of domicile and assets/liabilities are based on the geographical location of the assets/liabilities. Operating expense and income tax are unallocated.

Consolidated statement of financial position as at 30 June 2013:

	Czech Republic	Slovak Republic	Other European Union	Other countries	Unallocated	Total
Cash in hand and balances with central banks	1 796 648	1 291 007	-	114 858	-	3 202 513
Due from financial institutions	1 579 861	465 967	904 340	430 315	-	3 380 483
Financial instruments	17 224 461	9 013 915	3 865 557	1 312 673	-	31 416 606
Investment in joint ventures	-	-	103 492	-	-	103 492
Loans and advances to customers	8 957 728	10 821 390	25 011 466	2 671 078	-	47 461 662
Current tax assets	-	-	-	-	21 208	21 208
Investment property	-	-	-	646 360	-	646 360
Prepayments, accrued income and other assets	-	-	-	-	1 413 026	1 413 026
Disposal groups held for sale	1 646 229	-	-	147 981	-	1 794 210
Total Assets	***31 204 927***	***21 592 279***	***29 884 855***	***5 323 265***	***1 434 234***	**89 439 560**
Negative fair value of derivatives	340 151	5 441	37 017	363	-	382 972
Amounts owed to banks	1 735 446	4 681	520 205	1 066 728	-	3 327 060
Amounts owed to customers	47 783 978	20 521 648	1 996 563	3 281 939	-	73 584 128
Subordinated liabilities	70 012	306 208	650 013	(7 483)	-	1 018 750
Current tax liabilities	-	-	-	-	6 172	6 172
Deferred tax liabilities	-	-	-	-	163 509	163 509
Accruals, provisions and other liabilities	-	-	-	-	3 060 862	3 060 862
Disposal groups held for sale	684 869	-	-	-	-	684 869
Shareholder's equity	-	-	-	-	7 211 238	7 211 238
Total Liabilities and Equity	**50 614 456**	**20 837 978**	**3 203 798**	**4 341 547**	**10 441 781**	**89 439 560**

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(b) Geographical segments (continued)

Consolidated statement of financial position as at 31 December 2012:

	Czech Republic	Slovak Republic	Other European Union	Other countries	Unallocated	Total
Cash in hand and balances with central banks	5 182 653	1 590 189	-	205 137	-	6 977 979
Due from financial institutions	1 119 111	3 606 712	367 613	1 772 047		6 865 483
Financial instruments	16 862 680	9 891 793	3 016 465	809 018	-	30 579 956
Loans and advances to customers	8 921 239	10 018 441	20 478 105	1 732 259	-	41 150 044
Current tax assets	-	-	-	-	7 175	7 175
Prepayments, accrued income and other assets	-	-	-	-	1 225 041	1 225 041
Disposal groups held for sale	1 595 593	-	-	-	-	1 595 593
Total Assets	***33 681 276***	***25 107 135***	***23 862 183***	***4 518 461***	***1 232 216***	***88 401 271***
Negative fair value of derivatives	5 120	3 576	72 834	217	-	81 747
Amounts owed to banks	3 161 216	7 100 499	74 980	911 624	-	11 248 319
Amounts owed to customers	42 494 368	17 168 472	1 654 564	2 715 007	-	64 032 411
Subordinated liabilities	69 969	304 142	629 792	(8 156)	-	995 747
Current tax liabilities	-	-	-	-	135 472	135 472
Deferred tax liabilities	-	-	-	-	140 696	140 696
Accruals, provisions and other liabilities	-	-	-	-	3 652 203	3 652 203
Disposal groups held for sale	697 789	-	-	-	-	697 789
Shareholder's equity	-	-	-	-	7 416 887	7 416 887
Total Liabilities and Equity	***46 428 462***	***24 576 689***	***2 432 170***	***3 618 692***	***11 345 258***	***88 401 271***

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(b) Geographical segments (continued)

Consolidated statement of comprehensive income for the six months ended 30 June 2013:

	Czech Republic	Slovak Republic	Other European Union	Other countries	Unallocated	Total
Interest income	569 491	416 829	838 964	231 654	-	2 056 938
Interest expense	(730 758)	(325 556)	(41 385)	(103 297)	-	(1 200 996)
Net interest income	***(161 267)***	***91 273***	***797 579***	***128 357***	***-***	***855 942***
Fee and commission income	150 544	78 757	66 360	12 716	-	308 377
Fee and commission expense	(59 478)	(8 000)	(233)	(1 650)	-	(69 361)
Dividends from investments in AFS	13 982	17 938	6 937	813	-	39 670
Net trading income / (expense)	921 010	(95 930)	(451 546)	(57 027)	-	316 507
Other operating income	-	-	-	-	84 062	84 062
Operating profit						***1 535 197***
Personnel expenses	-	-	-	-	(324 229)	(324 229)
Other operating expenses	-	-	-	-	(465 531)	(465 531)
Depreciation	-	-	-	-	(46 628)	(46 628)
Profit before allowances for loan losses and income taxes						***698 809***
Provisions from financial activities	-	-	-	-	(44 134)	(44 134)
Net change in allowances for loan losses	-	-	-	-	(171 254)	(171 254)
Profit before income tax						***483 421***
Profit/(loss) from joint ventures	-	-	-	-	(307)	(307)
Income tax	-	-	-	-	(107 776)	(107 776)
Profit from continued operations						***375 338***
Profit from discontinued operations						***63 817***
Profit for the reporting period						***439 155***

(in thousands of Czech crowns – TCZK)

37. Segment reporting (continued)

(b) Geographical segments (continued)

Consolidated statement of comprehensive income for the six months ended 30 June 2012:

	Czech Republic	Slovak Republic	Other European Union	Other countries	Unallocated	Total
Interest income	649 171	433 578	620 351	185 573	-	1 888 673
Interest expense	(652 994)	(268 803)	(28 768)	(66 467)	-	(1 017 032)
Net interest income	***(3 823)***	***164 775***	***591 583***	***119 106***	***-***	***871 641***
Fee and commission income	205 678	16 079	103 712	10 405	-	335 874
Fee and commission expense	(70 146)	(6 811)	(1 352)	(4 255)	-	(82 564)
Dividends from investments in AFS	544	16 448	677	-	-	17 669
Net trading income / (expense)	412 916	35 180	122 982	75 455	-	646 533
Other operating income	-	-	-	-	43 905	43 905
Operating profit						***1 833 058***
Personnel expenses	-	-	-	-	(340 630)	(340 630)
Other operating expenses	-	-	-	-	(291 706)	(291 706)
Depreciation	-	-	-	-	(45 813)	(45 813)
Profit before allowances for loan losses and income taxes						***1 154 909***
Provisions from financial activities	-	-	-	-	6 295	6 295
Net change in allowances for loan losses	-	-	-	-	(415 778)	(415 778)
Profit before income tax						***745 426***
Income tax	-	-	-	-	(160 839)	(160 839)
Profit for the reporting period						***584 587***

(in thousands of Czech crowns – TCZK)

38. Related parties - General

The outstanding balances and transactions with related parties of J & T BANKA, a.s. are with general related parties and entities with a special relationship, as presented in the following tables and in note 38. All transactions with such entities took place under standard market conditions.

The companies disclosed as general related parties are connected through:

I) Parent and Subsidiaries. This category includes J&T Finance Group, a.s., its shareholders, and those of its subsidiaries which are included in its consolidated financial statements by reason of majority ownership.
II) Key management personnel of the entity or its parent.

The entities with a special relationship include clients with whom the J&T Finance Group has signed an agreement on profit participation (i.e. the J&T Finance Group, a.s. would be entitled to a share in any profit arising from a project of the client that was financed by the Group). The nature of the relationship with these entities is described in note 38, which also sets out a summary of their balances and transactions.

