J&T BANKA, a.s.

Consolidated Interim Financial Statements for the period ended 30 June 2012

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Independent Auditors' Review Report to Shareholder of J & T BANKA, a.s.

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of J & T BANKA, a.s. ("the Company") as at 30 June 2012, the consolidated interim statement of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of the entity as at 30 June 2012, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague
24 August 2012

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.

Consolidated statement of financial position as at 30 June 2012

(in thousands of Czech crowns – TCZK)

	Note	30.6.2012	31.12.2011
Assets			
Cash and balances with central banks	6	1 762 372	1 492 655
Due from financial institutions	7	7 995 915	9 090 602
Derivatives held for trading	8a	150 120	86 124
Derivatives held for risk management	8b	6 540	-
Investment securities at fair value through profit or loss	9a	8 572 146	7 998 413
Investment securities available for sale	9b	20 713 351	13 029 512
Investment held for sale	9c	821 500	-
Investment securities held to maturity	9d	3 045 296	3 118 639
Loans and advances to customers	11a	39 078 360	36 583 861
Property and equipment	13	76 811	58 307
Goodwill	14	189 715	189 715
Intangible assets	14	156 334	179 035
Current tax asset		10 315	55 882
Deferred tax asset	24	4 154	28 807
Prepayments, accrued income and other assets	16	761 311	646 331
Total Assets		***83 344 240***	***72 557 883***
Liabilities and shareholder's equity			
Derivatives held for trading	8a	82 811	295 779
Derivatives held for risk management	8b	6 896	-
Amounts owed to financial institutions	17	13 120 194	9 110 230
Amounts owed to customers	18	60 160 436	55 023 567
Subordinated liabilities	19	1 006 629	1 009 564
Current tax liability		62 431	10 416
Deferred tax liability	24	49 611	13 100
Accruals, provisions and other liabilities	20	2 786 083	1 859 975
Total Liabilities		***77 275 091***	***67 322 631***
Share capital	21	3 358 127	3 358 127
Retained earnings, capital funds and revaluation reserve	21	2 707 238	1 873 419
Total shareholder's equity		***6 065 365***	***5 231 546***
Non-controlling interest		3 784	3 706
Total equity		***6 069 149***	***5 235 252***
Total liabilities, non-controlling interest and shareholders' equity		***83 344 240***	***72 557 883***

The accompanying notes, set out on pages 7 to 67, are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the six months ended 30 June 2012
(in thousands of Czech crowns – TCZK)

	Note	30.6.2012	30.6.2011
Interest income	25	1 888 673	1 214 986
Interest expense	26	(1 017 032)	(645 354)
Net interest income		***871 641***	***569 632***
Fee and commission income	27	335 874	111 699
Fee and commission expense	28	(82 564)	(18 557)
Net fee and commission income		***253 310***	***93 142***
Dividends from assets available for sale		17 669	29 754
Dividends from assets at fair value through profit and loss		-	41
Net trading income	29	646 533	64 679
Other operating income	30	43 905	16 623
Operating income		***1 833 058***	***773 871***
Personnel expenses	31	(340 630)	(180 049)
Other operating expenses	32	(291 706)	(181 744)
Depreciation and amortisation	13, 14	(45 813)	(28 905)
Operating expenses		***(678 149)***	***(390 698)***
Profit before allowances for loan losses and income taxes		***1 154 909***	***383 173***
Provisions from financial activities		6 295	(8 767)
Net change in allowances for loan losses	12	(415 778)	(88 771)
Profit before income tax		***745 426***	***285 635***
Income tax	23	(160 839)	(53 759)
Profit for the year		***584 587***	***231 876***
Profit attributable to:			
Shareholder		584 520	231 876
Non-controlling interest		67	-
Profit for the year		***584 587***	***231 876***

Other comprehensive income, net of income tax:		
Revaluation reserve - financial assets available for sale	262 322	34 148
Foreign exchange translation differences	(3 142)	(4 639)
Total comprehensive income for the year	***843 767***	***261 385***
Attributable to:		
Shareholder	843 670	261 385
Non-controlling interest	97	-
Total comprehensive income for the year	***843 767***	***261 385***

The accompanying notes, set out on pages 7 to 67, are an integral part of these consolidated financial statements.

The Board of Directors approved these consolidated financial statements on 24 August 2012.

Signed on behalf of the Board:

Štěpán Ašer, MBA
Member of the Board of Directors

Ing. Igor Kováč
Member of the Board of Directors

Consolidated statement of changes in equity for the six months ended 30 June 2012

(in thousands of Czech crowns – TCZK)

	Share capital	Retained earnings	Capital funds	Revaluation reserve	Non-controlling interest	Total
Balance at 1 January 2011	***1 838 127***	***1 615 994***	***85 628***	***(34 595)***	***-***	***3 505 154***
Total comprehensive income for the year						
Profit for the year	-	231 876	-	-	-	231 876
Transfer to legal reserve fund	-	(10 636)	10 636	-	-	-
Consolidation and FX adjustments	-	-	-	-	-	(4 631)
Other comprehensive income						
Revaluation - financial assets available for sale	-	-	-	34 148	-	34 148
Foreign exchange differences	-	-	-	(4 639)	-	(4 639)
Balance at 30 June 2011	***1 838 127***	***1 837 234***	***96 264***	***(5 086)***	***-***	***3 766 539***
Balance at 1 January 2011	***1 838 127***	***1 615 994***	***85 628***	***(34 595)***	***-***	***3 505 154***
Total comprehensive income for the year						
Issue of share capital	1 520 000	-	-	-	-	1 520 000
Profit for the year	-	269 153	-	-	81	269 234
Transfer to legal reserve fund	-	(59 157)	11 018	-	-	(48 139)
Consolidation and FX adjustments	-	50 627	(2 763)	67 513	3 625	119 002
Other comprehensive income						
Revaluation - financial assets available for sale	-	-	-	(144 825)	-	(144 825)
Foreign exchange differences	-	-	-	14 827	-	14 827
Balance at 1 January 2012	***3 358 127***	***1 876 617***	***93 883***	***(97 080)***	***3 706***	***5 235 253***
Total comprehensive income for the year						
Consolidation adjustments of balance at 1 January 2012	-	(5 250)	-	-	-	(5 250)
Profit for the year	-	584 520	-	-	67	584 587
Transfer to legal reserve fund	-	(15 096)	15 096	-	-	-
Consolidation and FX adjustments	-	(28 567)	(75)	24 010	-	(4 632)
Other comprehensive income						
Revaluation - financial assets available for sale	-	-	-	262 322	-	262 322
Foreign exchange differences	-	-	-	(3 142)	11	(3 131)
Balance at 30 June 2012	***3 358 127***	***2 412 224***	***108 904***	***186 110***	***3 784***	***6 069 149***

The accompanying notes, set out on pages 7 to 67, are an integral part of these consolidated financial statements.

On 26 July 2011 the sole shareholder of the Bank, J&T FINANCE, a.s., increased the Bank's share capital by TCZK 350 000 through subscription of new shares.

On 7 November 2011 the sole shareholder of the Bank, J&T FINANCE, a.s., increased the Bank's share capital by TCZK 300 000 through subscription of new shares.

On 29 November 2011 the sole shareholder of the Bank, J&T FINANCE, a.s., increased the Bank's share capital by TCZK 370 000 via a contribution in the form of an investment in J&T Bank ZAO.

On 22 December 2011 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.

Consolidated statement of cash flows
for the six months ended 30 June 2012

(in thousands of Czech crowns – TCZK)

	Note	30.6.2012	30.6.2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		745 426	285 635
Adjustments for:			
Depreciation and amortisation	13, 14	45 813	28 905
Allowances for loan losses	12	415 779	88 509
Foreign currency difference from allowances for loan losses	12	(3 751)	(8 698)
Net loss on sale of intangible and tangible fixed assets		6 493	(68 696)
Change in other provisions and deferred tax		85 002	26 788
Revaluation - financial assets available for sale		262 322	34 148
(Increase) / decrease in operating assets:			
Compulsory minimum reserves in central banks		110 012	715 962
Due from financial institutions		1 313	(3 496)
Loans and advances to customers		(4 034 650)	2 327 102
Investment securities held for trading, AFS and FVTPL		(7 280 686)	(5 864 463)
Prepayments, accrued income and other assets		109 600	(307 197)
Held for sale		(821 500)	-
Increase / (decrease) in operating liabilities:			
Amounts owed to financial institutions		4 009 964	(1 330 899)
Amounts owed to customers		5 136 869	8 079 997
Accruals, provisions and other liabilities		902 270	203 964
Tax paid		(63 257)	(25 726)
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		(276 608)	145 156
Net cash flows from operating activities		**(649 589)**	**4 326 991**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible and tangible fixed assets		(48 109)	(66 706)
Change in consolidation and FX adjustment		(13 012)	(4 639)
Effect of acquisition		-	98 009
Net cash flows used in investing activities		**(61 121)**	**26 664**
CASH FLOWS FROM FINANCING ACTIVITIES			
Subordinated liabilities		989	(34 115)
Foreign currency difference from subordinated liabilities		(3 924)	17 418
Net cash flows from financing activities		**(2 935)**	**(16 697)**
INCREASE IN CASH AND CASH EQUIVALENTS		**(713 645)**	**4 336 958**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5, 33	9 316 871	8 488 644
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5, 33	8 603 226	12 825 602

Cash flows from operating activities include:		
Interest received	1 606 843	1 066 000
Interest paid	920 983	764 866
Dividends received	17 669	29 795

The accompanying notes, set out on pages 7 to 67, 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 investment, corporate and retail banking.

The Bank is subject to the regulatory requirements of the 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 Group (including the Bank and its subsidiaries mentioned in the table below) had on average 511 employees in the first six months of 2012 (2011: 401). The Group operates in the Czech Republic and Slovakia.

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 the euro to replace the 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.

The companies included in the consolidation Group as at 30.6.2012 are as follows:

Company	Country of incorporation	Share capital	% shareholding	Principal activities
J&T BANKA, a.s. (parent company)	Czech Republic	3 358 127	-	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

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. All acquisitions contribute to the significant increase in the profitability of J&T BANKA, a.s.

Acquisitions and disposals of subsidiaries made in 2011 are further presented in Note 46.

(in thousands of Czech crowns – TCZK)

1. General information (continued)

The companies included in the consolidation Group as at 30.6.2011 are as follows:

Company	Share capital	% shareholding	Principal activities
J&T BANKA, a.s. (parent company)	1 838 127	-	Banking activities
Bea Development, a.s.	41 000	100	Lease of real estate
J&T INVESTIČNÍ SPOLEČNOST, a.s.	20 000	100	Investment activities

All companies are registered in the Czech Republic.

