ANNUAL REPORT

2019

J&T FINANCE GROUP

PRESENTATION PART

FINANCIAL PART

TEXT PART OF THE ANNUAL REPORT

EUR 11.1 billion

THE GROUP’S BALANCE SHEET TOTAL REACHED A RECORD HIGH.

REPORT OF THE BOARD OF DIRECTORS

Dear clients, business partners, colleagues and friends,
We are pleased to share with you the results of J&T FINANCE GROUP SE ("JTFG", hereinafter the "Group") for the past twelve months and present the Group's strategic outlook for future years.

We believe that the past year was very successful, for a number of reasons. The Group managed to generate net profit in the amount of EUR 124.1 million, thus exceeding last year's profit level by 19%, while simultaneously increasing the balance sum to a record-breaking amount exceeding EUR 11 billion. We also managed to raise the bar in the area of asset management, where the value of assets under management increased to EUR 5.7 billion. Last but not least, we are pleased by the repeated successes of J&T funds. Last year, the J&T MONEY fund was again ranked first in the Mixed Fund category within the Investment of the Year competition organised by Fincentrum & Swiss Life Select. The J&T BOND fund was second in the same category.

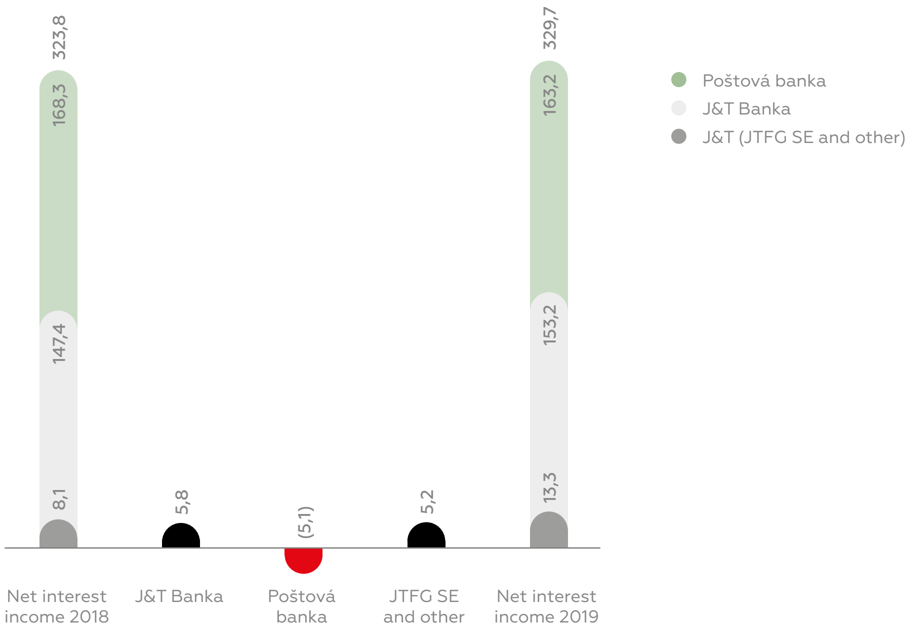
The past year was also a record-breaking year for J&T Bank as the Bank managed to achieve the highest net profit ever, both at the individual level (EUR 112.2 million) and at the level of the consolidated group (EUR 122.9 million). This year, J&T Bank again focused on mediating issues of debt securities. The Bank placed a total of 17 bond issues in an amount exceeding EUR 1 billion on the market, and thus confirmed its position as the largest arranger of corporate bond issues in the Czech Republic and Slovakia.

Poštová banka focused on strengthening its market position in 2019. It was successful in the field of consumer credit, where it recorded the greatest market share in new transactions for the month of April. Prvá penzijná's funds were also successful, as they ranked first in two different categories in the Top Fond Slovakia 2019 contest. Poštová banka also took advantage of its previous innovation projects, thanks to which it is now a modern financial institution. 365.bank, which was first introduced to the public in January and became the most popular digital bank in its target group during the first quarter, was also very successful.

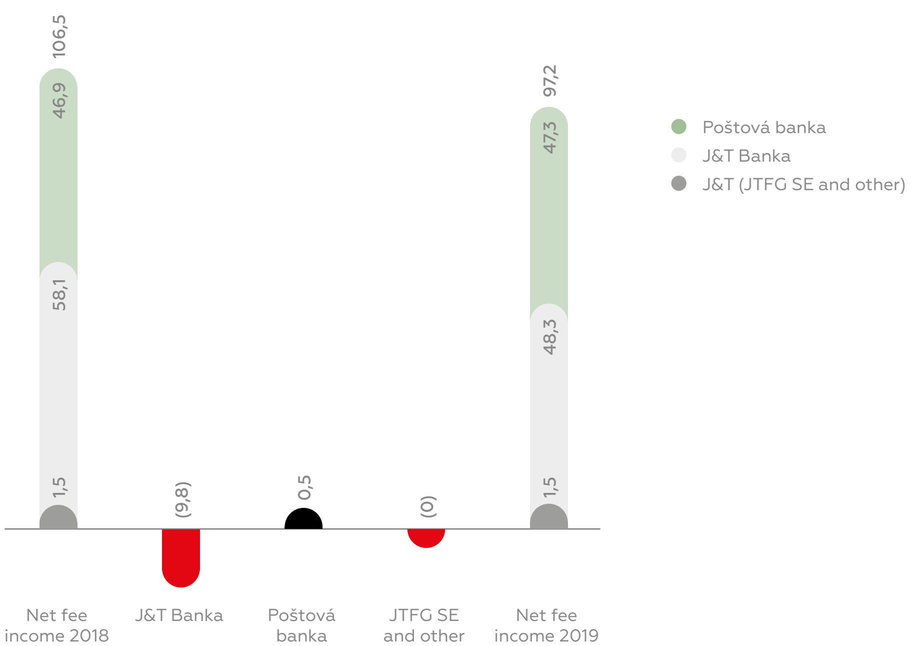
In addition to the development of activities on the domestic market in the Czech and Slovak Republics, the Group also seeks new opportunities abroad. The long-term challenge is to increase its share on the Russian market, where the Group strives to use its know-how in the area of private banking, corporate financing and mergers and acquisitions. In the first half of 2019, the Group successfully integrated Bankhaus Erbe, a Moscow bank acquired in 2018. The acquisition of Moskovskij Neftechimiceskij Bank was completed in the second half of the year; the Group thus expanded not only its portfolio in Russia, but also acquired a new branch in Saint Petersburg. The Group thus completed the third successful acquisition and subsequent integration over the past three years.

J&T FINANCE GROUP SE assumes its social responsibility and considers it a substantial part of its corporate culture. Because we want others to benefit from our successes, we make regular donations to support art, sports and culture. The cultural institutions we support include, among others, Czech Philharmonic Orchestra, Rudolfinum Gallery and Moravian Gallery. When it comes to sports, we once again provided auspices for the J&T Bank Prague Open tennis tournament and we helped organise the prestigious J&T Bank CSI Olomouc show-jumping competition. In Slovakia, we supported cultural projects in the areas of folklore and financial literacy at elementary and secondary schools through Poštová banka's foundation, and also traditionally provided support to children from socially disadvantaged families and to organisations such as Jednota dôchodcov Slovenska (Slovak Senior Association) and Radošinské naivné divadlo (Radošina Naive Theatre). In addition, we extended our portfolio of CSR activities to include #dobrosanosi (#itfitswell) and Na každej škole záleží (Every school matters) projects. The first project focused on supporting a prospective student who received the proceeds from sale of used clothing provided by employees of Poštová banka. The second project was co-operation with the Comenius Institute, where we prepared workshops for teachers in the Banská Bystrica region. Because of great interest shown by the teachers, the project is being extended to other regions.

NET INTEREST INCOME / 2019 vs 2018 (EUR MILLION)



NET FEE AND COMMISSION INCOME / 2019 vs 2018 (EUR MILLION)



We also honour our commitment towards society and the environment in which we operate; therefore, we help combat the pandemic that is paralysing the world as we speak, and that has quarantined a large part of the population. In co-operation with the EPH Group, the Group allocated EUR 8 million for the purchase of protective equipment and medical material which were donated to the Czech and Slovak Republics and distributed among healthcare and social facilities in co-operation with crisis teams in the two countries. Over a million surgical masks, hundreds of thousands of respirators, dozens of thousands of protective suits, glasses and tests were already supplied during the months of March and April 2020. We believe that the material and financial resources provided by us to the Czech Republic and Slovakia will help those in need.

Last but not least, we would like to thank you, the clients and business partners of the Group, for your trust and interest in our services, as well as the Group's employees for their work, which is the cornerstone of our success. We believe we will manage the challenges that await us in the upcoming months and years together, and that the future holds not only threats, but also opportunities for further joint growth.

STRATEGY AND FURTHER DIRECTION OF THE GROUP

The objective of JTFG as a bank holding is to strategically support the development of four main pillars of its business and utilise mutual synergies. These pillars include asset management, investment, corporate and retail banking.

At a time of ever faster changing trends throughout the economy, we are aware that it is extremely important to maintain the key values on which our success is historically based, for the future success of the Group. These values include high standards, partnership and courage. Therefore, we strive to maintain and develop this corporate culture and values even in the long-term increase in the number of employees and extension of the Group's areas of competence.

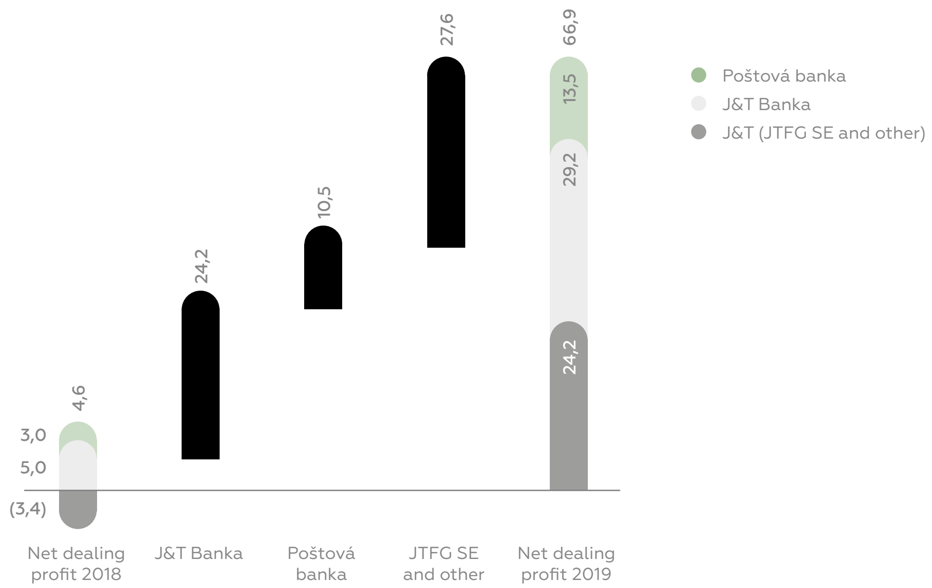
J&T Bank

In connection with the previous periods of dynamic growth in the balance sum, the Bank's strategy in 2019 was to concentrate on stabilisation and optimisation of the structure of assets and liabilities and thus focus on transactions with an appropriate risk profile and return, all that due to the decreasing interest margins and increasing regulatory requirements. In 2019, three basic factors played the main role in the development of the loan portfolio, namely a sufficient volume of financial resources, the Bank's capital amount and the ability to seek investment opportunities complying with the Bank's internal criteria for the quality of loans. In accordance with the development of the loan portfolio, the Bank optimised the deposit base in terms of volume, product structure and tenor in order to maintain stable values of the Loan-To-Deposit ratio as well as compliance with regulatory and internal requirements on a sufficient liquidity cushion.

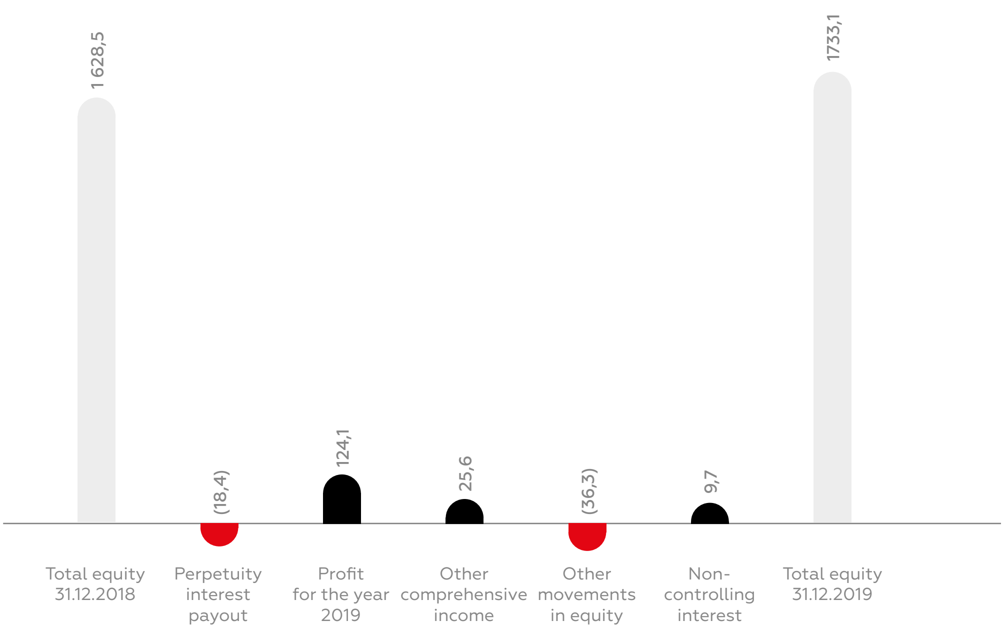
The steps taken reflected positively in the decrease in the ratio of non-performing exposures to the total loan portfolio, which decreased year-on-year from 9.08% in 2018 to 5.27%. The prudence in the Bank's business was also reflected in its capital capacity; the capital adequacy indicator reached 18.28% (in 2018: 17.26%). This proves that the Bank is sufficiently equipped with capital in the long term, meets all the limits set by the Czech National Bank and has an adequate capital reserve for the planned development also for the following years.

The bank was also active on financial markets. In the spring, the Bank presented two new funds from the J&T family – J&T Rentier FUND and J&T Dividend FUND, which managed to collect assets exceeding EUR 100 million during the first nine months of their existence. There was also a significant increase in the share of transactions carried out by the Bank in the total volume of transactions carried out on the Prague Stock Exchange, reaching almost 14% (10.6% in 2018).

NET DEALING PROFIT / 2019 vs 2018 (EUR MILLION)



TOTAL EQUITY DEVELOPMENT / 2019 vs 2018 (EUR MILLION)



The Bank continued to invest in information systems and technologies, primarily in order to improve the quality and extend the services offered to clients, comply with legislative and regulatory requirements and ensure availability and security of the information technologies. Despite the fact that private banking is based primarily on a personal and individual approach, it is clear – especially in the current situation – that investments in digitalisation and the ability to serve the client remotely and to the full extent must not be overlooked.

Although the financial markets were unexpectedly affected by the viral pandemic at the beginning of 2020, the Bank's goals remain unchanged. The Bank continues to focus on improving its client relationships and learning about the clients' needs as well as strengthening the Bank's position as an investment advisor, rather than just as a mediator in the world of interesting investments. In this context, now more than ever, we realise the importance of the cornerstones on which our business is based – trust and mutual knowledge following from long-term co-operation. An individual approach and long-term partnership with clients prove to be an advantage in these situations.

Poštová banka
In Poštová banka, we feel that our role is to provide comprehensive services in the area of retail banking. Poštová banka is a universal bank with more than 25 years of experience on the Slovak market and a stable position among the largest market players. The retail banking segment is, in its substance, highly competitive, which aids the development of innovations. We are convinced that the only way for Poštová banka to improve its market position in the area of retail banking in the long term is through innovative and functional technologies, in combination with attractive products and effective marketing.

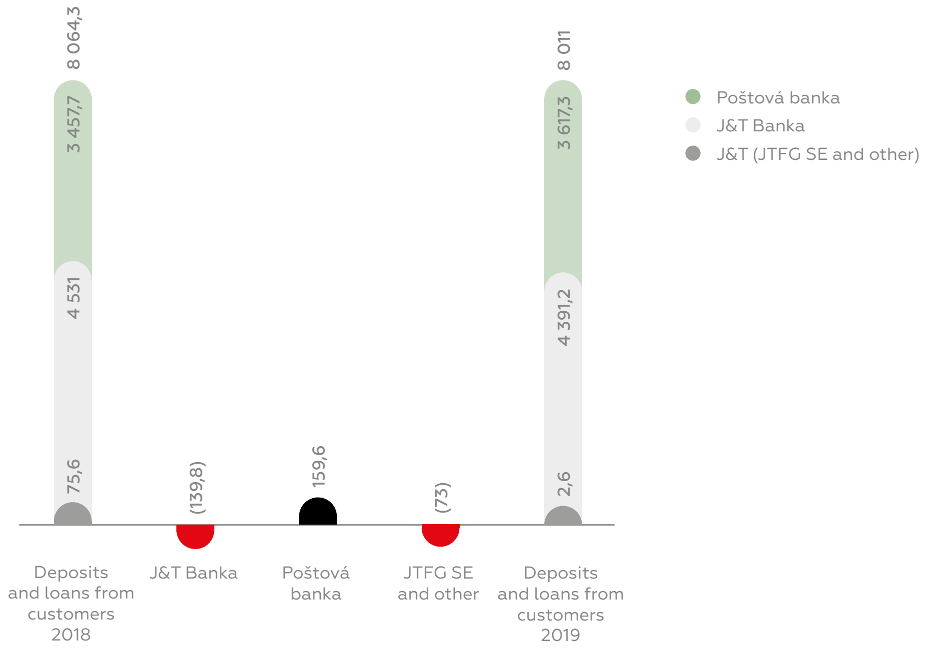
In the spirit of this strategy, Poštová banka invests significantly in digitalisation of the banking services it offers. Now it is one of the market leaders and its electronic solutions include a wide range of financial products, whether it be contactless withdrawals from ATMs, voice biometrics or payments using smart devices. Poštová banka's clients can now easily make payments using any device supporting Google Pay or Apple Pay and, as the first bank on the Slovak market, Poštová banka also offered payments using Garmin Pay and Fitbit Pay watches. 365.bank, a subsidiary of Poštová banka, is also upgrading its operations in terms of modern banking solutions, and has already acquired almost 30 thousand clients.

In the course of 2020, Poštová banka will continue its efforts in digitalisation and will work on becoming a digital financial company for everyone: for those who prefer personal contact with the bank, as well as for clients who are more keen on smart solutions and having their bank in their mobile phone. However, customer experience and activities aimed at its improvement continue to be of key importance.

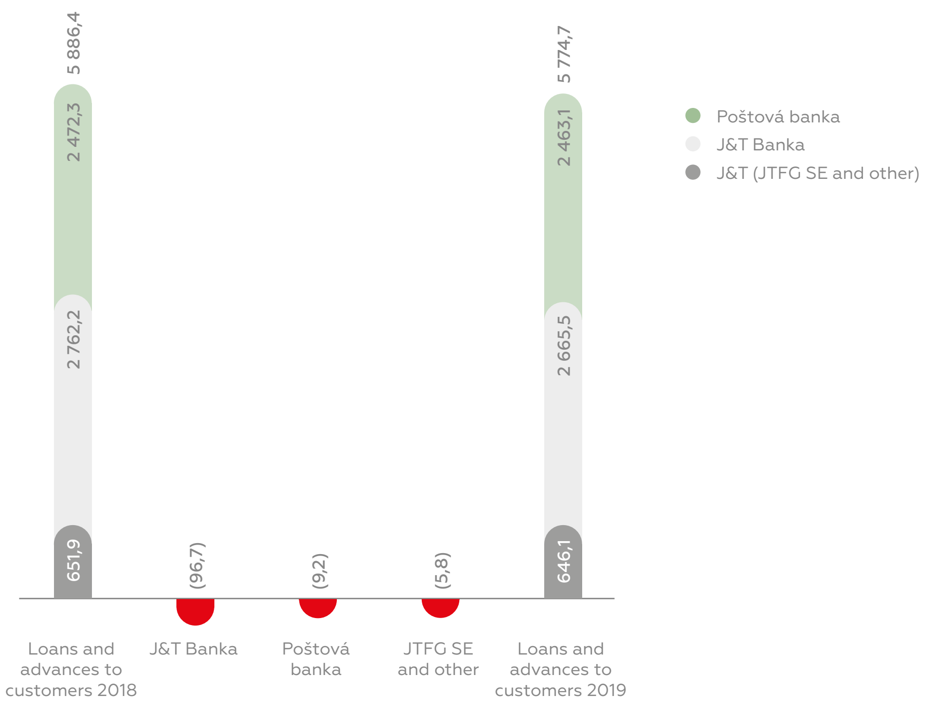
We expect the year 2020 to be challenging for Poštová banka due to economic cooling and the bank levy. This year was supposed to be the last year when Slovak banks would be required to pay the levy. Instead, the banks will have to pay a levy of 0.4% of the value of selected assets indefinitely. Poštová banka has been taking active steps to minimise the impact of this tax.

Amidst all this, the markets were further affected by the coronavirus pandemic. Even though Poštová banka has to pay additional millions of Euros to the State, it has decided to help entrepreneurs and households. Businesses with a turnover not exceeding one million Euros can take advantage of interest-free loans up to EUR 10 thousand with the possibility of deferring instalments by up to six months. The bank has also allocated EUR 10 million for households, which will be provided in the form of zero-interest loans with instalments postponed by up to 9 months.

DEPOSITS AND LOANS FROM CUSTOMERS / 2019 vs 2018 (EUR MILLION)



LOANS AND ADVANCES TO CUSTOMERS / 2019 vs 2018 (EUR MILLION)



REPORT ON FINANCIAL ACTIVITIES OF THE GROUP:

Consolidated profit and loss statement

In 2019, the Group attained profit after tax in the amount of EUR 124.1 million at the consolidated level, while in 2018, the net profit equalled EUR 104.3 million. This year's result thus represents a year-on-year increase of 19%.

The most important revenue item of the profit and loss statement is Net interest income, which increased by EUR 5.9 million to the value of EUR 329.7 million compared to 2018. This resulted in an increase in interest revenues by EUR 16.9 million to EUR 429.0 million, which exceeded the increase in interest costs by EUR 11.1 million to the current value of EUR 99.4 million. In terms of absolute change, the J&T Bank Group recorded the most significant year-on-year increase in Net interest income (EUR 5.8 million) in spite of the increasing interest costs.

The Group's net fee and commission income reached EUR 97.2 million in 2019, which represents a year-on-year decrease of EUR 9.3 million. The reason for this drop are the growing costs of fees equalling EUR 10.5 million, which were not sufficiently compensated by the increased fee and commission income in the amount of EUR 1.2 million. The decrease in Group's net fee and commission income can be attributed primarily to the J&T Bank group, which, although it defended its first position among the arrangers of corporate bonds in 2019, failed to achieve the high aspirations of 2018.

In the past year, the net dealing profit had a significantly higher impact on the total performance of the Group compared to 2018. While the net dealing profit reached EUR 4.6 million in 2018, this item amounted to EUR 66.9 million in 2019, primarily as a result of positive revaluation of Financial assets at fair value into profit and loss.

In the area of total costs (excluding write-downs on loans), there was an increase equalling EUR 404.6 million, which represents a year-on-year-year change of EUR 111.9 million (38%). This development was brought about primarily by impairment in the value of goodwill by EUR 20.0 million and impairment in the value of intangible assets by EUR 47.7 million; these decisions were adopted by the Group, in particular, in response to the increase and prolongation of the bank levy in Slovakia, which had a negative impact on the planned results of the Poštová banka group. Personnel costs, which increased by EUR 17.6 million (14%) within the Group compared to 2018, represented another significant cost item, mainly due to an increase in the number of the Group's employees. With regard to adjustments and provisions, the net value of EUR 8.2 million was dissolved (2018: net profit in the amount of EUR 65.2 million), which reflected, inter alia, the improvement of the quality of the Group's credit portfolio, primarily the portfolio of J&T Bank.

Balance sheet

The consolidated equity capital of the Group reached EUR 1,733.1 million at the end of 2019, which represents a year-on-year increase of EUR 104.6 million. The increase in equity capital was caused primarily by the creation of net profit in the amount of EUR 124.1 million, the most significant decrease in equity was caused by the payment of dividends in the amount of EUR 36.2 million, and the payment of revenues from subordinated unsecured revenue certificates in the amount of EUR 18.4 million. The total balance sum of the Group reached a record-breaking amount of EUR 11.1 billion as of 31 December 2019.

On a year-on-year basis, the total deposits and loans from customers decreased by EUR 53.3 million and amounted to EUR 8,011.1 million at the end of 2019. This decrease was attributable primarily to the J&T Bank group, which intentionally decreased the volume of deposits within a liquidity optimisation process; on the other hand, the Poštová banka group managed to increase its deposit base. In addition, the total deposits and loans from banks within the Group grew by EUR 77.1 million, where almost the entire volume increase was related to REPO operations.

A year-on-year decrease was also recorded in the total volume of loans and advances to customers, decreasing from EUR 5,886.4 million to EUR 5,774.7 million, which represents a year-on-year decrease of 1.9%, caused primarily by a decrease in the corporate portfolio. On the other hand, the volume of the retail portfolio increased thanks to Poštová banka's focus on the provision of loans to households. Loans and advances to banks decreased by EUR 3.7 million. As of 31 December 2019, their volume was EUR 331.6 million.

Financial results – the J&T Bank Group[1]
The year 2019 brought a record-breaking profit for J&T Bank, both on individual and consolidated levels. Not only did the Bank confirm its ability to maintain the level of profitability from the previous periods, but it also generated the highest net profit after tax in its history, which equalled EUR 112.2 million (2018: EUR 59.8 million); the J&T Bank group attained profit of EUR 122.9 million (2018: EUR 81.0 million), thus exceeding the amount of 2018 by more than 50%.

At the end of the year, the balance sum of the J&T Bank group reached EUR 5,971.0 million, which represents an increase of 2.3% compared to the end of 2018.

In the past year, the J&T Bank group focused on optimisation of the structure of assets and liabilities with emphasis on transactions with an appropriate risk profile and return rate. As a result of this strategy, the development of the loan portfolio showed a year-on-year decrease of EUR 91.8 million to a total of EUR 2,688.7 million (2018: EUR 2,780.5 million). At the same time, the volume of client deposits decreased by EUR 117.7 million compared to the previous year, to EUR 4,508.1 million. However, despite the decrease in the volume of deposits, the total number of the Group's deposit clients stabilised, equalling 67,289 at the end of 2019. Since the trend in the development of client receivables and liabilities was similar, there was only a minor year-on-year change in the key Loan-to-Deposit Ratio, which decreased just under 60%.