(I) Parent and Subsidiaries

The related parties which fall into the category *Parent and Subsidiaries* are individually listed below. The outstanding transactions above TCZK 5 000 are individually listed; others are included in the *Others* category. If a company met the criteria in at least one period, it is listed individually.

(a) Receivables

	30.6.2013	31.12.2012
J&T Private Equity B.V.	1 054 321	49 805
J&T Global Finance I., B.V.	442 664	3 000
J&T SECURITIES MANAGEMENT LIMITED	380 705	96
KPRHT 3, s.r.o.	164 855	191 047
ABS Property Limited	125 371	174 735
J&T Global Finance III., s.r.o.	70 857	-
J&T SERVICES ČR, a.s.	69 020	39 002
KPRHT 19, s.r.o.	40 605	-
J&T Global Finance II., B.V.	26 511	-
J&T Bank & Trust Inc.	26 111	-
KPRHT 14, s.r.o.	16 597	-
J&T FINANCE, a.s.	16	3 627
Others	3 253	4 272
Total	***2 420 886***	***465 584***

The above mentioned receivables consist mainly of loans together with accrued interest.

30.6.2013:
Companies included in the group "Others":
J&T Concierge, s.r.o., J&T GLOBAL MANAGEMENT, s.r.o., Jakabovič, Ivan Ing., Tkáč, Jozef Ing., J&T FINANCE GROUP, a.s., J&T FINANCE GROUP, a.s., organizační složka, TECHNO PLUS a.s., J&T FINANCIAL INVESTMENTS LIMITED, J&T Cafe, s.r.o.

31.12.2012:
Companies included in the group "Others":
Jakabovič, Ivan Ing., Tatry mountain resorts, a.s., Tkáč, Jozef Ing., J&T Cafe, s.r.o., J&T FINANCE GROUP, a.s., J&T MINORITIES PORTFOLIO LIMITED, J&T GLOBAL MANAGEMENT, s.r.o., J&T FINANCIAL INVESTMENTS LIMITED, J&T Concierge, s.r.o.

(in thousands of Czech crowns – TCZK)

38. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(b) Payables

	30.6.2013	31.12.2012
J&T Bank & Trust Inc.	949 033	674 704
J&T Private Equity B.V.	29 620	414 512
Jakabovič, Ivan Ing.	26 162	24 837
J&T GLOBAL SERVICES LIMITED	17 812	5 274
J&T FINANCE GROUP, a.s.	16 271	17 843
J&T SERVICES ČR, a.s.	12 360	15 464
J&T SECURITIES MANAGEMENT LIMITED	10 836	79
J&T GLOBAL MANAGEMENT, s.r.o.	4 420	9 781
J&T FINANCE, LLC	2 672	1 514
Best Hotel Properties, a. s.	-	84 851
Baltschug, LLC	-	43 852
Tatry mountain resorts, a.s.	-	27 545
Hotel Kadashevskaya, LLC	-	15 816
Others	18 291	24 630
Total	***1 087 477***	***1 360 702***

The above mentioned liabilities consist mainly of term deposits and balances of current accounts with J & T BANKA, a.s.

30.6.2013:

Companies included in the group “Others”:
JTG Services Anstalt, J&T MINORITIES PORTFOLIO LIMITED, J&T Global Finance II., B.V., J&T Global Finance III., s.r.o., J&T Concierge, s.r.o., J&T Investment Pool - I - SKK, a.s., KPRHT 3, s.r.o., J&T Investment Pool - I - CZK, a.s., J&T FINANCIAL INVESTMENTS LIMITED, J&T FINANCE, a.s., ABS Property Limited, J&T Global Finance I., B.V., KPRHT 19, s.r.o., Tkáč, Jozef Ing., J&T FINANCE GROUP, a.s., organizační složka, J&T Capital Management Anstalt, KPRHT 14, s.r.o., J&T INTEGRIS GROUP LIMITED, BRUBESCO LIMITED, RIGOBERTO INVESTMENTS LIMITED, TECHNO PLUS a.s., J&T Securities, s.r.o., Equity Holding, a.s., J&T Private Investments B.V., J&T Concierge SR, s.r.o., KHASOMIA LIMITED, KOTRAB ENTERPRISES LIMITED, J&T Sport Team ČR, s.r.o., První zpravodajská a.s., J&T BFL Anstalt, Bresco Financing S.àr.l., J&T Private Investments II B.V., J&T Cafe, s.r.o.

31.12.2012:

Companies included in the group “Others”:
KPRHT 3, s.r.o., IBERTAX, a.s., J&T Global Finance I., B.V., JTG Services Anstalt, KHASOMIA LIMITED, J&T Investment Pool - I - SKK, a.s., J&T Concierge, s.r.o., ZION SPA, s.r.o., J&T FINANCIAL INVESTMENTS LIMITED, WITTILY INVESTMENT LIMITED, TERCES MANAGEMENT LIMITED, Tkáč, Jozef Ing., Interznanie OAO, J&T Cafe, s.r.o., J&T FINANCE, a.s., J&T Investment Pool - I - CZK, a.s., MELIDA, a.s., GRANDHOTEL PRAHA a.s., TECHNO PLUS, a.s., J&T INTEGRIS GROUP LIMITED, J&T Sport Team ČR, s.r.o., J&T Securities, s.r.o., BRUBESCO LIMITED, J&T Global Finance II., B.V., J&T Private Investments B.V., J&T BFL Anstalt, ABS Property Limited, Bresco Financing S.àr.l, J&T Concierge SR, s.r.o., Tatry mountain resorts services, a.s, BHP Tatry, s.r.o., Equity Holding, a.s., J&T Capital Management Anstalt, J&T MINORITIES PORTFOLIO LIMITED, První zpravodajská a.s., RIGOBERTO INVESTMENTS LIMITED

(in thousands of Czech crowns – TCZK)

38. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(c) Income and expenses

	Income		Expenses	
Period ended as at 30 June	**1.1.-30.6.2013**	**1.1.-30.6.2012**	**1.1.-30.6.2013**	**1.1.-30.6.2012**
J&T Private Equity B.V.	107 161	576 423	(11 708)	(560 369)
J&T FINANCE GROUP, a.s.	391	81	(11 458)	(10 600)
J&T SERVICES ČR, a.s.	431	80	(45 868)	(5 993)
J&T FINANCIAL INVESTMENTS LIMITED	-	19 476	-	(19 533)
J&T Bank & Trust Inc.	34 907	40	(47 904)	(15)
J&T GLOBAL MANAGEMENT, s.r.o.	3 002	9	(13 556)	(1)
J&T SECURITIES MANAGEMENT LIMITED	29 237	48 125	(20 849)	(47 153)
J&T Global Finance III., s.r.o.	46 601	-	-	-
J&T Global Finance II., B.V.	2 397	39 986	-	(1)
Others	11 926	5 779	(4 754)	(5 316)
Total	***236 053***	***689 999***	***(156 097)***	***(648 981)***

1.1.-30.6.2013:
Companies included in the group "Others":
KPRHT 3, s.r.o., ABS Property Limited, J&T Global Finance I., B.V., KPRHT 19, s.r.o., J&T MINORITIES PORTFOLIO LIMITED, KPRHT 14, s.r.o., J&T FINANCE, a.s., JTG Services Anstalt, J&T Concierge, s.r.o., J&T FINANCE GROUP, a.s., organizační složka, J&T Cafe, s.r.o., J&T Private Investments II B.V., Jakabovič, Ivan Ing., J&T FINANCE, LLC, J&T Private Investments B.V., J&T Concierge SR, s.r.o., RIGOBERTO INVESTMENTS LIMITED, Tkáč, Jozef Ing., TECHNO PLUS a.s., J&T BFL Anstalt, J&T GLOBAL SERVICES LIMITED, J&T Capital Management Anstalt, J&T INTEGRIS GROUP LIMITED, KHASOMIA LIMITED, J&T Sport Team ČR, s.r.o., První zpravodajská a.s., Bresco Financing S.àr.l., J&T FINANCIAL INVESTMENTS LIMITED, J&T Investment Pool - I - CZK, a.s., KOTRAB ENTERPRISES LIMITED, BRUBESCO LIMITED