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

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements comprise the accounts of the Bank and its subsidiaries ("the Group") and have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and as adopted by the European Union.

This consolidated interim 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 since the last annual consolidated financial statements as at and for the year ended 31 December 2011.

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

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011) requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities, and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013) contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

The Bank‛s management regards the effect of these standards to be immaterial.

(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 consolidated financial statements present the accounts and results of the Bank and of its subsidiaries. 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 year, the results are included only from the date control commenced or to the date it ceased.

All inter-company balances and transactions, including unrealised inter-company profits, are eliminated on consolidation.

(b) Financial instruments

Classification

Financial instruments designated 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, originated by the Group, or held to maturity.

Recognition

Financial assets designated 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.

3. Accounting policies (continued)

(b) Financial instruments (continued)

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 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 assets designated 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.

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.

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.

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 year, 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.

3. Accounting policies (continued)

(b) Financial instruments (continued)

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 realise 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.

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 and the host contract is not carried at fair value, with unrealised gains and losses recognised in the statement of comprehensive income.

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.

Financial assets and liabilities classification

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.

(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.

3. Accounting policies (continued)

(d) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Amortization is provided on straight-line basis over their estimated useful economic life of 5 years.

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.

Goodwill

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 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.

(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) 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.

(g) 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.

3. Accounting policies (continued)

(h) 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.

3. Accounting policies (continued)

(i) Taxation

Taxation 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.

(j) 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.

(k) Cash and cash equivalents

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

(l) 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.

(m) 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.

(in thousands of Czech crowns – TCZK)

3. Accounting policies (continued)

(n) 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 IFRS 8 are as follows:

- Investment banking
- Corporate banking
- Retail banking

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 corporate administrative expenses 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.

(o) 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 2011 are presented in the following table:

Companies	**Intangible assets**	**Deferred tax asset/(liability)**	**Total net balance sheet effect**
J&T INVESTIČNÍ SPOLEČNOST, a.s.	83 291	(4 270)	**79 021**
ATLANTIK finanční trhy, a.s.	46 482	(8 830)	**37 652**
J&T BANKA, a.s.	36 809	(6 994)	**29 815**

Intangible assets were identified in the acquisition of ATLANTIK finanční trhy, a.s. In 2011, these identified intangible assets were partly allocated to J&T BANKA, a.s.

In the period 2012 there were not any new acquisitions of subsidiaries.

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 ongoing 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 ongoing 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.

(in thousands of Czech crowns – TCZK)

5. Cash and cash equivalents

	30.6.2012	31.12.2011	30.6.2011
Cash and balances with central bank (note 6)	486 650	196 986	905 187
Term deposits in central banks up to 3 months (note 6)	451 271	361 205	438 216
Loans to central banks - repurchase agreements (note 7)	2 104 486	800 034	6 709 054
Receivables from bank on demand or up to 3 months	5 686 008	8 083 835	4 773 145
Effect of acquisitions and disposals	(125 189)	(125 189)	-
Total	***8 603 226***	***9 316 871***	***12 825 602***

The change in the treatment of cash and cash equivalents relates only to the refinement of their presentation in accordance with International Financial Reporting Standards by "Loans to central banks - repurchase agreements" and "Government debentures".

6. Cash and balances with central banks

	30.6.2012	31.12.2011
Balances with central banks (including obligatory minimum reserves)	824 451	934 464
Nostro balance	341 449	100 090
Term deposits	451 271	361 205
Total balance with central banks	***1 617 171***	***1 395 759***
Cash	145 201	96 896
Total	***1 762 372***	***1 492 655***

Balances with central banks represent the obligatory minimum reserves maintained under Czech National Bank and National Bank of Slovakia regulations. The obligatory minimum reserve is stated as 2% of primary deposits with maturity of less than two years and is 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 bank, 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

	30.6.2012	31.12.2011
Receivables from banks on demand	1 265 769	3 285 732
Term deposits	4 625 660	5 004 836
Loans to central banks - repurchase agreements	2 104 486	800 034
Total	***7 995 915***	***9 090 602***

There were no overdue receivables from banks as of 30 June 2012 and 31 December 2011.

The weighted average interest rate on deposits and loans with other banks was 0,70% p.a. (2011: 1,65% p.a.).

(in thousands of Czech crowns – TCZK)

8. Derivative financial instruments

(a) Derivatives held for trading:

	30.6.2012 Notional amount buy	30.6.2012 Notional amount sell	30.6.2012 Fair value Buy	30.6.2012 Fair value Sell
Currency derivatives	25 576 797	(25 521 856)	146 029	(78 734)
Equity derivatives	9 463	(7 097)	-	(668)
Interest rate derivatives	77 299	(79 220)	133	(2 053)
Commodity derivatives	559 490	(560 922)	3 958	(1 356)
Total as at 30 June 2012	***26 223 049***	***(26 169 095)***	***150 120***	***(82 811)***

	31.12.2011 Notional amount buy	31.12.2011 Notional amount sell	31.12.2011 Fair value Buy	31.12.2011 Fair value Sell
Currency derivatives	19 456 218	(19 672 581)	82 262	(292 910)
Equity derivatives	9 496	(5 638)	-	(637)
Interest rate derivatives	117 625	(118 463)	587	(1 424)
Commodity derivatives	479 550	(480 689)	3 275	(808)
Total as at 31 December 2011	***20 062 889***	***(20 277 371)***	***86 124***	***(295 779)***

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, because IAS 39 does not allow classification as hedging for this type of derivative transaction.

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 time structure of the foreign currency forward transactions outstanding as at 30 June 2012 was as follows: 100% maturing within 1 year (2011: 100% maturing within 1 year). The time structure of options as at 30 June 2012 was as follows: 100% maturing within 5 years (2011: 100% maturing within 5 years).

The foreign currency structure of these transactions was as follows:

Long position	**CZK**	**EUR**	**USD**	**RUB**	**other**
30 June 2012	83%	14%	1%	-	2%
31 December 2011	80%	15%	2%	3%	-

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

Short position	**CZK**	**EUR**	**USD**	**RUB**	**other**
30 June 2012	11%	68%	17%	-	4%
31 December 2011	15%	61%	22%	1%	1%

(in thousands of Czech crowns – TCZK)

8. Derivative financial instruments (continued)

(b) Derivatives held for risk management:

Fair value hedging

	30.6.2012 Notional amount buy	30.6.2012 Notional amount sell	30.6.2012 Fair value Buy	30.6.2012 Fair value Sell
Currency derivatives	1 587 231	(1 587 772)	6 540	(6 896)
Total as at 30 June 2012	***1 587 231***	***(1 587 772)***	***6 540***	***(6 896)***

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 Bank uses currency forwards to reach effectiveness into this hedging relationship.

(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

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

	30.6.2012 Fair value	31.12.2011 Fair value
Bonds		
- domestic	5 152 063	5 462 409
- foreign	3 316 896	2 293 830
Shares		
- domestic	4 015	30 645
- foreign	99 172	211 529
Total	***8 572 146***	***7 998 413***

	30.6.2012 Fair value	31.12.2011 Fair value
Bonds		
- listed	8 468 959	7 756 239
- not listed	-	-
Shares		
- listed	103 187	235 564
- not listed	-	6 610
Total	***8 572 146***	***7 998 413***

	30.6.2012 Fair value	31.12.2011 Fair value
Bonds		
- government	4 206 298	4 461 503
- financial institutions	1 411 248	1 082 450
- corporate	2 851 413	2 212 286
Shares		
- corporate	73 458	76 567
- financial institutions	29 729	165 607
Total	***8 572 146***	***7 998 413***

	30.6.2012 Fair value	31.12.2011 Fair value
Bonds		
- Level 1 - market price	8 468 959	7 756 239
- Level 2 - estimated price by market	-	-
Shares		
- Level 1 - market price	103 187	238 094
- Level 2 - estimated price by market	-	4 080
Total	***8 572 146***	***7 998 413***

No movements from level 1 to level 2 occurred between 2012 and 2011.

The weighted average interest rate on bonds was 5,17% p.a. (2011: 4,64% p.a.).

(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:

	30.6.2012 Fair value	31.12.2011 Fair value
Shares		
- domestic	355 510	624 308
- foreign	1 915 428	2 671 884
Bonds		
- domestic	11 157 870	9 733 320
- foreign	7 284 543	-
Total	***20 713 351***	***13 029 512***

	30.6.2012 Fair value	31.12.2011 Fair value
Shares		
- listed	2 270 853	2 170 292
- not listed	85	1 125 900
Bonds		
- listed	18 442 413	9 733 320
- not listed	-	-
Total	***20 713 351***	***13 029 512***

	30.6.2012 Fair value	31.12.2011 Fair value
Shares		
- financial institution	197 231	1 139 058
- corporate	2 073 707	2 157 134
Bonds		
- government	15 943 930	9 608 606
- financial institution	1 369 450	-
- corporate	1 129 033	124 714
- other	-	-
Total	***20 713 351***	***13 029 512***

	30.6.2012 Fair value	31.12.2011 Fair value
Shares		
- Level 1 - market price	2 270 938	3 296 192
Bonds		
- Level 1 - market price	18 442 413	9 733 320
- Level 2 - estimated price by market	-	-
Total	***20 713 351***	***13 029 512***

No movements from level 1 to level 2 occurred between 2012 and 2011.
The weighted average interest rate on bonds was 2,88% p.a. (2011: 2,37% p.a.).

(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 held for sale:

As at 30 June 2012 the investment held for sale in photovoltaic power plants comprised the following companies: FVE Napajedla s.r.o., FVE Němčice s.r.o. and FVE Slušovice s.r.o.

	30.6.2012	**31.12.2011**
J&T Ostravice Active Life UPF	138 000	-
Photovoltaic power plants	683 500	-
	821 500	***-***

Their net profit structure for the six months ended 30 June 2012 is as follows:

	J&T Ostravice Active Life UPF	**Photovoltaic power plants**	**Total**
Interest income	-	18 613	18 613
Other operating expense	-	(2 273)	(2 273)
Net profit (loss) for the six months	***-***	***16 340***	***16 340***

(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)

(d) Investment securities held to maturity:

	30.6.2012 Amortised cost	31.12.2011 Amortised cost
Bonds		
- domestic	402 574	1 093 189
- foreign	2 642 722	2 025 450
Total	***3 045 296***	***3 118 639***

	30.6.2012 Amortised cost	31.12.2011 Amortised cost
Bonds		
- listed	3 045 296	3 059 708
- not listed	-	58 931
Total	***3 045 296***	***3 118 639***

	30.6.2012 Amortised cost	31.12.2011 Amortised cost
Bonds		
- financial institution	1 189 802	1 231 569
- corporate	1 855 494	1 887 070
Total	***3 045 296***	***3 118 639***

	30.6.2012 Amortised cost	31.12.2011 Amortised cost
Bonds		
- Level 1 – market price	3 045 296	3 118 639
Total	***3 045 296***	***3 118 639***

The weighted average interest rate on bonds was 6,31% p.a. (2011: 6,31% p.a.).