The equity capital of the J&T Bank group recorded a year-on-year growth of EUR 99.2 million and equalled EUR 846.7 million at the end of 2019. The profit of the current year, which is part of the equity capital, contributed substantially to this development. Sufficient capital amount will enable the Group to grow and develop also in the coming years. The capital adequacy ratio on a consolidated basis was 16.48% at the end of the year.

The dominant component of the J&T Bank Group's operating profit consists of net interest revenues and net profit from fees and commissions. Despite the year-on-year decrease in client deposits, the Bank recorded an increase in interest costs by 19.4%, which in absolute terms equals to growth from CZK 10.1 million to EUR 62.4 million. Yet, the volume of interest revenues increased by CZK 16.2 million, which resulted in an 8.1% increase in the interest revenue equalling EUR 216.7 million.

The revenues from fees and commissions reflected the impact of the Bank's activities in the area of issuing corporate bonds and sale of other investment products. To a large degree, the J&T Bank Group managed to repeat the successful result of 2018, when the profit from fees increased by almost 40%. The net profit from fees in 2019 reached EUR 54.4 million, representing 88% of the value of 2018.

Net profit from trading, which amounted to EUR 25.6 million in 2019 (2018: EUR 7.4 million) had a significant impact on the increased operating profit. Its development on a consolidated level in each year reflects the development of exchange rates of the Czech crown vis-à-vis RUB, USD and EUR, revaluation of securities, as well as profit from trading with securities.

[1] Balance sheet items were converted from CZK to EUR using exchange rates published by the Czech National Bank as of the last day of the relevant year and the items in the profit and loss statement were converted using the average exchange rate for the relevant year.

In 2019, the operating costs increased by 12.7%, reaching total amount of EUR 116.4 million, especially due to the increase in personnel costs. The net change in allowances for impairment of financial assets represents a revenue of EUR 25.2 million (2018: cost of EUR 26.8 million).

Financial results – Poštová banka group
The consolidated net profit of Poštová banka group reached EUR 37.9 million in 2019, which represents a 30.2% decrease compared to the result achieved in 2018. This decrease was caused primarily by higher depreciation related to repositioning of Poštová banka, which increased by EUR 7.5 million in the past year, amounting to EUR 20.5 million, and personnel costs, which increased by EUR 8.6 million, representing a 16.5% year- on-year increase. Lower interest revenues, caused by a decrease in interest rates to a historical minimum, also had an adverse effect. A major part of the decrease in the consolidated profit was attributable to the subsidiary start-up, Amico Finance, which currently focuses on the growth of its client base, but does not generate sufficient income that would cover the increased costs. Lower creation of allowances for impairment of loans, reflecting a better client portfolio, had a positive impact on the results of the Poštová banka group.

Last year, the Poštová banka group recorded an increase in total assets amounting to EUR 4,411.3 million, which represents an increase of EUR 95.9 million. The initiated repositioning of Poštová banka was fully reflected in the growth of loans to households. The main growth factor were mortgage loans with a net value of EUR 402 million, which exceeded their last year's amount by 37%. Furthermore, Poštová banka managed to increase the volume of consumer credit, the net value of which reached EUR 805 million at the end of the year, representing a year-on-year increase of 3.2%.

The volume of investments in subsidiaries also increased from the viewpoint of Poštová banka, especially due to the acquisition of Amico Finance, which was added to the portfolio of the Poštová banka group in the last quarter of 2018. Amico Finance soon became the market leader in the production of non-banking loans and number two in hire-purchase products.

The long-term focus of Poštová banka on retail clients has also had a positive effect in respect to liabilities. The volume of deposits of the Poštová banka group recorded an increase to EUR 3,659.7 million, which represents a year-on-year increase of EUR 57.2 million. This increase was affected, among other things, by an increase in the number of clients of 365.bank, which recorded almost 30 thousand clients at the end of the year.

A slight year-by-year decrease was recorded in the Group's capital adequacy ratio – the share of Tier 1 capital in risk-weighted assets decreased from 16.53% to 16.44%. In spite of the slight decrease, the Group significantly exceeded the minimum required capital.

COVID-19 Pandemic
The first quarter of 2020 was significantly affected by the sudden spread of viral disease COVID-19, which the World Health Organisation (WHO) identified as a global pandemic on 11 March 2020.

In response to the health risks and rapid spreading of the virus, local governments adopted a number of restrictive measures which negatively affected the vast majority of markets, regardless of their sectoral characteristics or geographical location, and forced many businesses to reduce or completely stop production. There was a significant decrease in the global stock exchanges, often exceeding 30%. During the very creation of this text, stock indexes are recovering to some extent, but it is still very difficult to predict the economic development in the short and medium terms.

We continue to monitor the development of the disease, as well as the regulations and recommendations of the Government and governmental authorities. In response to the current unprecedent situation, we had to introduce a number of measures to protect the health of our employees. Many of them were allowed to work from home. We created working groups to minimise the chance of employees meeting one another. We provide transport and protective equipment to colleagues whose nature of work does not allow them to stay at home. The objective of these measures was to enable the Group's employees safe performance of their work duties, but also to maintain smooth operation of the Group and provide its clients with high-level services and care to which they are accustomed.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF J&T FINANCE GROUP SE

Opinion

We have audited the accompanying consolidated financial statements of J&T FINANCE GROUP SE ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 46 Non adjusting events after the end of reporting period to the consolidated financial statements, which describes a significant non-adjusting event after the reporting date, related to the recent outbreak of the COVID-19 pandemic, and includes the management's assessment of the potential effects thereof on the Group's operations, financial position and performance. Our opinion is not modified in respect of this matter.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and individual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

– the other information describing matters that are also presented in the consolidated and individual financial statements is, in all material respects, consistent with the consolidated and individual financial statements; and
– the other information has been prepared in accordance with applicable laws and regulations

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board, in collaboration with Audit Committee, is responsible for the oversight of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– dentify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of J&T FINANCE GROUP SE as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague, 22 May 2020

KPMG Česká republika Audit

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

Ondřej Fikrle	Jindřich Vašina
Partner	Partner
	Registration number 2059

EUR 122.9 million

J&T BANKA ATTAINED ITS HIGHEST EVER CONSOLIDATED PROFIT IN 2019.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of EUR	Note	2019	2018
Interest income calculated using effective interest rate	6	425,945	406,152
Other interest income	6	3,097	5,898
Interest expense	6	(99,387)	(88,228)
Net interest income		**329,655**	**323,822**
Fee and commission income	7	136,012	134,841
Fee and commission expense	7	(38,854)	(28,344)
Net fee and commission income		**97,158**	**106,497**
Net dealing profit	8	66,868	4,626
Total revenues		**493,681**	**434,945**
Gain on a bargain purchase	5.1	5,303	–
Other operating income	9	57,175	60,886
Total income		**556,159**	**495,831**
Personnel expenses	10	(139,135)	(121,547)
Depreciation and amortisation	27, 28	(45,482)	(32,229)
Goodwill impairment	27	(20,033)	–
Impairment of property, plant and equipment and intangible assets	27, 28	(47,651)	57
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	24	8,190	(65,151)
Net impairment losses of financial assets except loans, loan commitments and financial guarantees	24	(6,354)	–
Other operating expenses	11	(145,941)	(138,975)
Total expenses		**(396,406)**	**(357,845)**
Profit from operations		**159,753**	**137,986**
Profit from equity accounted investees		4,986	1,441
Profit before tax		**164,739**	**139,427**
Income tax expense	12	(40,633)	(35,142)
Profit for the period		**124,106**	**104,285**
Attributable to:			
Equity holders of the parent		123,903	102,609
Non-controlling interests		203	1,676
Profit for the period		**124,106**	**104,285**

The notes presented on page 28 to page 139 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of EUR	2019	2018
Profit for the period	**124,106**	**104,285**
Other comprehensive income - items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	23,469	(20,157)
Debt instruments measured at fair value through other comprehensive income - Net change in fair value	541	(1,939)
Debt instruments measured at fair value through other comprehensive income - Net amount transferred to profit or loss	(19)	13
Share of other comprehensive income of equity accounted investees	578	(7)
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at fair value through other comprehensive income - Net change in fair value	1,025	946
Other comprehensive income for the period, net of income tax	**25,594**	**(21,144)**
Total comprehensive income for the period	**149,700**	**83,141**
Attributable to:		
Equity holders of the parent	149,148	81,938
Non-controlling interests	552	1,203
Total comprehensive income for the period	**149,700**	**83,141**

The notes presented on page 128 to page 139 form an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 22 May 2020.

Signed on behalf of the Board of Directors:

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

in thousands of EUR	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	13	2,479,300	2,452,858
Financial assets for trading	14.1	164,655	212,945
Hedging derivatives	15	523	28
Investment securities measured at fair value through profit or loss	16	330,852	227,608
Investment securities at fair value through other comprehensive income	17	848,081	767,095
Investment securities at amortised cost	18	554,315	439,755
Disposal group held for sale	19	5,803	10,387
Loans and advances to banks	20	331,561	335,274
Loans and advances to customers	21, 22.2	5,774,720	5,886,444
FV changes of portfolio of hedged instruments - Loans and advances to customers		965	869
Trade receivables and other assets	23	105,679	121,288
Current tax assets		2,761	1,060
Investments in equity accounted investees	25	52,529	23,120
Investment property	26	132,602	144,670
Intangible assets	27	55,921	126,636
Property, plant and equipment	28	193,238	140,006
Deferred tax assets	35.2	33,947	21,178
Total assets		**11,068,452**	**10,911,221**
Liabilities			
Trading liabilities	14.2	27,390	9,248
Hedging derivatives	15	9,420	5,609
Deposits and loans from banks	29	313,878	236,755
Deposits and loans from customers	30	8,011,086	8,064,338
Debt securities issued	31	458,545	533,365
Subordinated debt	32	24,999	32,712
Other liabilities	33	441,619	351,750
Current tax liability		12,136	11,801
Provisions	34	30,088	31,812
Deferred tax liabilities	35.2	6,198	5,376
Total liabilities		**9,335,359**	**9,282,766**
Equity			
Share capital		574,138	574,138
Share premium		93,577	93,577
Retained earnings and other reserves		1,005,395	911,085
Equity attributable to equity holders of the parent	**36**	**1,673,110**	**1,578,800**
Non-controlling interests	37	59,983	49,655
Total equity		**1,733,093**	**1,628,455**
Total equity and liabilities		**11,068,452**	**10,911,221**

The notes presented on page 28 to page 139 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of EUR	Note	Share capital	Share premium
Balance as at 1 January 2019		**574,138**	**93,577**
Profit for the period		–	–
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		–	–
Foreign exchange translation differences		–	–
Debt instruments measured at fair value through other comprehensive income – Net change in fair value		–	–
Debt instruments measured at fair value through other comprehensive income – Net amount transferred to profit or loss		–	–
Share of other comprehensive income of equity accounted investees		–	–
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		–	,–
Equity instruments measured at fair value through other comprehensive income – Net change in fair value		–	–
Other comprehensive income for the period, net of tax		**–**	**–**
Total comprehensive income for the period		**–**	**–**
Dividends		–	–
Change in non-controlling interests without a change in control	37	–	–
Total transaction with owners of the Company, recognised directly in equity		**–**	**–**
Effect of disposals of subsidiaries	5.2	–	–
Distributions related to other capital instruments	36	–	–
Transfer to legal and other reserve funds	36	–	–
Balance as at 31 December 2019		**574,138**	**93,577**

See Note 36. Shareholders' equity and Note 37. Non-controlling interests

Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
33,723	**(53,125)**	**303,140**	**627,347**	**1,578,800**	**49,655**	**1,628,455**
–	–	–	123,903	123,903	203	124,106
–	23,673	558	–	24,231	338	24,569
–	23,095	–	–	23,095	374	23,469
–	–	577	–	577	(36)	541
–	–	(19)	–	(19)	–	(19)
–	578	–	–	578	–	578
–	–	991	23	1,014	11	1,025
–	–	991	23	1,014	11	1,025
–	**23,673**	**1,549**	**23**	**25,245**	**349**	**25,594**
–	**23,673**	**1,549**	**123,926**	**149,148**	**552**	**149,700**
–	–	–	(35,325)	(35,325)	(951)	(36,276)
–	–	–	(1,077)	(1,077)	10,727	9,650
–	**–**	**–**	**(36,402)**	**(36,402)**	**9,776**	**(26,626)**
(1)	–	–	1	–	–	–
–	–	–	(18,436)	(18,436)	–	(18,436)
5,502	–	15	(5,517)	–	–	–
39,224	**(29,452)**	**304,704**	**690,919**	**1,673,110**	**59,983**	**1,733,093**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

in thousands of EUR	Note	Share capital	Share premium
Balance as at 31 December 2017		**574,138**	**93,577**
Impact of adopting IFRS 9 as at 1 January 2018		–	–
Restated balance as at 1 January 2018		**574,138**	**93,577**
Profit for the period			
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		–	–
Foreign exchange translation differences		–	–
Debt instruments measured at fair value through other comprehensive income – Net change in fair value		–	–
Debt instruments measured at fair value through other comprehensive income – Net amount transferred to profit or loss		–	–
Share of other comprehensive income of equity accounted investees		–	–
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		–	–
Equity instruments measured at fair value through other comprehensive income – Net change in fair value		–	–
Other comprehensive income for the period, net of tax		**–**	**–**
Total comprehensive income for the period		**–**	**–**
Dividends		–	–
Change in non-controlling interests without a change in control	37	–	–
Total transaction with owners of the Company, recognised directly in equity		**–**	**–**
Effect of disposals of subsidiaries	5.2	–	–
Distributions related to other capital instruments	36	–	–
Transfer to legal and other reserve funds	36	–	–
Balance as at 31 December 2018		**574,138**	**93,577**

The notes presented on page 28 to page 139 form an integral part of the consolidated financial statements.

Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
28,505	**(33,257)**	**310,528**	**601,907**	**1,575,398**	**73,222**	**1,648,620**
—	—	(6,461)	(49,953)	(56,414)	(637)	(57,051)
28,505	**(33,257)**	**304,067**	**551,954**	**1,518,984**	**72,585**	**1,591,569**
			102,609	102,609	1,676	104,285
—	(19,728)	(1,887)	—	(21,615)	(475)	(22,090)
—	(19,721)	—	—	(19,721)	(436)	(20,157)
—	—	(1,900)	—	(1,900)	(39)	(1,939)
—	—	13	—	13	—	13
—	(7)	—	—	(7)	—	(7)
—	—	944	—	944	2	946
—	—	944	—	944	2	946
—	**(19,728)**	**(943)**	**—**	**(20,671)**	**(473)**	**(21,144)**
—	**(19,728)**	**(943)**	**102,609**	**81,938**	**1,203**	**83,141**
—	—	—	—	—	(772)	(772)
—	—	—	1,119	1,119	(23,361)	(22,242)
—	**—**	**—**	**1,119**	**1,119**	**(24,133)**	**(23,014)**
—	(140)	—	—	(140)	—	(140)
—	—	—	(23,101)	(23,101)	—	(23,101)
5,218	—	16	(5,234)	—	—	—
33,723	**(53,125)**	**303,140**	**627,347**	**1,578,800**	**49,655**	**1,628,455**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of EUR	Note	2019	2018
Operating activities			
Profit before tax		**164,739**	**139,427**
Adjustments for:			
Depreciation and amortisation	27, 28	45,482	32,229
Change in impairment of property, plant and equipment and intangible assets	27, 28	47,651	(57)
Change in fair value of investment property, net		10,208	2,797
(Gain) / Loss on disposal of property, plant and equipment, intangible assets and investment property		(1,268)	279
Amortisation of deferred acquisition costs for insurance and clients' contracts		1,488	11
(Profit) / loss on disposal of subsidiaries and non-controlling interests	9, 11	267	(51)
(Profit) / loss on disposal of investment securities at fair value through other comprehensive income		(2,251)	(1,371)
(Profit) / loss on disposal of investment securities at amortised cost due to modification		2,009	–
Net interest income	6	(329,655)	(323,822)
Dividends income from equity instruments measured at FVOCI	8	(675)	(449)
(Decrease) / Increase in allowance for impairment of loans, loan commitments and financial guarantees	24	(8,190)	65,151
(Decrease) / increase in allowance for impairment of financial assets except loans, loan commitments and financial guarantees	24	6,354	–
Change in impairment of trade receivables and other assets	11	(902)	7,331
(Profit) / loss from equity accounted investees		(4,986)	(1,441)
Changes in provisions	34	(1,391)	1,210
Receivables written-off	11	11,143	4,436
(Gain) on a bargain purchase and goodwill impairment	5.1, 27	14,730	–
Unrealised foreign exchange (gains) / losses, net		(5,375)	(5,272)
Operating loss before changes in working capital		**(50,622)**	**(79,592)**
(Increase) / decrease in operating assets			
Change in financial assets for trading		73,264	(43,045)
Change in hedging derivative assets		(490)	288
Change in investment securities at fair value through profit or loss		(104,500)	14,302
Change in loans and advances to customers and banks		173,871	(744,707)
Change in trade receivables and other assets		18,005	29,497
Increase / (decrease) in operating liabilities			
Change in trading liabilities		18,062	(17,541)
Change in hedging derivative liabilities		3,811	1,871
Change in deposits and loans from banks and customers		(148,473)	181,513
Change in other liabilities		34,944	(10,714)
Cash generated from (used in) operations		**17,872**	**(668,128)**
Interest received		433,341	420,836
Interest paid		(80,004)	(83,905)
Income taxes paid		(53,908)	(34,886)
Cash flows generated from (used in) operating activities		**317,301**	**(366,083)**

in thousands of EUR	Note	2019	2018
Investing activities			
Purchase of financial instruments at fair value through other comprehensive income		(328,302)	(285,703)
Proceeds from sale of financial instruments at fair value through other comprehensive income		253,206	400,446
Purchase of financial instruments at amortised cost		(214,574)	(58,203)
Proceeds from financial instruments at amortised cost		102,340	27,481
Acquisition of property, plant and equipment, investment property and intangible assets		(49,082)	(27,169)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		14,564	4,647
Acquisition of subsidiaries, net of cash acquired	5.1	56,983	(6,990)
Acquisition of equity accounted investees		(16,030)	(21,284)
Capital contributions to equity accounted investees		(3,123)	—
Proceeds from assets held for sale		4,891	4,345
Net cash (outflow) inflow from disposal of subsidiaries	5.2	(251)	(1)
Dividends received		658	—
Cash flows generated from investing activities		**(178,720)**	**37,569**
Financing activities			
Proceeds from issued debt securities	31	189,173	169,192
Payments for buy-back of issued debt securities	31	(267,195)	(178,685)
Acquisition of non-controlling interests	37	11,612	—
Disposal of non-controlling interests		(1,962)	(22,242)
Subordinated debt paid	32	(13,100)	(24,970)
Payment of lease liabilities (principal) (under IAS 17 Payment for finance lease)		(11,421)	(29)
Bonus payments from other capital instruments		(18,436)	(23,101)
Dividends paid		(36,264)	(766)
Cash flows generated from / (used in) financing activities		**(147,593)**	**(80,601)**
Net decrease/increase in cash and cash equivalents		**(9,012)**	**(409,115)**
Cash and cash equivalents as at the beginning of the year	**13**	**2,453,105**	**2,866,695**
Effect of exchange rate fluctuations on cash held		35,466	(4,475)
Cash and cash equivalents as at the end of the year	**13**	**2,479,559**	**2,453,105**

The notes presented on page 28 to page 139 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Parent Company, its subsidiaries and interests in associates and joint ventures (together referred to as "the Group"). A list of the Group entities is provided in Note 47. Group entities.

The shareholders of the Company as at 31 December 2019 and 31 December 2018 were as follows:

	Interest in share capital in millions of CZK	Interest in share capital %	Voting rights (registered) in millions of CZK	Voting rights (registered) %
Ing. Jozef Tkáč	258,649	45,05	7,109	45.05
Ing. Ivan Jakabovič	258,649	45,05	7,109	45.05
Rainbow Wisdom Investment Limited	56,840	9,90	1,562	9.90
Total	**574,138**	**100,00**	**15,780**	**100.00**

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

The members of the Board of Directors were as at 31 December 2019 and 31 December 2018 as follows:
Ing. Jozef Tkáč - předseda
Ing. Ivan Jakabovič – místopředseda
Ing. Patrik Tkáč – místopředseda
Ing. Dušan Palcr – místopředseda
Ing. Gabriela Lachoutová – člen

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU"). The consolidated financial statements were approved by the Board of Directors on 22 May 2020.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for investment property, derivative financial instruments, financial assets and liabilities at fair value through profit or loss and investment securities at fair value through other comprehensive income, which are at fair value.

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. The accounting policies have been consistently applied by the Group enterprises and are consistent with those used in the previous year taking into account newly adopted IFRS (see below).

Financial statements prepared in compliance with International Financial Reporting Standards require various judgements, assumptions, and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and judgements made by management with a significant risk of material adjustment in the next year are discussed in Note 4. Critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2019, and have been applied in preparing the Group's consolidated financial statements.

- IFRS 16: Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model, i.e. to recognise assets and liabilities for all leases unless the lease term is 12 months or less containing no purchase option or the underlying asset has a low value. Lessor's accounting remains substantially unchanged from IAS 17.

  The impact of adopting IFRS 16 and related changes in accounting policies, including information regarding transition, is described in detail in Note 3. Significant accounting policies.

- IFRIC 23: Uncertainty over Income Tax Treatments addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation clarify how IFRS 9 classifies and measures particular financial assets that include contractual prepayment option and the accounting for financial liabilities following a modification.

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures clarify the accounting for financial instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Annual Improvements to IFRS Standards 2015-2017 Cycle containing the amendments to the following IFRSs: IFRS 3: Business Combinations (clarification of remeasurement of previously held interests in a joint operation upon obtaining control of it) and IFRS 11: Joint Arrangements (clarification of no remeasurement of previously held interests in a joint operation upon obtaining joint control of it), IAS 12: Income Taxes (clarification that all income tax consequences of dividends should be recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity), and IAS 23: Borrowing Costs (clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings).

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement are:
  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
  - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

These amendments, effective for the first time for the year ended 31 December 2019, did not have any material impact on the Group's consolidated financial statements unless stated otherwise above.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2019, and have not been applied in preparing these financial statements:

- IFRS 17: Insurance contracts (effective for annual periods beginning on or after 1 January 2022, with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfilment value instead of historical costs and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts as of 1 January 2022.

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020) contain amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after 1 January 2020) clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards.

- Amendments to IFRS 3: Definition of a Business (effective for annual periods beginning on or after 1 January 2020; not yet endorsed in the EU) change Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. In particular, they:
  - clarify an acquired set of activities and assets to be considered a business;
  - narrow the definitions of a business and of outputs;
  - add guidance and illustrative examples regarding acquisition of substantive process;
  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
  - add an optional concentration test.

- • Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The Group expects that these new standards amendments and interpretations, issued but not yet effective, will not have a material impact on the Group's consolidated financial statements unless stated otherwise above.

Other new International Financial Reporting Standards and Interpretations not yet due

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Associates

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

(iii) Joint ventures

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

(iv) Consolidation scope

There are 65 companies included in the consolidation as at 31 December 2019 (2018: 62). All fully consolidated companies prepared their annual financial statements at 31 December 2019. The companies are listed in Note 47. Group entities and this list is based on the ownership hierarchy.

(v) Transactions eliminated on consolidation

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

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

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

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

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

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

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

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

(b) Foreign currency

(i) Foreign currency transactions
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Group is Euro.

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid as at the statement of financial position date.

Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the fair values are determined.

(ii) Financial statements of foreign operations

The consolidated financial statements are presented in Euro, which is the Group's presentation currency.

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

(c) Financial instruments

The Group adopted IFRS 9 on 1 January 2018. The relevant policies applicable to financial instruments are described below.

(i) Classificatione

Financial assets

On initial recognition a financial asset is classified as measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which the financial asset is managed and the contractual cash flow characteristics of the instrument.

The classification of debt instruments is determined based on:

a) The business model under which the asset is held, and
b) The contractual cash flow characteristics of the instrument.

The Group makes an assessment of the objectives of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Group considers information such as the stated policies and objectives for the portfolio and the operation of those policies, the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed, how managers of the business are compensated, or the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The assessment of the contractual cash flow characteristics determines whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a lending arrangement, the SPPI test is not passed. When performing the SPPI test, the Group takes into consideration the following factors: non-standard interest rate, financial leverage, early repayment options, longer repayment options, non-recourse arrangement, contract-linked instruments, hybrid instruments, instruments purchased with a significant discount/premium.

The Group has more than one business model for managing its financial instruments, which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group defines business models as follows:
- "Hold and collect"
- "Hold, collect and sell"
- "Mandatorily at fair value"
- "Trading"
- "Fair value option"

The strategy "Hold and collect" has as an objective to hold financial assets in order to collect contractual cash flows of both principal and interest payments.

The strategy "Hold, collect and sell" has as an objective to both collect contractual cash flows and sell financial assets.

The strategy "Mandatorily at FV" is used for financial assets that are held for the purpose of holding and collecting or holding and collecting and selling, but that have not passed the SPPI test and cannot be measured at AC or FVOCI.

The strategy "Trading" has active trading as its objective. Assets for which this strategy is used are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

The strategy "Fair value option" is used for assets that are at initial recognition irrevocably designated as measured at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains and losses using different bases.

The assessment above being made, the financial assets are classified into one of the following measurement categories:

a) Financial assets at amortised cost (AC)
The relevant business model is to hold assets to collect contractual cash flows and the SPPI test is passed. Examples of such financial assets are loans, investment securities previously held to maturity or trade receivables. Expected credit losses ("ECL"; see below) are calculated and recognized in profit or loss for this category of financial assets. Foreign exchange ("FX") differences as well as interest revenues accrued using the effective interest rate ("EIR") method are also recognized in profit or loss.

b) Financial assets at fair value through other comprehensive income (FVOCI)
In order to be classified as FVOCI, the asset either i) meets the SPPI test and is held within the business model "Hold, collect and sell", which has the objective of both collecting contractual cash flows and selling the financial asset or ii) the asset is an equity instrument that does not meet the SPPI test but is not held for trading and the Group elected to measure such instrument at fair value through other comprehensive income.