1.1.-30.6.2012:
Companies included in the group "Others":
ABS Property Limited, BRUBESCO LIMITED, Equity Holding, a.s., J&T Bank & Trust Inc., J&T BFL Anstalt, J&T Cafe, s.r.o., J&T Capital Management Anstalt, J&T Concierge SR, s.r.o., J&T Concierge, s.r.o., J&T FINANCE GROUP, a.s., organizační složka, J&T Global Finance I., B.V., J&T GLOBAL MANAGEMENT, s.r.o., J&T GLOBAL SERVICES LIMITED, J&T INTEGRIS GROUP LIMITED, J&T International Anstalt, J&T Investment Pool - I - CZK, a.s., J&T Investment Pool - I - SKK, a.s., J&T MINORITIES PORTFOLIO LIMITED, J&T Private Investments B.V., J&T Securities, s.r.o., J&T Sport Team ČR, s.r.o., Jakabovič, Ivan Ing., JTG Services Anstalt, KHASOMIA LIMITED, KOTRAB ENTERPRISES LIMITED, KPRHT 3, s.r.o., První zpravodajská a.s., RIGOBERTO INVESTMENTS LIMITED, TECHNO PLUS a.s., Tkáč, Jozef Ing.

(in thousands of Czech crowns – TCZK)

38. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(d) Loan commitments

	30.6.2013	31.12.2012
J&T Private Equity B.V.	561 290	-
J&T SERVICES ČR, a.s.	34 508	8 303
Jakabovič, Ivan Ing.	6 707	6 105
Others	9 072	5 222
Total	***611 577***	***19 630***

30.6.2013:
Companies included in the group "Others":
J&T Bank & Trust Inc., J&T Concierge, s.r.o., Tkáč, Jozef Ing., J&T Cafe, s.r.o.

31.12.2012:
Companies included in the group "Others":
J&T Concierge, s.r.o., Tkáč, Jozef Ing., J&T Cafe, s.r.o.

(e) Guarantees and collateral

Granted guarantees	30.6.2013	31.12.2012
J&T SERVICES ČR, a.s.	6 545	6 340
DIAMOND HOTELS SLOVAKIA, s.r.o.	-	6 285
Others	1 427	2 389
Total	***7 972***	***15 014***

30.6.2013:
Companies included in the group "Others":
Jakabovič, Ivan Ing., Tkáč, Jozef Ing.

31.12.2012:
Companies included in the group "Others":
Jakabovič, Ivan Ing., Tkáč, Jozef Ing., Tatry mountain resorts, a.s.

Received guarantees	30.6.2013	31.12.2012
KPRHT 3, s.r.o.	164 855	165 144
KPRHT 19, s.r.o.	40 605	-
KPRHT 14, s.r.o.	16 597	-
J&T FINANCE GROUP, a.s.	804 450	25 140
DIAMOND HOTELS SLOVAKIA, s.r.o.	-	6 285
Tatry mountain resorts, a.s.	-	1 006
Total	***1 026 507***	***197 575***

Received collateral	30.6.2013	31.12.2012
J&T FINANCE GROUP, a.s.	1 612 838	1 901 461
J&T Global Finance I., B.V.	446 368	99 528
J&T Global Finance II., B.V.	26 614	48 989
J&T Global Finance III., s.r.o.	22 640	-
Total	***2 108 460***	***2 049 978***

38. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(f) Related parties - Parent and Subsidiaries, with which there were no transactions

2013:

AGUNAKI ENTERPRISES LIMITED
DANILLA EQUITY LIMITED
J & T Capital, Sociedad Anonima de Capital Variable
J&T Advisors (Canada) Inc.
J&T Funds Inc.

2012:

AGUNAKI ENTERPRISES LIMITED
DANILLA EQUITY LIMITED
J & T Capital, Sociedad Anonima de Capital Variable
J&T Advisors (Canada) Inc.
J&T Funds Inc.

(in thousands of Czech crowns – TCZK)

38. Related parties – General (continued)

(I) Parent and Subsidiaries (continued)

(g) Receivables from members of the Board of Directors and the Supervisory Board

	30.6.2013	31.12.2012
Provided loans	3 528	25 442

Loans to employees of the Group as at 30 June 2013 amounted to TCZK 191 730 (31.12.2012: TCZK 154 576). The loans provided to the Board of Directors and Supervisory Board were provided under standard market conditions.

(II) Key management personnel of the entity or its parent

The transactions with related parties who are connected through key management personnel of the Group are aggregately listed below:

	30.6.2013	31.12.2012
Receivables	2 632 314	2 504 889
Payables	1 563 650	2 168 942
Loan commitments	36 688	16 533
Received guarantees	458 792	450 841
Granted guarantees	5 541	3 665
Collateral received	461 612	471 377

	30.6.2013	30.6.2012
Income	133 375	337 223
Expenses	(15 481)	(342 485)

39. Related parties - Entities with a special relationship

The Group engages in transactions with clients that have entered into profit-sharing agreements with the J&T Finance Group, a.s. Under these agreements, the J&T Finance Group, a.s. provides the entities with structuring and project management expertise and, in exchange, is eligible to receive a significant portion of any profits generated by these entities over the course of a project. Although the J&T Finance Group does not have ownership, the entities are included in its consolidated financial statements because the Group has the right to obtain the majority of benefits arising from the entities' activities.

Summary of transactions is listed below:

	30.6.2013	31.12.2012
Receivables	3 389 332	3 297 314
Payables	514 264	650 976
Collateral received	1 520 077	-

	30.6.2013	30.6.2012
Income	78 201	54 959
Expenses	-	25 850

(in thousands of Czech crowns – TCZK)

40. Risk management

The strategy, main goals and processes

The fundamental goal of risk management is profit maximization with respect to the exposed risk taken, while considering the Group´s risk appetite.

In doing so, it must be ensured that the Group activities outcome is predictable and in compliance with both trading goals and risk appetite of the Group.

In order to meet this goal, the risks faced by the Group are managed in a quality and prudential manner within the framework of the Group:

- In terms of that, risks are monitored, assessed and eventually limited, at least as strictly as required by Czech National Bank. The internal limits are being reconsidered regularly and in case of significant changes of market conditions to ensure their compliance with both the overall group´s strategy and market and credit conditions. The adherence to the limits is monitored and reported daily. In case of their potential breach, the Group immediately adopts adequate remedial measures.

- The Group establishes goals for capital adequacy that it wants to attain over a specified time horizon (i.e. the level to which risks should be covered by capital) and threshold limits below which capital adequacy cannot decrease.

All internal limits have been approved independently of business units of the Group.