(in thousands of Czech crowns – TCZK)

10. Repurchase and 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 2012 and 31 December 2011, 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 central banks	2 104 512	2 104 487	To 1 Month	2 104 639
Loans and advances to customers	7 412 534	5 696 618	To 3 Months	5 727 718
Total as at 30 June 2012	***9 517 046***	***7 801 105***		***7 832 357***

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks	783 509	800 034	To 1 Month	800 234
Loans and advances to customers	9 763 955	7 439 480	To 1 Year	7 451 877
Total as at 31 December 2011	***10 547 464***	***8 239 514***		***8 252 111***

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

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to banks	1 946 922	1 799 333	To 3 Months	1 808 574
Loans and advances to customers	47 709	47 493	To 3 Months	47 491
Total as at 30 June 2012	***1 994 631***	***1 846 826***		***1 856 065***

	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks	3 863 263	3 652 517	To 3 Months	3 657 014
Loans to banks	2 115 555	1 753 248	To 1 Month	1 754 018
Loans and advances to customers	14 590	14 739	To 1 Month	14 739
Total as at 31 December 2011	***5 993 408***	***5 420 504***		***5 425 771***

As at 30 June 2012, the Group sold assets under repurchase agreements amounting to TCZK 1 568 192 (2011: 10 555 039 TCZK).

(in thousands of Czech crowns – TCZK)

11. Loans and advances to customers, contingent assets

(a) Loans and advances to customers

	30.6.2012	31.12.2011
Loans and advances to customers	39 610 515	36 894 969
Debt securities – in portfolio of loans	422 938	922 063
Less allowances for loan losses (note 12)	(955 093)	(1 233 171)
Total net loans and advances to customers	***39 078 360***	***36 583 861***

Allowances for loan losses and advances to customers are determined and created based on the financial position and activities of the client taking into account the value of collateral as well as guarantees from third parties.

The amount of non-interest bearing loans as at 30 June 2012 totalled to TCZK 81 308 (2011: TCZK 238 444). 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 7,24% p.a. (2011: 7,99% p.a.).

Loans provided to clients as at 30 June 2012 include loans amounting to TCZK 12 578 096 (2011: TCZK 12 667 311), the repayment of which is dependent upon the successful realization of the assets acquired using the loans. These assets are pledged in favour of the Group.

"Debt securities - bills of exchange" in portfolio of loans totalled TCZK 422 938 as at 30 June 2012 (2011: TCZK 903 543 recognised in "Investment securities available for sale"; see Note 9).
The weighted average interest rate on bills of exchange was 8,96% p.a. (2011: 7,53% p.a.).

Item "Loans and advances to customers" includes receivables amounting to TCZK 227 533 as at 30 June 2012 (2011: TCZK 224 580 recognised in "Prepayments, accrued income and other assets"; see Note 16).

(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

	30.6.2012	31.12.2011
1 January	**1 233 171**	**900 004**
Charge / (reversal) in the year	415 779	296 727
Use / write-offs	(690 106)	-
Currency difference	(3 751)	9 014
Increase from acquisition	-	27 426
At the end of period	***955 093***	***1 233 171***

(in thousands of Czech crowns – TCZK)

13. 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	11 109	13 029	11 199	35 337
Additions from acquisition	4 946	7 780	(12 726)	-
Disposals	-	(659)	(858)	(1 517)
Other	(19)	324	-	305
30 June 2012	***19 100***	***147 260***	***6 054***	***172 414***
Accumulated depreciation				
1 January 2012	***116***	***79 866***	***-***	***79 982***
Depreciation	366	14 617	-	14 983
Disposals	-	(331)	-	(331)
Other	2	967	-	969
30 June 2012	***484***	***95 119***	***-***	***95 603***
Net book value				
31 December 2011	***2 948***	***46 920***	***8 439***	***58 307***
30 June 2012	***18 616***	***52 141***	***6 054***	***76 811***

Property is insured against theft and natural disaster.

(in thousands of Czech crowns – TCZK)

14. Intangible assets

The movements during the period were as follows:

	Software	Establishment expenses	Other intangible assets	Goodwill	Assets under construction	Total
Cost						
1 January 2012	***264 878***	***94***	***129 505***	***308 752***	***403***	***703 632***
Additions	12 181	-	-	-	590	12 771
Additions from acquisition	303	-	-	-	(303)	-
Disposals	-	-	-	-	-	-
Other	396	-	-	407	3	806
30 June 2012	***277 758***	***94***	***129 505***	***309 159***	***693***	***717 209***
1 January 2012	***183 575***	***94***	***32 176***	***119 037***	***-***	***334 882***
Amortisation	20 663	-	10 167	-	-	30 830
Amortisation from acquisition	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other	5 041	-	-	407	-	5 448
30 June 2012	***209 279***	***94***	***42 343***	***119 444***	***-***	***371 160***
Net book value						
31 December 2011	***81 303***	***-***	***97 329***	***189 715***	***403***	***368 750***
30 June 2012	***68 479***	***-***	***87 162***	***189 715***	***693***	***346 049***

(in thousands of Czech crowns – TCZK)

15. Operating leases

(a) Leases entered into as lessee

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

	30.6.2012	31.12.2011
Less than one year	86 096	38 050
Between one and five years	283 154	119 215
More than five years	251 453	144 784
Total	***620 703***	***302 049***

The Group's operating lease payables in 2011 contain payables to Bea Development, a.s.

(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:

	30.6.2012	31.12.2011
Less than one year	542	-
Between one and five years	2 051	-
More than five years	1 154	-
Total	***3 747***	***-***

16. Prepayments, accrued income and other assets

	30.6.2012	31.12.2011
Prepayments and accrued income	70 913	38 187
Receivables from customers from securities trading	364 881	245 345
Other trading receivables	95 182	159 684
Other tax assets	2 094	8 987
Receivables from fees for portfolio management	23 652	13 174
Other receivables	147 368	12 263
Advance payments – guarantee fund	14 025	14 025
Advance payments – other	47 654	161 354
Allowances for impairment of other assets	(4 458)	(6 688)
Total	***761 311***	***646 331***

Other trading receivables in 2012 include receivables from the Guarantee Fund of Securities Traders of TCZK 2 100 (2011: TCZK 1 058). The Guarantee Fund of Securities Traders was set up in order to protect investors from brokers that are not able to settle their liabilities and includes commissions for the brokerage of promissory notes and a reward for the issue of bonds of TCZK 0 (2011: TCZK 106 086). The item "Advance payments – other" includes an advance for the purchase of a company amounting to TCZK 0 (2011: TCZK 139 925).

(in thousands of Czech crowns – TCZK)

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

Allowances for impairment of other assets:

	30.6.2012	31.12.2011
1 January	6 688	5 946
Charged / (reversed) in the period	(2 230)	742
At the end of period	***4 458***	***6 688***

17. Amounts owed to financial institutions

Amounts owed to financial institutions comprise:

	30.6.2012	31.12.2011
Amounts owed to banks	3 744 780	3 395 019
Loans from banks – repurchase agreements	1 532 766	1 753 248
Amounts owed to central banks	7 576 081	309 446
Loans from central banks – repurchase agreements	266 567	3 652 517
Total amounts owed to financial institutions	***13 120 194***	***9 110 230***

The weighted average interest rate on amounts owed to banks was 1,32% p.a. (2011: 2,37% p.a.).

18. Amounts owed to customers

Amounts owed to customers comprise:

	30.6.2012	31.12.2011
Current accounts	5 347 635	6 697 953
Term deposits	54 656 375	48 080 222
Depository notes	90 681	91 923
Other	65 745	153 469
Total	***60 160 436***	***55 023 567***

The weighted average interest rate on amounts owed to customers was 2,35% p.a. (2011: 2,28% p.a.).

19. Subordinated liabilities

Subordinated liabilities at amortised cost:

	30.6.2012	31.12.2011
Issued subordinated bonds	633 282	636 627
Subordinated liabilities – loans from financial institutions	303 078	302 655
Subordinated liabilities – term deposit from customers	70 269	70 282
Total	***1 006 629***	***1 009 564***

(in thousands of Czech crowns – TCZK)

19. Subordinated liabilities (continued)

On 28 February 2007, the Bank issued subordinated bonds with a notional amount of TEUR 25 000 maturing in 2022. The interest rate was 6,16% p.a. as at 30 June 2012 (2011: 5,82% p.a.).

In 2011, the Bank received a loan maturing in 2021. The interest rate was 4,95% p.a. as at 30 June 2012 (2011: 4,95% p.a.).

The received deposits with a maturity up to 2021 bear an interest rate between 6,0% p.a. and 7,4% p.a.

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

20. Accruals, provisions and other liabilities

Accruals, provisions and other liabilities:

	30.6.2012	31.12.2011
Trade payables	33 279	56 084
Other liabilities	641 649	92 961
Provisions for untaken holiday	10 953	11 063
Provision for off-balance sheet items	11 778	18 263
Estimated payables – employee bonuses	88 555	16 047
Payables to employees	20 980	28 870
Payables related to social costs	11 246	9 390
Payables resulting from purchase of intangible assets	-	-
Payables from securities of clients at trader´s disposal	1 777 690	1 517 951
Provisions, accruals and deferred income	165 131	90 596
Other tax liabilities	24 822	18 750
Total	***2 786 083***	***1 859 975***

Other liabilities include payables from clearing of TCZK 163 091 (2011: TCZK 25 901) and incoming and outgoing payments from nostro accounts of TCZK 374 439 (2011: TCZK 52 532).