Thus, there are two types of instruments that can be classified as FVOCI and the accounting treatment for these financial assets is different:

i) Debt instruments meeting the SPPI test within the business model "Hold, collect and sell"
Under this accounting treatment ECL are recognized in profit or loss and the changes in the fair value of the instrument are recognized in OCI. FX differences in relation to the amortised cost, including impairment, are recognized in profit or loss. Interest revenues calculated using EIR are recognized in profit or loss.

When the financial asset is derecognized, a gain or loss is recognized in profit loss as a result of reclassification of the gain or loss from OCI to profit or loss.

ii) Equity instruments not held for trading where the FVOCI option was elected
Under this treatment ECL are not calculated, as these assets are already measured at fair value and changes in fair value are recognized in other comprehensive income (OCI) and will not be reclassified to profit or loss upon disposal. FX differences are recognized in OCI as part of the revaluation reserve.

When the equity instrument is sold, the corresponding gain or loss remains in OCI.

Dividends from these financial assets are recognized in profit or loss.

c) Financial assets at fair value through profit or loss (FVTPL)
Financial assets that do not meet the conditions for being classified and measured under one of the two previous categories are classified and measured at fair value through profit or loss.

Financial assets that are acquired to be actively traded (trading business model) are also classified and measured at FVTPL.

Furthermore, an entity may at initial recognition irrevocably designate a financial asset to be measured at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains and losses using different bases.

For this category of assets ECL are not calculated and recognized. Changes is fair value are recognized in profit or loss. FX differences are recognized in profit or loss as well.

Financial liabilities
The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Liabilities are classified and measured at amortized cost, with the exception of:
- Financial liabilities held for trading including derivatives – these are measured at FVTPL;
- Financial liabilities that use the option to be measured at FVTPL at acquisition – designated at FVTPL.

In case of liabilities at FVTPL, the change in fair value resulting from a change in the Group's own credit risk is presented in OCI, while the remaining change in fair value is presented in profit or loss.

The following table provides a reconciliation between the line items in the statement of financial position and categories of financial instruments

31 December 2019

in thousands of EUR	Ref. to Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	13	–	–	–	–	2,479,300	2,479,300
Financial assets for trading	14.1	164,655	–	–	–	–	164,655
Investment securities measured at fair value through profit or loss	16	330,852	–	–	–	–	330,852
Investment securities measured at fair value through other comprehensive income	17	–	–	819,426	28,655	–	848,081
Investment securities at amortised cost	18	–	–	–	–	554,315	554,315
Loans and advances to banks	20	–	–	–	–	331,561	331,561
Loans and advances to customers	21	–	–	–	–	5,774,720	5,774,720
Trade receivables and other financial assets under risk management	23	–	–	–	–	60,107	60,107
Total financial assets		**495,507**	**–**	**819,426**	**28,655**	**9,200,003**	**10,543,591**
Trading liabilities	14.2	27,390	–	–	–	–	27,390
Deposits and loans from banks	29	–	–	–	–	313,878	313,878
Deposits and loans from customers	30	–	–	–	–	8,011,086	8,011,086
Debt securities issued	31	–	–	–	–	458,545	458,545
Subordinated debt	32	–	–	–	–	24,999	24,999
Other financial liabilities under risk management	33	–	–	–	–	435,859	435,859
Total financial liabilities		**27,390**	**–**	**–**	**–**	**9,244,367**	**9,271,757**

31 December 2018

in thousands of EUR	Ref. to Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	13	–	–	–	–	2,452,858	2,452,858
Financial assets for trading	14.1	212,945	–	–	–	–	212,945
Investment securities measured at fair value through profit or loss	16	225,592	2,016	–	–	–	227,608
Investment securities measured at fair value through other comprehensive income	17	–	–	741,035	26,060	–	767,095
Investment securities at amortised cost	18	–	–	–	–	439,755	439,755
Loans and advances to banks	20	–	–	–	–	335,274	335,274
Loans and advances to customers	21	2,485	–	–	–	5,883,959	5,886,444
Trade receivables and other financial assets under risk management	23	–	–	–	–	77,069	77,069
Total financial assets		**441,022**	**2,016**	**741,035**	**26,060**	**9,188,915**	**10,399,048**
Trading liabilities	14.2	9,248	–	–	–	–	9,248
Deposits and loans from banks	29	–	–	–	–	236,755	236,755
Deposits and loans from customers	30	–	–	–	–	8,064,338	8,064,338
Debt securities issued	31	–	1,925	–	–	531,440	533,365
Subordinated debt	32	–	–	–	–	32,712	32,712
Other financial liabilities under risk management	33	–	–	–	–	347,543	347,543
Total financial liabilities		**9,248**	**1,925**	**–**	**–**	**9,212,788**	**9,223,961**

(ii) Recognition

Financial instruments for trading, investment securities measured at fair value through profit and loss and investment securities measured at fair value through other comprehensive income are recognised on the date the Group commits to purchase the assets. Regular way purchases and sales of other financial assets including investment securities at amortised cost are accounted for on the settlement date.

Loans and advances to banks and customers are recognised on the day they are provided by the Group.

(iii) Measurement

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and advances to customers and investment securities at amortised cost. After initial recognition, financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

(iv) Fair value measurement principles

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

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in Note 38. Fair value information.

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

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

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

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

(v) Gains and losses on subsequent measurement

Gains and losses arising from changes in fair value are recognised in the income statement for instruments held for trading or measured at fair value through profit or loss and directly in other comprehensive income for instruments at fair value through other comprehensive income, except for impairment gains and losses, and foreign exchange gains and losses in the case of debt instruments. The cumulative gains or losses of debt instruments at fair value through other comprehensive income, previously recognised in other comprehensive income, are reclassified to profit or loss as a reclassification adjustment, when assets at fair value through other comprehensive income are derecognised. In the case of equity instruments, the cumulative gains or losses from investment securities at fair value through other comprehensive income remain in the revaluation reserve under IFRS 9, and are not reclassified to profit or loss anymore. Interest income and expenses, from debt instruments at fair value through other comprehensive income, are recorded in the Income statement by applying the effective interest rate method. Dividends from equity instruments at fair value through other comprehensive income are recognised in profit or loss. Refer to accounting policy (c) vii for accounting for gains and losses on subsequent measurement of hedges.

(vi) Derecognition

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

Investment securities at fair value through other comprehensive income, financial assets for trading and investment securities measured at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets.

Investment securities at amortised cost and loans and advances to banks and customers are derecognised on the day they are disposed of by the Group. If control over investment securities at amortised cost and loans and advances is passed to third parties, the carrying amount of disposed asset at amortised cost is first adjusted through creation or reversal of impairment in the income statement to the lower of selling price and gross value.

(vii) Hedge accounting

Upon initial application of IFRS 9 the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

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

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group considers hedging as highly effective if the changes in fair value relating to the hedged risk during the period covered compensate changes in the fair value of the hedging instrument in the range of 80% to 125%.

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

In case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss together with the changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line as the hedged item).

The Group uses fair value hedge to cover the foreign currency exposure to changes in the fair value of investment securities at fair value through other comprehensive income over the hedging period. The Group uses currency forwards as hedging instruments.

Furthermore, the Group uses hedging derivatives to hedge the fair value of fixed income bonds denominated in Euros. The Group entered into interest rate swaps to hedge the changes in fair value caused by changes in interest rates. The Group hedges as well the interest rate risk faced by a portfolio of fixed rate loans by the use of interest rate swaps.

(viii) Embedded derivatives

Hybrid financial instruments are a combination of non-derivative host contracts and derivative financial instruments (embedded derivatives). Subject to certain conditions, IAS 39 Financial Instruments: Recognition and Measurement requires that embedded derivative components be separated from the host contracts and separately carried at fair value with changes recorded in the income statement. Under IFRS 9 such separation applies only to liabilities.

(d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group includes into Cash and cash equivalents cash on hand, cash deposited with central banks (except for obligatory minimum reserves) and other short term highly liquid investments with original maturities of three months or less, such as Loans from reverse repurchase agreements with maturities of less than three months, Current account with banks and Loans and advances with original maturities of three months or less.

(e) Loans and advances to banks and customers

Loans and advances originated by the Group are classified and measured according to the criteria described in section (c). Loans and advances are reported net of impairment allowance (refer to accounting policy (h)).

The Group classifies all its receivables from clients into categories performing or non-performing laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: exposures which are more than 90 days past due; exposures where the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due or exposures that have been found credit-impaired (Stage 3), including purchased or originated credit-impaired assets as non-performing. Exposures are classified as performing when they are not classified as non-performing.

Forbearance
The Group treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of financial institutions prepared in accordance with IFRS.

Forbearance is an exposure where the Group decides, due to the debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of the terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g. postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not a result of the debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. In such case, the original financial asset is derecognized and a new financial asset is recognized at its fair value. The difference between the carrying amount of the derecognized asset and the fair value of the new asset is recognized in the consolidated income statement.

For all loans, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the consolidated income statement.

Details regarding the structure and quality of the credit portfolio are given in Note 41. Risk management policies and disclosures.

Individually assessed allowances
Based on regular reviews of the outstanding balances, specific allowances for loan expected credit losses are made for the carrying amount of loans and advances that are identified as individually significant.

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.

Collectively assessed allowances
Allowances are assessed collectively for expected credit losses on loans that are not individually significant.

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

(g) Offsetting

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

(h) Impairment

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

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

The 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. It also applies to loan commitments measured at amortised cost and financial guarantees measured at amortised cost (refer to accounting policy (p)).

For the purposes of ECL calculation, financial assets are categorized into three stages (Stage 1, 2,3). Financial assets that are impaired at the date of the initial recognition represent a separate category - Purchased or originated credit-impaired assets ("POCI"). At the date of the first recognition, the financial asset is included in Stage 1 or POCI. Subsequent reclassification is carried out according to the occurrence of a significant increase in credit risk (Stage 2) or impairment (default) of the asset (Stage 3).

Stage 1 (12-month ECL)

Financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition remain classified in Stage 1. For financial assets in Stage 1, 12-months expected credit losses are recognized. The expected 12-month credit losses result from the default events that are possible within 12 months after the reporting date. Interest revenue from these assets is calculated from the gross carrying amounts ("GCA"). An entity may determine that a financial asset's credit risk has not increased significantly if the asset has a low credit risk at the reporting date (further described below).

Stage 2 (lifetime ECL not credit-impaired)

This stage is applicable when the credit risk has increased significantly since initial recognition of the financial asset, but the asset is not credit-impaired. Lifetime ECLs are calculated for this stage, i.e. ECLs that result from all possible default events over the expected life of a financial instrument. Interest revenue from these assets is calculated from the GCA.

Stage 3 (lifetime ECL credit-impaired)
In Stage 3, the credit quality of a financial asset has significantly deteriorated (financial instruments that are considered to be in default). Lifetime expected credit losses are recorded for Stage 3, however, the interest revenue is calculated from the net amortised cost.

For trade receivables and contract assets without a significant financing component lifetime ECL measurement is used instead of the approaches described above.

Financial assets with low credit risk
The credit risk of a financial instrument is considered to be low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. However, collateral does not influence whether a financial instrument has a low credit risk.

Expected credit losses over the remaining life of a financial instrument are not recorded solely due to the fact that it was considered to be a low-risk financial instrument in the previous financial year but due to this assessment at the end of the reporting period. As of that date, the Group determines whether there has been a significant increase in credit risk since initial recognition and whether it is therefore necessary to report the expected credit losses over the lifetime of the instrument.

At the end of the reporting period the Group assesses individual items classified in Stage 1 with low credit risk and if they do not meet this characteristic, they are reclassified to the relevant stage.

Determining a significant increase in credit risk (SICR) from initial recognition
At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers the change in the risk of default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information (available without undue cost or effort) that is indicative of significant increases in credit risk since initial recognition.

If there has been a significant increase in credit risk since initial recognition, the exposure is included in Stage 2 and the lifetime ECL is estimated. If there has been no significant increase in credit risk since initial recognition, the exposure remains in Stage 1 (12-months ECL). If the exposure is in default, it is classified to Stage 3.

The assessment of significant increase in credit risk is based on an analysis of qualitative and quantitative factors (see below).

Qualitative factors considered in the assessment:
- The Group was forced to pay for the debtor’s obligation (guarantee payment),
- The nature of the project being financed has changed with a negative impact on the debtor's ability to generate cash flow,
- The debtor does not meet non-financial contractual obligations for more than six months.

Quantitative factors considered in the assessment

Credit risk deterioration is considered on the basis of a change in rating since initial recognition. The current rating is compared with the rating assigned at the time of initial recognition. In its major subsidiaries the Group uses its own internal rating models and a transition matrix in order to determine a significant increase in credit risk (based on movements between the grades, i.e. rating deterioration). The Group uses an internal rating system with 12 rating grades, the 13th grade being referred to as default:

		Current rating											
		1	2	3	4	5	6	7	8	9	10	11	12
Rating at initial recognition	1	1	1	1	2	2	2	2	2	2	2	2	2
	2	1	1	1	1	2	2	2	2	2	2	2	2
	3	1	1	1	1	2	2	2	2	2	2	2	2
	4	1	1	1	1	1	2	2	2	2	2	2	2
	5	1	1	1	1	1	1	2	2	2	2	2	2
	6	1	1	1	1	1	1	1	2	2	2	2	2
	7	1	1	1	1	1	1	1	1	2	2	2	2
	8	1	1	1	1	1	1	1	1	2	2	2	2
	9	1	1	1	1	1	1	1	1	1	2	2	2
	10	1	1	1	1	1	1	1	1	1	1	2	2
	11	1	1	1	1	1	1	1	1	1	1	1	2
	12	1	1	1	1	1	1	1	1	1	1	1	1

Signs of default

To determine whether a financial asset is in default, the Group assesses the common signs of default listed below:

- The situation when the Group filed a petition for declaring the bankruptcy of the debtor,
- The situation when the debtor has applied for bankruptcy announcement,
- The situation when the bankruptcy was announced,
- The debtor has entered or intends to enter into liquidation,
- The court has ruled that the debtor (legal person) was not founded (does not exist) or the debtor (natural person) has died,
- The final judgment of the court or administrative authority was ordered to enforce the decision to sell the debtor's assets or execute the debtor's assets,
- The situation when the debtor`s liability (or a significant portion) is overdue for more than 90 days,
- The situation when the receivable is forced to be re-structuralized,
- It is proven that more than 20% of the funds provided to the debtor by the Group are used by the debtor for another purpose than stated in the contract.

Purchased or originated credit-impaired financial assets (POCI)

All purchased loans are initially measured at fair value on the date of acquisition. As a result no allowances for credit losses would be recorded on the date of acquisition. Purchased loans may fit into either of the categories – performing loans or POCI. For assessment whether assets are credit impaired similar criteria to those described above are used (signs of default). Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of acquisition. On the other hand, POCI loans are reflected in Stage 3. Any changes in the expected cash flows since the date of acquisition are recorded as a change in Net impairment losses on loans at the end of the reporting period.

In addition to defaulted loans being purchased, POCI may arise as a result of the restructuring of a borrower in financial difficulties that lead to substantial changes to the loan conditions, resulting into derecognition of the original assets and (new) recognition of the modified asset. For those financial assets, the Group applies the credit-adjusted effective interest rate from initial recognition. The credit-adjusted effective interest rate represents the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

Modifications of financial assets are described in the section Forbearance in more detail.

ECL for commitments and guarantees
For financial commitments and financial guarantees the initial ECL is recognized as provision. Changes in ECL in subsequent periods are recorded as gain or loss in profit or loss.

Determination of expected credit losses
ECLs are in fact the outcome from multiplication of the following parameters: probability of default (PD), expected loss given default (LGD) and exposure at default (EAD).

Determination of probability of default (PD)

Probability of default is assigned as follows:
- If the exposure is included in Stage 1, one-year (or lifetime if expected maturity shorter than 12 months) PD is determined,
- If the exposure is included in Stage 2, the corresponding life-time PD is assigned to the exposure,
- If the exposure is included in Stage 3, PD is 100%.

The calculation of PD applied by the Group is divided into 2 steps:
- Calculation of one-year PDs as the long-term average of observed failure rates,
- Calculation of multi-annual (cumulative) PDs

The probability of default over the selected number of years is calculated based on an annualized migration matrix. The result is a multi-year (based on the choice of horizon) probability of defaults for a given rating.

The main assumption used by the Group for the PD calculation is the fact that the portfolio of exposures shows the same behaviour as the one from the external rating agency.

Each internal rating grade has been linked to an external rating, so that the corresponding external PD fits into the PD interval for the relevant internal rating grade. If no such external PD exists, the rating closest to the middle of the internal rating interval was used. The following table documents the external ratings to which they correspond:

Internal rating	External rating
1	A
2	BBB
3	BBB-
4	BB+
5	BB
6	BB-
7	B+

Internal rating	External rating
8	B
9	B-
10	CCC+
11	CCC
12	CCC-
13	D

Employees of the local risk management departments are responsible for calculating and updating the relevant PDs in line with the Group methodology, by doing so they consider the specific characteristics of the local market, which lead to development of a country specific approach. The entities in the Group primarily determine scoring for non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Furthermore, the entities determine scoring for the commitments provided, financial guarantees and undrawn limits. Scoring cards are used to assign the internal PDs to the relevant exposures.

Scoring models also use external data ("benchmark" models). These are mainly used for portfolios where the variables used are the same or very similar for a large number of banks in the market (e.g. operational financing or personal loans).

Determination of loss given default (LGD)
LGD is an estimate of the loss arising when default occurs at a given time (expressed as a percentage). It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including cash flow from the realization of any collateral. For the calculation of LGDs the Group uses discounting of expected future cash flows.

For exposures above a given threshold, LGD is calculated on an individual basis in the form of scenario analyses, for exposures below a given threshold, LGDs can be calculated on a portfolio basis unless the Group entity already has individualized LGD calculations, e.g. from credit analysis or previous credit ratings.

The individual LGD is determined as the weighted average of relevant cash flows according to the scenario analysis. The Group commonly uses scenarios such as: breach of covenants resulting in full repayment request (first and main scenario), significant decrease in financial performance (i.e. significantly below the thresholds for immediately full repayment of the contract, usually cash flow on 50% level of the first scenario), realization of collateral or severe drop in performance parameters (usually cash flow on 10% level of the first scenario).

In determining the LGD value, the entity takes into account collateral of the receivable, when the entity has a legal right, so that in the event of default of the borrower, the collateral can be realized within a reasonable time. For collateralized receivables, the calculation of the present value of the expected future cash flows also takes into account the expenses associated with the realization of the collateral. For the purposes of LGD calculation, the Group takes into account only collateral up to the amount that is not used as security for other assets or assets of third parties if they are entitled to satisfaction before the Group (i.e. the value of such collateral is reduced by the amount owed to more senior debtors). Furthermore, collateral is used only up to the carrying amount of the collateralized assets recognized in the balance sheet.

For homogeneous segments below the materiality threshold, such as credit cards, overdrafts and loans, LGDs can be determined from historical data or from the average of historical LGDs published by a local national bank (e. g. Czech national bank) in the Financial Stability Report. Nonetheless, regular calibration of these parameters is performed at least once a year on the basis of current data.

Determination of Exposure at default (EAD)
EAD refers to the level of exposure at default of the client which is then multiplied by PD and LGD in order to calculate the expected credit loss (ECL). Thus EAD is a discounted estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

For off-balance sheet exposures, the EAD represents the approved undrawn commitment adjusted by a credit conversion factor (“CCF”). The CCF is determined on the basis of historical experience or of regulatory parameters.

Forward looking information

The expected loss models also consider information about future events. This information includes outlooks for industries in which individual counterparties operate, analysis from economic experts, financial analysts reports, data from government institutions, think tanks and other, including also consideration of internal and external sources of information relating to the current and the future state of the general economic issues.

The economic scenarios used as at 31 December 2019 included the following key indicators (with focus on the Group's key markets):

Indicator	2020	2021	2022
	2.6% (CZ)	2.6% (CZ)	2.5% (CZ)
GDP growth	2.7% (SK)	2.7% (SK)	2.7% (SK)
	2.7% (SK)	2.5% (HR)	2.3% (HR)

The economic scenarios used as at 31 December 2018 included the following key indicators (with focus on the Group's key markets, in which it operates):

Indicator	2019	2020	2021
	2.12% (CZ)	2.07% (CZ)	N.A. (CZ)
Unemployment rate	6.50% (SK)	6.0% (SK)	N.A. (SK)
	10.20% (HR)	10.2% (HR)	N.A. (HR)
	2.88% (CZ)	3.46% (CZ)	N.A. (CZ)
GDP growth	4.73% (SK)	3.79% (SK)	N.A. (SK)
	2.80% (HR)	2.8% (HR)	N.A. (HR)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets,
- For loan commitments and financial guarantee contracts generally as a provision,
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision, and
- For debt instruments measured at FVOCI, the ECL is not deducted from the carrying amount of the financial asset because the carrying amount is already measured at fair value. However, the loss allowance is recognized as reduction of the revaluation reserve in OCI, instead.

Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

In case of write off, the Group directly reduces the gross carrying amount of a financial asset. Write-offs do not have any impact on profit or loss, because the amounts written off are already reflected in the loss allowance. A write-off constitutes a derecognition event. Nonetheless, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(i) Assets held for sale and discontinued operations

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

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

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

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

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

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

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

When an asset (or disposal group) previously classified as held for sale no longer meets the criteria for such classification, the Group ceases to classify such asset (or disposal group) as held for sale. Thus, the entity remeasures a non-current asset (or disposal group) at the lower of its carrying amount before the asset was classified as held for sale (adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held for sale) and its recoverable amount at the date of the subsequent decision not to sell.

(j) Property, plant and equipment

(i) Owned assets

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

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

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

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

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

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

Buildings	40 years
Equipment	3 - 8 years
Fixtures, fittings and others	3 - 8 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.

(k) Intangible assets

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

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

(ii) Software and other intangible assets
Software and other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h)).

The useful lives are usually finite. Those intangible assets that have an indefinite useful life are not amortised and are tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

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

Software	4 years
Other intangible assets	2 - 9 years
Customers relationships	3 - 20 years

(l) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Fair values of investment property are determined either by independent registered valuers or by management, in both cases based on current market values in an active market for similar properties in the same location and conditions.

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

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

(m) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The Group recognizes a provision related to a customer loyalty programme run by J&T BANKA, a.s. The provision decreases interest revenue when the first points are credited to the customer upon setting up a new bank account. The provision is then further built up as further points are credited to the customer depending on the use of services offered by the Group and other partners of the loyalty programme.

(n) Insurance contracts

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

Provision for insurance claims and benefits

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

Provision for life insurance

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

(o) Employee benefits

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

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(p) Financial guarantees and loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. An initial ECL is recognized as provision in the case of commitments and guarantees (refer to Note 24. Amounts arising from expected credit losses (ECL)). A change in ECL in subsequent periods (while holding commitments and guarantees and the expected cash flows from the financial asset has changed) will be recorded as expense/revenue through off-balance sheet provisions. At the end of the reporting period after an ECL for an off-balance sheet exposure is recorded, the total net exposure value is compared with the value of the acceptable collateral and the amount of acceptable collateral is adjusted to be equal or not to exceed the value of exposure to the client.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Provisions for financial guarantees and loan commitments represent the ECL on the related off-balance sheet liabilities. When it is probable that the Group will have to satisfy its contractual commitments, the ECL is transferred from Stage 1 or Stage 2 to Stage 3 and the amount is appropriately adjusted. When the Group makes the committed payments to the eligible parties, a loan asset is recognized and an ECL on this asset is recognized as well, while the provision for financial guarantees and loan commitments (ECL on the off-balance sheet asset) is released. Release as well as creation of the ECL are recognized in profit or loss under Net impairment losses on loans, loan commitments and financial guarantees.

(q) Trade liabilities and other liabilities

Trade and other liabilities are stated at amortised cost.

(r) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. All borrowing costs (except for those that qualify for capitalization) are recognised in the income statement.

(s) Fee and commission income and expense

Fee and commission income arises on financial services provided by the Group, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Assets under management comprising all client assets managed or held for investment purposes by the Group in its own name, but for the account of third parties, are not reported in its consolidated statement of financial position (refer to Note 42. Assets under management). Commissions received from such business are shown in fee and commission income.

Fee and commission income and expense are recognised when the corresponding services are provided or received.

(t) Dealing profits, net

Dealing profits, net include gains and losses arising from disposals and changes in the fair value of financial assets and liabilities at fair value through profit or loss and at fair value through other comprehensive income, gains and losses from foreign exchange trading, as well as realized and unrealized foreign exchange gains and losses.

(u) Rental income

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

(v) Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities, in a transaction that is not a business combination, that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future since the parent is able to control the reversal of the temporary difference. No taxable temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(w) Leases

I. Policy applicable from 1 January 2019

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

(i) Group as lessee

The Group recognizes a right-of-use (RoU) asset and a lease liability at the commencement date of the lease (i.e. the date when the underlying asset is available for use).

Lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the renewal option. That is, it considers all relevant factors that create an economic incentive to exercise the option. In case of the office rentals the Group is usually reasonably certain to exercise the renewal option only one time as further developments are too uncertain. In case of digital storage capacity, the renewal options are supposed to be exercised until the end of useful life of the corresponding servers. Similarly, judgment is used for determination of the lease term for contracts, where the contract is for an indefinite period. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Measurement

a) Right-of-Use

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the following:

- Initial measurement of the lease liability (see below);
- Prepaid lease payments;
- Initial direct costs;
- Estimated costs to dismantle, remove or restore the asset;
- Less lease incentives received.

After initial recognition, the right-of-use asset is measured in the same manner as a comparable asset owned by the Group. Therefore, the Group further applies IAS 16 Property, plant and equipment or IAS 40 Investment property and the RoU is presented in a corresponding financial statement caption.

Where relevant, the requirements of IAS 36 Impairment of Assets are applied to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

b) Lease liability

At the commencement date, a lease liability is measured at the present value of the future lease payments that are outstanding as at the commencement date of the lease. Lease payments are discounted at the interest rate implicit in the lease and if it is not available, then the incremental borrowing rate is used.

Lease payments comprise the following:
- Fixed payments (including "in-substance fixed payments") less any lease incentives receivable;
- Variable payments that depend on an index or a rate;
- Residual value guarantees;
- The exercise price of a purchase option that the Group is reasonable certain to exercise; and
- Penalties for early termination of the lease.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. Variable payments that are not based on an index and were not included in the measurement of the lease liability are recognized as an expense.

Lease liabilities are included under "Other liabilities" caption in the statement of financial position.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (leases with a lease term of 12 months or less from the commencement date and that do not contain a purchase option; broader economics of a contract, such as a cost of abandoning or dismantling the subject of a lease, are also considered). Recognition exemption is also applied to leases of low-value assets (i.e. below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

Modification of lease contract
The Group accounts for a lease modification as a separate lease if both:
a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group allocates the consideration, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The remeasurement of the lease liability is recognized by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss.