41. Credit Risk

The Group's primary exposure to credit risk arises through its loans and advances and investment securities. The amount of credit exposure in this regard is represented by the carrying amounts of the assets in the statement of financial position. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Concentration of loans to customers by economic sector:

	30.6.2013	31.12.2012
Non-financial organisations	38 387 387	35 616 105
Financial organisations	4 878 330	2 632 914
Insurance	16 250	34 400
Households	4 101 006	2 842 066
Other	78 689	24 559
Total	***47 461 662***	***41 150 044***

(in thousands of Czech crowns – TCZK)

41. Credit Risk (continued)

(b) Concentration of loans to customers by industry:

	30.6.2013	31.12.2012
Financial activities	24 538 615	19 114 184
Real estate activities	8 710 513	10 538 846
Manufacturing	3 634 567	3 688 892
Private households and employed persons	2 494 401	265 936
Wholesale and retail trade	2 384 030	1 881 794
Production and distribution of electricity, gas and heat	1 737 732	1 564 539
Other	1 717 680	1 714 829
Construction	1 129 043	748 767
Transporting and storage	1 032 096	1 400 244
Accommodation and food service activities	44 073	3 515
Advertising and market research	38 527	228 498
Mining and quarrying, agriculture	385	-
Total	***47 461 662***	***41 150 044***

(c) Concentration of loans to customers by location:

	30.6.2013	31.12.2012
Cyprus	20 805 904	17 561 555
Slovakia	10 821 390	10 018 440
Czech Republic	8 957 728	8 921 240
Great Britain	2 189 163	2 209 560
Russia	1 945 763	1 730 739
Netherlands	1 287 826	349 999
Seychelles	724 119	188
Austria	345 818	-
Malta	232 099	148 746
Ireland	150 655	208 244
Others	1 197	1 333
Total	***47 461 662***	***41 150 044***

(in thousands of Czech crowns – TCZK)

41. Credit Risk (continued)

(d) Concentration of loans to customers by location of realization of project and collateral:

	30.6.2013	31.12.2012
Czech Republic	21 181 305	17 782 618
Slovakia	20 437 718	18 109 529
Russia	1 915 291	1 640 116
USA	680 479	1 011 295
Luxemburg	638 374	173 686
Great Britain	587 188	790 083
Ukraine	469 429	-
Cyprus	409 564	114 644
Austria	384 847	516 107
Monaco	295 076	321 629
Seychelles	187 375	-
Netherlands	82 867	87 771
Bermuda	11 689	295 802
Other	180 460	306 764
Total	***47 461 662***	***41 150 044***

The concentration of credit risk arising from repurchase agreements and loans to clients of brokers reflects the counterparty risk associated with securities and cash received as collateral.

(in thousands of Czech crowns – TCZK)

41. Credit Risk (continued)

(e) Credit risk associated with financial assets

As at 31 December 2013

	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements - customers
Financial assets impaired:				
Impaired financial assets at amortised cost individually assessed:				
Gross amount	-	-	2 934 049	-
Impairment	-	-	(821 618)	-
Carrying amount	**-**	**-**	**2 112 431**	**-**
Impaired financial assets at amortised cost collectively assessed:				
Gross amount	-	-	1 951 878	-
Impairment	-	-	(32 585)	-
Carrying amount	**-**	**-**	**1 919 293**	**-**
Total financial assets impaired	**-**	**-**	***4 031 724***	**-**
Financial assets not impaired:				
Neither past due nor impaired:	**3 379 870**	**613**	**34 870 010**	**8 473 105**
Past due not impaired:	**-**	**-**	**86 823**	**-**
to maturity date	-	-	103	-
up to 1 month	-	-	4 951	-
1 month to 6 months	-	-	64 425	-
6 months to 12 months	-	-	66	-
more than 12 months	-	-	17 278	-
Total financial assets not impaired	***3 379 870***	***613***	***34 956 833***	***8 473 105***
TOTAL	***3 379 870***	***613***	***38 988 557***	***8 473 105***
of which: Financial assets neither past due nor impaired with a sign of impairment:				
Gross amount	-	-	2 544 557	-

(in thousands of Czech crowns – TCZK)

41. Credit Risk (continued)

(e) Credit risk associated with financial assets (continued)

As at 31 December 2012

	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements - customers
Financial assets impaired:				
Impaired financial assets at amortised cost individually assessed:				
Gross amount	-	-	2 092 934	-
Impairment	-	-	(784 755)	-
Carrying amount	**-**	**-**	**1 308 179**	**-**
Impaired financial assets at amortised cost collectively assessed:				
Gross amount	-	-	1 732 868	-
Impairment	-	-	(29 847)	-
Carrying amount	**-**	**-**	**1 703 021**	**-**
Total financial assets impaired	**-**	**-**	***3 011 200***	**-**
Financial assets not impaired:				
Neither past due nor impaired:	**4 976 111**	**1 889 372**	**31 110 266**	**6 807 127**
Past due not impaired:	**-**	**-**	**221 451**	**-**
to maturity date	-	-	154 473	-
up to 1 month	-	-	66 151	-
1 month to 6 months	-	-	368	-
6 months to 12 months	-	-	149	-
more than 12 months	-	-	310	-
Total financial assets not impaired	***4 976 111***	***1 889 372***	***31 331 717***	***6 807 127***
TOTAL	***4 976 111***	***1 889 372***	***34 342 917***	***6 807 127***
of which: Financial assets neither past due nor impaired with a sign of impairment:				
Gross amount	-	-	3 755 670	-

Assets classified as "Financial assets neither past due nor impaired with a sign of impairment" represent those loans with a sign of impairment whose net present value of expected cash flows exceeds their carrying value, and therefore no provision has been created.

The part of the receivables that is not past due is presented in the line "To maturity date", past due receivables are presented in the appropriate columns according to the period past due.

(in thousands of Czech crowns – TCZK)

41. Credit Risk (continued)

(f) Collateral and credit enhancements for financial assets

	Carrying value 30.6.2013	Fair value 30.6.2013	Carrying value 31.12.2012	Fair value 31.12.2012
Neither past due nor impaired:	**37 358 365**	**58 925 847**	**33 411 702**	**49 023 027**
Guarantees	3 358 490	3 524 098	3 128 486	4 364 327
Acceptances of bills of exchange	1 440 126	18 664 302	1 136 832	9 532 310
Mortgages	7 479 582	8 915 626	7 350 542	9 480 406
Cash pledges	1 466 310	1 471 167	2 151 360	2 156 058
Pledges – securities	8 544 047	9 212 818	5 968 278	8 280 596
Other – pledges	4 025 662	5 920 844	2 760 436	4 293 562
Securities received under reverse repo transaction	11 044 148	11 216 992	10 915 768	10 915 768
Past due but not impaired:	**520 610**	**554 962**	**891 461**	**927 401**
Guarantees	-	-	-	-
Acceptances of bills of exchange	-	-	3 752	4 272
Mortgages	128 797	135 676	869 404	904 824
Cash pledges	49 305	49 305	7 542	7 542
Pledges - securities	338 663	366 136	944	944
Other – pledges	3 845	3 845	9 819	9 819
Securities received under reverse repo transaction	-	-	-	-
Impaired:	**1 025 379**	**1 627 230**	**1 473 646**	**1 925 857**
Guarantees	-	-	93 221	93 221
Acceptances of bills of exchange	-	-	-	-
Mortgages	545 304	1 147 155	1 134 513	1 579 954
Cash pledges	480 075	480 075	-	-
Pledges – securities	-	-	316	316
Other – pledges	-	-	17 126	23 896
Securities received under reverse repo transaction	-	-	228 470	228 470

Only bills of exchange with aval of a 3rd party were accepted as security of loans by the Group. The amount of security is up to the value of guarantee provided by bill guarantor. The Group did not receive any financial assets from indemnity claims based on loans in default.

The carrying value represents the collateral value adjusted by stress coefficient. The carrying value is limited by the carrying value of receivable. The fair value is not adjusted by stress coefficient and it is not limited by the carrying value of receivable.

(g) Carrying value of financial assets that were renegotiated

The Group does not hold any financial assets resulting from restructuring.

41. Credit Risk (continued)

(h) Credit risk processes

Evaluating the risk of failure of a counterparty is based on a credit analysis, processed by the Credit Risk Management dept. These analyses provide conclusions for prompt measures when the counterparty's credit situation worsens.

The results from the credit development analyses are reported to the Board of Directors, which decides on adjustments of limits or relations with the counterparty (namely in the form of closing or limiting positions or adjustment of limits).

Credit risk is monitored on a regularly basis, except for the credit risk of banking book reported on a monthly basis.