	Balance as at 1 January 2012	Additions / Creations	Use	Release	Foreign exchange difference	Balance as at 30 June 2012
Employee benefits	1 667	3 255	-	-	6	4 928
Provision for untaken holiday	11 063	5 116	(2 897)	(2 287)	(42)	10 953
Provision for off-balance sheet items	18 263	-	-	(6 255)	(230)	11 778
Other current provisions	6 247	29 676	(2 478)	-	(26)	33 419
Total	***37 240***	***38 047***	***(5 375)***	***(8 542)***	***(292)***	***61 078***

(in thousands of Czech crowns – TCZK)

21. Share capital, retained earnings and capital funds

Share capital is fully paid and consists of:

	30.6.2012
3 357 126 ordinary shares with a nominal value of CZK 1 000 per share	3 357 126
700 000 ordinary shares with a nominal value of CZK 1,43 per share	1 001
Total share capital	***3 358 127***

The amount of registered capital has not changed since 31 December 2011.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank.

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

Retained earnings

Retained earnings are distributable to the Bank's shareholders and are subject to the shareholders meeting resolution. As at 30 June 2012, retained earnings amounted to TCZK 2 412 224 (2011: TCZK 1 876 617).

The Bank does not declare dividends from profit in accordance with the long-term strategy of the Bank. The results was transferred to retained earnings.

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 Bank. The Bank 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 108 904 as at 30 June 2012 (2011: TCZK 93 883).

Revaluation reserve

The revaluation reserve arises through accounting for business combinations that occur in stages and involve more than one exchange transaction. The reserve reflects that part of the increase in the fair value of the subsidiaries' identifiable net assets after initial acquisition of the previously held interest acquired in previous exchange transactions that is attributable to that initial investment interest. The revaluation reserve also comprises changes in the fair value of financial instruments available for sale.

The revaluation reserve amounted to TCZK 186 110 as at 30 June 2012 (2011: TCZK (97 080)).

22. Non-controlling interest

	30.6.2012	31.12.2011
J&T BANK ZAO	3 784	3 706
Total	***3 784***	***3 706***

(in thousands of Czech crowns – TCZK)

23. Corporate income tax

Corporate income tax was calculated in accordance with Czech tax regulations at the rate of 19% in 2012 (2011: 19%). The corporate income tax rate for 2013 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax law. The Slovak income tax rate is 19%. 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 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:

	30.6.2012	30.6.2011
Profit before income tax	745 426	285 635
Tax non-deductible expenses	256 827	107 094
Non-taxable revenues and tax refund for the last period	(155 732)	(109 788)
Statutory income tax rate	19%	19%
Income tax total	***(160 839)***	***(53 759)***
Effective tax rate	21,6%	18,8%

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.

24. Deferred tax

The Group has the following deferred tax assets and liabilities:

	Deferred tax asset / (liability)	
	30.6.2012	31.12.2011
Difference between accounting and tax values of property and equipment	(23 664)	(26 361)
Impairment of other assets	-	118
Estimated payables – employee bonuses	-	680
Unpaid penalty interest	(2 818)	(2 818)
Tax losses	3 913	1 356
Financial instruments at fair value at through profit or loss	2 754	3 544
Derivatives	475	1 078
Available-for-sale financial assets	(19 446)	42 088
Other items	(6 671)	(3 978)
Net deferred tax asset (liability)	***(45 457)***	***15 707***

The deferred tax asset and liability is calculated using the 2012 corporate income tax rate of 19% and for J&T BANK ZAO 20% (2011: 19% and 20%).

(in thousands of Czech crowns – TCZK)

24. Deferred tax (continued)

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax liabilities in 2012.

	30.6.2012	31.12.2011
Deferred tax liability, net as at 1 January	15 707	(2 265)
Incoming from business combination	-	(29 200)
Outgoing from sale of company	-	4 814
Deferred tax expense in the period	335	8 245
Deferred tax recognized in equity	(61 534)	33 973
Currency difference	35	140
Net deferred tax asset / (liability) as at the end of the period	***(45 457)***	***15 707***

The following table shows the net deferred tax by company as at 30 June 2012:

	Deferred tax		
	Asset	**Liability**	**Net**
J&T BANKA, a.s. (parent company)	3 619	(38 260)	(34 641)
J&T INVESTIČNÍ SPOLEČNOST, a.s.	-	(3 840)	(3 840)
ATLANTIK finanční trhy, a.s.	-	(7 511)	(7 511)
J&T IB and Capital Markets, a.s.	-	-	-
J&T BANK ZAO	535	-	535
Net deferred tax asset (liability)	***4 154***	***(49 611)***	***(45 457)***

25. Interest income

	30.6.2012	30.6.2011
Interest income from:		
Due from financial institutions	66 962	35 976
Loans and advances to customers	1 210 191	910 453
Repo transactions	173 303	161 401
Bonds and other fixed income securities	438 217	107 094
Other operations	-	62
Total	***1 888 673***	***1 214 986***

Item "Loans and advances to customers" includes commissions for origination of loans of TCZK 14 760 (30.6.2011: TCZK 13 680), in previous year they were disclosed in the Note 26 "Fee and commission income". These amounts were reclassified as part of effective interest rate to the interest income.

Interest income according to classes of assets:

	30.6.2012	30.6.2011
Interest income from:		
Financial assets at fair value through profit or loss:		
- those held for trading	364 147	106 310
- those designated at initial recognition	-	-
Financial assets available for sale	-	784
Financial assets held to maturity	74 070	-
Loans and other receivables	1 450 456	1 107 830
- of which: Impaired loans and receivables	*98 826*	*101 546*
Other assets	-	62
Total	***1 888 673***	***1 214 986***

(in thousands of Czech crowns – TCZK)

26. Interest expense

	30.6.2012	30.6.2011
Interest expense on:		
Amounts owed to financial institutions	(106 413)	(18 095)
Amounts owed to customers	(883 253)	(625 953)
Repo transactions	(6 720)	(1 306)
Bonds and other fixed income securities	(20 646)	-
Total	***(1 017 032)***	***(645 354)***

Interest expense according to classes of liabilities:

	30.6.2012	30.6.2011
Interest expense on:		
Financial liabilities at amortised cost	(1 017 032)	(645 354)
Total	***(1 017 032)***	***(645 354)***

27. Fee and commission income

	30.6.2012	30.6.2011
Fee and commission income from:		
Securities and derivatives for customers	286 961	83 416
Loan activities	17 691	10 087
Payment transactions	22 347	14 167
Other	8 875	4 029
Total	***335 874***	***111 699***

Other includes commission of TCZK 1 793 (30.6.2011: TCZK 2 750) for a client acquisition contract.

28. Fee and commission expense

	30.6.2012	30.6.2011
Fee and commission expense on:		
Transactions with securities	(72 841)	(6 438)
Payment transactions	(3 198)	(57)
Other	(6 525)	(12 062)
Total	***(82 564)***	***(18 557)***

(in thousands of Czech crowns – TCZK)

29. Net trading income

	30.6.2012	30.6.2011
Realised and unrealised gains / (losses) on securities	199 506	61 979
Realised gains / (losses) on foreign exchange trading	-	-
Net gains / (losses) on derivative operations	398 423	458 614
Profit from ceded receivables	471	542
Net profit / (loss) from foreign currency translation	46 612	(456 456)
Net gains / (losses) on hedging derivative operations	127	-
Revenue from dividends	1 394	-
Total net trading income (expense)	***646 533***	***64 679***

Net trading income comprises of:

	30.6.2012	30.6.2011
Financial assets and liabilities at fair value through profit or loss:		
- those held for trading	559 102	480 800
- those designated at initial recognition	38 780	38 922
Financial assets available for sale	1 569	963
Financial assets held to maturity	-	-
Profit or loss from loans and other receivables	-	(92)
Exchange rate differences	47 082	(455 914)
Total	***646 533***	***64 679***

30. Other operating income

	30.6.2012	30.6.2011
Rental income	245	2 028
Profit from disposal of fixed assets	40	533
Profit from transfer of FI with control and significant influence	-	-
Other income	43 620	14 062
Total	***43 905***	***16 623***

Other income includes income from re-invoicing of services of TCZK 2 527 in 2012 (30.6.2011: TCZK 5 967).

31. Personnel expenses

	30.6.2012	30.6.2011
Wages and salaries	241 290	133 661
Directors' and Supervisory Board members' remuneration	9 994	412
Social costs	80 556	43 138
Creation of provisions for untaken holiday	(68)	(1 060)
Other social costs	8 858	3 898
Total personnel expenses	***340 630***	***180 049***
Average number of employees during the year	***511***	***379***

There were 19 members of the Group's Board of Directors at 30 June 2012 (30 June 2011: 5).

(in thousands of Czech crowns – TCZK)

32. Other operating expenses

	30.6.2012	30.6.2011
Rent expense	45 853	18 241
Contributions to Deposit Insurance Fund	41 981	-
Taxes and fees	2 081	770
Operating costs:		
Repairs and maintenance – other	1 882	6 211
Advisory services	1 410	537
Communication fees	6 688	7 351
Consumption of material	9 209	8 283
Marketing and representation	70 535	38 884
Audit, legal and tax consulting	21 021	12 515
Travel costs	9 164	7 044
Repairs and maintenance - IS, IT	12 404	8 283
Services related to rent	6 628	3 215
Other operating costs	62 850	70 410
Total	***291 706***	***181 744***

Other operating costs of TCZK 62 850 in 2012 (30.6.2011: TCZK 70 410) include re-invoiced expenses of TCZK 2 557 (30.6.2011: TCZK 6 251) and a large number of sundry items that are not significant on an individual basis.

33. 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 central 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 2010	**101 365**	**1 729 152**	**4 700 169**	**1 957 958**	**-**	**8 488 644**
Change 1.1.-30.6.2011	803 822	(1 290 936)	2 008 885	2 815 187	-	4 336 958
30 June 2011	**905 187**	**438 216**	**6 709 054**	**4 773 145**	**-**	**12 825 602**
Change 1.7.-31.12.2011	(708 201)	(77 011)	(5 909 020)	3 310 690	(125 189)	(3 508 731)
31 December 2011	**196 986**	**361 205**	**800 034**	**8 083 835**	**(125 189)**	**9 316 871**
Change in 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**

"Compulsory minimum reserves with central banks" is not included in "Cash and cash equivalents" for statement of financial position purposes.

(in thousands of Czech crowns – TCZK)

34. Financial commitments and contingencies

Financial commitments and contingencies comprise:

	30.6.2012	**31.12.2011**
Granted guarantees	2 548 153	1 490 249
Unused credit lines	718 508	793 915
Securities held on behalf of clients	11 706 869	9 184 009
Total	***14 973 530***	***11 468 173***

35. 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:

- Investment Banking
  - Includes the Group's trading and corporate finance activities
- Corporate Banking
  - Includes loans, deposits and other transactions and balances with corporate customers
- Retail Banking
  - Includes loans, deposits and other transactions and balances with retail customers

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.