Deferred tax resulting from IFRS 16
Deferred tax asset and deferred tax liability resulting from a RoU and a lease liability are presented on net basis.

Impact of initial application of IFRS 16
On transition, new right-of-use assets and lease liabilities were recognised. The Group used the available practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application was determined as the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The impact of initial application of IFRS 16 is summarized below.

Impact of initial application of IFRS 16 as at 1 January 2019

in thousands of EUR	1 January 2019
Right-of-Use: Land and buildings	37,699
Right-of-Use: Fixtures, fittings and equipment	6,761
Trade and other receivables	(450)
Other liabilities (lease liabilities)	44,056
Other liabilities (other liabilities)	(46)

Reconciliation of operating lease commitments as at 31 December 2018 to lease liabilities as at 1 January 2019

in thousands of EUR	Total
Operating lease commitments as at 31 December 2018	60,602
Weighted-average incremental borrowing rate as at 1 January 2019	1.73%
Discounted operating lease commitments as at 1 January 2019	**53,060**
Less recognition exemption for leases of low-value assets	(2,682)
Less recognition exemption for short-term leases	(6,325)
Finance lease liabilities as at 31 December 2018	3
Lease liabilities recognised as at 1 January 2019	**44,056**

Impact on the financial statements for the year-ended 31 December 2019

Amounts as at 31 December 2019 relating to operating leases under IAS 17 to which IFRS 16 was applied on its initial application (i.e. the table below does not include leases that the Group entered into after 1 January 2019):

in thousands of EUR	Total
Right-of-Use	36,938
Lease liability	36,004
Depreciation charge	11,533
Rent expense (within other operating expenses)	(5,738)
Interest expense	745
Income tax expense	(47)
Net cash flows from operating activities (cash payments for the interest portion)	(674)
Net cash flows from financing activities (cash payments for the principal portion of lease payments)	(11,180)

(ii) Group as lessor

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

Finance income recognition is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Gains and losses on disposal of assets owned by the Group that were previously subject to finance lease agreements are presented net in Other operating income or expense.

II. Policy applicable before 1 January 2019

(i) Group as lessee

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Operating leases with an option to terminate the contract earlier than at the end of the agreed period are considered as non-cancellable for the time of the contracted notice period.

On the other hand, in case of operating leasing, the assets are not recognized on the Group's statement of financial position.

(ii) Group as lessor

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

Finance income recognition is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Gains and losses on disposal of assets owned by the Group that were previously subject to finance lease agreements are presented net in Other operating income or expense.

(x) Revenue from goods sold and services rendered

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

(y) Dividends

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

(z) Changes in accounting policies

The Group has adopted IFRS 16 Financial Instruments with a date of initial application of 1 January 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

4.1. Financial instruments

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

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

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

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

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

The following table sets out information about significant unobservable inputs used in measuring financial assets categorized as Level 3 in the fair value hierarchy:

31 December 2019

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2019	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	98,675	0.5% - 4.0%	Increase would result in a lower fair value.
		Risk-free rate		(0.5)% - 2.5%	
Shares	Discounted cash flow	Discount rate	6,626	7.7% - 14.6%	Increase would result in a lower fair value.
		Terminal growth EBITDA		2%	Increase would result in a higher fair value.
Investment property (buildings)	Sales comparison approach	Price per sq. m	69,482	327 - 3,136 EUR/m^2	Increase would result in a higher fair value.
Investment property (land)	Sales comparison approach	Price per sq. m	63,120	12 - 1,417 EUR/m^2	Increase would result in a higher fair value.

31 December 2018

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2019	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	108,532	1% - 5.5%	Increase would result in a lower fair value.
		Risk-free rate		(0.5)% - 3.0%	
Shares	Discounted cash flow	Discount rate	8,526	8.2% - 14.1%	Increase would result in a lower fair value.
		Terminal growth EBITDA		2%	Increase would result in a higher fair value.
Investment property (buildings)	Sales comparison approach	Price per sq. m	71,412	367 – 3,209 EUR/m^2	Increase would result in a higher fair value.
Investment property (land)	Sales comparison approach	Price per sq. m	73,258	14 – 1,102 EUR/m^2	Increase would result in a higher fair value.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

31 December 2019

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(6,226)
	Decrease in credit spread by 1%	6,749
	Increase in risk-free rate by 1%	(3,533)
	Decrease in risk-free rate by 1%	3,710
Shares	Increase in discount rate by 1%	(41)
	Decrease in discount rate by 1%	57
	Increase in EBITDA by 5%	17
	Decrease in EBITDA by 5%	(17)
Investment property (buildings)	Increase in price per sq. m by 15%	10,422
	Decrease in price per sq. m by 15%	(10,422)
Investment property (land)	Increase in price per sq. m by 15%	9,468
	Decrease in price per sq. m by 15%	(9,468)

31 December 2018

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(3,451)
	Decrease in credit spread by 1%	3,614
	Increase in risk-free rate by 1%	(3,451)
	Decrease in risk-free rate by 1%	3,614
Shares	Increase in discount rate by 1%	(774)
	Decrease in discount rate by 1%	1,040
	Increase in EBITDA by 5%	387
	Decrease in EBITDA by 5%	(411)
Investment property (buildings)	Increase in price per sq. m by 15%	10,712
	Decrease in price per sq. m by 15%	(10,712)
Investment property (land)	Increase in price per sq. m by 15%	10,989
	Decrease in price per sq. m by 15%	(10,989)

For more information, refer to the following notes:
– Note 14. Financial assets for trading and trading liabilities
– Note 15. Hedging derivatives
– Note 16. Investment securities measured at fair value through profit or loss
– Note 17. Investment securities at fair value through other comprehensive income
– Note 26. Investment property

4.2. Business combinations and purchase price allocations

In a business combination (see also Note 5.1. Acquisition and establishment of subsidiaries and Note 25. Investment in equity accounted investees), the acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes is performed with the support of professional advisors.

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

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

There were the following acquisitions throughout the year 2019:
On 4 April 2019 the Group acquired Bankhaus Erbe a.o. that merged with J&T Bank, a.o. as of 10 July 2019.
On 23 April 2019 the Group acquired a 50% share in OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.
On 2 October 2019 J&T Bank, a.o. acquired a 100% share in Moskovskij Neftechnimiceskij Bank.

There were the following acquisitions throughout the year 2018:
On 27 February 2018 J&T Bank, a.o. merged with AKB «Khovanskiy» a.o.
On 26 October 2018 Poštová banka, a.s. bought a 100% share in Amico Finance, a.s.
On 18 December 2018 J&T Wine Holding SE acquired a 100% share in the Czech winery Reisten, s.r.o.

4.3. Goodwill and impairment testing

The Group conducts impairment testing of goodwill arisen in a business combination during the current period and impairment testing of goodwill already recognised in prior years annually (see also Note 5.1. Acquisitions and establishment of subsidiaries and Note 27. Intangible assets). The Group also conducts impairment testing of other intangible assets with indefinite useful lives and of cash-generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows or on the basis of fair value less costs to sell.

Fair value measurements for impairment testing purposes were categorized as a Level 3 measurement based on the inputs used in the valuation technique. In the majority of cases the Group estimated the recoverable amounts of goodwill and the cash generating units based on value in use. Value in use was derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital ("WACC") of each CGU.

Poštová banka, a.s.

Upon acquisition of Poštová banka, a.s. and its subsidiaries (Poštová banka Group) goodwill in amount of EUR 20,033 thousand was recognized. The recoverable amount EUR 628,085 thousand of the Poštová banka Group cash generating unit, with a carrying amount of EUR 683,272 thousand (share controlled by the Group) as at 31 December 2019 and of EUR 694,314 thousand as at 31 December 2018, was determined as the weighted average of the Discounted cash flow and Price to book multiple methods. The cash flows for the Discounted cash flow method were derived from Poštová banka Group's long-term business plan, the key assumptions being the forecast of net interest income and loans provided to customers, and these were applied over a specific five-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 2.0% (2018: 2.0%). Expected future cash flows were discounted using a Cost of Equity of 5.00% (2018: 5.76%). The Price to book ratio of 1.01% (2018: 1.12%) was derived from market data for a comparative peer group of European banks.

The Group thus identified impairment loss as a result of this impairment test in the amount of EUR 55,187 thousand (incl. release of related deferred tax liabilities and also goodwill write-off in the amount of EUR 20,033).

Wine activities

The acquisition of the French winery Chateau Teyssier (Société civile) and its distribution network through the purchase of a 100% share in OUTSIDER LIMITED and an 80% share in SAXONWORLD LIMITED resulted into recognition of goodwill in the amount of EUR 3,606 thousand. The goodwill relates to the cash generating unit represented by OUTSIDER LIMITED, Chateau Teyssier (Société civile), CT Domaines, SAXONWORLD LIMITED and World's End[1]. The recoverable amount of this cash generating unit was calculated using the comparative sales method that compares the property (prices of winery land in particular) to other properties with similar characteristics that have sold recently. As at 31 December 2019 the recoverable amount exceeds its carrying amount of EUR 33,204 thousand for the share controlled by the Group (2018: EUR 33,856 thousand). There was no impairment loss identified as a result of the impairment test.

Amico Finance, a.s.

On 26 October 2018 Poštová banka, a.s. bought a 100% share in Amico Finance, a.s. The business activities of Amico Finance, a.s. focus primarily on consumer loan financing. The Group recognized goodwill in the amount of EUR 2,788 thousand in connection with this acquisition. The carrying amount of goodwill was tested for impairment at the statement of financial position date as part of the cash generating unit represented by the entity Amico Finance, a.s. There was no impairment loss identified as a result of the impairment test.

4.4. Determination of control over investment funds

Management applies its judgement to determine whether the control indicators set out in Note 3 (a) indicate that the Group controls an investment fund. The Group acts as fund manager for a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. As a result, the Group has concluded that it acts as agent for the investors in all cases, except for J&T REALITY otevřený podílový fond and the fonds further described below.

In 2018 the Group established J&T LOAN FUND, which is being administered by J&T INVESTIČNÍ SPOLEČNOST, a.s. Due to the fact that J&T FINANCE GROUP SE holds a call option over the founders' shares of the fund, which gives the holder the right to participate in shareholders' meetings and to pass resolutions, the Group concluded that it has control over the fund.

In 2017 after a change in the statutes of NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s., which newly gave the investors the right to participate in shareholders' meetings and to pass resolutions with a majority of 75% of the voting rights, J&T FINANCE GROUP SE gained control over the fund.

Furthermore, in 2017 J&T FINANCE GROUP SE bought the founders' shares of Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. with the attached voting rights, thus the Group gained control over the fund (please refer to Note 47. Group entities for detailed overview of the scope of consolidation).

[1] The Czech winery KOLBY a.s. is not part of this cash generating unit.

5. ACQUISITIONS AND DISPOSALS

5.1.Acquisition and establishment of subsidiaries

(a) Acquisition of subsidiaries

In 2019 the Group acquired the following subsidiaries:

in thousands of EUR	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition (%)
Bankhaus Erbe a.o.	04.04.2019	7,283	7,283	100.00
Moskovskij Neftechnimiceskij Bank	02.10.2019	10,601	7,516	100.00
Total	–	**17,884**	**14,799**	–

In 2018 the Group acquired the following subsidiaries:

in thousands of EUR	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition (%)
Amico Finance, a.s.	26.10.2018	2,710	2,710	98.46[2]
Reisten, s.r.o.	18.12.2018	4,282	4,282	100.00
Total	–	**6,992**	**6,992**	–

(b) Establishment of subsidiaries

In 2019 the Group established the following::

in thousands of EUR	Date of establishment	Capital contributed	Group's interest after establishment (%)
Colorizo Investment, a.s.	18.4.2019	78	100.00
ARITIMA, a.s.	19.6.2019	25	100.00
SPERIDA, a.s.	20.6.2019	25	100.00
J&T INVESTMENTS SICAV, a.s.	23.12.2019	4	100.00

In 2018 the Group established the following:

in thousands of EUR	Date of establishment	Capital contributed	Group's interest after establishment (%)
365.fintech, a.s.	23.1.2018	1,000	98.46
J&T Global Finance IX., s. r. o.	24.7.2018	5	100.00
J&T Global Finance X., s.r.o.	27.8.2018	8	100.00
J&T LOAN FUND	1.9.2018	79,980	99.23

[2] The Group initially acquired the (effective) share of 98.46% and subsequently sold the share of 4.93%.

(c) Effect of acquisitions

The acquisitions of new subsidiaries in 2019 had the following effect on the Group's assets and liabilities (refer also to Note 4.2 Business combinations and purchase price allocations):

in thousands of EUR	Bankhaus Erbe a.o.[3]	Moskovskij Neftechnimiceskij Bank	Total
Cash and cash equivalents	39,350	32,432	71,782
Financial assets for trading	–	21,590	21,590
Investment securities at amortised cost	8,325	2,539	10,864
Disposal group held for sale	–	88	88
Loans and advances to banks	280	524	804
Loans and advances to customers	1,135	22,682	23,817
Trade receivables and other assets	235	978	1,213
Current tax assets	114	42	156
Investment property	–	1,988	1,988
Property, plant and equipment	–	3,237	3,237
Deferred tax assets	–	372	372
Deposits and loans from banks	–	(1,263)	(1,263)
Deposits and loans from customers	(35,773)	(68,947)	(104,720)
Debt securities issued	–	(138)	(138)
Subordinated debt	(4,088)	(1 254)	(5,342)
Other liabilities	(489)	(694)	(1,183)
Provisions	–	(78)	(78)
Net identifiable assets and liabilities	**9,089**	**14,098**	**23,187**
Gain on bargain purchase l	(1,806)	(3,497)	(5,303)
Cost of acquisition	7,283	10,601	17,884
Consideration paid, satisfied in cash	(7,283)	(7,516)	(14,799)
Cash acquired	36,202	28,973	65,175
Net cash inflow (outflow)	**28,919**	**21,457**	**50,376**
Profit (loss) since acquisition date	1,350	15	1,365
Profit (loss) of the acquired entity for all of 2019	(1,772)	(1,744)	(3,516)
Income of the acquired entity for all of 2019	(291)	6,386	6,095

[3] As of 10 July 2019 Bankhaus Erbe a.o. merged with J&T Bank, a.o.

The acquisitions of new subsidiaries in 2018 had the following effect on the Group's assets and liabilities (refer also to Note 4.2 Business combinations and purchase price allocations):

in thousands of EUR	Amico Finance, a.s.	Reisten, s.r.o.	Total
Cash and cash equivalents	2	–	2
Loans and advances to customers	10,771	1,811	12,582
Trade receivables and other assets	56	–	56
Intangible assets	118	–	118
Property, plant and equipment	–	2,471	2,471
Deposits and loans from banks	(10,355)	–	(10,355)
Other liabilities	(633)	–	(633)
Provisions	(37)	–	(37)
Net identifiable assets and liabilities	**(78)**	**4,282**	**4,204**
Goodwill on acquisition of new subsidiaries	2,788	–	2,788
Cost of acquisition	2,710	4,282	6,992
Consideration paid, satisfied in cash	(2,710)	(4,282)	(6,992)
Cash acquired	2	–	2
Net cash inflow (outflow)	**(2,708)**	**(4,282)**	**(6,990)**
Profit (loss) since acquisition date	(2,550)	–	(2,550)
Profit (loss) of the acquired entity for all of 2018	(3,861)	(29)	(3,890)
Income of the acquired entity for all of 2018	652	631	1,283

5.2. Disposals

(a) Disposals of subsidiaries

The following disposals occurred in 2019 and in 2018:

31 December 2019

in thousands of EUR	Date of disposal	Other assets disposed of	Cash outflow	Gain (loss) on disposal/liquidation
J&T Global Finance V., s. r. o. v likvidácii	31.7.2019	–	(251)	(267)
Total		**–**	**(251)**	**(267)**

31 December 2018

in thousands of EUR	Date of disposal	Other assets disposed of	Cash outflow	Gain (loss) on disposal/liquidation
J&T Global Finance IV, B.V.	14.5.2018	–	–	140
J&T Global Finance III, s. r. o. v likvidácii	31.8.2018	–	–	(89)
Total		**–**	**–**	**51**

(b) Effect of disposals

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

Effect of disposals in 2019

in thousands of EUR	J&T Global Finance V., s. r. o. v likvidácii
Cash and cash equivalents	251
Current tax assets	22
Trade payables and other liabilities	(6)
Net assets and liabilities	**267**
Sales price	–
Other values acquired	–
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	–
Gain (loss) on disposal	**(267)**
Consideration received, satisfied in cash	–
Cash disposed of	(251)
Net cash outflow	**(251)**

Effect of disposals in 2018

in thousands of EUR	J&T Global Finance IV, B.V. in liquidation	J&T Global Finance III, s. r. o. v likvidácii	Total
Cash and cash equivalents	1	–	1
Loans and advances to banks	–	93	93
Current tax assets	1	–	1
Trade payables and other liabilities	(2)	(4)	(6)
Net assets and liabilities	**–**	**89**	**89**
Sales price	–	–	–
Other values acquired	–	–	–
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	140	–	140
Gain (loss) on disposal	**140**	**(89)**	**51**
Consideration received, satisfied in cash	–	–	–
Cash disposed of	(1)	–	(1)
Net cash outflow	**(1)**	**–**	**(1)**

6. NET INTEREST INCOME

in thousands of EUR	2019	2018
Interest income calculated using effective interest rate		
Loans and advances to banks and customers	330,128	333,888
Bonds and other securities	31,598	33,074
Repo transactions	5,098	5,186
Bills of exchange	215	494
Receivables from central banks	55,378	29,239
Other	3,528	4,271
Total interest income using effective interest rate	**425,945**	**406,152**
Interest income according to classes of instruments:		
Financial instruments measured at amortised cost	404,662	385,941
Financial instruments measured at FVOCI	21,283	20,211
Total interest income using effective interest rate	**425,945**	**406,152**
Financial assets for trading	4,566	6,746
Investment securities measured at fair value through profit or loss	720	424
Hedging derivatives - interest rate risk	(2 189)	(1 272)
Total other interest income	**3,097**	**5,898**
Total interest income	**429,042**	**412,050**
Interest expense		
Deposits and loans from banks and customers	(69,552)	(66,955)
Bonds and other securities	(22,541)	(16,118)
Bills of Exchange	(31)	(990)
Repo transactions	(1,618)	(894)
Lease liabilities	(775)	–
Other	(4,870)	(3,271)
Total interest expense	**(99 387)**	**(88 228)**
Interest expense according to classes of instruments:		
Financial instruments measured at amortised cost	(99,337)	(88,181)
Financial instruments measured at FVTPL	(50)	(47)
Total interest expense	**(99,387)**	**(88,228)**
Total net interest income	**329,655**	**323,822**

Interest expense from hedging derivatives includes accrued interest from interest rate derivatives used to hedge interest rate risk.

Other interest income of EUR 3,528 thousand includes a negative interest on Deposits and loans from banks of EUR 525 thousand (2018: EUR 1,481 thousand).

7. NET FEE AND COMMISSION INCOME

in thousands of EUR	2019	2018
Fee and commission income		
Fees on administration and payment transactions	34,766	33,162
Fees on assets under management	34,213	32,171
Fees on bond issues	19,357	26,472
Fees on financial instrument operations	12,358	11,292
Fees on clearing and settlement	12,348	5,238
Fees on custody, administration and depositing of valuables	4,282	3,990
Fees on promises and guarantees	2,476	3,028
Intermediation fees	620	868
Servicing fee related to factoring	128	1,048
Other fees and commission income	15,464	17,572
Total fee and commission income	**136,012**	**134,841**
Fee and commission expense		
Fees on payment transactions	(20,379)	(7,628)
Fees on financial instrument operations	(6,232)	(4,377)
Intermediation fees	(4,326)	(8,010)
Other fees and commission expenses	(7,917)	(8,329)
Total fee and commission expense	**(38,854)**	**(28,344)**
Total net fee and commission income	**97,158**	**106,497**

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

8. NET DEALING PROFIT

in thousands of EUR	2019	2018
Net gains (losses) from financial instruments held for trading	14,657	(19,196)
– derivatives	5,646	(22,315)
– equity instruments	4,104	3,429
– debt instruments	4,907	(310)
Net gains (losses) from non-trading financial assets mandatorily measured at FVTPL	49,159	6,039
Net gains (losses) from financial instruments designated at FVTPL	98	1,672
Net gains (losses) from financial instruments measured at FVOCI	2,926	1,820
– dividend income from equity instruments measured at FVOCI	675	449
– sale of debt instruments	2,251	1,371
Net income/(loss) from financial assets measured at amortised cost	(2,009)	–
Net gains (losses) resulting from hedge accounting	47	(6)
– hedged items	3,037	1,797
– hedging items	(2,990)	(1,803)
Exchange rate gains (losses)	1,990	14,297
Total net dealing profit	**66,868**	**4,626**

The Group recorded a loss amounting to EUR 2,009 thousand (2018: nil) arising from derecognition of financial assets measured at amortised cost due to modification.

9. OTHER OPERATING INCOME

in thousands of EUR	2019	2018
Revenues from services and consulting	27 198	28 075
Revenues (premium) of insurance companies	10,106	9,435
Goods sold	5,457	5,414
Other rental income	4,251	1,620
Income from operating leases	2,109	4,598
Gain on disposal of property, plant and equipment and intangible assets, net	1,268	–
Change in impairment of receivables and other assets	902	–
Rental income from investment property	839	936
Change in provisions	–	1,902
Gain on the disposal of subsidiaries, joint ventures and associates (Note 5.2)	–	51
Other income	5,045	8,855
Total other operating income	**57,175**	**60,886**

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

10. PERSONNEL EXPENSES

in thousands of EUR	2019	2018
Wages and salaries	(106,123)	(92,919)
Compulsory social security contributions	(28,366)	(24,542)
Other social expenses	(4,646)	(4,086)
Total personnel expenses	**(139,135)**	**(121,547)**

The weighted average number of employees during 2019 was 3,051 (2018: 2,852), out of which executives represent 186 employees (2018: 188).

11. OTHER OPERATING EXPENSES

in thousands of EUR	2019	2018
Advertising expenses	(18,629)	(15,452)
Repairs and maintenance expenses	(12,979)	(11,070)
Receivables written-off, net	(11,143)	(4,436)
Change in fair value of investment property, net (Note 26)	(10,208)	(2,797)
Special fee paid by financial institutions (bank levy)	(9,145)	(8,983)
Administrative expenses	(8,860)	(8,869)
Consulting expenses	(8,479)	(7,211)
Communication expenses	(7,621)	(6,068)
Mandatory fees paid by financial institutions	(7,363)	(5,822)
Materials	(5,885)	(5,884)
Property and other taxes	(3,838)	(3,448)
Insurance claims paid, net	(3,172)	(3,484)
Rental expenses classified as service	(3,137)	(20,318)
Sponsoring and gifts	(2,989)	(2,752)
Costs related to the operation of the hotel	(2,978)	(3,111)
Short-term leases	(2,916)	–
Insurance technical provisions	(2,829)	(3,112)
Variable lease payments	(2,464)	–
Transport and accommodation, travel expenses	(2,403)	(2,282)
Energy	(1,647)	(1,583)
Training, courses and conferences	(1,361)	(1,359)
Low-value asset leases	(1,164)	–
Outsourcing	(808)	(1,318)
Creation and reversal of provisions	(567)	
Loss on the disposal of subsidiaries (Note 5.2)	(267)	(284)
Contractual penalties	(84)	(83)
Change in impairment of receivables and other assets	–	(7,331)
Other operating expenses	(13,005)	(11,918)
Total other operating expenses	**(145,941)**	**(138,975)**

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

12. INCOME TAX

in thousands of EUR	2019	2018
Current tax expense		
Current year	(53,684)	(45,009)
Adjustments for prior periods	1,121	705
Withheld on interest	(65)	(638)
Total	**(52,628)**	**(44,942)**
Deferred tax income (expense)		
Origination and reversal of temporary differences	11,995	9,800
Change in tax rate	–	–
Total	**11,995**	**9,800**
Total income tax expense	**(40,633)**	**(35,142)**

The corporate income tax rate in the Czech Republic for 2019 and 2018 is 19%. The corporate income tax rate in Slovakia for 2019 and 2018 is 21%. The corporate income tax rate in Russia for 2019 and 2018 is 20%. The corporate income tax rate in Croatia for 2019 and 2018 is 18%.