The extent of the risk is evaluated by Risk Management dept. When actual or possible breach of the adopted internal credit limits is identified, the Financial Markets dept. is informed, in order to ensure the compliance of the risk exposure with the set limits. In pre-determined cases, the information is passed to the Board of Directors.

(i) Credit risk monitoring

Assessment of the credit risk in respect of a counterparty or an issued debt, is based on an internal rating of the Group. The rating is determined using the credit scale of either S&P or Moody's. If the counterparties or their debt are not externally rated, an internal rating is assigned based on the Group scoring system.

The Group scoring system has seven rating levels based on a standardized point evaluation of relevant criteria, which describe the financial position of the contractual party and its ability and willingness 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.

(j) Credit risk measurement

The Group regularly analyses and monitors credit risk. At portfolio level, credit risk is managed primarily based on the IRB (Internal Rating Based - BASEL II) methodology.

In order to assess the impact of extremely unfavourable credit conditions, the Group performs credit development analyses. This enables identification of sudden potential changes in the values of open positions of the Group that might arise as a result of events that are improbable, but possible.

For the trading portfolio, an impact of a sudden drop of credit rating by one level to open positions in bonds and repos is evaluated.

The decrease in fair value at the end of the corresponding reporting period:

	30.6.2013	**31.12.2012**
Decrease of the trading portfolio value due to a rating migration by one credit class	104 229	47 828

(in the Standard & Poor's scale)

41. Credit Risk (continued)

(k) Risk management of customer trades

The Group prevents the possibility of a credit exposure arising from customer trades, i.e. trades which are transacted on the customer's account and where the Group has the role of a commissioner (customer trades such as spot buy, spot sell, sell / buy or buy / sell) as follows:

1. The amount of the customer collateral is continuously held higher than the amount of the customer loan at least by a pre-specified minimum required haircut. The level of this haircut is assigned to every instrument.
2. Should the current collateralization of the customer portfolio fall below the 30 per cent of the minimum required haircut, the Group closes all of the customer's positions immediately.
3. The Group accepts only instruments of specified minimal creditworthiness as collateral for customer trades.

In addition, the Group also restricts the total volume of individual instruments used as collateral.

As of 30 June 2013, the Group recorded customer trades totalling TCZK 631 201 (31.12.2012: TCZK 426 008) and those are not recognized in the Group financial statements.

42. Liquidity risk

Liquidity risk represents a risk that the Group is not able to meet its commitments as they are becoming mature. The Bank is required to report several indicators to the National Bank which is done on a regular basis. The Group's effort in terms of liquidity risk is to diversify its sources of funding so as to decrease the degree of risk emerging from specific source cut-off and hence forego problems.

The Group performs an everyday monitoring of its liquidity position to indicate potential liquidity problems. The analysis takes into account all sources of funding that the Group is using and interconnected obligations the Group has to pay. For the purpose of sufficient liquidity reserve the Group holds sufficient amount of liquid instruments (such as government bonds), maintains balances with central banks on a reasonable level and collects short-term receivables.

The Group assorts all cash flows into timeframes according to maturities of the instruments to which the cash flows relate, and subsequently observes the resulting cumulative liquidity profile which is crucial for sound liquidity risk management. Such an analysis is also done for cash flows denominated in currencies different from CZK.

Three scenarios are used in terms of liquidity risk management:

A) Expected Scenario
B) Risky Scenario
C) Stress Scenarios

Stress Scenarios are based on stress imposed on components that might be negatively affected when liquidity crisis starts to approach.

For the purposes of measuring liquidity risk on the basis of the scenarios, liquidity indicators are evaluated and their compliance with adopted internal / external limits is monitored on a daily basis. When present or possible breach of the adopted internal / external liquidity limits is identified, the Treasury dept. as well as ALCO is informed, in order to ensure the compliance with the set limits. In pre-determined cases, the information is passed to the Board of Directors.

The Group has an emergency plan for liquidity management that establishes the procedures applied in the case of possible liquidity crisis. The decision-making power is given by internal rules to the Board of Directors.

The main precautionary measures introduced by the Risk Department of the Group in this area to respond to the economic crisis were as follows:

- implementation of stress tests based on various crisis scenarios;
- prudent internal limits for on-demand and mid-term available liquidity.

(in thousands of Czech crowns – TCZK)

42. Liquidity risk (continued)

a) Liquidity risk of liquidity relevant instruments as of 30 June 2013:

Table shows the liquidity risk based on remaining contractual maturity dates.

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
Assets							
Cash and balance with the central bank	3 202 513	3 202 514	2 308 846	-	-	-	893 668
Due from financial institution	3 380 483	3 490 297	2 886 846	315 365	44 390	243 696	-
Investment securities (without derivatives)	31 289 795	34 760 382	1 948 728	5 066 052	14 797 187	8 369 798	4 578 617
Loans and advances to customers	47 461 662	52 804 968	19 168 585	13 024 438	15 563 314	5 001 893	46 738
Total	***85 334 453***	***94 258 161***	***26 313 005***	***18 405 855***	***30 404 891***	***13 615 387***	***5 519 023***
Off balance							
Granted promises	2 993 985	2 993 985	2 312 792	187 048	304 145	-	190 000
Granted other guarantees	1 529 728	1 529 728	1 529 728	-	-	-	-

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
Liabilities							
Amounts owed to banks	3 327 060	(3 651 971)	(2 557 677)	(280 443)	(160 125)	(634 891)	(18 835)
Amounts owed to customers	73 584 127	(75 472 385)	(29 765 880)	(30 382 497	(15 301 391)	(22 178)	11
Issued subordinated liabilities	1 018 750	(1 548 481)	(16 902)	(45 707)	(244 195)	(1 241 677)	-
Total	***77 929 937***	***(80 672 837)***	***(32 340 459)***	***(30 709 097)***	***(15 705 711)***	***(1 898 746)***	***(18 824)***

As of 30 June 2013 amounts owed to customers include depository notes of TCZK 135 257 (31.12.2012: TCZK 99 833) distributed according to their maturity (Note 20).

Expected liquidity

In the worst case scenario, the latest possible repayment date is assumed, which is based on latest expected completion date of the project.

The projects' latest expected completion date may not be the same as the contractual maturity date.

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
Loans and advances to customers	47 461 662	52 804 968	18 765 735	11 612 401	17 200 057	5 044 379	182 396

Loans that are already in the process of refinancing negotiation are presented according the expected date of refinancing.

(in thousands of Czech crowns – TCZK)

42. Liquidity risk (continued)

a) Liquidity risk of liquidity relevant instruments as of 31 December 2012:

Table shows the liquidity risk based on remaining contractual maturity dates.

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
Assets							
Cash and balance with the central bank	6 977 979	6 977 989	5 257 262	-	-	-	1 720 727
Due from financial institution	6 865 483	7 857 996	6 178 027	146 902	1 291 621	241 446	-
Investment securities (without derivatives)	30 462 304	35 021 435	854 793	3 060 169	18 383 830	8 705 462	4 017 181
Loans and advances to customers	41 150 044	48 115 580	13 663 357	10 577 595	17 168 633	6 642 861	63 135
Total	***85 455 810***	***97 973 000***	***25 953 439***	***13 784 666***	***36 884 084***	***15 589 769***	***5 801 043***
Off balance							
Granted promises	2 970 958	3 023 946	2 072 150	578 969	319 839	-	-
Granted other guarantees	1 716 947	-	252 648	439 955	971 357	-	52 988

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
Liabilities							
Amounts owed to banks	11 248 319	(11 327 308)	(3 328 439)	(518 551)	(7 480 318)	-	-
Amounts owed to customers	64 032 411	(65 690 875)	(29 848 123)	(23 097 249)	(12 673 652)	(71 851)	-
Issued subordinated liabilities	995 747	(1 536 963)	(14 366)	(36 443)	(239 420)	(1 246 734)	-
Total	***76 276 477***	***(78 555 146)***	***(33 190 928)***	***(23 652 243)***	***(20 393 390)***	***(1 318 585)***	-