(in thousands of Czech crowns – TCZK)

35. Segment reporting (continued)

(a) Business segments (continued)

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

	Investment banking	Corporate banking	Retail banking	Unallocated	Total
Interest income	513 466	1 310 916	64 291	-	1 888 673
Interest expense	(105 695)	(525 515)	(385 822)	-	(1 017 032)
Net interest income	***407 771***	***785 401***	***(321 531)***	-	***871 641***
Fee and commission income	284 909	48 290	2 675	-	335 874
Fee and commission expense	(58 454)	(23 891)	(219)	-	(82 564)
Dividends from financial assets	17 669	-	-	-	17 669
Net trading income / (expense)	646 533	-	-	-	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)
Profit for the year					***584 587***

(in thousands of Czech crowns – TCZK)

35. Segment reporting (continued)

(a) Business segments (continued)

Consolidated statement of comprehensive income for the year ended 30 June 2011:

	Investment banking	Corporate banking	Retail banking	Unallocated	Total
Interest income	126 307	1 051 314	37 365	-	1 214 986
Interest expense	(62 136)	(351 546)	(231 672)	-	(645 354)
Net interest income	***64 171***	***699 768***	***(194 307)***	***-***	***569 632***
Fee and commission income	63 282	47 088	1 329	-	111 699
Fee and commission expense	(4 081)	(14 335)	(141)	-	(18 557)
Dividends from financial assets	29 795	-	-	-	29 795
Net trading income / (expense)	64 679	-	-	-	64 679
Other operating income	-	-	-	16 623	16 623
Operating profit					***773 871***
Personnel expenses	-	-	-	(180 049)	(180 049)
Other operating expenses	-	-	-	(181 744)	(181 744)
Depreciation	-	-	-	(28 905)	(28 905)
Profit before allowances for loan losses and income taxes					***383 173***
Provisions from financial activities	-	-	-	(8 767)	(8 767)
Net change in allowances for loan losses	-	-	-	(88 771)	(88 771)
Profit before income tax					***285 635***
Income tax	-	-	-	-	(53 759)
Profit for the year					***231 876***

(b) Geographical segments

Consolidated statement of financial position as at 30 June 2012:

	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Cash in hand and balances with central banks	794 632	648 811	-	318 929	-	1 762 372
Investment securities	17 117 408	8 994 334	3 096 403	3 279 308	-	32 487 453
Investment held for sale	821 500	-	-	-	-	821 500
Due from financial institutions	4 522 838	222 717	1 496 146	1 754 214	-	7 995 915
Loans and advances to customers	8 925 320	11 341 454	16 748 850	2 062 736	-	39 078 360
Prepayments, accrued income and other assets	898 121	61 611	214 645	24 263	-	1 198 640
Total Assets	***33 079 819***	***21 268 927***	***21 556 044***	***7 439 450***	***-***	***83 344 240***
Amounts owed to banks	4 506 729	7 209 170	-	1 404 295	-	13 120 194
Amounts owed to customers	41 819 072	14 907 871	1 543 577	1 889 916	-	60 160 436
Negative fair value of derivatives	28 498	14 395	30 308	16 506	-	89 707
Subordinated liabilities	70 269	303 078	633 282	-	-	1 006 629
Accruals, provisions and other liabilities	-	-	-	-	2 898 125	2 898 125
Shareholder's equity	-	-	-	-	6 069 149	6 069 149
Total Liabilities and Equity	***46 424 568***	***22 434 514***	***2 207 167***	***3 310 717***	***8 967 274***	***83 344 240***

(in thousands of Czech crowns – TCZK)

35. Segment reporting (continued)

(b) Geographical segments (continued)

Consolidated statement of financial position as at 31 December 2011:

	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Cash in hand and balances with central banks	730 456	684 553	-	77 646	-	1 492 655
Investment securities	16 955 349	2 316 406	2 394 021	2 566 912	-	24 232 688
Due from financial institutions	3 609 940	2 436 709	951 929	2 092 024	-	9 090 602
Loans and advances to customers	11 393 676	9 234 462	15 018 351	937 372	-	36 583 861
Prepayments, accrued income and other assets	-	-	-	-	1 158 077	1 158 077
Total Assets	***32 689 421***	***14 672 130***	***18 364 301***	***5 673 954***	***1 158 077***	***72 557 883***
Amounts owed to banks	7 986 991	1 456	-	1 121 783	-	9 110 230
Amounts owed to customers	35 944 592	14 897 995	2 704 388	1 476 592	-	55 023 567
Negative fair value of derivatives used	84 545	18 179	29 690	163 365	-	295 779
Subordinated liabilities	70 282	302 654	636 628	-	-	1 009 564
Accruals, provisions and other liabilities	-	-	-	-	1 883 491	1 883 491
Shareholder's equity	-	-	-	-	5 235 252	5 235 252
Total Liabilities and Equity	***44 086 410***	***15 220 284***	***3 370 706***	***2 761 740***	***7 118 743***	***72 557 883***

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

	Czech Republic	Slovak Republic	Other European Union	Rest of the world	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 assets AFS	544	16 448	677	-	-	17 669
Dividends from assets FVTPL	-	-	-	-	-	-
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 year						***584 587***

(in thousands of Czech crowns – TCZK)

35. Segment reporting (continued)

(b) Geographical segments (continued)

Consolidated statement of comprehensive income for the year ended 30 June 2011:

	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Interest income	463 769	304 860	438 586	7 771	-	1 214 986
Interest expense	(412 000)	(200 423)	(31 852)	(1 079)	-	(645 354)
Net interest income	***51 769***	***104 437***	***406 734***	***6 692***	***-***	***569 632***
Fee and commission income	32 546	19 537	59 267	349	-	111 699
Fee and commission expense	(15 378)	(2 916)	(181)	(82)	-	(18 557)
Dividends from assets AFS	16 500	13 254	-	-	-	29 754
Dividends from assets FVTPL	41	-	-	-	-	41
Net trading income / (expense)	(149 911)	84 084	123 434	7 072	-	64 679
Other operating income	-	-	-	-	16 623	16 623
Operating profit						***773 871***
Personnel expenses	-	-	-	-	(180 049)	(180 049)
Other operating expenses	-	-	-	-	(181 744)	(181 744)
Depreciation	-	-	-	-	(28 905)	(28 905)
Profit before allowances for loan losses and income taxes						***383 173***
Provisions from financial activities	-	-	-	-	(8 767)	(8 767)
Net change in allowances for loan losses	-	-	-	-	(88 771)	(88 771)
Profit before income tax						***285 635***
Income tax	-	-	-	-	(53 759)	(53 759)
Profit for the year						***231 876***

(in thousands of Czech crowns – TCZK)

36. 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 37. 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 35, 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

	30.6.2012	**31.12.2011**
J&T Management, a.s.	6 571	3 165
J&T Private Equity B.V.	679 165	94 171
KPRHT 3, s.r.o.	38 305	40 811
J&T Bank Switzerland Ltd.	1	30 244
J&T SECURITIES MANAGEMENT LIMITED	392	13 755
J&T Global Finance I., B.V.	8	56 225
J&T Concierge, s.r.o.	5 228	-
Others	2 182	11 336
Total	***731 852***	***249 707***

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

30.6.2012:
Companies included in the group "Others":
J&T Cafe, s.r.o., J&T FINANCE GROUP, a.s., J&T FINANCE GROUP, a.s., organizační složka, J&T FINANCE, a.s., J&T FINANCIAL INVESTMENTS LIMITED, J&T Global Finance II., B.V., Jakabovič, Ivan Ing., Tkáč, Jozef Ing.

31.12.2011:
Companies included in the group "Others":
J&T FINANCE GROUP, a.s., Energetický a průmyslový holding, a.s., J&T Concierge, s.r.o, Jakabovič, Ivan Ing., J&T FINANCIAL INVESTMENTS LIMITED, J&T Global Finance II., B.V., J&T FINANCE GROUP, a.s., organizační složka, Tkáč, Jozef Ing., Czech Energy Holding, a.s., Českomoravský uzenářský holding, a.s., Honor Invest, a.s., J&T INTEGRIS GROUP LIMITED, J&T GLOBAL SERVICES LIMITED, TECHNO PLUS a.s., J&T Concierge SR, s.r.o., Equity Holding, a.s., První zpravodajská a.s., Bauliga a.s., J&T International Anstalt

(in thousands of Czech crowns – TCZK)

36. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(b) Payables

	30.6.2012	31.12.2011
J&T Private Equity B.V.	57 069	1 029 499
J&T Bank Switzerland Ltd.	663 739	368 463
J&T FINANCE GROUP, a.s.	18 356	18 594
J&T International Anstalt	-	1 108
JTG Services Anstalt	8 956	7 214
J&T Management, a.s.	4 032	7 011
Energotrans, a.s.	X	153 868
Pražská teplárenská a.s.	-	120 194
Jakabovič, Ivan Ing.	23 796	22 107
EOP & HOKA s.r.o.	-	10 210
United Energy Trading, a.s.	-	8 842
Czech Energy Holding, a.s.	-	6 830
J&T FINANCE, LLC	2 268	6 189
J&T GLOBAL SERVICES LIMITED	19 079	4 152
J&T Bank & Trust Inc.	101 417	-
Others	14 918	20 319
Total	***913 630***	***1 784 600***

X...................the company was not a related party at the period end.

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

30.6.2012:
Companies included in the group "Others":
ABS Property Limited, BRUBESCO LIMITED, Equity Holding, a.s., J&T BFL Anstalt, J&T Cafe, s.r.o., J&T Capital Management Anstalt, J&T Concierge, s.r.o., J&T FINANCE GROUP, a.s., organizační složka, J&T FINANCE, a.s., J&T FINANCE, LLC, J&T Global Finance I., B.V., J&T Global Finance II., B.V., J&T GLOBAL MANAGEMENT, s.r.o., 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 MANAGEMENT LIMITED, J&T Securities, s.r.o., J&T Sport Team ČR, s.r.o., KHASOMIA LIMITED, KOTRAB ENTERPRISES LIMITED, KPRHT 3, s.r.o., První zpravodajská a.s., RIGOBERTO INVESTMENTS LIMITED, TECHNO PLUS a.s., Tkáč, Jozef Ing.