(i) Reconciliation of the effective tax rate

in thousands of EUR	2019 %	2019	2018 %	2018
Profit before tax		**164,739**		**139,427**
Income tax at 19% (2018: 19%)	(19.0)	(31,300)	(19.0)	(26,491)
Effect of tax rates in foreign jurisdictions	0.3	509	(1.0)	(1,331)
Non-deductible expenses	(17.6)	(29,076)	(21.1)	(29,363)
Non-taxable income	12.9	21,200	15.8	21,988
Tax withheld on interest	0.0	(65)	(0.5)	(638)
Recognition of previously unrecognised tax losses	0.0	9	0.5	645
Current year tax losses for which no deferred tax asset was recognised	(1.8)	(2,937)	(0.2)	(305)
Deferred tax – current period adjustment for DT recognized in prior period	(0.1)	(94)	(0.3)	(352)
Tax charges over provided in prior years	0.7	1,121	0.5	705
Total income tax expense	**(24.6)**	**(40,633)**	**(25.3)**	**(35,142)**

(ii) Income tax recognized in other comprehensive income

in thousands of EUR	Before tax 2019	Tax benefit 2019	Net of tax 2019	Before tax 2018	Tax benefit 2018	Net of tax 2018
Other comprehensive income - items that are or may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	23,469	–	23,469	(20,157)	–	(20,157)
Debt instruments measured at fair value through other comprehensive income - Net change in fair value[4]	1,551	127	1,678	(167)	(25)	(142)
Debt instruments measured at fair value through other comprehensive income - Net amount transferred to profit or loss	(24)	5	(19)	17	(4)	13
Share of other comprehensive income of equity accounted investees	578	–	578	(7)	–	(7)
Other comprehensive income - items that will not be reclassified subsequently to profit or loss						
Equity instruments measured at fair value through other comprehensive income - Net change in fair value	1,284	(259)	1,025	1,277	(331)	946
Total	**26,858**	**(127)**	**26,731**	**(19,037)**	**(360)**	**(19,347)**

(iii) Movements in deferred tax balances during the yeare

in thousands of EUR	Balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquired in business combinations	Foreign exchange translation differences	Disposals	Balance as at 31 December 2019
Property, plant and equipment	1,632	(372)	–	(84)	(9)	–	1,167
Intangible assets	(12,079)	12,134	–	–	(3)	–	52
Investment property	(2,248)	45	–	260	(290)	–	(2,233)
Leases (IFRS 16)	–	41	–	–	–	–	41
Impairment of trade receivables and other assets	70	42	–	–	1	–	113
Investment securities at fair value through other comprehensive income	(1,616)	847	(127)	–	(81)	–	(977)
Investment securities at amortised cost	(1,969)	840	–	–	1	–	(1,128)
Employee benefits (IAS 19)	1,083	732	–	3	21	–	1,839
Unpaid interest, net	(68)	63	–	–	–	–	(5)
Financial assets at fair value through profit or loss	(302)	(12)	–	–	(42)	–	(356)
Loans and advances	18,070	(4,407)	–	77	(213)	–	13,527
Provisions	1,777	(651)	–	–	9	–	1,135
Derivatives	153	(168)	–	–	15	–	–
Tax losses	1,319	(33)	–	108	181	(50)	1,525
Other temporary differences	9,980	2,894	–	8	117	50	13,049
Total	**15,802**	**11,995**	**(127)**	**372**	**(293)**	**–**	**27,749**

[4] The difference between the consolidated statement of comprehensive income and net of tax amounts of debt instruments measured at FVOCI is caused by ECL for which deferred tax is recognized in profit or loss.

in thousands of EUR	Balance at 1 January 2018	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquired in business combinations	Foreign exchange translation differences	Impact of IFRS 9 - Reclassi-fication	Impact of IFRS 9 - Remeasu-rement	Balance as at 31 December 2018
Property, plant and equipment	1,444	192	–	–	(4)	–	–	1,632
Intangible assets	(14,612)	2,363	–	–	170	–	–	(12,079)
Investment property	(2,632)	32	–	–	352	–	–	(2,248)
Impairment of trade receivables and other assets	61	9	–	–	–	–	–	70
Investment securities available for sale	(4,035)	–	–	–	–	4,035	–	–
Investment securities at fair value through other comprehensive income	–	1,739	(360)	–	(109)	(4,035)	1,149	(1,616)
Investment securities held to maturity	(2,882)	–	–	–	–	2,882	–	–
Investment securities at amortised cost	–	913	–	–	–	(2,882)	–	(1,969)
Employee benefits (IAS 19)	1,026	63	–	–	(6)	–	–	1,083
Unpaid interest, net	(48)	(20)	–	–	–	–	–	(68)
Financial assets at fair value through profit or loss	(141)	886	–	–	32	–	(1,079)	(302)
Loans and advances	9,589	1,924	–	–	228	–	6,329	18,070
Provisions	870	(859)	–	–	(16)	–	1,782	1,777
Derivatives	144	29	–	–	(20)	–	–	153
Tax losses	1,245	226	–	–	(152)	–	–	1,319
Other temporary differences	7,916	2,303	–	–	(239)	–	–	9,980
Total	**(2,055)**	**9,800**	**(360)**	**–**	**236**	**–**	**8,181**	**15,802**

13. CASH AND CASH EQUIVALENTS

in thousands of EUR	31 December 2019	31 December 2018
Cash and cash equivalents		
Cash on hand	71,985	71,476
Current accounts at central banks	35,588	57,793
Term deposits to central banks of three months or less	35,045	36,348
Current accounts with banks	100,705	51,591
Loans and advances with original maturities of three months or less	23,057	34,845
Loans in reverse repurchase agreements (refer to Note 22.2)	2,213,179	2,201,052
Less impairment loss allowance (refer to Note 24 (a))	(259)	(247)
Total cash and cash equivalents	**2,479,300**	**2,452,858**

14. FINANCIAL ASSETS FOR TRADING AND TRADING LIABILITIES

14.1. Finanční aktiva k obchodování

in thousands of EUR	31 December 2019	31 December 2018
Non-derivative financial assets for trading		
Bonds	102,952	149,504
Shares	12,354	23,887
Investment funds units	182	299
Other financial assets	3,530	18,310
Total non-derivative financial assets for trading	**119,018**	**192,000**
Trading derivatives		
Currency contracts	44,720	20,942
Option contracts for share purchase	716	–
Option contracts for commodity purchase	122	3
Interest rate swaps	79	–
Total trading derivatives	**45,637**	**20,945**
Total financial assets for trading	**164,655**	**212,945**

Bonds for trading as at 31 December 2019 comprise mainly corporate bonds, which represent 58% of the balance (31 December 2018: 30%) and government bonds, which represent 23% (31 December 2018: 61%).

Income from debt and other fixed-rate instruments is recognised in interest income.

No financial assets for trading were subject to pledge (31 December 2018: nil).

(i) Fair value measurement of financial assets for trading

As at 31 December 2019

in thousands of EUR	Shares	Bonds	Investment funds units	Other financial assets	Total
Fair value of non-derivative financial assets for trading					
Level 1 – quoted market prices	11,238	39,729	–	2,154	53,121
Level 2 – derived from quoted prices	1,014	60,947	182	1,372	63,515
Level 3 – calculated using valuation techniques	102	2,276	–	4	2,382
Total	**12,354**	**102,952**	**182**	**3,530**	**119,018**
Fair value of trading derivatives					
Level 2 – derived from quoted prices					45,637
Total					**45,637**
Total financial assets for trading					**164,655**

As at 31 December 2018

in thousands of EUR	Shares	Bonds	Investment funds units	Other financial assets	Total
Fair value of non-derivative financial assets for trading					
Level 1 – quoted market prices	23,785	101,990	–	18,310	144,085
Level 2 – derived from quoted prices	3	45,966	299	–	46,268
Level 3 – calculated using valuation techniques	99	1,548	–	–	1,647
Total	**23,887**	**149,504**	**299**	**18,310**	**192,000**
Fair value of trading derivatives					
Level 2 – derived from quoted prices					20,945
Total					**20,945**
Total financial assets for trading					**212,945**

(ii) Detail of fair value measurement in Level 3

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

in thousands of EUR	Akcie	Dluhopisy	Ostatní	Celkem
Balance as at 1 January 2019	99	1,548	–	1,647
Total gains (losses) recognized in profit or loss	2	(4)	3	1
Additions	–	220	1	221
Disposals	(1)	–	–	(1)
Transfer to Level 2	–	(1,542)	–	(1,542)
Transfer from Level 1	–	2,028	–	2,028
Interest income less interest received	–	–	–	–
Effect of movements in foreign exchange	2	26	–	28
Balance as at 31 December 2019	**102**	**2,276**	**4**	**2,382**

in thousands of EUR	Akcie	Dluhopisy	Ostatní	Celkem
Balance as at 1 January 2018	76	1,320	–	1,396
Total gains (losses) recognized in profit or loss	22	(145)	–	(123)
Additions	1	8	–	9
Disposals	–	(654)	–	(654)
Transfer to Level 1	–	(660)	–	(660)
Transfer from Level 2	–	1,680	–	1,680
Interest income less interest received	–	9	–	9
Effect of movements in foreign exchange	–	(10)	–	(10)
Balance as at 31 December 2018	**99**	**1,548**	**–**	**1,647**

Based on changes in market conditions for some financial instruments, observable market inputs for these instruments became available as at 31 December 2019. Bonds amounting to EUR 1,542 thousand (31 December 2018: nil) were therefore transferred from Level 3 to Level 2. As sufficient information for measuring the fair values based on market prices were not available in 2019, bonds amounting to EUR 2,028 thousand (31 December 2018: nil) were transferred from Level 1 to Level 3. In 2018 Bonds amounting to EUR 660 thousand were transferred from Level 3 to Level 1 and bonds amounting to EUR 1,680 thousand were transferred from Level 2 to Level 3.

On the other hand, for bonds amounting to EUR 1,284 thousand derived market prices became available and thus were transferred from Level 2 to Level 1 (31 December 2018: bonds EUR 871 thousand, shares EUR 508 thousand and other financial assets EUR 390 thousand). Derived market prices for some financial instruments were not available as at 31 December 2019, and thus bonds amounting to EUR 9,016 thousand (31 December 2018: EUR 608 thousand) and other financial assets amounting to EUR 927 thousand (31 December 2018: nil) were transferred from Level 1 to Level 2.

14.2. Trading liabilities

in thousands of EUR	31 December 2019	31 December 2018
Non-derivative trading liabilities		
Other trading liabilities	999	9
Total non-derivative trading liabilities	**999**	**9**
Trading derivatives		
Forward currency contracts	24,102	7,415
Cross currency swaps	2,033	1,624
Commodity derivatives	256	20
Put share options	–	180
Total trading derivatives	**26,391**	**9,239**
Total trading liabilities	**27,390**	**9,248**

Fair value measurement of trading liabilities

in thousands of EUR	31 December 2019	31 December 2018
Fair value of non-derivative trading liabilities		
Level 1 – quoted market prices	–	9
Level 2 – derived from quoted prices	999	–
Total	**999**	**9**
Fair value of trading derivatives		
Level 2 – derived from quoted prices	26,391	9,239
Total	**26,391**	**9,239**
Total trading liabilities	**27,390**	**9,248**

There were no transfers of trading liabilities between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2019 and 2018.

15. HEDGING DERIVATIVES

in thousands of EUR	31 December 2019	31 December 2018
Hedging derivatives (assets)		
Forward currency contracts	523	28
Total hedging derivatives (assets)	**523**	**28**
Hedging derivatives (liabilities)		
Interest rate swaps	7,183	4,656
Portfolio fair value hedges of interest rate risk	2,237	951
Forward currency contracts	–	2
Total hedging derivatives (liabilities)	**9,420**	**5,609**

interest rate risk faced by assets carrying fixed interest payments (both from the FVOCI portfolio and from loans to customers at amortized costs) in possession of the Group. Currency swaps with currency pair CZK/EUR (buy/sell) are used as hedging instruments against changes in foreign exchange rates of equity instruments at FVOCI.

All hedging instruments have been effective for the whole life of the hedging contracts.

As at 31 December 2019 the balances of the hedging derivatives were as follows:

Fair value hedge

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item debt instruments at FVOCI with fixed interest rate	**x**	**x**	**–**	**(7,183)**
Interest rate swap				
Maturity less than 3 months	–	–	x	x
Maturity 3 months - 1 year	69,500	(69,500)	x	x
Maturity more than 1 year	184,476	(184,476)	x	x

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item loans to customers with fixed interest rate	**x**	**x**	**–**	**(2,237)**
Interest rate swap				
Maturity less than 3 months	–	–	x	x
Maturity 3 months - 1 year	–	–	x	x
Maturity more than 1 year	93,400	(93,400)	x	x

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item equity instruments at FVOCI	**x**	**x**	**523**	**–**
Currency swap				
Maturity less than 3 months	–	–	x	x
Maturity 3 months - 1 year	–	–	x	x
Maturity more than 1 year	22,438	(21,002)	x	x

As at 31 December 2018 the balances of the hedging derivatives were as follows:

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item loans to customers with fixed interest rate	**x**	**x**	**–**	**(4,656)**
Interest rate swap				
Maturity less than 3 months	–	–	x	x
Maturity 3 months - 1 year	–	–	x	x
Maturity more than 1 year	211,610	(211,610)	x	x

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item loans to customers with fixed interest rate	**x**	**x**	**–**	**(951)**
Interest rate swap				
Maturity less than 3 months	–	–	x	x
Maturity 3 months - 1 year	–	–	x	x
Maturity more than 1 year	93,400	(93,400)	x	x

in thousands of EUR	Nominal value Buy	Nominal value Sell	Fair value Positive	Fair value Negative
Hedged item equity instruments at FVOCI	**x**	**x**	**28**	**(2)**
Currency swap				
Maturity less than 3 months	5,046	(5,000)	x	x
Maturity 3 months - 1 year	504	(500)	x	x
Maturity more than 1 year	–	–	x	x

Fair value measurement of hedging derivative assets and liabilities

in thousands of EUR	31 December 2019	31 December 2018
Fair value of hedging derivative assets		
Level 2 – derived from quoted prices	523	28
Total	**523**	**28**
Fair value of hedging derivative liabilities		
Level 2 – derived from quoted prices	9,420	5,609
Total	**9,420**	**5,609**

There were no transfers of hedging derivatives between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2019 and 2018.

16. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

in thousands of EUR	31 December 2019	31 December 2018
Shares	6,725	6,993
Investment funds units	324,127	218,599
Investment securities mandatorily at fair value through profit or loss	**330,852**	**225,592**
Bonds	–	2,016
Investment securities designated at fair value through profit or loss	**–**	**2,016**
Total investment securities measured at fair value through profit or loss	**330,852**	**227,608**

Investment securities mandatorily at fair value through profit or loss comprise shares and investment fund units as at 31 December 2019 and 31 December 2018. Investment fund units as at 31 December 2019 and 31 December 2018 comprise primarily funds that focus on real estate development and investments into a mix of shares and debt instruments of global firms and exchange traded funds.

As at 31 December 2019 there are no pledged investment securities at FVTPL (2018: nil).

(i) Fair value measurement of investment securities measured at fair value through profit or loss

Investment securities mandatorily at fair value through profit or loss

As at 31 December 2019

in thousands of EUR	Shares	Investment funds units	Total
Level 1 – quoted market prices	1,197	5,251	6,448
Level 2 – derived from quoted prices	5,528	287,098	292,626
Level 3 – calculated using valuation techniques	–	31,778	31,778
Total	**6,725**	**324,127**	**330,852**

As at 31 December 2018

in thousands of EUR	Shares	Investment funds units	Total
Level 1 – quoted market prices	–	2,477	2,477
Level 2 – derived from quoted prices	5,084	186,324	191,408
Level 3 – calculated using valuation techniques	1,909	29,798	31,707
Total	**6,993**	**218,599**	**225,592**

Investment securities designated at fair value through profit or loss

As at 31 December 2019

in thousands of EUR	Bonds
Level 1 – quoted market prices	–
Total	**–**

As at 31 December 2018

in thousands of EUR	Bonds
Level 1 – quoted market prices	2,016
Total	**2,016**

(ii) Detail of fair value measurement in Level 3

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

Investment securities mandatorily at fair value through profit or loss

in thousands of EUR	Shares	Investment funds units	Total
Balance at 1 January 2019	**1,909**	**29,798**	**31,707**
Total gains and losses recognized in profit and loss	–	2,837	2,837
Transfer to Level 1	–	(428)	(428)
Transfer to Level 2	–	(5,223)	(5,223)
Additions	–	4,896	4,896
Disposals	(1,909)	(192)	(2,101)
Effect of movements in foreign exchange	–	90	90
Balance at 31 December 2019	**–**	**31,778**	**31,778**

in thousands of EUR	Shares	Investment funds units	Total
Balance at 31 December 2017 – IAS 39	1,909	1,272	3,181
Reclassification on initial application of IFRS 9	–	23,645	23,645
Balance at 1 January 2018 – IFRS 9	**1,909**	**24,917**	**26,826**
Total gains recognized in profit or loss	–	1,103	1,103
Additions	–	4,962	4,962
Disposals	–	(1,017)	(1,017)
Effect of movements in foreign exchange	–	(167)	(167)
Balance at 31 December 2018	**1,909**	**29,798**	**31,707**

During 2019 sufficient information for measuring the fair values based on observable market inputs became available for some securities and thus allotment certificates amounting EUR 5,223 thousand (2018: nil) were transferred from Level 3 to Level 2. Based on changes in market conditions for some financial instruments, market prices for these instruments became available as at 31 December 2019. Allotment certificates amounting to EUR 428 thousand were therefore transferred from Level 3 to Level 1 as at that date.

On the other hand as for some instruments observable market inputs have become available instead of quoted market prices, allotment certificates totalling EUR 1,993 thousand were transferred from Level 1 to Level 2.

There were no transfers of investment securities mandatorily at fair value through profit or loss between the levels of the fair value hierarchy during 2018.

Investment securities designated at fair value through profit or loss
In 2019 and 2018 there were no investments securities designated at FVTPL in Level 3 of the fair value hierarchy.

There were no transfers of investment securities designated at fair value through profit or loss between the levels of the fair value hierarchy during 2019. In 2018 based on changes in market conditions for some financial instruments, market prices for these instruments became available and thus bonds amounting to EUR 2,016 thousand were transferred from Level 2 to Level 1 as at that date.

17. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in thousands of EUR	31 December 2019	31 December 2018
Shares	28,652	26,057
Investments funds units	3	3
Bonds (for impairment details refer to Note 24 (f))	819,426	741,035
Total investment securities at fair value through other comprehensive income	**848,081**	**767,095**

Investment securities at fair value through other comprehensive income comprise primarily bonds, out of which the majority is represented by government bonds (48%) and corporate bonds (32%) as at 31 December 2019 (2018: government bonds 48% and corporate bonds 36%).

The maturity of the bonds is between 2020 and 2034. Bonds with maturity in 2034 are in amount of EUR 4,834 thousand (2018: maturity in 2047 EUR 422 thousand).

Shares as at 31 December 2019 comprise primarily corporate shares (73%), the remainder are shares of financial institutions (2018: corporate shares 78%, the remainder financial institutions).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

As at 31 December 2019 pledged investment securities at FVOCI amounted to EUR 37,426 thousand (2018: EUR 118,510 thousand).

(i) Fair value measurement of investment securities at fair value through other comprehensive income

31 December 2019

in thousands of EUR	Shares	Investment funds units	Bonds	Total
Level 1 – quoted market prices	7,855	–	605,128	612,983
Level 2 – derived from quoted prices	14,273	–	117,903	132,176
Level 3 – calculated using valuation techniques	6,524	3	96,395	102,922
Total	**28,652**	**3**	**819,426**	**848,081**

31 December 2018

in thousands of EUR	Shares	Investment funds units	Bonds	Total
Level 1 – quoted market prices	6,888	–	542,761	549,649
Level 2 – derived from quoted prices	12,651	–	91,290	103,941
Level 3 – calculated using valuation techniques	6,518	3	106,984	113,505
Total	**26,057**	**3**	**741,035**	**767,095**

(ii) Detail of fair value measurement in Level 3

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

in thousands of EUR	Shares	Investment funds units	Bonds	Total
Balance as at 1 January 2019	6,518	3	106,984	113,505
Total gains (losses) recognised in other comprehensive income	(3)	–	31	28
Total gains for the period recognized in profit or loss	–	–	7	7
Additions	62	–	–	62
Disposals	(194)	–	(10,267)	(10,461)
Interest income less interest received	–	–	(5)	(5)
Effect of movements in foreign exchange	141	–	(355)	(214)
Balance as at 31 December 2019	**6,524**	**3**	**96,395**	**102,922**

in thousands of EUR	Shares	Investment funds units	Bonds	Total
Balance as at 31 December 2017 – IAS 39	4,060	23,645	101,735	129,440
Reclassification to FVTPL on initial application of IFRS 9	–	(23,645)	–	(23,645)
Balance as at 1 January 2018 – IFRS 9	4,060	–	101,735	105,795
Total gains (losses) recognized in other comprehensive income	(1)	–	881	880
Total gains for the period recognised in profit or loss	–	–	–	–
Additions	2,373	3	13,462	15,838
Disposals	(83)	–	(8,920)	(9,003)
Interest income less interest received	–	–	(303)	(303)
Effect of movements in foreign exchange	169	–	129	298
Balance as at 31 December 2018 – IFRS 9	**6,518**	**3**	**106,984**	**113,505**

During 2019, there were no transfers into or out of Level 3 of the fair value hierarchy (2018: none).

During 2019, there were no transfers into or out of Level 3 of the fair value hierarchy. However, as for some financial instruments market prices were not available as at 31 December 2019, bonds totalling EUR 89,940 thousand (2018: bonds nil, shares EUR 1,494 thousand) were transferred from Level 1 to Level 2. On the other hand, due to changes in market conditions for some instruments, market prices from active markets became available and shares amounting to EUR 1,270 thousand (2018: shares nil, bonds EUR 53,011 thousand) were therefore transferred from Level 2 to Level 1. There were no other transfers between levels in 2019 and 2018.

The majority (69%) of the bonds presented under Level 3 (2018: 63%) comprise bonds of an issuer owning real estate properties (mainly land).

18. INVESTMENT SECURITIES AT AMORTISED COST

in thousands of EUR	31 December 2019	31 December 2018
Slovak government bonds	374,117	280,586
Government bonds of other European Union countries	72,247	22,801
Financial institution and corporate bonds	112,671	128,456
Bills of exchange	3,011	10,357
Less impairment loss allowance (refer to Note 24 (b))	(7,731)	(2,445)
Total investment securities at amortised cost	**554,315**	**439,755**

Government bonds represent 80% of the total of bonds at amortised cost as at 31 December 2019 (2018: 70%). A further 14% of the bond portfolio are corporate bonds (2018: 25%).

The maturity of the bonds is between 2020 and 2046. Bonds with maturity in 2046 are of EUR 988 thousand (2018: maturity in 2046 EUR; 988 thousand).

Pledged investment securities at amortised cost total EUR 187,260 thousand as at 31 December 2019 (2018: EUR 168,525 thousand).

For expected credit losses relating to investment securities at amortised cost refer to Note 24 (b).

19. DISPOSAL GROUP HELD FOR SALE

in thousands of EUR	31 December 2019	31 December 2018
Disposal group held for sale	2,539	2,507
Property, plant and equipment	3,264	7,880
Total assets	**5,803**	**10,387**

The Group did not recognize any cumulative income or expense accumulated in other comprehensive income relating to the disposal group held for sale as at 31 December 2019 nor 31 December 2018.

Property, plant and equipment is represented by collateralized assets provided to secure loan receivables and taken over by the Group. Such assets are expected to be sold within one year to satisfy receivables from the defaulted loans.

The disposal group held for sale consist of J&T Ostravice Active Life UPF, which was acquired exclusively with a view to its subsequent disposal. The sale of J&T Ostravice Active Life UPF was delayed by the approval process of the land plan, which is out of the Group's control.

20. LOANS AND ADVANCES TO BANKS

in thousands of EUR	31 December 2019	31 December 2018
Obligatory minimum reserves deposited in central banks	329,652	331,868
Term deposits	63	63
Other	2,030	3,531
Less impairment loss allowance (refer to Note 24 (c))	(184)	(188)
Net loans and advances to banks at amortised cost	**331,561**	**335,274**

Obligatory minimum reserves represent the obligatory minimum reserves maintained by J&T BANKA, a.s., J&T Bank, a.o., Poštová banka, a.s. and J&T Banka d.d. under regulations of the relevant regulatory authorities.

The obligatory minimum reserve for J&T BANKA, a.s. is calculated as 2% of primary deposits with a maturity of less than two years. These obligatory minimum reserves are interest earning.

The obligatory minimum reserve for J&T Bank, a.o. is calculated as 4.75% of nonresidents' corporate deposits denominated in RUB; as 8% of nonresidents' corporate deposits denominated in foreign currency; as 4.75% of residents' individual deposits denominated in RUB; as 8% of residents' individual deposits denominated in foreign currency; as 4.75% of other liabilities in RUB and as 8% of other liabilities in foreign currency minus average balances of deposits and accrued interest multiplied by 0.8. In the case of J&T Bank, a.o., the obligatory minimum reserve is not bearing any interest.

The amount of set reserve of Poštová banka, a.s. depends on the amount of received deposits and is calculated by multiplying particular items using the valid rate defined for the calculation of the compulsory minimum reserve.

The obligatory minimum reserve for J&T Banka d.d. is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilities excluding balances with specified banks. The obligatory reserve is calculated as 12% of the above and is not bearing any interest.

21. LOANS AND ADVANCES TO CUSTOMERS

in thousands of EUR	31 December 2019	31 December 2018
Loans and advances to customers	5,734,614	5,697,364
Overdrafts	220,633	401,404
Debt securities	3,772	3,875
Loans in reverse repurchase agreements (Note 22.2)	89,379	98,953
Other loans and advances	54,566	46,213
Less allowance for impairment of loans (refer to Note 24 (d))	(328 244)	(363 850)
Net loans and advances to customers at amortised cost	**5,774,720**	**5,883,959**
Loans and advances to customers at FVTPL mandatorily	–	2,485
Loans and advances to customers at FVTPL	–	2,485
Total net loans and advances to customers	**5,774,720**	**5,886,444**

In 2019 the Group had loans to four customers with an aggregated balance of EUR 579,422 thousand (2018: four customers with an aggregated balance of EUR 873,304 thousand).

The amount of non-interest bearing loans as at 31 December 2019 totalled EUR 4,172 thousand (2018: EUR 3,955 thousand). Receivables from these loans are fully provided for.

Other loans and advances include loans from finance leases in the amount of EUR 21,042 thousand (2018: EUR 10,812 thousand) analysed in Note 40.2. Leases as lessor.

22. REPURCHASE AND RESALE AGREEMENTS

22.1. Repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price, plus interest at a predetermined rate. As at 31 December 2019 and 2018, total assets sold under repurchase agreement were as follows:

31 December 2019

in thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 30)	**522**	**467**	**469**
– maturity up to 1 month	101	104	105
– maturity 6-12 months	421	363	364
Loans and advances from banks (Note 29)	**183,400**	**174,249**	**174,279**
– maturity up to 1 month	183,400	174,249	174,279
Total	**183,922**	**174,716**	**174,748**

31 December 2018

in thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 30)	**559**	**584**	**584**
– maturity up to 1 month	472	473	473
– maturity 6-12 months	87	111	111
Loans and advances from banks (Note 29)	**106,662**	**99,710**	**97,719**
– maturity up to 1 month	106,662	99,710	97,719
Total	**107,221**	**100,294**	**100,303**

22.2. Reverse repurchase agreements

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2019 and 2018, total assets purchased subject to agreements to resell them were as follows:

31 December 2019

in thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 21)	**152,273**	**89,379**	**89,771**
– maturity up to 1 month	57,981	32,729	32,822
– maturity 1-6 months	94,292	56,650	56,949
Loans and advances to banks (Note 13)	**2,185,667**	**2,213,179**	**2,213,974**
– maturity up to 1 month	2,185,667	2,213,179	2,213,974
Total	**2,337,940**	**2,302,558**	**2,303,745**

31 December 2018

in thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 21)	**147,102**	**98,953**	**99,326**
– maturity up to 1 month	42,774	29,480	29,538
– maturity 1-6 months	104,328	69,473	69,788
Loans and advances to banks (Note 13)	**2,179,123**	**2,201,052**	**2,201,879**
– maturity up to 1 month	2,179,123	2,201,052	2,201,879
Total	**2,326,225**	**2,300,005**	**2,301,205**

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

23. TRADE RECEIVABLES AND OTHER ASSETS

in thousands of EUR	31 December 2019	31 December 2018
Purchased receivables	1,221	21,365
– gross	1,856	21,822
– allowance	(635)	(457)
Trade receivables	27,372	25,122
– gross	33,722	33,818
– allowance	(6,350)	(8,696)
Securities settlement balances	11,163	14,023
Expected proceeds from liquidation	–	–
– gross	9,559	9,207
– allowance	(9,559)	(9,207)
Receivables from insurance and reinsurance	637	678
– gross	943	1,013
– allowance	(306)	(335)
Other tax receivables	1,838	572
Other receivables	17,876	15,310
– gross	19,334	16,390
– allowance	(1,458)	(1,080)
Total receivables presented under risk management at amortised cost (refer to Note 41)	**60,107**	**77,069**
Prepayments	15,560	15,589
Advance payments	18,834	13,701
– gross	18,834	13,701
– allowance	–	–
Inventories	9,729	7,954
Other	1,449	6,975
– gross	1,528	7,081
– allowance	(79)	(106)
Total non-financial receivables and other assets	**45,572**	**44,219**
Total trade receivables and other assets	**105,679**	**121,288**

Other receivables include other individually insignificant items, such as collateral received for the purposes of derivative trading.