Expected liquidity

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
Loans and advances to customers	41 150 044	48 115 580	14 899 659	9 379 331	17 616 035	6 005 135	215 420

(in thousands of Czech crowns – TCZK)

42. Liquidity risk (continued)

b) Liquidity risk of derivates as of 30 June 2013:

	Carrying amount	Gross nominal inflow / outflow	up to 3 months	up to 1 year	1 year to 5 years
Derivative financial assets					
Currency derivatives					
- outflow		(14 660 089)	(14 168 421)	(425 072)	(66 596)
- inflow	123 075	14 778 575	14 278 774	432 538	67 263
Share options					
- outflow		-	-	-	-
- inflow	-	-	-	-	-
Commodity options					
- outflow		-	-	-	-
- inflow	3 736	3 736	-	2 353	1 383
Total	***126 811***	***122 222***	***110 353***	***9 819***	***2 050***

	Carrying amount	Gross nominal inflow / outflow	up to 3 months	up to 1 year	1 year to 5 years
Derivative financial liabilities					
Currency derivatives					
- outflow	(381 703)	(25 228 183)	(19 593 778)	(444 110)	(5 190 295)
- inflow		24 867 034	19 431 379	438 655	4 997 000
Share options					
- outflow	(278)	(278)	-	(278)	-
- inflow		-	-	-	-
Commodity options					
- outflow	(991)	(991)	-	(393)	(598)
- inflow		-	-	-	-
Total	***(382 972)***	***(362 418)***	***(162 399)***	***(6 126)***	***(193 893)***

(in thousands of Czech crowns – TCZK)

42. Liquidity risk (continued)

b) Liquidity risk of derivates as of 31 December 2012:

	Carrying amount	Gross nominal inflow / outflow	up to 3 months	up to 1 year	1 year to 5 years
Derivative financial assets					
Currency derivatives					
- outflow	-	(18 999 569)	(17 542 126)	(1 457 443)	-
- inflow	112 149	19 106 040	17 649 037	1 457 003	-
Share options	-	-	-	-	-
- outflow	-	-	-	-	-
- inflow	-	-	-	-	-
Commodity options	-	-	-	-	-
- outflow	-	-	-	-	-
- inflow	5 503	5 503	2 260	-	3 243
Total	***117 652***	***111 974***	***109 171***	***(440)***	***3 243***

	Carrying amount	Gross nominal inflow / outflow	up to 3 months	up to 1 year	1 year to 5 years
Derivative financial liabilities					
Currency derivatives	-	-	-	-	-
- outflow	(80 705)	(9 514 818)	(4 370 219)	(115 623)	(5 028 976)
- inflow	-	9 452 139	4 341 556	113 583	4 997 000
Share options	-	-	-	-	-
- outflow	(395)	(395)	-	(395)	-
- inflow	-	-	-	-	-
Commodity options	-	-	-	-	-
- outflow	(647)	(647)	(27)	(3)	(617)
- inflow	-	-	-	-	-
Total	***(81 747)***	***(63 721)***	***(28 690)***	***(2 438)***	***(32 593)***

(in thousands of Czech crowns – TCZK)

43. Market risk

Market risk is the risk of loss to the Group from market movements in prices of investment instruments, exchange rates and interest rates. Market risk consists of the trading portfolio market risk and investment portfolio market risk.

Market risk of the trading portfolio includes:
- Interest rate risk;
- Foreign exchange risk;
- Other market risk (stock risk, commodity risk).

Further information on interest rate risk and foreign exchange risk is provided in Note 43 and Note 44, respectively.

The Group uses the Value at Risk ("VaR") methodology to evaluate market risk of its trading portfolio, the foreign currency ("FX") and commodity position using a confidence level of 99% and a horizon of 10 business days.

The risks are evaluated and compared to set limits by Risk Management department on a daily basis. In case of limit breaching, the Financial Markets department is informed, in order to ensure the compliance of the risk exposure with the limits. In pre-determined cases, the information is passed to the Board of Directors.

The decision making power is given by internal rules to the Board of Directors and Investment Committee.

The Group performs back testing on a daily basis for market risk by applying a method of hypothetical back testing.

The VaR statistics as of 30 June 2013 and 31 December 2012 are as follows:

	30.6.2013	**31.12.2012**
VaR market risk overall	188 765	*16 638*
VaR interest rate risk (general risk)	137 363	*14 907*
VaR FX risk	70 164	*14 544*
VaR stock risk	3 135	*4 578*
VaR commodity risk	12 978	*3 697*

In order to assess the impact of extremely unfavourable market conditions, the Group performs stress testing. This enables identification of sudden potential changes in the values of open positions of the Group that might arise as a result of events that are improbable, but possible. As part of the stress testing, a short-term, medium-term and long-term historic shock scenario is applied to the trading portfolio, and the foreign currency and commodity positions of the Group as a whole. These scenarios evaluate the deepest drop of the current portfolio value which would have happened in the previous one (short-term scenario), two (medium-term scenario) or five years (long-term scenario). The potential change in the fair value of the portfolio is monitored and assessed.

	30.6.2013	**31.12.2012**
Change in the fair value of the trading portfolio due to historic shock scenario		
short-term scenario	106 872	*14 783*
medium-term scenario	106 872	*19 263*
long-term scenario	106 872	*28 313*

The market risk of the banking portfolio consists mainly of interest rate risk.

Details on interest rate risk are presented in note 44.

The Group performs stress testing of the investment portfolio using a standardised interest rate shock, i.e. an immediate decrease / increase in interest rates by 200 basis points ('bp') along the entire yield curve.

43. Market risk (continued)

The decrease in the present value of the investment portfolio in percentage points of equity would be as follows:

(% of Tier 1 + Tier 2)	**30.6.2013**	**31.12.2012**
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	7.83	17.04

The change was caused by the increase of loans provided and debt securities of investments portfolio.

(in thousands of Czech crowns – TCZK)

44. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed for a financial instrument indicates to what extent it is exposed to an 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 re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are zero-interest-bearing are grouped together in the "maturity undefined" category.

Interest rate risk exposure as at 30 June 2013 was as follows:

	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets					
Cash in hand and balances with central banks	2 935 499	-	-	267 014	**3 202 513**
Due from financial institutions	3 379 186	-	-	1 297	**3 380 483**
Financial instruments	15 715 155	8 731 644	2 385 191	4 584 616	**31 416 606**
Investment in joint ventures				103 492	**103 492**
Loans and advances to customers	40 151 434	6 153 269	1 046 607	110 352	**47 461 662**
Tangible and intangible assets, goodwill	-	-	-	1 449 861	**1 449 861**
Current tax assets	-	-	-	21 208	**21 208**
Prepayments, accrued income and other assets	909	-	-	608 616	**609 525**
Disposal groups held for sale	-	-	-	1 794 210	**1 794 210**
Total assets	**62 182 183**	**14 884 913**	**3 431 798**	**8 940 666**	**89 439 560**
Liabilities					
Negative fair value of derivatives	382 295	230	-	447	**382 972**
Amounts owed to banks	3 127 060	200 000	-	-	**3 327 060**
Amounts owed to customers	58 782 164	14 606 362	144 044	51 558	**73 584 128**
Subordinated liabilities	649 842	-	369 200	(292)	**1 018 750**
Current tax liabilities	-	-	-	6 172	**6 172**
Deferred tax liability	-	-	-	163 509	**163 509**
Accruals, provisions and other liabilities	108 136	-	-	2 952 726	**3 060 862**
Disposal groups held for sale	-	-	-	684 869	**684 869**
Share capital	-	-	-	3 858 127	**3 858 127**
Retained earnings, translation reserve and treasury shares	-	-	-	3 353 111	**353 111**
Total liabilities and equity	**63 049 497**	**14 806 592**	**513 244**	**11 070 227**	**86 439 560**
Net interest rate risk position	**(867 314)**	**78 321**	**2 918 554**	**(2 129 561)**	**-**
Cumulative interest rate risk	**(867 314)**	**(788 993)**	**2 129 561**	**-**	**-**

Amounts owed to customers include depository notes of TCZK 135 257 (2012: TCZK 99 833) distributed according their maturity (Note 20).