31.12.2011:
Companies included in the group "Others":
J&T GLOBAL SERVICES LIMITED, J&T Global Finance I., B.V., J&T SECURITIES MANAGEMENT LIMITED, Energetický a průmyslový holding, a.s., První energetická, a.s., Bauliga a.s., Honor Invest, a.s, J&T Investment Pool - I - SKK, a.s., Českomoravský uzenářský holding, a.s., ABS Property Limited, J&T Concierge, s.r.o., Masna Holding Limited, J&T FINANCE, a.s., KHASOMIA LIMITED, J&T Investment Pool - I - CZK, a.s., Tkáč, Jozef Ing., J&T FINANCE GROUP, a.s., organizační složka, J&T INTEGRIS GROUP LIMITED, J&T Concierge SR, s.r.o., J&T FINANCIAL INVESTMENTS LIMITED, J&T Capital Management Anstalt, SEDILAS ENTERPRISES LIMITED, KPRHT 3, s.r.o., TECHNO PLUS a.s., J&T GLOBAL MANAGEMENT, s.r.o., J&T BFL Anstalt, Equity Holding, a.s., J&T Private Investments B.V., J&T Global Finance II., B.V., United Energy a.s., SOR Libchavy spol. s r.o., J&T Securities, s.r.o., J&T MINORITIES PORTFOLIO LIMITED

(in thousands of Czech crowns – TCZK)

36. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(c) Income and expenses

	Income		Expenses	
Period ended as at 30 June	**30.6.2012**	**30.6.2011**	**30.6.2012**	**30.6.2011**
J&T Private Equity B.V.	576 423	17 151	560 369	7 902
J&T FINANCE GROUP, a.s.	81	51	10 600	6 689
J&T Management, a.s.	80	69	5 993	7 378
J&T FINANCE, a.s.	178	8 722	144	14
J&T Bank Switzerland, Ltd.	863	28	3 683	2 061
J&T FINANCIAL INVESTMENTS LIMITED	19 476	2 797	19 533	39
Energetický a průmyslový holding, a.s.	-	67 245	-	34 525
J&T SECURITIES MANAGEMENT LIMITED	48 125	1 088	47 153	1 435
J&T Global Finance II., B.V.	39 986	316	1	-
Others	4 787	3 300	1 505	6 560
Total	***689 999***	***100 767***	***648 981***	***66 603***

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.

30.6.2011:
Companies included in the group "Others":
ABS Property Limited,Bauliga a.s., Czech Energy Holding, a.s., Českomoravský uzenářský holding, a.s., Energotrans, a.s., EOP & HOKA s.r.o, Equity Holding, a.s., Geodezie Brno, a.s, Honor Invest, a.s., J&T BFL Anstalt, J&T Capital Management Anstalt, J&T Concierge SR, s.r.o., J&T GLOBAL SERVICES LIMITED, J&T IB and Capital Markets, a.s., J&T INTEGRIS GROUP LIMITED, J&T INVESTIČNÍ SPOLEČNOST, a.s, 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 Private Investments B.V, J&T Securities, s.r.o., Jakabovič, Ivan Ing., JTG Services Anstalt, KHASOMIA LIMITED, KPRHT 3, s.r.o., Masna Holding Limited, Pražská teplárenská a.s., První energetická, a.s., První zpravodajská a.s., RIGOBERTO INVESTMENTS LIMITED, SEDILAS ENTERPRISES LIMITED, SOR Libchavy spol. s r.o., TECHNO PLUS a.s., Tkáč, Jozef Ing., United Energy a.s., United Energy Trading, a.s.

(in thousands of Czech crowns – TCZK)

36. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

(d) Loan commitments

	30.6.2012	31.12.2011
Jakabovič, Ivan Ing.	6 784	5 825
Others	3 914	4 481
Total	***10 698***	***10 306***

30.6.2012:
J&T Cafe, s.r.o, J&T Concierge, s.r.o. , Tkáč, Jozef Ing

31.12.2011:
Companies included in the group "Others":
Tkáč, Jozef Ing., J&T Concierge, s.r.o.

(e) Guarantees and collateral

Granted guarantees	30.6.2012	31.12.2011
J&T Management, a.s.	6 466	6 507
Others	1 410	2 912
Total	***7 876***	***9 419***

30.6.2012:
Companies included in the group "Others":
Jakabovič, Ivan Ing., Tkáč, Jozef Ing.

31.12.2011:
Companies included in the group "Others":
Jakabovič, Ivan Ing., První zpravodajská a.s., Tkáč, Jozef Ing.

Received guarantees	30.6.2012	31.12.2011
J&T FINANCE GROUP, a.s.	25 640	25 800
J&T Global Finance I., B.V.	186 992	15 080
Total	***212 632***	***40 880***

Received collateral	30.6.2012	31.12.2011
KPRHT 3, a.s.	38 305	12 167
Total	***38 305***	***12 167***

36. Related parties - General (continued)

(I) Parent and Subsidiaries (continued)

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

30.6.2012:

BAYSHORE MERCHANT SERVICES INC.
Bresco Financing Sarl
DANILLA EQUITY LIMITED
FVE Napajedla s.r.o. (Kokusai CzechSol One (1) s.r.o.)
FVE Němčice s.r.o. (Kokusai CzechSol Two (2) s.r.o.)
FVE Slušovice s.r.o. (Kokusai CzechSol Three (3) s.r.o.)
INTEGRIS FUNDS LIMITED
J & T Capital, Sociedad Anonima de Capital Variable
J&T Advisors (Canada) Inc.
J&T Private Investments II B.V.

31.12.2011:

BAYSHORE MERCHANT SERVICES INC.,
BRUBESCO LIMITED
DANILLA EQUITY LIMITED
EAST BOHEMIA ENERGY HOLDING LIMITED
EKY III, a.s.
IBI FUND ADVISORY S.A.
INTEGRIS FUNDS LIMITED
J & T Capital, Sociedad Anonima de Capital
Variable
J&T Advisors (Canada) Inc.
J&T Bank & Trust (Barbados) Corporation
PRVNÍ MOSTECKÁ a.s.
Reatex a.s.
SOR Bulgaria EOOD
SOR Poland z o.o.
SOR SLOVAKIA, s.r.o
Teplo Neratovice spol. s r.o.
Termonta Praha a.s.
United Energy Coal Trading, a.s.
United Energy Invest a.s.
United Energy Moldova, s.r.o.
V A H O s.r.o.

(in thousands of Czech crowns – TCZK)

36. Related parties – General (continued)

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

	30.6.2012	31.12.2011
Provided loans	20 704	23 050

Loans to employees of the Group as at 30 June 2012 amounted to TCZK 216 948 (2011: TCZK 18 424). 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:

	30.6.2012	31.12.2011
Receivables	1 046 149	808 229
Payables	2 133 214	265 714
Income	337 223	63 071
Expenses	342 485	14 772
Loan commitments	70 492	18 532
Granted guarantees	20 165	16 624
Collateral received	266 823	691 708

Allowances for loan losses includes allowances to receivables from Related parties – Key management personnel of the entity or its parent of TCZK 0 (2011: TCZK 0).

37. 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:

	30.6.2012	31.12.2011
Receivables	1 976 053	51 305
Payables	202 951	3 443
Income	54 959	73 563
Expenses	25 850	10 121
Collateral received	-	51 037

Allowances for loan losses includes allowances to entities with special relationship of TCZK 0 (2011: TCZK 0)

(in thousands of Czech crowns – TCZK)

38. 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 the CNB. 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.

39. 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:

	30.6.2012	**31.12.2011**
Non-financial organisations	34 109 868	32 327 190
Financial organisations	2 426 466	1 720 430
Households	2 514 687	2 424 016
Other	27 339	112 225
Total	***39 078 360***	***36 583 861***

(in thousands of Czech crowns – TCZK)

39. Credit Risk (continued)

(b) Concentration of loans to customers by industry:

	30.6.2012	31.12.2011
Financial activities	19 288 366	17 555 235
Real estate activities	9 590 432	12 391 076
Manufacturing	1 828 072	1 098 147
Accommodation and food service activities	66 778	70 322
Transporting and storage	530 969	466 115
Advertising and market research	1 225 439	322 650
Private households and employed persons	570 362	1 325 477
Construction	2 471 331	660 163
Mining and quarrying, agriculture	13 140	120 373
Wholesale and retail trade	849 836	651 980
Production and distribution of electricity, gas and heat	818 178	412 301
Other	1 825 457	1 510 022
Total	***39 078 360***	***36 583 861***

(c) Concentration of loans to customers by location:

	30.6.2012	31.12.2011
Czech Republic	8 925 320	11 476 622
Cyprus	14 465 456	14 059 788
Great Britain	1 365 329	893 274
Slovakia	11 341 454	9 151 515
Netherlands	640 484	8 019
Ireland	49 756	57 209
Russia	1 555 671	937 344
Luxemburg	227 824	-
British Virgin Islands	503 878	-
Liechtenstein	-	3
Others	3 188	87
Total	***39 078 360***	***36 583 861***

(in thousands of Czech crowns – TCZK)

39. Credit Risk (continued)

(d) Credit risk associated with financial assets

As at 30 June 2012

	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements - customers
Financial assets at amortised cost individually:				
Gross amount	-	-	3 244 830	209 806
Impairment	-	-	(905 839)	(10 793)
Carrying amount	-	-	2 338 991	199 013
Financial assets at amortised cost collectively:				
Gross amount	-	-	1 595 094	-
Impairment	-	-	(38 461)	-
Carrying amount	-	-	1 556 633	-
Financial assets not impaired:				
Neither past due nor impaired:	***5 891 429***	***2 104 487***	***29 416 711***	***5 486 812***
Past due not impaired:	***-***	***-***	***80 140***	***-***
to maturity date	-	-	604	-
up to 1 month	-	-	9 546	-
1 month to 6 months	-	-	53 251	-
6 months to 12 months	-	-	1	-
more than 12 months	-	-	16 738	-
Neither past due nor impaired with a sign of impairment:				
Gross amount	-	-	3 441 789	-

Assets classified as "Neither past due nor impaired with a sign of impairment" represent the loans with a sign of impairment whose net present value of expected cash-flow exceeds their carrying value and therefore no provision has been created.