For details on ECL refer to Note 24 (e).

24. AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES (ECL)

The following tables show reconciliations from the opening to the closing balance of the loss allowance and provisions by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 (h).

(a) Cash and cash equivalents at amortised cost

in thousands of EUR	12-month ECL 2019	12-month ECL 2018
Balance as at 1 January	**245**	**271**
Net remeasurement of loss allowance	6	(5)
New financial assets originated or purchased	25	129
Net decrease in cash and cash equivalents	(16)	(151)
Foreign exchange and other movements	(1)	1
Balance as at 31 December (refer to Note 13)	**259**	**245**

(b) Investment securities at amortised cost

in thousands of EUR	12-month ECL 2019	Lifetime ECL not creditimpaired 2019	Total	12-month ECL 2018	Total
Balance as at 1 January	**2,445**	**–**	**2,445**	**1,335**	**1,335**
Transfer to lifetime ECL not credit-impaired	(2,700)	2,700	–	–	–
Net remeasurement of loss allowance	449	4,683	5,132	1,012	1,012
New financial assets originated or purchased	68	–	68	174	174
Derecognition	(107)	–	(107)	(73)	(73)
Write-offs	–	(10)	(10)	–	–
Foreign exchange and other movements	4	199	203	(3)	(3)
Balance as at 31 December (refer to Note 18)	**159**	**7,572**	**7,731**	**2,445**	**2,445**

(c) Loans and advances to banks at amortised cost

in thousands of EUR	12-month ECL 2019	12-month ECL 2018
Balance as at 1 January	**188**	**93**
Net remeasurement of loss allowance	12	52
New financial assets originated or purchased	103	50
Derecognition	(118)	(3)
Effect of movements in foreign exchange	(1)	(4)
Balance as at 31 December (refer to Note 20)	**184**	**188**

(d) Loans and advances to customers at amortised cost

in thousands of EUR	12-month ECL 2019	Lifetime ECL not creditimpaired 2019	Lifetime ECL creditimpaired 2019	Purchased creditimpaired 2019	Total 2019
Balance as at 1 January	**45,576**	**30,021**	**287,037**	**1,216**	**363,850**
Transfer to 12-month ECL	20,032	(19,662)	(370)	–	–
Transfer to lifetime ECL not credit-impaired	(11,416)	12,388	(972)	–	–
Transfer to lifetime ECL credit-impaired	(6,135)	(18,407)	24,542	–	–
Net remeasurement of loss allowance	(16,086)	27,622	55,686	(1,010)	66,212
New financial assets originated or purchased	19,477	–	–	21,372	40,849
Derecognition	(7,156)	(2,776)	(132,130)	(59)	(142,121)
Write-offs	–	–	(4,553)	(105)	(4,658)
Changes due to modification without derecognition (net)	(234)	(351)	2,471	–	1,886
Effect of movements in foreign exchange	330	387	1,340	169	2,226
Balance as at 31 December (refer to Note 21)	**44,388**	**29,222**	**233,051**	**21,583**	**328,244**

in thousands of EUR	12-month ECL 2018	Lifetime ECL not creditimpaired 2018	Lifetime ECL creditimpaired 2018	Purchased creditimpaired 2018	Total 2018
Balance as at 1 January	**49,069**	**18,883**	**262,643**	**2,639**	**333,234**
Transfer to 12-month ECL	9,978	(9,159)	(819)	–	–
Transfer to lifetime ECL not credit-impaired	(16,330)	16,911	(581)	–	–
Transfer to lifetime ECL credit-impaired	(17,216)	(11,896)	29,112	–	–
Net remeasurement of loss allowance	(6,823)	17,763	72,275	(580)	82,635
New financial assets originated or purchased	40,138	–	–	–	40,138
Derecognition	(13,141)	(2,670)	(71,900)	(683)	(88,394)
Write-offs	–	–	(490)	(8)	(498)
Changes due to modification without derecognition (net)	(10)	20	(2,230)	–	(2,220)
Effect of movements in foreign exchange	(89)	169	(973)	(152)	(1,045)
Balance as at 31 December (refer to Note 21)	**45,576**	**30,021**	**287,037**	**1,216**	**363,850**

The changes in the loss allowance are represented mainly by decrease due to derecognition in the amount of EUR 142,121 thousand (2018: EUR 88,394 thousand) (primarily due to settlement of financial instruments with gross carrying amount of EUR 1,919,596 thousand (2018: EUR 2,049,831 thousand)). On the other hand, new loans and advances to customers at amortised cost were raised with gross carrying amount of EUR 2,035,886 thousand (2018: EUR 2,738,011 thousand) causing the increase in loss allowance by EUR 40,849 thousand (2018: EUR 40,138 thousand).

Increases in credit risk are reflected in both the Net remeasurement amount and Transfers to stages with higher probability of default. These transfers decreased the gross carrying amount in Stage 1 by EUR 326,666 thousand (2018: EUR 177,037 thousand), and increased the gross carrying amounts in Lifetime ECL not credit-impaired by EUR 207,583 thousand (2018: EUR 95,225 thousand) and in Lifetime ECL credit-impaired by EUR 119,083 thousand (2018: EUR 81,812 thousand).

(e) Trade receivables presented under risk management at amortised cost

in thousands of EUR	Lifetime ECL not creditimpaired 2019	Lifetime ECL creditimpaired 2019	Total 2019
Balance as at 1 January	**1,463**	**18,312**	**19,775**
Transfer to lifetime ECL credit-impaired	(125)	125	–
Net remeasurement of loss allowance	(25)	86	61
New financial assets originated or purchased	646	–	646
Derecognition	(95)	(2,111)	(2,206)
Write-offs	(14)	(29)	(43)
Effect of movements in foreign exchange	53	22	75
Balance as at 31 December (refer to Note 23)	**1,903**	**16,405**	**18,308**

in thousands of EUR	Lifetime ECL not creditimpaired 2018	Lifetime ECL creditimpaired 2018	Total 2018
Balance as at 1 January	**320**	**11,665**	**11,985**
Transfer to lifetime ECL credit-impaired	(948)	948	–
Net remeasurement of loss allowance	(29)	5,979	5,950
New financial assets originated or purchased	2,246	–	2 246
Derecognition	(36)	(234)	(270)
Write-offs	(13)	(131)	(144)
Effect of movements in foreign exchange	(77)	85	8
Balance as at 31 December (refer to Note 23)	**1,463**	**18,312**	**19,775**

(f) Debt investment securities at FVOCI

in thousands of EUR	12-month ECL 2019	Lifetime ECL not creditimpaired 2019	Lifetime ECL creditimpaired 2019	Total
Balance as at 1 January	**2,003**	**–**	**–**	**2,003**
Transfer to lifetime ECL not credit-impaired	(126)	126	–	–
Transfer to lifetime ECL credit-impaired	(179)	–	179	–
Net remeasurement of loss allowance	(141)	1,479	–	1,338
New financial assets originated or purchased	635	–	–	635
Derecognition	(596)	–	(179)	(775)
Write-offs	(42)	–	–	(42)
Effect of movements in foreign exchange	(16)	(2)	–	(18)
Balance as at 31 December	**1,538**	**1,603**	**–**	**3,141**

in thousands of EUR	12-month ECL 2018	Total 2018
Balance as at 1 January	**3,801**	**3,801**
Transfer to lifetime ECL not credit-impaired	–	–
Transfer to lifetime ECL credit-impaired	–	–
Net remeasurement of loss allowance	(1,892)	(1,892)
New financial assets originated or purchased	620	620
Derecognition	(538)	(538)
Write-offs	–	–
Effect of movements in foreign exchange	12	12
Balance as at 31 December	**2,003**	**2,003**

(g) Loan commitments and financial guarantee contracts

in thousands of EUR	12-month ECL 2019	Lifetime ECL not creditimpaired 2019	Lifetime ECL creditimpaired 2019	Total 2019
Balance as at 1 January	**2,607**	**874**	**5,236**	**8,717**
Transfer to 12-month ECL	33	(33)	–	–
Transfer to lifetime ECL not credit-impaired	(347)	347	–	–
Transfer to lifetime ECL credit-impaired	(390)	(3)	393	–
Net remeasurement of loss allowance	(822)	70	(1,160)	(1,912)
New commitments and financial guarantees issued	2,505	–	–	2,505
Commitments and financial guarantees derecognized	(1,348)	(338)	(3,733)	(5,419)
Changes due to modification	168	(1)	10	177
Other movements	–	–	–	–
Foreign exchange and other movements	(64)	2	(6)	(68)
Balance as at 31 December	**2,342**	**918**	**740**	**4,000**

in thousands of EUR	12-month ECL 2018	Lifetime ECL not creditimpaired 2018	Lifetime ECL creditimpaired 2018	Total 2018
Balance as at 1 January	**2,642**	**2,305**	**5,838**	**10,785**
Transfer to 12-month ECL	383	(382)	(1)	–
Transfer to lifetime ECL not credit-impaired	(1,631)	1,631	–	–
Transfer to lifetime ECL credit-impaired	(139)	–	139	–
Net remeasurement of loss allowance	(1,979)	(1,021)	1,798	(1,202)
New commitments and financial guarantees issued	5,664	–	–	5,664
Commitments and financial guarantees derecognized	(2,016)	(1,724)	(2,515)	(6,255)
Changes due to modification	(51)	63	–	12
Other movements	(236)	–	–	(236)
Foreign exchange and other movements	(30)	2	(23)	(51)
Balance as at 31 December	**2,607**	**874**	**5,236**	**8,717**

25. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

in thousands of EUR	31 December 2019	31 December 2018
Interests in joint ventures	20,860	–
Interest in associate	31,669	23,120
Total interests in equity accounted investees	**52,529**	**23,120**

Joint ventures

The table below analyses the share of profit and other comprehensive income from joint ventures:

in thousands of EUR	31 December 2019	31 December 2018
Carrying amount of interests in joint ventures	20,860	–
Group´s share of:		
Profit from continuing operations	–	–
Other comprehensive income	138	–
Total share of comprehensive income from joint ventures	**138**	**–**

In April 2019 the Group acquired a 50% share in OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. for CZK 530,000 thousand, whereas payment for part of the acquisition price is conditional upon fulfilment of specified conditions. OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. is a company incorporated and existing under the law of the Czech Republic and is not publicly traded. The interest in the company is accounted for using the equity method.

The following table summarises the financial information of OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group’s interest in OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.

in thousands of EUR	2019
Percentage of ownership interest	**50%**
Non-current assets	76,79 6
Current assets	18,014
Non-current liabilities	(7,564)
Current liabilities	(45,526)
Net assets (100%)	**41,720**
Group's share of net assets (50%)	20,860
Carrying amount of interest in joint venture	**20,860**
Revenue	–
Profit from continuing operations (100%)	–
Other comprehensive income (100%)	276
Total comprehensive income (100%)	276
Total comprehensive income (50%)	**138**
Group's share of total comprehensive income (50%)	**138**

Associates

The table below analyses the share of profit and other comprehensive income from associates:

in thousands of EUR	31 December 2019	31 December 2018
Carrying amount of interests in associates	31,669	23,120
Group´s share of:		
Profit from continuing operations	4,986	1,441[5]
Other comprehensive income	440	(7)
Total share of comprehensive income from associates	**5,426**	**1,434**

In 2018 the Group acquired a 45% interest in URE HOLDING LIMITED for USD 23,946 thousand. URE HOLDING LIMITED is a company organized and existing under the law of the Republic of Cyprus and is not publicly traded. The interest is accounted for using the equity method. In 2019 the Group made further capital contribution to URE HOLDING LIMITED in the amount of USD 3,528 thousand (EUR 3,123 thousand).

The following table summarises the financial information of URE HOLDING LIMITED as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in URE HOLDING LIMITED.

in thousands of EUR	2019	2018
Percentage of ownership interest	**45%**	**45%**
Non-current assets	147,285	119,019
Current assets	2,479	3,939
Non-current liabilities	(79,896)	(71,823)
Current liabilities	(342)	(644)
Net assets (100%)	**69,526**	**50,491**
Group's share of net assets (45%)	31,287	22,721
Carrying amount of interest in associate	31,287	22,721
Revenue	19,155	–
Profit from continuing operations (100%)	11,124	–
Other comprehensive income (100%)	971	4
Total comprehensive income (100%)	12,095	4
Total comprehensive income (45%)	**5,443**	**2**
Group's share of total comprehensive income (45%)	**5,443**	**2**

[5] Profit from continuing operations also includes a gain on a bargain purchase resulting from the acquisition of URE HOLDING LIMITED. The gain on the bargain purchase has been already reflected in the amount of interest in the associate at acquisition.

26. INVESTMENT PROPERTY

in thousands of EUR	2019	2018
Balance as at 1 January	144,670	149,194
Additions	4,136	531
Change in fair value (refer to Note 11)	(10,208)	(2,797)
Transfer to property, plant and equipment (refer to Note 28)	(1,099)	–
Disposals	(7,989)	(1,315)
Incoming entities	1,988	–
Effect of movement in foreign exchange	1,104	(943)
Balance as at 31 December	**132,602**	**144,670**

Investment property as at 31 December 2019 includes buildings in amount of EUR 69,482 thousand (2018: buildings in amount of EUR 71,412 thousand) and land in amount of EUR 63,120 thousand (2018: land in amount of EUR 73,258 thousand).

No investment property was subject to pledges as at 31 December 2019 and 2018.

Investment property was insured up to an amount of EUR 69,890 thousand as at 31 December 2019 (2018: EUR 70,310 thousand).

27. INTANGIBLE ASSETS

in thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Softwareand other intangible assets	Total
Gross carrying amount at 1 January 2018	40,856	89,318	81,088	78,587	289,849
Accumulated amortization and impairment at 1 January 2018	(15,600)	(29,774)	(72,109)	(43,155)	(160,638)
Net carrying amount at 1 January 2018	**25,256**	**59,544**	**8,979**	**35,432**	**129,211**
Additions	–	164	253	16,182	16,599
Acquisitions through business combinations	2,788	–	–	118	2,906
Amortisation charge for the year	–	(6,619)	(4,461)	(11,077)	(22,157)
Disposals	–	–	–	(204)	(204)
Effect of movements in foreign exchange	(23)	–	(1)	305	281
Net carrying amount at 31 December 2018	**28,021**	**53,089**	**4,770**	**40,756**	**126,636**
Gross carrying amount at 31 December 2018	42,390	89,482	82,978	95,527	310,377
Accumulated amortization and impairment at 31 December 2018	(14,369)	(36,393)	(78,208)	(54,771)	(183,741)

in thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
Gross carrying amount at 1 January 2019	42,390	89,482	82,978	95,527	310,377
Accumulated amortization and impairment at 1 January 2019	(14,369)	(36,393)	(78,208)	(54,771)	(183,741)
Net carrying amount at 1 January 2019	**28,021**	**53,089**	**4,770**	**40,756**	**126,636**
Additions	–	16	–	25,215	25,231
Acquisitions through business combinations	–	–	–	–	–
Amortisation charge for the year	–	(6,644)	(3,214)	(13,230)	(23,088)
Impairment	(20,033)	(46,318)	(1,482)	–	(67,833)
Disposals	–	–	–	(5,197)	(5,197)
Effect of movements in foreign exchange	28	6	1	137	172
Net carrying amount at 31 December 2019	**8,016**	**149**	**75**	**47,681**	**55,921**
Gross carrying amount at 31 December 2019	43,608	89,498	83,858	116,020	332,984
Accumulated amortization and impairment at 31 December 2019	(35,592)	(89,349)	(83,783)	(68,339)	(277,063)

Impairment of intangible assets represents the impairment of Poštová banka, a.s. (please refer to Note 4.3 for more details).

Assets under development and borrowing costs
As at 31 December 2019 the cost of intangible assets under development (included in Other intangible assets) was EUR 553 thousand (2018: EUR 1,177 thousand).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2018: nil).

28. PROPERTY, PLANT AND EQUIPMENT

in thousands of EUR	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Right-of-Use Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2018	132,899	–	36,799	–	169,698
Accumulated depreciation and impairment at 1 January 2018	(8,675)	–	(21,778)	–	(30,453)
Net carrying amount at 1 January 2018	**124,224**	**–**	**15,021**	**–**	**139,245**
Additions	2,750	–	7,289	–	10,039
Acquisitions through business combinations	2,471	–	–	–	2,471
Depreciation charge for the year	(4,997)	–	(5,075)	–	(10,072)
Impairment	35	–	22	–	57
Disposals	(321)	–	180	–	(141)
Effect of movements in foreign exchange	(1,523)	–	(70)	–	(1,593)
Net carrying amount at 31 December 2018	**122,639**	**–**	**17,367**	**–**	**140,006**
Gross carrying amount at 31 December 2018	135,990	–	42,185	–	178,175
Accumulated depreciation and impairment at 31 December 2018	(13,351)	–	(24,818)	–	(38,169)

in thousands of EUR	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Right-of-Use Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2019	135,990	–	42,185	–	178,175
Accumulated depreciation and impairment at 1 January 2019	(13,351)	–	(24,818)	–	(38,169)
Net carrying amount at 1 January 2019	**122,639**	**–**	**17,367**	**–**	**140,006**
Impact of initial application of IFRS 16	–	37,699	–	6,761	44,460
Additions	6,629	10,402	14,907	4,315	36,253
Acquisitions through business combinations	3,237	–	–	–	3,237
Depreciation charge for the year	(4,982)	(10,210)	(5,409)	(1,793)	(22,394)
Impairment	190	–	(41)	–	149
Changes due to modifications under IFRS 16	–	3,982	–	96	4,078
Transfers from investment property	1,099	–	–	–	1,099
Transfer between categories	150	–	(150)	–	–
Disposals	(547)	(7,913)	(5,490)	(1,830)	(15,780)
Effect of movements in foreign exchange	1,935	68	87	40	2,130
Net carrying amount at 31 December 2019	**130,350**	**34,028**	**21,271**	**7,589**	**193,238**
Gross carrying amount at 31 December 2019	148,750	43,415	49,568	8,916	250,649
Accumulated depreciation and impairment at 31 December 2019	(18,400)	(9,387)	(28,297)	(1,327)	(57,411)

As at 31 December 2019 the Group's property, plant and equipment in the amount of EUR 41,457 thousand is subject to pledges (2018: EUR 35,912 thousand).

As at 31 December 2019 the Group's property, plant and equipment was insured up to an amount of EUR 181,593 thousand (2018: EUR 162,609 thousand).

Assets under construction and borrowing costs
As at 31 December 2019 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 6,323 thousand (2018: EUR 3,700 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the years 2019 and 2018.

Idle assets
As at 31 December 2019 and 2018 the Group had no material idle assets.

29. DEPOSITS AND LOANS FROM BANKS

in thousands of EUR	31 December 2019	31 December 2018
Term deposits from banks	–	9,999
Received loans from repurchase agreements (refer to Note 22.1)	174,249	99,710
Other received loans	139,629	127,046
Deposits and loans from banks at amortised cost	**313,878**	**236,755**
Total deposits and loans from banks	**313,878**	**236,755**

For more information about repurchase agreements see Note 22. Repurchase and resale agreements.

30. DEPOSITS AND LOANS FROM CUSTOMERS

in thousands of EUR	31 December 2019	31 December 2018
Term and escrow deposits	4,886,547	4,880,479
Deposits payable on demand	3,102,705	3,169,894
Received loans from repurchase agreements (refer to Note 22.1)	467	584
Other received loans	21,367	13,381
Deposits and loans from customers at amortised cost	**8,011,086**	**8,064,338**
Total deposits and loans from customers	**8,011,086**	**8,064,338**

For more information about repurchase agreements see Note 22. Repurchase and resale agreements.

31. DEBT SECURITIES ISSUED

in thousands of EUR	31 December 2019	31 December 2018
At amortised cost	458,545	531,440
At FVTPL designated	–	1,925
Total debt securities issued	**458,545**	**533,365**

The following table shows the detail for debt securities issued at amortised cost:

in thousands of EUR	Original currency	Interest rate	Maturity date	31 December 2019	31 December 2018
Bonds listed on Bratislava Stock Exchange	EUR	3.80 %	29.10.2019	–	97,052
Bonds listed on Prague Stock Exchange	CZK	3.00%	25.11.2019	–	116,378
Bonds listed on Prague Stock Exchange	CZK	4.00%	18.7.2022	129,038	126,765
Bonds listed on Bratislava Stock Exchange	EUR	4.00%	26.10.2023	150,588	137,174
Bonds listed on Prague Stock Exchange	CZK	4.75%	14.10.2024	178,781	–
Total issued bonds				**458,407**	**477,369**
Issued bills of exchange and loan notes				138	54,071
Total other debt securities issued				**138**	**54,071**
Total debt securities issued at amortised cost				**458,545**	**531,440**

In April 2016 the Group issued 100,000 pieces of bonds with a nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange and in November 2016 1,000 pieces of bonds with a nominal value of CZK 3,000 thousand per piece, that are traded on the Prague Stock Exchange.

In July 2017 the Group issued 1,080 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange.

In August 2018 the Group issued 150,000 pieces of bonds with a nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange.

In January 2019 the Group decided to further issue up to 1,500 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange. These bonds were subscribed in the first half of 2019.

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

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2019 and 2018.

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

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liablities			Equity		
in thousands of EUR	Lease liabilities[6]	Debt securities issued	Subordinated debt	Retained earnings and other reserves	Non-controlling interests	Total
Balance at 1 January 2019	**2**	**533,365**	**32,712**	**911,085**	**49,655**	**1,526,819**
Changes from financing cash flows						
Proceeds from issued debt securities	–	189,173	–	–	–	189,173
(Payments for buy-back)	–	(267,195)	–	–	–	(267,195)
Acquisition of non-controlling interests	–	–	–	(1,083)	12,695	11,612
Disposal of non-controlling interests	–	–	–	6	(1,968)	(1,962)
Subordinated debt paid	–	–	(13,100)	–	–	(13,100)
Payments of lease liabilities (principal)	(11,421)	–	–	–	–	(11,421)
Bonus payments from issued other capital instruments	–	–	–	(18,436)	–	(18,436)
Dividends paid	–	–	–	(35,325)	(939)	(36,264)
Total changes from financing cash flows	**(11,421)**	**(78,022)**	**(13,100)**	**(54,838)**	**9,788**	**(147,593)**
Changes arising from obtaining or losing control of subsidiaries or other businesses	–	138	5,342	–	–	5,480
The effect of changes in foreign exchange rates	45	3,700	15	–	–	3,760
Other changes						
Liablitiy-related						
Lease liabilities from new leases	14,674	–	–	–	–	14,674
Transfers and other non-cash movements (including impact of IFRS 16)	38,409	–	–	–	–	38,409
Interest expense	775	22,571	1,770	–	–	25,116
Interest paid	(769)	(23,207)	(1,740)	–	–	(25,716)
Total liability-related other changes	**53,089**	**(636)**	**30**	**–**	**–**	**52,483**
Total equity-related other changes	**–**	**–**	**–**	**149,148**	**540**	**149,688**
Balance at 31 December 2019	**41,715**	**458,545**	**24,999**	**1,005,395**	**59,983**	**1,590,637**

[6] Lease liabilities are included under Other liabilities in the financial statements and thus do not constitute a separate financial statements caption.

	Liablities			Equity		
in thousands of EUR	Finance lease liabilities[7]	Debt securities issued	Subordinated debt	Retained earnings and other reserves	Non-controlling interests	Total
Balance as at 1 January 2018	**31**	**543,925**	**57,967**	**907,683**	**73,222**	**1,582,828**
Changes from financing cash flows						
Distribution from share capital to shareholders	–	–	–	–	–	–
Proceeds from issued debt securities	–	169,192	–	–	–	169,192
Payments for buy-back	–	(178,685)	–	–	–	(178,685)
Acquisition of non-controlling interests	–	–	–	(377)	377	–
Disposal of non-controlling interests	–	–	–	1,496	(23,738)	(22,242)
Subordinated debt issued	–	–	–	–	–	–
Subordinated debt paid	–	–	(24,970)	–	–	(24,970)
Payments for finance lease	(29)	–	–	–	–	(29)
Bonus payments from issued other capital instruments	–	–	–	(23,101)	–	(23,101)
Dividends paid	–	–	–	–	(766)	(766)
Total changes from financing cash flows	**(29)**	**(9,493)**	**(24,970)**	**(21,982)**	**(24,127)**	**(80,601)**
The effect of changes in foreign exchange rates	–	(2,235)	(304)	–	–	(2,539)
Other changes						
Liability-related						
Interest expense	–	21,220	2,672	–	–	23,892
Interest paid	–	(20,052)	(2,653)	–	–	(22,705)
Total liability-related other changes	**–**	**1,168**	**19**	**–**	**–**	**1,187**
Total equity-related other changes	**–**	**–**	**–**	**25,384**	**560**	**25,944**
Balance as at 31 December 2018	**2**	**533,365**	**32,712**	**911,085**	**49,655**	**1,526,819**

32. SUBORDINATED DEBT

in thousands of EUR	31 December 2019	31 December 2018
Subordinated debt at amortised cost	24,999	32,712

Subordinated debt as at 31 December 2019 is represented by fixed interest subordinated term deposits in total amount of EUR 24,999 thousand (31 December 2018: EUR 29,711 thousand) with maturity between 2020 and 2025 (31 December 2018: 2019 -2025).

As at 31 December 2019 subordinated debt includes no floating rate subordinated notes issued by J&T FINANCE GROUP SE (31 December 2018: EUR 3,001 thousand).

[7] Finance lease liabilities are included under Deposits and loans from customers in the financial statements and thus do not constitute a separate financial statements caption.