(in thousands of Czech crowns – TCZK)

44. Interest rate risk (continued)

Interest rate risk exposure as at 31 December 2012 was as follows:

	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets					
Cash in hand and balances with central banks	6 653 435	-	-	324 544	**6 977 979**
Due from financial institutions	6 865 474	-	-	9	**6 865 483**
Financial instruments	14 546 245	9 879 220	1 627 232	4 527 259	**30 579 956**
Loans and advances to customers	32 683 125	5 057 881	3 151 878	257 160	**41 150 044**
Tangible and intangible assets, goodwill	-	-	-	409 826	**409 826**
Current tax assets	-	-	-	7 175	**7 175**
Prepayments, accrued income and other assets	-	-	-	815 215	**815 215**
Disposal groups held for sale	-	-	-	1 595 593	**1 595 593**
Total assets	***60 748 279***	***14 937 101***	***4 779 110***	***7 936 781***	***88 401 271***
Liabilities					
Negative fair value of derivatives	79 155	546		2 046	**81 747**
Amounts owed to banks	3 948 111	7 299 033	-	1 175	**11 248 319**
Amounts owed to customers	45 706 065	17 632 649	18 320	675 377	**64 032 411**
Subordinated liabilities	626 547	-	369 200	-	**995 747**
Current tax liabilities	-	-	-	135 472	**135 472**
Deferred tax liability	-	-	-	140 696	**140 696**
Accruals, provisions and other liabilities	-	-	-	3 652 203	**3 652 203**
Disposal groups held for sale				697 789	**697 789**
Share capital	-	-	-	3 858 127	**3 858 127**
Retained earnings, translation reserve and treasury shares	-	-	-	3 558 760	**3 558 760**
Total liabilities and equity	***50 359 878***	***24 932 228***	***387 520***	***12 721 645***	***88 401 271***
Net interest rate risk position	***10 388 401***	***(9 995 127)***	***4 391 590***	***(4 784 864)***	***-***
Cumulative interest rate risk	***10 388 401***	***393 274***	***4 784 864***	***-***	***-***

(in thousands of Czech crowns – TCZK)

45. Foreign exchange risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Group's exposure to currency risk. Both realized and unrealized foreign exchange gains and losses are reported directly in the statement of comprehensive income.

The main tool used for managing foreign currency risk is the VaR methodology which is applied using a 99% confidence level and a ten-day holding period.

As at 30 June 2013, the exposure to foreign exchange risk translated into TCZK was as follows:

Assets	**CZK**	**USD**	**EUR**	**Other**	**Total**
Cash and balances with the central bank	1 771 694	8 471	1 304 826	117 522	**3 202 513**
Due from financial institutions	186 326	717 340	1 996 355	480 462	**3 380 483**
Financial instruments	16 236 197	1 592 446	12 999 574	588 389	**31 416 606**
Investment in joint ventures	-	-	103 492	-	**103 492**
Loans and advances to customers	10 688 221	4 178 251	30 373 532	2 221 658	**47 461 662**
Current tax assets	9 298	6	11 357	547	**21 208**
Prepayments, accrued income and other assets	834 474	90 342	260 907	873 663	**2 059 386**
Disposal groups held for sale	1 646 229	-	-	147 981	**1 794 210**
Total	**31 372 439**	**6 586 856**	**47 050 043**	**4 430 222**	**89 439 560**

Liabilities	**CZK**	**USD**	**EUR**	**Other**	**Total**
Amounts owed to banks	1 920 187	655 304	552 048	199 521	**3 327 060**
Amounts owed to customers	47 003 585	1 457 979	22 890 634	2 231 930	**73 584 128**
Subordinated liabilities	376 221	-	642 529	-	**1 018 750**
Current tax liabilities	6 172	-	-	-	**6 172**
Deferred tax liabilities	35 181	-	-	128 328	**163 509**
Other liabilities and equity	9 324 811	208 364	1 043 006	78 891	**10 655 072**
Disposal groups held for sale	684 869	-	-	-	**684 869**
Total	**59 351 026**	**2 321 647**	**25 128 217**	**2 638 670**	**89 439 560**
Long position off-balance sheet: items from derivative transactions	33 056 378	867 493	6 471 070	247 198	**40 642 139**
items from spot transactions with share instruments	205 109	12 262	48 305	4 318	**269 994**
Short position off-balance sheet: items from derivative transactions	6 146 766	5 770 994	28 327 176	641 113	**40 886 049**
items from spot transactions with share instruments	330 845	13 792	12 029	4 223	**360 889**
Open position asset/(liability)	**(1 194 711)**	**(639 822)**	**101 996**	**1 397 732**	**(334 805)**

(in thousands of Czech crowns – TCZK)

45. Foreign exchange risk (continued)

As at 31 December 2012, the exposure to foreign exchange risk translated into TCZK was as follows:

Assets	CZK	USD	EUR	Other	Total
Cash and balances with the central bank	5 157 120	7 043	1 606 075	207 741	**6 977 979**
Due from financial institutions	282 455	1 785 050	4 437 902	360 076	**6 865 483**
Financial instruments	14 275 163	1 675 302	14 124 390	505 101	**30 579 956**
Loans and advances to customers	10 392 904	3 280 307	25 107 367	2 369 466	**41 150 044**
Current tax assets	6 866	-	-	309	**7 175**
Prepayments, accrued income and other assets	739 573	113 936	295 523	76 009	**1 225 041**
Disposal groups held for sale	1 595 593	-	-	-	**1 595 593**
Total	***32 449 674***	***6 861 638***	***45 571 257***	***3 518 702***	***88 401 271***

Liabilities	CZK	USD	EUR	Other	Total
Amounts owed to banks	2 170 228	1 229 875	7 470 735	377 481	**11 248 319**
Amounts owed to customers	41 263 351	957 030	19 865 119	1 946 911	**64 032 411**
Subordinated liabilities	374 112	-	621 635	-	**995 747**
Current tax liabilities	111 672	-	23 800	-	**135 472**
Deferred tax liabilities	149 824	-	(19 330)	10 202	**140 696**
Other liabilities and equity	8 726 825	572 034	1 709 709	142 269	**11 150 837**
Disposal groups held for sale	697 789	-	-	-	**697 789**
Total	***53 493 801***	***2 758 939***	***29 671 668***	***2 476 863***	***88 401 271***
Long position off-balance sheet:					
items from derivative transactions	23 886 987	772 697	4 030 457	745 936	**29 436 077**
items from spot transactions with share instruments	61 649	-	19 180	425	**81 254**
Short position off-balance sheet:					
items from derivative transactions	3 698 048	4 624 782	19 746 862	1 317 520	**29 387 212**
items from spot transactions with share instruments	422 351	-	77 745	-	**500 096**
Open position asset / (liability)	***(1 215 890)***	***250 614***	***124 619***	***470 680***	***(369 977)***

(in thousands of Czech crowns – TCZK)

46. Capital adequacy and capital management

Regulatory Capital	**30.6.2013**	**31.12.2012**
Core capital (Tier 1)	5 982 693	5 474 084
Supplementary capital (Tier 2)	997 579	977 965
Total regulatory capital after deductible items	***6 980 272***	***6 452 049***

Capital requirements

	30.6.2013	**31.12.2012**
Credit risk of investment portfolio	4 218 621	3 743 134
Credit risk of trading portfolio	310 654	192 453
General interest risk	166 206	117 201
General equity risk	6 240	6 302
Capital requirement for currency risk	151 349	66 412
Capital requirement for commodity risk	14 467	21 844
Capital requirement for operating risk	300 374	202 874
Total capital requirements	***5 167 911***	***4 350 220***

Regulatory capital is calculated as the sum of core capital (Tier 1) and supplementary capital (Tier 2) reduced by deductible items and increased by capital for market risk coverage (Tier 3).