(in thousands of Czech crowns – TCZK)

39. Credit Risk (continued)

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

As at 31 December 2011

	Loans to banks	**Repurchase agreements – financial institutions**	**Loans and advances to customers**	**Repurchase agreements - customers**
Financial assets at amortised cost individually:				
Gross amount	-	-	4 217 684	-
Impairment	-	-	(1 205 257)	-
Carrying amount	-	-	3 012 427	-
Financial assets at amortised cost collectively:				
Gross amount	-	-	965 258	-
Impairment	-	-	(27 914)	-
Carrying amount	-	-	937 344	-
Financial assets not impaired:				
Neither past due nor impaired:	***8 290 268***	***800 033***	***32 230 639***	***7 439 480***
Past due not impaired:	***-***	***-***	***46 657***	***-***
to maturity date	-	-	29 546	-
up to 1 month	-	-	246	-
1 month to 6 months	-	-	10	-
6 months to 12 months	-	-	-	-
more than 12 months	-	-	16 855	-
Neither past due nor impaired with a sign of impairment:				
Gross amount	-	-	2 517 529	-

Assets classified as "Neither past due nor impaired with a sign of impairment" represent the loans with a sign of impairment whose net present value of expected cash-flow 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)

39. Credit Risk (continued)

(e) Collateral and credit enhancements for financial assets

	Carrying value 30.6.2012	Fair value 30.6.2012	Carrying value 31.12.2011	Fair value 31.12.2011
Neither past due nor impaired:	**32 557 418**	**42 768 772**	**29 502 292**	**38 342 633**
Guarantees	3 541 993	5 176 309	2 768 017	2 768 017
Acceptances of bills of exchange	1 320 538	7 370 667	877 626	6 962 608
Mortgages	8 182 779	10 336 171	8 285 187	10 934 529
Cash pledges	841 972	841 972	562 931	564 682
Pledges – securities	5 357 756	6 020 021	3 888 214	3 490 359
Other – pledges	4 001 463	3 712 715	2 549 631	3 045 580
Securities received under reverse repo transaction	9 310 917	9 310 917	10 570 686	10 576 858

	Carrying value 30.6.2012	Fair value 30.6.2012	Carrying value 31.12.2011	Fair value 31.12.2011
Past due but not impaired:	**26 220**	**30 450**	***47 309***	***47 309***
Guarantees	-	-	-	-
Acceptances of bills of exchange	333	333	-	-
Mortgages	25 706	29 614	47 244	47 244
Cash pledges	-	-	-	-
Pledges – securities	-	-	-	-
Other – pledges	181	503	65	65
Securities received under reverse repo transaction	-	-	-	-
Impaired:	**2 937 470**	***3 010 712***	***915 570***	***894 634***
Guarantees	93 221	93 221	-	-
Acceptances of bills of exchange	-	-	27 367	35 302
Mortgages	2 281 012	2 343 851	800 514	800 514
Cash pledges	-	-	46 961	46 961
Pledges – securities	268 763	279 817	-	-
Other – pledges	72 671	72 020	40 728	11 857
Securities received under reverse repo transaction	221 803	221 803	-	-

Only bills of exchange with aval of a 3rd party were accepted as security of loans by the Bank. 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.

(f) Carrying value of financial assets that were renegotiated

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

(g) 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.

39. Credit Risk (continued)

(g) Credit risk processes (continued)

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 daily 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.

(h) 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.

(i) 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 year:

	30.6.2012	**31.12.2011**
Decrease of the trading portfolio value due to a rating migration by one credit class	85 294	52 082

(in the Standard & Poor's scale)

The increase in analysis results above reflects the y/y increase in the volume of portfolio formed by interest bearing financial instruments.

39. Credit Risk (continued)

(j) 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 size of this haircut is assigned to every instrument.
2. Should the current collateralization of the customer portfolio fall below the 30 percent 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 2012, the Group recorded customer trades totalling TCZK 1 633 147 (2011: TCZK 0).

40. 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 Czech 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. Stress Scenarios moreover model the situation that the Group has to use its own sources to larger extent in order to overcome a critical period when common sources are extremely limited.

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 or 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)

40. Liquidity risk (continued)

Liquidity risk of liquidity relevant instruments as of 30 June 2012:

	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	1 762 372	1 762 375	938 240	-	-	-	824 135
Due from financial institution	7 995 915	8 099 908	7 544 077	260 229	43 860	251 742	-
Investment securities (without derivatives)	32 330 793	36 973 812	1 142 532	3 730 539	20 198 829	8 157 282	3 744 630
Loans and advances to customers	39 078 360	46 175 952	15 834 270	5 233 796	16 309 090	8 770 037	28 759
Total	***81 167 440***	***93 012 047***	***25 459 119***	***9 224 564***	***36 551 779***	***17 179 061***	***4 597 524***
Off balance							
Granted promises	1 829 645	1 829 645	1 451 156	48 400	330 089	-	-
Granted other guarantees	718 508	718 508	42 289	542 772	98 462	-	34 985

	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	(13 120 194)	(13 138 094)	(4 751 538)	(950 694)	(7 410 926)	-	(24 936)
Amounts owed to customers	(60 160 436)	(61 726 171)	(21 344 965)	(28 457 020)	(11 903 177)	(21 009)	-
Issued subordinated liabilities	(1 006 629)	(1 529 763)	(5 361)	(40 708)	(217 577)	(1 266 117)	-
Total	***(74 287 259)***	***(76 394 028)***	***(26 101 864)***	***(29 448 422)***	***(19 531 680)***	***(1 287 126)***	***(24 936)***

Stress test

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

	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	39 078 360	46 147 192	13 914 163	6 024 700	16 956 069	9 017 476	234 784

This scenario did not take into account that a significant part of the Group's deposits is stable and that the Group has the possibilities to realize collateral or to refinance projects. These factors would significantly reduce the liquidity risk of the Group. Loans that are already in the process of refinancing negotiation are presented according the expected date of refinancing.

(in thousands of Czech crowns – TCZK)

40. Liquidity risk (continued)

Liquidity risk of liquidity relevant instruments as of 31 December 2011:

	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 (Liquidity Risk)
Assets							
Cash and balance with the central bank	1 492 655	1 492 658	558 612	-	-	-	934 046
Due from financial institution	9 090 602	9 198 246	8 886 994	8 307	44 134	258 811	-
Investment securities (without derivatives)	24 146 564	25 751 009	73 936	2 587 773	12 489 354	7 061 580	3 538 366
Loans and advances to customers	36 583 861	43 239 663	15 095 994	6 935 634	15 946 502	5 233 468	28 065
Total	***71 313 682***	***79 681 576***	***24 615 536***	***9 531 714***	***28 479 990***	***12 553 859***	***4 500 477***
Off balance							
Granted promises	1 490 249	1 490 249	865 592	288 707	205 566	130 384	-
Granted other guarantees	793 915	793 915	178 302	472 689	110 609	-	32 315

	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 (Liquidity Risk)
Liabilities							
Amounts owed to banks	(9 110 230)	(9 134 775)	(8 505 083)	(629 692)	-	-	-
Amounts owed to customers	(55 023 567)	(56 397 210)	(26 920 092)	(20 864 381)	(8 610 512)	(2 225)	-
Issued subordinated liabilities	(1 009 564)	(1 614 032)	(32 518)	(3 743)	-	(1 577 771)	-
Total	***(65 143 361)***	***(67 146 017)***	***(35 457 693)***	***(21 497 816)***	***(8 610 512)***	***(1 579 996)***	***-***

Amounts owed to customers include depository notes of TCZK 90 681 (2011: TCZK 91 923) distributed according to their maturity (Note 18).

Stress test

	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	36 583 861	42 068 138	14 707 320	6 472 810	15 614 969	5 244 974	28 065

In 2011 the figures of the Bank's branch were omitted in calculating gross nominal Inflow/(outflow) in the liquidity risk table in the lines “Loans and advances to customers” and “Amounts owed to customers”. These figures were included and adjusted in the calculation for 2011 in the IFRS notes as at 30 June 2012.

(in thousands of Czech crowns – TCZK)

41. 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 42 and Note 43, 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 backtesting on a daily basis for market risk by applying a method of hypothetical backtesting.

The VaR statistics as of 30 June 2012 and 31 December 2011 are as follows:

	30.6.2012	**31.12.2011**
VaR market risk overall	*41 690*	*70 233*
VaR interest rate risk (general risk)	*24 275*	*77 847*
VaR FX risk	*29 154*	*22 122*
VaR stock risk	*6 194*	*4 838*
VaR commodity risk	*1 310*	*607*

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.

	30.6.2012	**31.12.2011**
Change in the fair value of the trading portfolio due to historic shock scenario		
short-term scenario	40 467	64 993
medium-term scenario	40 467	64 993
long-term scenario	81 778	96 538

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

Details on interest rate risk are presented in note 42.

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.

41. 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)	**30.6.2012**	**31.12.2011**
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	10,50	5,68

The change caused increasing debt securities of investments portfolio.

(in thousands of Czech crowns – TCZK)

42. 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 reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are zero-interest-bearing are grouped together in the "maturity undefined" category.

Interest rate risk exposure as at 30 June 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	1 601 316	-	-	161 056	1 762 372
Investment securities	15 361 562	11 011 721	2 306 891	3 807 279	32 487 453
Investment held for sale	-	-	-	821 500	821 500
Due from financial institutions	7 078 820	-	-	917 095	7 995 915
Loans and advances to customers	34 218 880	2 657 157	1 939 880	262 443	39 078 360
Tangible and intangible assets	-	-	-	422 860	422 860
Deferred tax	-	-	-	4 154	4 154
Prepayments, accrued income and other assets	1	-	-	761 310	761 311
Tax assets	-	-	-	10 315	10 315
Total assets	***58 260 579***	***13 668 878***	***4 246 771***	***7 168 012***	***83 344 240***
Liabilities					
Amounts owed to banks	5 542 778	7 576 081	-	1 335	13 120 194
Amounts owed to customers	48 267 604	11 013 817	-	879 015	60 160 436
Negative fair value of derivatives used for trading	85 756	2 147	-	1 804	89 707
Subordinated liabilities	637 429	-	369 200	-	1 006 629
Deferred tax liability	-	-	-	49 611	49 611
Accruals, provisions and other liabilities	-	-	-	2 848 514	2 848 514
Share capital	-	-	-	3 358 127	3 358 127
Retained earnings, translation reserve and treasury shares	-	-	-	2 711 022	2 711 022
Total liabilities and equity	***54 533 567***	***18 592 045***	***369 200***	***9 849 428***	***83 344 240***
Net interest rate risk position	**(3 849 069)**	**2 652 914**	**3 877 571**	**(2 681 416)**	**-**
Cumulative interest rate risk	**(3 849 069)**	**(1 196 155)**	**2 681 416**	**-**	**-**

Amounts owed to customers include depository notes of TCZK 90 681 (2011: TCZK 91 923) distributed according their maturity (Note 18).