33. OTHER LIABILITIES

in thousands of EUR	31 December 2019	31 December 2018
Payables to clients from securities trading	234,054	220,633
Employee benefits	67,110	50,543
Lease liabilities (refer to Note 40.1)	41,715	–
Securities settlement balances	22,866	17,996
Trade payables	11,776	14,563
Unbilled supplies	12,270	8,698
Other liabilities	46,068	35,110
Total other liabilities under risk management (refer to Note 41)	**435,859**	**347,543**
Advance payments received	1,481	1,412
Deferred income	4,279	2,795
Total non-financial other liabilities	**5,760**	**4,207**
Total	**441,619**	**351,750**

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

34. PROVISIONS

in thousands of EUR	31 December 2019	31 December 2018
Financial guarantee contracts issued (refer to Note 24 (g))	1,000	1,291
Loan commitments issued (refer to Note 24 (g))	3,000	7,426
Other provisions	26,088	23,095
Total provisions	**30,088**	**31,812**

The Group has issued no loan commitment nor financial guarantee contracts that are measured at fair value through profit or loss.

in thousands of EUR	Insurance contracts	Other	Total
Balance as at 1 January 2018	16,918	3,959	20,877
Additions through business combinations	–	37	37
Provisions recorded during the period	3,112	1,426	4,538
Provisions used during the period	–	(823)	(823)
Provisions reversed during the period	–	(1,547)	(1,547)
Foreign exchange gain	–	13	13
Balance as at 31 December 2018	**20,030**	**3,065**	**23,095**

in thousands of EUR	Insurance contracts	Other	Total
Balance as at 1 January 2019	20,030	3,065	23,095
Additions through business combinations	–	78	78
Provisions recorded during the period	2,829	1,199	4,028
Provisions used during the period	(129)	(406)	(535)
Provisions reversed during the period	–	(632)	(632)
Foreign exchange gain	–	54	54
Balance as at 31 December 2019	**22,730**	**3,358**	**26,088**

As at 31 December 2019 provisions in amount of EUR 21,322 thousand (2018: EUR 18,487 thousand) are expected to be used later than 12 months after the reporting date. These include mainly provision for life insurance in amount of EUR 20,722 thousand (2018: EUR 17,903 thousand) and provision for unearned premiums of EUR 533 thousand (2018: EUR 545 thousand).

Current provisions of EUR 4,766 thousand include provision for a clients' benefit programme (Magnus) of EUR 1,089 thousand (2018: EUR 1,094 thousand).

Furthermore, on April 10, 2019 an action has been filed with the United States District Court, Southern District of New York, USA, listing J&T BANKA, a.s. and Poštová banka, a.s. among the Defendants. On November 22, 2019 J&T FINANCE GROUP SE was added as Defendant. The Claimants state that J&T BANKA, a.s., Poštová banka, a.s. and J&T FINANCE GROUP SE knowingly assisted Radovan Vítek in secretly assuming control over ORCO Property Group, S.A. (ORCO), and thereby caused damage to the Claimants.

J&T BANKA, a.s., Poštová banka, a.s. and J&T FINANCE GROUP SE categorically refuse the Claimant's allegation, as they believe that they have proceeded fully in compliance with all applicable regulatory requirements. J&T BANKA, a.s., Poštová banka, a.s. and J&T FINANCE GROUP SE further believe that the action has been purposefully filed with a court in New York in order to apply US laws and infer a breach thereof, despite insufficient subject-matter and venue connection of the dispute with New York. As a result, the Group has not recognized any provision in this respect. The court has not given its judgement by the release of this report.

35. DEFERRED TAX ASSETS AND LIABILITIES

35.1. Unrecognised deferred tax assets

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

in thousands of EUR	31 December 2019	31 December 2018
Tax losses carried forward (Gross amount)	20,179	8,991
Tax effect	3,834	1,708

Odhad expirace neuznaných daňových ztrát je následující :

in thousands of EUR	2020	2021	2022	2023	Po roce 2023
Tax losses	4,069	4,088	7,341	3,255	1,426

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

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

[8] The Claimants are: KINGSTOWN CAPITAL MANAGEMENT, L.P., KINGSTOWN PARTNERS MASTER LTD., KINGSTOWN PARTNERS II, L.P., KTOWN, LP; KINGSTOWN CAPITAL PARTNERS LLC; INVESTHOLD LTD and VERALI LIMITED

35.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised

in thousands of EUR	Aktiva 31. prosinec 2019	Závazky 31. prosinec 2019	Aktiva 31. prosinec 2018	Závazky 31. prosinec 2018
Property, plant and equipment	3,474	2,307	4,083	2,451
Intangible assets	159	107	164	12,243
Investment property	405	2,638	108	2,356
Leases (IFRS 16)	41	–	–	–
Impairment of trade receivables and other assets	113	–	70	–
Investment securities at fair value through other comprehensive income	1,648	2,625	1,525	3,141
Investment securities at amortised cost	3	1,131	8	1,977
Employee benefits (IAS 19)	1,839	–	1,083	–
Unpaid interest, net	–	5	–	68
Investment securities at fair value through profit or loss	21	377	–	302
Loans and advances	15,976	2,449	19,565	1,495
Provisions	1,135	–	1,777	–
Derivatives	–	–	181	28
Tax losses	1,525	–	1,319	–
Other temporary differences	13,114	65	9,983	3
	39,453	11,704	39,866	24,064
Netting[1]	(5,506)	(5,506)	(18,688)	(18,688)
Total	**33,947**	**6,198**	**21,178**	**5,376**

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

36. SHAREHOLDERS' EQUITY

(i) Share capital

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2019 and 31 December 2018 consists of 10 ordinary shares with a par value of CZK 200,000, 13,778,752 ordinary shares with a par value of CZK 1,000 and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders. The share capital amounts to CZK 15,780,308 thousand (equivalent to EUR 574,138 thousand in historic costs) both in 2018 and 2019.

(ii) Non-distributable reserves

Non-distributable reserves include the legal reserve fund of the Parent Company and post-acquisition increases in subsidiaries' legal reserves. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations. Since 1 January 2014, the creation of a legal reserve fund in the Czech Republic is not required.

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

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

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

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

(iii) Translation reserve

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

(iv) Other reserves and funds

Other reserves comprise changes in the fair value of investment securities at fair value through other comprehensive income.

In 2016 J&T BANKA, a.s. sold to its investors subordinated unsecured certificates with a nominal value of EUR 5 thousand and CZK 100 thousand and no maturity date in the amount of EUR 20,595 thousand. These instruments were disclosed as Other capital instruments in the condensed consolidated statement of changes in equity. These certificates bear a 9% or 10% annual yield, subject to approval, distributed quarterly from retained earnings, and are listed on the Prague Stock Exchange.

The issuance of this instrument, which combines characteristics of equity and debt instruments, was approved by the Czech National Bank ("CNB"). CNB stipulated that these instruments are equity instruments in line with IFRS and that they comply with the regulatory requirements to be recognised as additional capital AT1, part of regulatory capital tier 1 (see also Note 41.5. Capital management).

In 2016 J&T FINANCE GROUP SE also issued and sold subordinated unsecured certificates with a nominal value of EUR 100 thousand and no maturity date in the amount of EUR 200,000 thousand. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. These certificates bear a 9% (first two years) and 5% (subsequently) annual yield, subject to approval, distributed semi-annually from retained earnings. Following the approval by the Czech National Bank (CNB) on 21 April 2016, these instruments also comply with the requirements to be recognized as additional capital AT1.

In 2014, a special purpose capital fund (Perpetuity fund) for distribution of yield from certificates described above was established by J&T FINANCE GROUP SE (similar capital fund was established by J&T BANKA in 2014). Both funds are part of retained earnings and distribution of income from the funds complies with the prospectus of the capital instruments. The total amount of yield paid in 2019 was EUR 18,436 thousand (2018: EUR 23,101 thousand) and is presented as distribution of retained earnings in the consolidated statement of changes in equity

(v) Dividends

The shareholders agreed on the Annual general meeting held on 28 June 2019 payment of ordinary dividend as follows: a dividend per share with nominal amount of CZK 1 in the amount of CZK 0.0570, per share with nominal amount of CZK 1,000 in the amount of CZK 57.0331 and per share with nominal amount of CZK 200,000 in the amount of CZK 11,406.6213, totalling EUR 35,325 thousand. The dividends were paid on 26 July 2019. In 2018 no dividends were paid out to the ultimate shareholders.

37. NON-CONTROLLING INTEREST

in thousands of EUR	31 December 2019	31 December 2018
Equity Holding, a.s.	22,838	21,676
Colorizo Investments, a.s.	11,436	–
Poštová banka, a.s.	8,679	9,408
Chateau Teyssier (Société civile)	7,400	7,553
J&T REALITY otevřený podílový fond	4,761	4,828
Poštová poisťovňa, a. s.	3,434	3,201
J&T Banka d.d. (VABA d.d. banka Varaždin)	429	2,390
Other	1,006	599
Total non-controlling interests	**59,983**	**49,655**

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

31 December 2019

in thousands of EUR	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Assets	61,177	4,293,629		
Liabilities	48	3,730,084		
Goodwill attributable to the Group	–	–		
Net assets excluding Goodwill attributable to the Group	**61,129**	**563,545**		
Non-controlling interest's percentage	37.36%	1.54%		
Non-controlling interest	**22,838**	**8,679**		
Carrying amount of non-controlling interest	**22,838**	**8,679**	**28,466**	**59,983**
Revenue	2,975	203,933		
Profit/(loss)	2,348	(10,423)		
Other comprehensive income	762	(1,694)		
Total comprehensive income	3,110	(12,117)		
Non-controlling interest's percentage	37.36%	1.54%		
Profit (loss) allocated to non-controlling interest	**877**	**(161)**	**(513)**	**203**
Other comprehensive income allocated to non-controlling interest	**285**	**(26)**	**90**	**349**
Cash flows from/(used in) operating activities	(3)	206,896		
Cash flows used in investing activities	–	(136,552)		
Cash flows used in financing activities	–	(42,365)		
Net increase (decrease) in cash and cash equivalents	**(3)**	**27,979**		

31 December 2018

in thousands of EUR	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Assets	58,063	4,280,966		
Liabilities	45	3,649,948		
Goodwill attributable to the Group	–	20,033		
Net assets excluding Goodwill attributable to the Group	**58,018**	**610,985**		
Non-controlling interest's percentage	37.36%	1.54%		
Non-controlling interest	**21,676**	**9,408**		
Carrying amount of non-controlling interest	**21,676**	**9,408**	**18,571**	**49,655**
Revenue	2,866	200,604		
Profit	2,283	32,372		
Other comprehensive income	(429)	(891)		
Total comprehensive income	1,854	31,481		
Non-controlling interest's percentage	37.36–62.04%	1.54%		
Profit (loss) allocated to non-controlling interest	**844**	**499**	**333**	**1,676**
Other comprehensive income allocated to non-controlling interest	**(341)**	**(14)**	**(118)**	**(473)**
Cash flows from operating activities	2	44,527		
Cash flows used in investing activities	–	(20,484)		
Cash flows used in financing activities	–	(24,364)		
Net increase (decrease) in cash and cash equivalents	**2**	**(321)**		

Changes in non-controlling interests without a change in control

In September 2019 Colorizo Investment, a.s. issued a new class of preference shares (class B) in the amount of CZK 300 million that carry special rights and are classified as non-controlling interests. The B class shareholders are not entitled to a pro rata share of net assets upon liquidation. As a result, the reconciliation of the carrying amount of the non-controlling interests is not presented in the table above.

In October 2019 J&T BANKA, a.s. acquired additional share of 11.86% (effective) in J&T Banka d.d. (VABA d.d. banka Varaždin).

During 2019, Poštová banka, a.s. contributed EUR 22,000 thousand to its subsidiary Amico Finance, a.s. without changing its ownersip share (95%).

In April 2018 J&T Banka d.d. (VABA d.d. banka Varaždin) bought some of its own shares, which resulted in an increase of the stake held by the Group by 1.41%.

In October 2018, the shares of J&T MINORITIES PORTFOLIO LIMITED previously held by Mr. Ivan Jakabovič and Mr. Josef Tkáč were cancelled. As a result, the effective ownership share of the Group in J&T MINORITIES PORTFOLIO LIMITED increased from 60.60% to 100%. J&T MINORITIES PORTFOLIO LIMITED further holds a 62.64% share in Equity Holding, a.s.

In October 2018 Poštová banka, a.s. bought a 100% share in Amico Finance, a.s. A share of 5% was subsequently sold in December 2018.

In November 2018 Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. issued new shares subscribed by J&T Banka, thus the effective ownership in the fund increased from 99.16% to 99.17%.

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

31 December 2019

in thousands of EUR	Equity Holding, a.s.	Other immaterial	Total
Non-controlling interest as at 1 January 2019	–	x	x
Change in Company's ownership interest	11,612	(885)	10,727
Dividends	–	–	–
Share of comprehensive income	(176)	(836)	(1,012)
Non-controlling interest as at 31 December 2019	**11,436**	**x**	**x**

31 December 2018

in thousands of EUR	Equity Holding, a.s.	J&T MINOR. PORT. LIMITED	Other immaterial	Total
Non-controlling interest as at 1 January 2018	31,931	12,711	x	x
Change in Company's ownership interest	(10,758)	(12,711)	108	(23,361)
Share of comprehensive income	503	–	(225)	278
Non-controlling interest as at 31 December 2018	**21,676**	**–**	**x**	**x**

38. FAIR VALUE INFORMATIONĚ

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

31 December 2019

in thousands of EUR	Carrying amount	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Total Fair value
Financial assets					
Cash and cash equivalents	2,479,300	–	2,479,300	–	2,479,300
Investment securities at amortised cost	554,315	475,961	12,605	77,805	566,371
Loans and advances to banks	331,561	–	331,438	–	331,438
Loans and advances to customers	5,774,720	–	–	5,988,824	5,988,824
Trade receivables and other financial assets under risk management	62,868	–	–	62,868	62,868
Financial liabilities					
Deposits and loans from banks	313,878	–	314,343	–	314,343
Deposits and loans from customers	8,011,086	–	8,043,898	–	8,043,898
Debt securities issued	458,545	457,188	–	138	457,326
Subordinated debt	24,999	–	25,675	–	25,675
Other financial liabilities under risk management	406,280	–	406,280	–	406,280

31 December 2018

in thousands of EUR	Carrying amount	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Total Fair value
Financial assets					
Cash and cash equivalents	2,452,858	–	2,452,858	–	2,452,858
Investment securities at amortised cost	439,755	318,936	17,619	117,614	454,169
Loans and advances to banks	335,274	–	332,480	–	332,480
Loans and advances to customers	5,883,959	–	–	6,099,752	6,099,752
Trade receivables and other financial assets under risk management	78,129	–	–	78,129	78,129
Financial liabilities					
Deposits and loans from banks	236,755	–	237,019	–	237,019
Deposits and loans from customers	8,064,338	–	8,051,353	–	8,051,353
Debt securities issued	531,440	469,273	61,011	–	530,284
Subordinated debt	32,712	–	33,395	–	33,395
Other financial liabilities under risk management	359,344	–	359,344	–	359,344

39. FINANCIAL COMMITMENTS AND CONTINGENCIES

in thousands of EUR	31 December 2019	31 December 2018
Loan commitments	616,419	599,769
Financial guarantee contracts	138,354	194,762
Pledged assets	274,547	372,788
Total financial commitments and contingencies	**1,029,320**	**1,167,319**

Loan commitments relate to loan facilities granted by the banks of the Group. Financial guarantee contracts mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties. These guarantees are disclosed in the table above at the amount of the possible obligation in the future. The maximum amount for guarantees given by the Group as at 31 December 2019 is EUR 140,181 thousand (2018: EUR 265,102 thousand). Pledged assets are used as collateral for loan financing.

40. LEASES

The Group has adopted IFRS 16 Leases with a date of initial application of 1 January 2019. For explanation and quantification of the related impact refer to Note 3 (w). Change in accounting policies concerns primarily accounting from lessee's perspective, while accounting policies from lessor's perspective remain substantially unchanged from IAS 17 (operating and finance leases are still being differentiated).

40.1. Leasing z pozice nájemce

The Group leases mainly office premises for its business activities, cars and related office equipment. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. Unless recognition exemption for leases is used (see Note 3 (w)), a right-of-use is recognized for such underlying assets.

For reconciliation of right-of-use assets from opening to closing balance refer to Note 28.

For lease related expenses/income refer to Note 6 Net interest income, Note 9 Other operating income or Note 11 Other operating expenses.

For other information relating to the specified leases see below.

Maturity analysis of lease liabilities is as follows:

in thousands of EUR	31 December 2019
Less than one year	11,505
Between one and five years	26,213
More than five years	5,471
Total	**43,189**

in thousands of EUR	2019
Total cash outflow for leases	(12,743)

Under IAS 17 the non-cancellable operating lease rentals were payable as follows:

in thousands of EUR	31 December 2018
Less than one year	14,794
Between one and five years	34,913
More than five years	10,895
Total	**60,602**

The Group leased a number of cars and administration space under operating leases (IAS 17). The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. During the year ended 31 December 2018, EUR 17,018 thousand was recognized as an expense in the income statement in respect of operating leases.

40.2. Leases as lessor

(a) Operating leases

The Group leases out its property under operating leases. There were no receivable non-cancellable operating lease rentals as at 31 December 2019, as at 31 December 2018 were receivable as follows:

in thousands of EUR	31 December 2018 (IAS 17)
Less than one year	720
Between one and five years	74
Total	**794**

During the year ended 31 December 2019, EUR 7,198 thousand was recognized as rental income (2018: EUR 7,154 thousand).

(b) Finance leases

The Group offers to its clients finance lease for various assets (e.g. cars, machinery and equipment). The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

in thousands of EUR	31 December 2019 (IFRS 16)
Undiscounted finance lease payments	
Less than 1 year	7,689
More than 1 year but less than 2 years	6,227
More than 2 year but less than 3 years	4,477
More than 3 year but less than 4 years	2,541
More than 4 year but less than 5 years	1,277
More than 5 years	1,030
Total undiscounted finance lease payments	**23,241**
Less unearned interest (not yet recognized)	(2,199)
Discounted unguaranteed residual value	–
Present value of future leasing payments	**21,042**
Impairment loss allowances	(361)

in thousands of EUR	31 December 2018 (IAS 17)
Gross receivables from finance leasing	
Less than 1 year	5,385
More than 1 year but less than 5 years	5,943
More than 5 years	37
Deduction of future financial income	(553)
Present value of future leasing payments	**10,812**
Present value of receivables from finance leasing	
Up to 1 year	5,067
More than 1 year but less than 5 years	5,713
More than 5 years	32
Present value of future leasing payments	**10,812**
Impairment loss allowances	(328)

41. RISK MANAGEMENT POLICIES AND DISCLOSURES

The Group has exposure to the following risks:
- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

For the purpose of this note, current tax assets are presented within trade receivables and other financial assets under risk management and current tax liability is presented within other financial liabilities under risk management.

41.1. Credit risk

The Group's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 39. Financial commitments and contingencies). Most loans and advances are to corporates (companies from the non-financial sector, retail and various manufacturing companies). Further loans and advances are to banks and other financial institutions.

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

The assessment of credit risk in respect of a counterparty or an issued debt is based on the Group's internal rating system, covering both external credit assessments and the Group's internal scoring system.

Credit risk in the banking entities of the Group is managed based on credit analysis and the internal rating methodology.

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

(i) Concentration of credit risk by sector

31 December 2019

in thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Carrying amount
Financial assets						
Cash and cash equivalents	–	–	2,407,321	–	71,979	2,479,300
Financial assets for trading	90,795	24,108	49,612	140	–	164,655
Hedging derivatives	–	–	523	–	–	523
Investment securities at fair value through profit or loss	7,941	–	322,911	–	–	330,852
Investment securities at fair value through other comprehensive income	279,490	395,950	172,641	–	–	848,081
Investment securities at amortised cost	80,424	441,373	32,518	–	–	554,315
Loans and advances to banks	–	–	331,561	–	–	331,561
Loans and advances to customers	3,597,437	2	824,991	1,349,668	2,622	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	–	–	–	1,965	–	1,965
Trade receivables and other financial assets under risk management	33,455	5,871	22,521	827	194	62,868
	4,089,542	**867,304**	**4,164,599**	**1,352,600**	**74,795**	**10,548,840**
Amount committed/guaranteed[9]						
Loan commitments	303,399	–	172,838	140,724	140	(2,936)
Financial guarantee contracts	123,618	–	16,563	–	–	(1,064)
	427,017	**–**	**189,401**	**140,724**	**140**	**(4,000)**
Total	**4,516,559**	**867,304**	**4,354,000**	**1,493,324**	**74,935**	**10,544,840**

[9] Přislíbené/zaručené částky – monitorování úvěrového rizika u úvěrových příslibů a finančních záruk vychází z maximální expozice vůči úvěrovému riziku.

31 December 2018

in thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Carrying amount
Financial assets						
Cash and cash equivalents	–	–	2,381,384	–	71,474	2,452,858
Financial assets for trading	86,597	91,170	34,881	35	262	212,945
Hedging derivatives	–	–	–	28	–	28
Investment securities at fair value through profit or loss	35,040	–	192,568	–	–	227,608
Investment securities at fair value through other comprehensive income	284,472	357,749	124,874	–	–	767,095
Investment securities at amortised cost	117,273	299,642	22,840	–	–	439,755
Loans and advances to banks	–	–	335,274	–	–	335,274
Loans and advances to customers	3,774,542	3	924,839	1,186,629	431	5,886,444
FV changes of portfolio of hedged instruments - Loans and advances to customers	–	–	–	869	–	869
Trade receivables and other financial assets under risk management	53,863	2,356	20,182	1,728	–	78,129
	4,351,787	**750,920**	**4,036,840**	**1,189,289**	**72,169**	**10,401,005**
Amount committed/guaranteed[9]						
Loan commitments	322,958	–	163,565	144,412	15	(7,394)
Financial guarantee contracts	246,227	–	18,875	–	–	(1,323)
	569,185	**–**	**182,440**	**144,412**	**15**	**(8,717)**
Total	**4,920,972**	**750,920**	**4,219,280**	**1,333,701**	**72,184**	**10,392,288**

(ii) Concentration of credit risk by location

31 December 2019

in thousands of EUR	Slovakia	Czech Republic	Cyprus	Croatia	Russia	Other	Carrying amount
Financial assets							
Cash and cash equivalents	77,038	2,277,207	–	24,302	26,598	74,155	2,479,300
Financial assets for trading	31,433	62,072	9,269	–	19,280	42,601	164,655
Hedging derivatives	–	–	–	–	–	523	523
Investment securities measured at fair value through profit or loss	49,349	32,576	–	4,689	1,197	243,041	330,852
Investment securities at fair value through other comprehensive income	348,413	121,159	–	27,981	109,663	240,865	848,081
Investment securities at amortised cost	460,731	–	–	–	11,304	82,280	554,315
Loans and advances to banks	300,859	18,158	–	8,587	1,970	1,987	331,561
Loans and advances to customers	2,193,971	1,233,995	1,081,144	132,110	125,338	1,008,162	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	1,965	–	–	–	–	–	1,965
Trade receivables and other financial assets under risk management	24,714	19,508	1,033	28	2,457	15,128	62,868
	3,488,473	**3,764,675**	**1,091,446**	**197,697**	**297,807**	**1,708,742**	**10,548,840**
Amount committed/guaranteed[9]							
Loan commitments	189,647	356,016	16,180	27,279	7,895	20,084	(2,936)
Financial guarantee contracts	54,443	46,459	–	794	14,537	23,948	(1,064)
	244,090	**402,475**	**16,180**	**28,073**	**22,432**	**44,032**	**(4,000)**
Total	**3,732,563**	**4,167,150**	**1,107,626**	**225,770**	**320,239**	**1,752,774**	**10,544,840**

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in thousands of EUR	Slovakia	Czech Republic	Cyprus	Croatia	Russia	Other	Carrying amount
Financial assets							
Cash and cash equivalents	103,763	2,264,637	–	24,775	19,185	40,498	2,452,858
Financial assets for trading	28,772	109,194	5,567	–	16,294	53,118	212,945
Hedging derivatives	–	28	–	–	–	–	28
Investment securities measured at fair value through profit or loss	37,194	38,887	–	1,387	–	150,140	227,608
Investment securities at fair value through other comprehensive income	330,516	92,670	753	20,187	52,134	270,835	767,095
Investment securities at amortised cost	376,493	41,704	–	–	1,154	20,404	439,755
Loans and advances to banks	265,946	55,760	–	8,871	1,213	3,484	335,274
Loans and advances to customers	2,327,186	1,118,316	1,233,614	134,392	110,063	962,873	5,886,444
FV changes of portfolio of hedged instruments - Loans and advances to customers	869	–	–	–	–	–	869
Trade receivables and other financial assets under risk management	26,422	22,040	2,226	57	1,471	25,913	78,129
	3,497,161	**3,743,236**	**1,242,160**	**189,668**	**201,514**	**1,527,266**	**10,401,005**
Amount committed/guaranteed[9]							
Loan commitments	283,213	247,860	13,806	33,237	883	51,951	(7,394)
Financial guarantee contracts	88,637	28,084	–	861	9,777	137,743	(1,323)
	371,850	**275,944**	**13,806**	**34,098**	**10,660**	**189,694**	**(8,717)**
Total	**3,869,011**	**4,019,180**	**1,255,966**	**223,766**	**212,174**	**1,716,960**	**10,392,288**

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

Investment securities measured at fair value through profit or loss in the location Other included as at 31 December 2019 investments of EUR 243,041 thousand in investment funds incorporated in Malta (2018: EUR 148,365 thousand).

Investment securities at fair value through other comprehensive income in the location Other include investments of EUR 59,571 thousand in French Government bonds (2018: EUR 65,550 thousand) and EUR 56,217 thousand in Polish government bonds (2018: EUR 80,822 thousand).

Investment securities at amortised cost in the location Other include as at 31 December 2019 an investment of EUR 19,996 thousand in Dutch government bonds (2018: nil) and of 15,248 in Polish government bond (2018: EUR 15,378 thousand). As at 31 December 2018 it included also investment of EUR 5,036 thousand in Italian government bonds.

In 2019 loans and advances to customers in the location Other primarily relates to companies and customers incorporated in Luxembourg, in Switzerland and in the Netherlands (2018: companies and customers incorporated in Luxembourg, in the Netherlands and in Germany).

(iii) Credit risk – credit quality analysis

The following tables provide information on the Group's credit risk exposure based on its internal rating grades. The analysis is provided for the most significant exposures at amortised cost and at fair value through other comprehensive income.