Tier 1 capital comprises paid up share capital, the statutory reserve fund, other equity funds and retained earnings.

Tier 2 capital comprises subordinated liabilities approved by Czech National Bank amounting to TEUR 24 215 (TCZK 628 379; 2012: TCZK 608 765) and TCZK 369 200 (2012: TCZK 369 200).

The deductible items from Tier 1 include intangible assets (other than goodwill) recognized at net book value.

Calculation of Capital adequacy ratio

	30.6.2013	**31.12.2012**
	$8\% \times \frac{6\,980\,272}{5\,167\,911}$	$8\% \times \frac{6\,452\,049}{4\,350\,220}$
Capital adequacy ratio	**10.81%**	**11.87%**

The capital adequacy ratio is calculated according to regulatory requirements as the ratio of regulatory capital to total capital requirements multiplied by 8%. The capital adequacy ratio must be at least 8%.

(in thousands of Czech crowns – TCZK)

46. Capital adequacy and capital management (continued)

The key goal of capital management of the Group is to ensure that the risks faced do not threaten the solvency of the Group and capital adequacy regulatory limit compliance. In addition, within the strategic framework of the Group the board stipulated the value 10% for mid-term capital adequacy goal as a reflection of the risk appetite of the Group.

The purpose for setting a minimum value for capital adequacy requirements is to establish a trigger mechanism, which provides a guarantee that the capital adequacy will not decrease closer to the regulatory minimum than stated.

The compliance of the Group capital with established limits and goals for the capital adequacy is evaluated regularly by the Risk Management dept.

The decision making power with regard to eventual measures that should be implemented to decrease the level of exposed risk (e.g., decreasing the size of risks, acquiring additional capital, etc.) is given to the Board of Directors.

47. Fair values

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 to customers, Due from financial institutions and Subordinated liabilities: Fair value is calculated based on discounted expected future cash flows of principal and interest using the appropriate yield curve and risk spread. Expected future cash flows are estimated considering the credit risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were provided and changes in interest rates in the case of fixed rate loans.

Amounts owed to banks and customers: For demand deposits and deposits with no defined maturity, 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.

	30.6.2013		31.12.2012	
	Estimated fair value	**Carrying value**	**Estimated fair value**	**Carrying value**
Financial assets				
Cash and balances with central banks	3 202 391	3 202 513	6 977 768	6 977 979
Due from financial institutions	3 403 651	3 380 483	6 888 525	6 865 483
Loans and advances to customers	47 724 714	47 461 662	42 998 203	41 150 044
Investment securities held to maturity	2 249 005	2 172 258	2 158 736	2 125 122
Financial liabilities				
Amounts owed to banks	3 212 086	3 327 060	11 257 115	11 248 319
Amounts owed to customers	72 443 981	73 584 128	63 998 049	64 032 411
Subordinated liabilities	1 004 353	1 018 750	1 085 311	995 747

The fair value of the issued subordinated bonds does not contain direct transaction costs, which were expensed on issue.

(in thousands of Czech crowns – TCZK)

48. Acquisitions and disposals of subsidiaries and joint ventures

48.1. Acquisition or establishment of subsidiaries and joint ventures

a) Acquisitions of subsidiaries and joint ventures

New subsidiaries in 1.1.-30.6.2013	Date of acquisition	Cost	Cash outflow	Contribution to capital
TERCES MANAGEMENT LIMITED	8.2.2013	-	-	-
- Interznanie OAO	8.2.2013	-	-	-
	Total	***-***	***-***	***-***

New subsidiaries in 2012	Date of acquisition	Cost	Cash outflow	Contribution to capital
FVE Slušovice s.r.o.	18.1.2012	50 157	50 157	-
FVE Němčice s.r.o.	29.2.2012	43 652	43 652	-
FVE Napajedla s.r.o.	29.2.2012	95 829	95 829	-
	Total	***189 638***	***189 638***	

The ownership interests in photovoltaic power plants were acquired in 2012 by the Group with the intention of further sale to individual investors – refer to Note 18 - Assets held for sale and discontinued operations. During the six months of 2013, 3.87% of the participation in disposal value of TCZK 29 414 has been sold out from the Group for the total amount of TCZK 30 150.

b) Formation / establishment of subsidiaries and joint ventures

New joint ventures in 1.1.-30.6.2013	Date of establishment	Group's interest after establishment
PGJT B.V.	20.3.2013	50%

New subsidiaries in 2012	Date of establishment	Group's interest after establishment
J&T FVE UPF	1.8.2012	100%

(in thousands of Czech crowns – TCZK)

48. Acquisitions and disposals of subsidiaries and joint ventures (continued)

c) Effect of acquisitions

The acquisitions of new subsidiaries had the following effect on the Group´s assets and liabilities:

1.1.-30.6.2013:

	30.6.2013
Cash and balances with central banks	516
Due from financial institutions	13 207
Loans and advances to customers	372 866
Property and equipment	180 408
Investment Property	667 245
Prepayments, accrued income and other assets	16 897
Amounts owed to financial institutions	(509 196)
Amounts owed to customers	(802 826)
Current tax liabilities	(3)
Deferred tax liability	(120 341)
Accruals, provisions and other liabilities	(37 159)
Pricing differences and other adjustment	(54 852)
Net identifiable assets and liabilities	**(273 237)**
Goodwill on acquisitions	**273 237**
Cost of acquisitions	-
Consideration paid, satisfied in cash	-
Cash acquired	**516**
Net cash inflow	**516**

Profit or loss since acquisition date	(18 282)
Profit or loss of the acquired entities for six month of 2013	(18 459)

The goodwill on acquisition of TCZK 273 237 arisen on TERCES group is attributable mainly to expected economic benefits flowing to the Group due to the synergies gained considering the current operations of the Group in Russia.

1.1.-31.12.2012:

Effect of acquisitions	**31.12.2012**
Disposal group held for sale	1 385 340
Liabilities associated with disposal group held for sale	1 150 997
Cost of acquisition	189 638
Consideration paid, satisfied in cash	(189 638)
Net cash outflow	**(189 638)**

Profit or loss since acquisition date	50 978

As the relevant acquisitions of the subsidiaries were primarily carried out in January 2012, the profit or loss of the acquired subsidiaries for 2012 does not significantly differ from the profit since the acquisition date of TCZK 50 978.

48. Acquisitions and disposals of subsidiaries (continued)

48.2. Disposals of subsidiaries and joint ventures

The Group has not disposed any of its subsidiaries and joint ventures for the six months ended 30 June 2013 and twelve months ended 31 December 2012.

On 30 August 2012, the Bank collected the sale price of TCZK 224 580 for the sale of its subsidiary Bea Development which was sold in December 2011.

49. Subsequent events

On 1 July 2013 the Bank acquired from ISTROKAPITAL SE 36.357% shares in the company Poštová banka, a.s. Parent company of the Bank, J&T Finance, a.s. also acquired 46.052% shares in the company Poštová banka, a.s. on the same day. Therefore, the Group acquired majority ownership interest of 88.055% in Poštová banka, a.s. with the registered office at Dvořákovo nábrežie 4, Bratislava, Slovak Republic.

On 14 August 2013 the Bank sold its controlling interest in the investment fund J&T FVE UPF, which was presented under Disposal groups held for sale according to IFRS 5 as at 30 June 2013.