(in thousands of Czech crowns – TCZK)

42. Interest rate risk (continued)

Interest rate risk exposure as at 31 December 2011 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	1 359 091	-	-	133 564	1 492 655
Investment securities	13 592 588	4 176 310	1 408 827	5 054 963	24 232 688
Due from financial institutions	8 884 202	-	206 400	-	9 090 602
Loans and advances to customers	31 909 121	3 237 302	1 304 694	132 744	36 583 861
Tangible and intangible assets	-	-	-	427 057	427 057
Deferred tax	-	-	-	28 807	28 807
Prepayments, accrued income and other assets	-	-	-	646 331	646 331
Tax assets	-	-	-	55 882	55 882
Total assets	***55 745 002***	***7 413 612***	***2 919 921***	***6 479 348***	***72 557 883***
Liabilities					
Amounts owed to banks	9 110 128	-	-	102	9 110 230
Amounts owed to customers	46 308 414	8 100 762	-	614 391	55 023 567
Negative fair value of derivatives used for trading	292 288	3 349	142	-	295 779
Subordinated liabilities	640 364	-	369 200	-	1 009 564
Deferred tax liability	-	-	-	-	-
Accruals, provisions and other liabilities	312 104	-	-	1 571 387	1 883 491
Share capital	-	-	-	3 358 127	3 358 127
Retained earnings, translation reserve and treasury shares	-	-	-	1 877 125	1 877 125
Total liabilities and equity	***56 663 298***	***8 104 111***	***369 342***	***7 421 132***	***72 557 883***
Net interest rate risk position	**(918 296)**	**(690 499)**	**2 550 579**	**(941 784)**	**-**
Cumulative interest rate risk	**(918 296)**	**(1 608 795)**	**941 784**	**-**	**-**

(in thousands of Czech crowns – TCZK)

43. 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 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	776 451	4 518	659 934	321 469	1 762 372
Due from financial institutions	4 632 334	2 232 008	807 160	324 413	7 995 915
Loans and advances to customers	11 834 227	1 539 768	23 879 805	1 824 560	39 078 360
Investment securities	15 949 346	1 994 300	13 633 857	909 950	32 487 453
Investment held for sale	821 500	-	-	-	821 500
Prepayments, accrued income and other assets	685 933	311 791	130 432	70 484	1 198 640
Total	***34 699 791***	***6 082 385***	***39 111 188***	***3 450 876***	***83 344 240***

Liabilities	**CZK**	**USD**	**EUR**	**Other**	**Total**
Amounts owed to banks	3 230 930	1 451 787	7 679 772	757 705	13 120 194
Amounts owed to customers	41 539 001	291 322	16 690 372	1 639 741	60 160 436
Issued subordinated bonds	373 347	-	633 282	-	1 006 629
Accruals, provisions, other liabilities and equity	8 137 741	278 073	580 982	60 185	9 056 981
Total	***53 281 019***	***2 021 182***	***25 584 408***	***2 457 631***	***83 344 240***
Long position off-balance sheet:					
items from derivative transactions	23 003 995	442 366	3 831 518	532 401	**27 810 280**
items from spot transactions with share instruments	189 414	611 066	1 412 653	2 861	**2 215 994**
Short position off-balance sheet:					
items from derivative transactions	3 122 300	4 712 500	18 837 117	1 084 949	**27 756 866**
items from spot transactions with share instruments	2 142 824	41 349	26 477	2 902	**2 213 552**
Open position asset/(liability)	***(652 943)***	***360 786***	***(92 643)***	***440 656***	***55 856***

(in thousands of Czech crowns – TCZK)

43. Foreign exchange risk (continued)

As at 31 December 2011, 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	717 410	5 925	689 442	79 878	1 492 655
Due from financial institutions	5 149 461	2 319 534	1 302 655	318 952	9 090 602
Loans and advances to customers	15 098 222	1 589 380	18 736 638	1 159 621	36 583 861
Investment securities	15 055 777	1 975 705	6 189 635	1 011 571	24 232 688
Prepayments, accrued income and other assets	856 525	141 300	97 113	63 139	1 158 077
Total	***36 877 395***	***6 031 844***	***27 015 483***	***2 633 161***	***72 557 883***

Liabilities	**CZK**	**USD**	**EUR**	**Other**	**Total**
Amounts owed to banks	6 397 602	1 621 265	220 928	870 435	9 110 230
Amounts owed to customers	37 092 381	285 096	16 379 095	1 266 995	55 023 567
Issued subordinated bonds	372 937	-	636 627	-	1 009 564
Accruals, provisions, other liabilities and equity	6 563 762	258 483	545 168	47 109	7 414 522
Total	***50 426 682***	***2 164 844***	***17 781 818***	***2 184 539***	***72 557 883***
Long position off-balance sheet:					
items from derivative transactions	15 917 218	430 912	3 074 867	639 892	**20 062 889**
items from spot transactions with share instruments	92 958	31	10 645	-	**103 634**
Short position off-balance sheet:					
items from derivative transactions	3 052 102	4 328 729	12 452 365	444 175	**20 277 371**
items from spot transactions with share instruments	90 189	10 647	2 848	-	**103 684**
Open position asset/(liability)	***(681 402)***	***(41 433)***	***(136 036)***	***644 339***	***(214 532)***

(in thousands of Czech crowns – TCZK)

44. Capital adequacy and capital management

Regulatory Capital	**30.6.2012**	**31.12.2011**
Core capital (Tier 1)	4 966 570	4 709 116
Supplementary capital (Tier 2)	990 073	1 052 425
Total regulatory capital after deductible items	***5 956 643***	***5 761 541***

Capital requirements

	30.6.2012	**31.12.2011**
Credit risk of investment portfolio	3 593 088	3 323 735
Credit risk of trading portfolio	252 739	146 039
General interest risk	91 066	101 490
General equity risk	6 701	5 382
Capital requirement for currency risk	60 788	47 386
Capital requirement for commodity risk	10 384	12 167
Capital requirement for operating risk	202 874	179 891
Total capital requirements	***4 217 640***	***3 816 090***

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 the Czech National Bank amounting to TEUR 24 215 (TCZK 620 873; 2011: TCZK 624 747) and TCZK xxx (2011: 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

	30.6.2012	**31.12.2011**
	$8\% \times \frac{5\,956\,643}{4\,217\,640}$	$8\% \times \frac{5\,761\,541}{3\,816\,090}$
Capital adequacy ratio	**11,30%**	**12,08%**

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)

44. 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% (11% for the end of the year) 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.

45. 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 and Due from financial institutions: Fair value is calculated based on discounted expected future cash flows of principal and interest using the appropriate yield curve. 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.

	30.6.2012		**31.12.2011**	
	Estimated fair value	**Carrying value**	**Estimated fair value**	**Carrying value**
Financial assets				
Cash and balances with central banks	1 760 240	1 762 372	1 492 515	1 492 655
Due from financial institutions	7 976 216	7 995 915	9 018 511	9 090 602
Loans and advances to customers	38 564 155	39 078 360	36 584 792	36 583 861
Investment securities	33 118 609	33 152 293	23 971 735	24 146 564
Positive fair value of derivatives	156 660	156 660	86 124	86 124
Financial liabilities				
Amounts owed to banks	12 548 548	13 120 194	8 481 294	9 110 230
Amounts owed to customers	60 882 740	60 160 436	55 598 887	55 023 567
Negative fair value of derivatives	89 707	89 707	295 779	295 779
Issued subordinated bonds	1 033 443	1 006 629	1 025 954	1 009 564

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)

46. Acquisitions and disposals of subsidiaries

In the period 2012 there were not any new acquisitions of subsidiaries.

Acquisitions

NEW SUBSIDIARIES	Date of acquisition	Cost	Cash outflow	Contribution to capital
J&T INVESTIČNÍ SPOLEČNOST, a.s.	1.1.2011	100 997	100 997	-
J&T ASSET MANAGEMENT, INVESTIČNÍ SPOLEČNOST, a.s.	2.9.2011	48 283	48 283	-
ATLANTIK finanční trhy, a.s.	5.9.2011	334 000	334 000	-
J&T IB and Capital Markets, a.s.	3.11.2011	1 918	1 918	-
J&T BANK ZAO	29.11.2011	401 549	31 549	370 000
Total		***886 747***	***516 747***	***370 000***

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

	31.12.2011
Cash and balances with central banks	411 365
Due from financial institutions	4 183
Investment securities at fair value through profit or loss	850 906
Investment securities available for sale	39 638
Investment securities held to maturity	23 273
Loans and advances to customers	1 229 639
Property and equipment	7 742
Intangible assets	44 128
Current tax asset	6 583
Prepayments, accrued income and other assets	505 435
Derivative financial instruments	(3 844)
Amounts owed to financial institutions	(837 744)
Amounts owed to customers	(927 660)
Current tax liabilities	(331)
Deferred tax liability	(8 569)
Accruals, provisions and other liabilities	(37 235)
Net identifiable assets and liabilities	61 342
Goodwill on acquisitions of new subsidiaries	189 715
Cost of acquisition	886 747
Consideration paid, satisfied in cash	(516 747)
Cash acquired	411 365
Net cash outflow	**(105 382)**
Profit since acquisition date	20 563
Profit of the acquired entities for all of 2011	945

In 2011, the Group acquired 100% of the shares in ATLANTIK finanční trhy, a.s. and J&T Investiční společnost, a.s., companies with their registered offices in the Czech Republic. ATLANTIK finanční trhy, a.s. is a leading non-banking securities trader and the fourth largest securities broker in the Czech Republic. J&T investiční společnost, a.s. specialises in individual asset management and provides investment advisory for private and corporate clients, municipalities and clients from the non-profit sector (for example, foundations and unions). As at the acquisition date the total assets of both companies amounted to TCZK 1 179 022 and their liabilities amounted to TCZK 1 117 680.

(in thousands of Czech crowns – TCZK)

46. Acquisitions and disposals of subsidiaries (continued)

Disposals of subsidiaries

J&T BANKA, a.s. sold its share in Bea Development, a.s.

	Date of disposal	Sale price	Cash inflow	Gain/(loss) on disposal
Bea Development, a.s.	27.12.2011	224 580	-	132 950
	Total	***224 580***	***-***	***132 950***

The maturity of the purchase price of the share in Bea Development, a.s. was extended by three months.

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

	31.12.2011
Cash and balances with central banks	19 807
Property and equipment	265 748
Intangible assets	10
Prepayments, accrued income and other assets	2 036
Amounts owed to financial institutions	(169 587)
Amounts owed to customers	(293)
Current tax liabilities	(93)
Deferred tax liability	(5 277)
Accruals, provisions and other liabilities	(14 917)
Sales price	224 580
Gain/(loss) on disposal	132 950
Cash disposed of	(19 807)
Net cash outflow	**(19 807)**

47. Subsequent events

The management of the Group is not aware of any events that have occurred since the date of issue of the consolidated financial statements that would have any material impact on the consolidated financial statements.