Internal grading	Credit risk exposure
1	Very low risk
2	Low risk
3	Low risk
4	Low risk
5	Medium risk
6	Medium risk
7	Medium risk
8	Medium risk
9	Medium risk
10	High Risk
11	High Risk
12	High Risk
Default	Default

Loans and advances to customers

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	53,605	177	–	–	53,782
Low risk	833,655	9,809	–	–	843,464
Medium risk	3,592,802	233,832	–	–	3,826,634
High Risk	347,162	124,555	3,130	–	474,847
Default	–	–	370,369	57,292	427,661
Without classification	461,216	15,360	–	–	476,576
	5,288,440	**383,733**	**373,499**	**57,292**	**6,102,964**
Loss allowance	(44,388)	(29,222)	(233,051)	(21,583)	(328,244)
Carrying Amount	**5,244,052**	**354,511**	**140,448**	**35,709**	**5,774,720**

31 December 2018

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	61,964	–	–	–	61,964
Low risk	797,523	22,891	–	–	820,414
Medium risk	3,744,457	127,668	–	–	3,872,125
High Risk	414,808	110,364	7,062	–	532,234
Default	–	–	516,817	2,500	519,317
Without classification	426,545	15,210	–	–	441,755
	5,445,297	**276,133**	**523,879**	**2,500**	**6,247,809**
Loss allowance	(45,576)	(30,021)	(287,037)	(1,216)	(363,850)
Carrying Amount	**5,399,721**	**246,112**	**236,842**	**1,284**	**5,883,959**

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31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	331,745	–	–	–	331,745
	331,745	**–**	**–**	**–**	**331,745**
Loss allowance	(184)	–	–	–	(184)
Carrying Amount	**331,561**	**–**	**–**	**–**	**331,561**

31 December 2018

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	335,462	–	–	–	335,462
	335,462	**–**	**–**	**–**	**335,462**
Loss allowance	(188)	–	–	–	(188)
Carrying Amount	**335,274**	**–**	**–**	**–**	**335,274**

Bonds at fair value through other comprehensive income

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	164,846	–	–	–	164,846
Low risk	485,534	6,474	–	–	492,008
Medium risk	159,552	–	–	–	159,552
High Risk	3,020	–	–	–	3,020
Carrying Amount	**812,952**	**6,474**	**–**	**–**	**819,426**

31 December 2018

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	120,805	–	–	–	120,805
Low risk	471,732	–	–	–	471,732
Medium risk	145,462	–	–	–	145,462
High Risk	3,036	–	–	–	3,036
Carrying Amount	**741,035**	**–**	**–**	**–**	**741,035**

Investment securities at amortised cost

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	14,989	3,011	–	–	18,000
Low risk	477,364	–	–	–	477,364
Medium risk	–	66,682	–	–	66,682
	492,353	**69,693**	**–**	**–**	**562,046**
Loss allowance	(159)	(7,572)	–	–	(7,731)
Carrying Amount	**492,194**	**62,121**	**–**	**–**	**554,315**

31 December 2018

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	Purchased creditimpaired	Total
Very low risk	6,604	–	–	–	6,604
Low risk	383,428	–	–	–	383,428
Medium risk	52,168	–	–	–	52,168
	442,200	**–**	**–**	**–**	**442,200**
Loss allowance	(2,445)	–	–	–	(2,445)
Carrying Amount	**439,755**	**–**	**–**	**–**	**439,755**

Loan commitments

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	IAS 37 of IFRS 4	Total
Very low risk	5,596	–	–	–	5,596
Low risk	239,330	29	–	–	239,359
Medium risk	333,734	7,740	–	–	341,474
High Risk	4,489	1,832	–	–	6,321
Default	–	–	12,978	–	12,978
Without classification	2,994	8,379	–	–	11,373
	586,143	**17,980**	**12,978**	**–**	**617,101**
Loss allowance	(1,888)	(814)	(234)	–	(2,936)
Carrying Amount	**584,255**	**17,166**	**12,744**	**–**	**614,165**

31 December 2018

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	IAS 37 of IFRS 4	Total
Very low risk	3,146	–	–	–	3,146
Low risk	245,928	756	–	–	246,684
Medium risk	317,639	654	–	–	318,293
High Risk	29,130	7,976	–	–	37,106
Default	–	–	21,649	–	21,649
Without classification	3,000	1,072	–	–	4,072
	598,843	**10,458**	**21,649**	**–**	**630,950**
Loss allowance	(1,355)	(804)	(5,235)	–	(7,394)
Carrying Amount	**597,488**	**9,654**	**16,414**	**–**	**623,556**

Financial guarantee contracts

31 December 2019

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	IAS 37 of IFRS 4	Total
Very low risk	218	–	–	14,537	14,755
Low risk	19,192	–	–	–	19,192
Medium risk	96,444	846	–	–	97,290
High Risk	3,314	–	595	–	3,909
Default	–	–	5,035	–	5,035
Without classification	–	–	–	–	–
	119,168	**846**	**5,630**	**14,537**	**140,181**
Loss allowance	(454)	(104)	(506)	(106)	(1,170)
Carrying Amount	**118,714**	**742**	**5,124**	**14,431**	**139,011**

31 December 2018

in thousands of EUR	12-month ECL	Lifetime ECL not creditimpaired	Lifetime ECL creditimpaired	IAS 37 of IFRS 4	Total
Very low risk	11,222	1,555	–	–	12,777
Low risk	38,263	–	–	–	38,263
Medium risk	204,115	1,793	–	–	205,908
High Risk	5,852	–	–	–	5,852
Default	2,262	–	40	–	2,302
Without classification	–	–	–	–	–
	261,714	**3,348**	**40**	**–**	**265,102**
Loss allowance	(1,252)	(70)	(1)	–	(1,323)
Carrying Amount	**260,462**	**3,278**	**39**	**–**	**263,779**

(iv) Credit risk – Loss given default sensitivity

An analysis of the Group's sensitivity to an increase or decrease in Loss given default (LGD) on overall Expected credit losses (ECL) is as follows:

in thousands of EUR	31 December 2019	31 December 2018
Increase in LGD by 10%	23,455	27,615
Decrease in LGD by 10%	(24,913)	(28,056)

(v) Credit risk - collaterals

The Group holds collateral against loans and advances to customers mainly in the form of pledges, securities and acceptances of bills of exchange. Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts.

Loans and advances to customers are secured by collateral with the fair values below:

in thousands of EUR	Fair value 31 December 2019	Carrying amount 31 December 2019	Fair value 31 December 2018	Carrying amount 31 December 2018
Securities	3,271,860	3,170,260	3,207,650	2,986,408
Real estate	1,476,434	1,262,301	1,346,815	1,078,344
Bills of exchange	132,292	35,743	201,224	80,049
Cash deposits	120,840	120,834	129,161	128,914
Other	769,649	665,217	594,346	386,753
Total	**5,771,075**	**5,254,355**	**5,479,196**	**4,660,468**

As at 31 December 2019 collateral in the amount of EUR 182,217 thousand received by the Group was further used within repurchase operations (2018: none).

In 2019 the Group has taken possession of EUR 177 thousand of collateral held previously as security (2018: EUR 101 thousand).

(vi) Credit risk – forbearance

Exposure forbearance

in thousands of EUR	31 December 2019	31 December 2018
Performing exposure	5,598,527	5,635,111
– performing exposure forborne	107,417	84,383
Non-performing exposure	176,193	251,333
– non-performing exposure forborne	126,214	160,433
Total	**5,774,720**	**5,886,444**

The share of loan exposure forbearance on total loans and advances to customers is 4.05% (2018: 4.16%).

Concentration of loans and advances to customers by economic sector

in thousands of EUR	31 December 2019	31 December 2018
Not forborne		
Non-financial organisations	3,412,082	3,561,937
Financial organisations	824,991	921,051
Households	1,301,392	1,158,372
Other	2,624	268
Total	**5,541,089**	**5,641,628**
Forborne		
Non-financial organisations	185,355	212,605
Financial organisations	–	3,954
Households	48,276	28,257
Other	–	–
Total	**233,631**	**244,816**

41.2. Liquidity risk

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

Various methods of managing liquidity risks are used by individual companies in the Group, including individual monitoring of large deposits. The individual banks in the Group manage their liquidity risk through their financial market divisions, which receive information from other departments regarding the liquidity profile of their financial assets and liabilities and details about other projected cash flows arising from expected future projects.

The Group's management focuses on methods used by financial institutions, that is, diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The responsible risk managers then maintain a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds. Furthermore, the Group has at its disposal a sufficient amount of bonds that are, if necessary, acceptable for acquiring additional resources through refinancing operations organized by some of the central banks in the countries where the Group operates.

In managing liquidity risk the Group promotes a conservative and prudent approach to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The measures used by the Group for managing liquidity risk are e.g. the ratio of highly liquid assets or liquidity coverage ratio.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date.

Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed.

(i) Contractual maturities of financial assets and liabilities

31 December 2019

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	2,479,300	–	–	2,479,300
Financial assets for trading	58,309	93,810	12,536	164,655
Hedging derivatives	523	–	–	523
Investment securities at fair value through profit or loss	–	–	330,852	330,852
Investment securities at fair value through other comprehensive income	113,264	706,162	28,655	848,081
Investment securities at amortised cost	171,648	382,667	–	554,315
Loans and advances to banks	2,054	–	329,507	331,561
Loans and advances to customers	1,704,626	4,070,094	–	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	1,965	–	–	1,965
Trade receivables and other financial assets under risk management	60,265	2,603	–	62,868
Total	**4,591,954**	**5,255,336**	**701,550**	**10,548,840**

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities and provision for insurance contracts				
Trading liabilities	26,402	988	–	27,390
Hedging derivatives	2,418	7,002	–	9,420
Deposits and loans from banks	302,864	11,014	–	313,878
Deposits and loans from customers	6,760,281	1,250,805	–	8,011,086
Debt securities issued	5,182	453,363	–	458,545
Subordinated debt	16,276	8,723	–	24,999
Other financial liabilities under risk management	409,799	38,196	–	447,995
Provision for insurance contracts	2,211	20,519	–	22,730
Total	**7,525,433**	**1,790,610**	**–**	**9,316,043**

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in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	2,452,858	–	–	2,452,858
Financial assets for trading	36,920	151,839	24,186	212,945
Hedging derivatives	28	–	–	28
Investment securities measured at fair value through profit or loss	4	2,012	225,592	227,608
Investment securities at fair value through other comprehensive income	133,726	607,309	26,060	767,095
Investment securities at amortised cost	97,615	342,140	–	439,755
Loans and advances to banks	3,406	–	331,868	335,274
Loans and advances to customers	1,799,954	4,086,490	–	5,886,444
FV changes of portfolio of hedged instruments - Loans and advances to customers	869	–	–	869
Trade receivables and other financial assets under risk management	76,101	2,028	–	78,129
Total	**4,601,480**	**5,193,205**	**606,320**	**10,401,005**

in thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities and provision for insurance contracts				
Trading liabilities	7,882	1,366	–	9,248
Hedging derivatives	1,232	4,377	–	5,609
Deposits and loans from banks	186,256	50,499	–	236,755
Deposits and loans from customers	6,766,532	1,297,806	–	8,064,338
Debt securities issued	223,515	309,850	–	533,365
Subordinated debt	5,681	27,031	–	32,712
Other financial liabilities under risk management	357,223	2,121	–	359,344
Provision for insurance contracts	2,320	17,710	–	20,030
Total	**7,550,641**	**1,710,760**	**–**	**9,261,401**

Expected liquidity

In general, contractual cash flows represent expected contractual future cash flows of financial instruments. The expected maturity usually differs from contractual one as historical experience shows that short-term loans and deposits are prolonged. In addition, as outstanding balances on current accounts or short-term deposits are usually not withdrawn on a daily basis and accounts are not cancelled at maturity date, the banks within the Group regularly monitor period and percentage of deposits that remain available and are prolonged. Those ratios are used for managing the liquidity risk.

Expected liquidity of other financial liabilities than those stated below does not defer significantly from their contractual maturity.

31 December 2019

in thousands of EUR	Carrying amount	Expected cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Deposits and loans from customers	8,011,086	8,226,502	4,439,767	1,206,205	1,511,758	1,068,772	–
Subordinated debt	24,999	32,302	4,200	12,899	13,074	2,129	–

31 December 2018

in thousands of EUR	Carrying amount	Expected cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Deposits and loans from customers	8,064,338	8,132,378	4,535,712	924,564	1,698,804	973,298	–
Subordinated debt	32,712	35,918	3,343	6,526	22,954	3,095	–

(ii) Contractual maturities of financial liabilities and provision for insurance contracts, including estimated interest payments (undiscounted cash flow)

31 December 2019

in thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Non-derivative financial liabilities							
Trading liabilities	999	(999)	(999)	–	–	–	–
Deposits and loans from banks	313,878	(316,037)	(276,934)	(27,513)	(11,298)	(292)	–
Deposits and loans from customers	8,011,086	(8,073,022)	(5,526,421)	(1,257,834)	(1,225,759)	(63,008)	–
Issued bonds	458,545	(534,818)	(4,549)	(14,911)	(515,358)	–	–
Subordinated debt	24,999	(31,964)	(4,294)	(13,067)	(9,831)	(4,772)	–
Other financial liabilities under risk management	447,995	(449,434)	(346,905)	(63,117)	(33,834)	(5,578)	–
Total	**9,257,502**	**(9,406,274)**	**(6,160,102)**	**(1,376,442)**	**(1,796,080)**	**(73,650)**	**–**
Provision for insurance contracts	22,730	(22,730)	(1,643)	(568)	(3,199)	(17,320)	–
Total	**9,280,232**	**(9,429,004)**	**(6,161,745)**	**(1,377,010)**	**(1,799,279)**	**(90,970)**	**–**
Derivative financial liabilities							
Forward currency contracts							
– outflow	26,135	(415,192)	(204,617)	(47,276)	(163,299)	–	–
– inflow	–	392,903	191,546	39,046	162,311	–	–
Other derivatives							
– outflow	9,676	(10,973)	(837)	(3,788)	(5,616)	(732)	–
– inflow	–	–	–	–	–	–	–
Total	**35,811**	**(33,262)**	**(13,908)**	**(12,018)**	**(6,604)**	**(732)**	**–**
Amount committed/guaranteed[9]							
Loan commitments	2,936	(617,101)	(617,101)	–	–	–	–
Financial guarantee contracts	1,064	(140,181)	(25,878)	(43,246)	(42,751)	(22,337)	(5,969)
Total	**4,000**	**(757,282)**	**(642,979)**	**(43,246)**	**(42,751)**	**(22,337)**	**(5,969)**

31 December 2018

in thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Non-derivative financial liabilities							
Trading liabilities	9	(9)	(9)	–	–	–	–
Deposits and loans from banks	236,755	(242,562)	(180,784)	(7,727)	(53,007)	(1,044)	–
Deposits and loans from customers	8,064,338	(8,128,906)	(5,705,826)	(1,073,699)	(1,294,321)	(55,060)	–
Debt securities issued	533,365	(594,377)	(8,748)	(230,121)	(355,508)	–	–
Subordinated debt	32,712	(42,832)	(524)	(7,360)	(30,691)	(4,257)	–
Other financial liabilities under risk management	359,344	(359,344)	(323,510)	(33,713)	(2,091)	(30)	–
Total	**9,226,523**	**(9,368,030)**	**(6,219,401)**	**(1,352,620)**	**(1,735,618)**	**(60,391)**	**–**
Provision for insurance contracts	20,030	(20,030)	(1,758)	(562)	(2,592)	(15,118)	–
Total	**9,246,553**	**(9,388,060)**	**(6,221,159)**	**(1,353,182)**	**(1,738,210)**	**(75,509)**	**–**
Derivative financial liabilities							
Forward currency contracts							
– outflow	9,041	(146,531)	(9,774)	(4,229)	(132,528)	–	–
– inflow	–	138,904	7,742	–	131,162	–	–
Other derivatives							
– outflow	5,807	(5,807)	(339)	(1,450)	(4,018)	–	–
– inflow	–	–	–	–	–	–	–
Total	**14,848**	**(13,434)**	**(2,371)**	**(5,679)**	**(5,384)**	**–**	**–**
Amount committed/guaranteed[9]							
Loan commitments	7,394	(630,950)	(630,950)	–	–	–	–
Financial guarantee contracts	1,323	(265,102)	(50,204)	(39,251)	(36,910)	(32,733)	(106,004)
Total	**8,717**	**(896,052)**	**(681,154)**	**(39,251)**	**(36,910)**	**(32,733)**	**(106,004)**

41.3. Market risk

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

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

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

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

in thousands of EUR	31 December 2019	31 December 2018
VaR market risk overall	12,303	14,613
VaR interest risk	9,277	9,637
VaR FX risk	4,228	7,371
VaR stock risk	451	1,457

(i) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group uses various methods for management of interest rate risk. The Group continuously uses asset-liability management in its interest risk management. When purchasing bonds, the current interest position of the Group is taken into account which then serves as a basis for the purchase of fixed or variable bonds. The Group uses interest swaps to hedge interest rates in fixed bonds in its FVOCI portfolio.

The priorities of the Group for interest rate risk management of liabilities comprise:
- Stability of deposits, especially over longer time periods,
- Fast and flexible reactions to significant changes in inter-bank interest rates through adjustments to interest rates on deposit products,
- Continuously evaluating interest rate levels offered to clients compared to competitors and actual and expected development of interest rates on the local market,
- Managing the structure of liabilities in compliance with the expected development of money market rates in order to optimize interest revenues and minimize interest rate risk.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non-interest-bearing are grouped together in the "maturity undefined" category.

The VaR statistics for the trading portfolio is as follows:

in thousands of EUR	31 December 2019	31 December 2018
VaR interest rate risk	9,277	9,637

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

31 December 2019

in thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	2,404,927	933	–	–	73,440	2,479,300
Financial assets for trading	11,056	25,840	87,453	18,427	21,879	164,655
Hedging derivatives	523	–	–	–	–	523
Investment securities measured at fair value through profit or loss	–	2,016	–	2,673	326,163	330,852
Investment securities at fair value through other comprehensive income	3,223	106,851	501,896	207,455	28,656	848,081
Investment securities at amortised cost	306	237,839	75,102	241,068	–	554,315
Loans and advances to banks	301,152	1,987	–	–	28,422	331,561
Loans and advances to customers	1,795,429	1,097,729	1,879,010	839,194	163,358	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	–	–	–	–	1,965	1,965
Trade receivables and other financial assets under risk management	5,787	410	2,171	–	54,500	62,868
Total	**4,522,403**	**1,473,605**	**2,545,632**	**1,308,817**	**698,383**	**10,548,840**
Financial liabilities and provision for insurance contracts						
Trading liabilities	14,299	8,230	4,861	–	–	27,390
Hedging derivatives	582	2,490	5,523	825	–	9,420
Deposits and loans from banks	263,053	24,459	12,621	192	13,553	313,878
Deposits and loans from customers	4,639,142	1,287,857	1,395,683	53,743	634,661	8,011,086
Debt securities issued	2,399	2,783	453,225	–	138	458,545
Subordinated debt	5,897	12,463	6,639	–	–	24,999
Other financial liabilities under risk management	12,379	6,768	24,351	4,109	400,388	447,995
Provision for insurance contracts	–	1,473	533	–	20,724	22,730
Total	**4,937,751**	**1,346,523**	**1,903,436**	**58,869**	**1,069,464**	**9,316,043**

31 December 2018

in thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	2,367,720	933	–	–	84,205	2,452,858
Financial assets for trading	13,802	15,125	86,837	68,272	28,909	212,945
Hedging derivatives	28	–	–	–	–	28
Investment securities measured at fair value through profit or loss	4	–	3,399	–	224,205	227,608
Investment securities at fair value through other comprehensive income	30,468	174,981	491,096	46,583	23,967	767,095
Investment securities at amortised cost	58,150	106,692	199,606	75,307	–	439,755
Loans and advances to banks	270,004	18	–	–	65,252	335,274
Loans and advances to customers	1,784,236	1,091,602	1,732,801	1,005,264	272,541	5,886,444
FV changes of portfolio of hedged instruments - Loans and advances to customers	–	–	–	–	869	869
Trade receivables and other financial assets under risk management	25,658	958	3,900	–	47,613	78,129
Total	**4,550,070**	**1,390,309**	**2,517,639**	**1,195,426**	**747,562**	**10,401,005**
Financial liabilities and provision for insurance contracts						
Trading liabilities	2,062	4,226	2,780	–	180	9,248
Hedging derivatives	138	1,452	4,019	–	–	5,609
Deposits and loans from banks	208,616	4,899	22,098	912	230	236,755
Deposits and loans from customers	4,787,739	1,046,054	1,480,781	46,933	702,831	8,064,338
Debt securities issued	7,759	215,760	309,846	–	–	533,365
Subordinated debt	2,104	5,046	24,737	825	–	32,712
Other financial liabilities under risk management	8,226	1,617	–	–	349,501	359,344
Provision for insurance contracts	–	1,579	545	–	17,906	20,030
Total	**5,016,644**	**1,280,633**	**1,844,806**	**48,670**	**1,070,648**	**9,261,401**

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

in thousands of EUR	Impact on Profit or Loss 31 December 2019	Impact on Profit or Loss 31 December 2018	Impact on Other Comprehensive Income 31 December 2019	Impact on Other Comprehensive Income 31 December 2018
decrease in interest rates by 100 bp	51,147	51,614	20,724	12,985
increase in interest rates by 100 bp	(51,147)	(51,614)	(20,724)	(12,985)

in thousands of EUR	Total impact on Equity 31 December 2019	Total impact on Equity 31 December 2018
decrease in interest rates by 100 bp	71,871	64,599
increase in interest rates by 100 bp	(71,871)	(64,599)

(ii) Foreign exchange risk

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

31 December 2019

in thousands of EUR	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	170,271	2,256,559	14,791	19,956	17,723	2,479,300
Financial assets for trading	56,542	78,990	6,016	15,887	7,220	164,655
Hedging derivatives	–	523	–	–	–	523
Investment securities measured at fair value through profit or loss	273,239	53,166	561	1,197	2,689	330,852
Investment securities at fair value through other comprehensive income	648,584	46,083	37,317	93,559	22,538	848,081
Investment securities at amortised cost	543,011	–	–	11,304	–	554,315
Loans and advances to banks	302,893	18,158	19	1,970	8,521	331,561
Loans and advances to customers	4,300,596	1,072,341	202,321	80,143	119,319	5,774,720
FV changes of portfolio of hedged instruments - Loans and advances to customers	1,965	–		–	–	1,965
Trade receivables and other financial assets under risk management	32,506	20,928	6,607	2,163	664	62,868
Total	**6,329,607**	**3,546,748**	**267,632**	**226,179**	**178,674**	**10,548,840**
Off balance sheet assets	2,564,378	2,763,571	99,916	40,724	159,601	5,628,190
Financial liabilities and provision for insurance contracts						
Trading liabilities	3,967	23,314	3	106	–	27,390
Hedging derivatives	9,420	–	–	–	–	9,420
Deposits and loans from banks	217,558	80,516	72	15,652	80	313,878
Deposits and loans from customers	5,217,371	2,502,216	112,399	130,230	48,870	8,011,086
Debt securities issued	150,588	307,957	–	–	–	458,545
Subordinated debt	2,827	22,172	–	–	–	24,999
Other financial liabilities under risk management	245,264	175,117	14,195	9,184	4,235	447,995
Provision for insurance contracts	22,730	–	–	–	–	22,730
Total	**5,869,726**	**3,111,292**	**126,669**	**155,172**	**53,185**	**9,316,043**
Off balance sheet liabilities	2,638,426	1,674,362	278,934	19,489	315,846	4,927,057
Net position (including Off balance sheet)	385,833	1,524,665	(38 055)	44,846	16,640	1,933,930

31 December 2018

in thousands of EUR	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	368,216	94,741	2,534	11,338	19,728	497,168
Financial assets for trading	35,176	144,176	17,735	7,473	8,385	212,945
Hedging derivatives	–	28	–	–	–	28
Investment securities measured at fair value through profit or loss	186,948	38,337	936	–	1,387	227,608
Investment securities at fair value through other comprehensive income	603,360	53,407	52,346	33,223	24,759	767,095
Investment securities at amortised cost	438,601	–	–	1,154	–	439,755
Loans and advances to banks	59,451	2,205,897	16,205	1,213	8,808	2,290,964
Loans and advances to customers	4,295,416	1,057,165	308,886	50,984	173,993	5,886,444
FV changes of portfolio of hedged instruments - Loans and advances to customers	869	–	–	–	–	869
Trade receivables and other financial assets under risk management	48,467	18,249	9,981	761	671	78,129
Total	**6,036,504**	**3,612,000**	**408,623**	**106,146**	**237,731**	**10,401,005**
Off balance sheet assets	2,574,638	2,553,925	39,636	50,428	138,362	5,356,989
Financial liabilities and provision for insurance contracts						
Trading liabilities	346	8,770	–	–	132	9,248
Hedging derivatives	5,607	2	–	–	–	5,609
Deposits and loans from banks	126,489	110,088	71	–	107	236,755
Deposits and loans from customers	5,256,269	2,539,940	120,683	98,414	49,032	8,064,338
Debt securities issued	281,276	252,089	–	–	–	533,365
Subordinated debt	5,829	26,883	–	–	–	32,712
Other financial liabilities under risk management	110,109	212,665	20,817	2,031	13,722	359,344
Provision for insurance contracts	20,030	–	–	–	–	20,030
Total	**5,805,955**	**3,150,437**	**141,571**	**100,445**	**62,993**	**9,261,401**
Off balance sheet liabilities	2,456,607	1,557,024	326,949	18,384	322,597	4,701,560
Net position (including Off balance sheet)	348,580	1,438,464	(20 261)	37,745	(9 497)	1,795,033

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

The VaR statistic is as follows:

in thousands of EUR	31 December 2019	31 December 2018
VaR foreign exchange risk	4,228	7,371

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

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

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

in thousands of EUR	Impact on Profit or Loss 31 December 2019	Impact on Profit or Loss 31 December 2018	Impact on Other Comprehensive Income 31 December 2019	Impact on Other Comprehensive Income 31 December 2018
EUR	15	1,320	(65)	(57)
CZK	(5,812)	(4,861)	(1)	(1)
USD	456	415	(28)	(19)
RUB	763	586	–	–

(iii) Equity price risk

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

The VaR statistics is as follows:

in thousands of EUR	31 December 2019	31 December 2018
VaR stock risk (trading book)	451	1 457

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

in thousands of EUR	Impact on Profit or Loss 31 December 2019	Impact on Profit or Loss 31 December 2018	Impact on Other Comprehensive Income 31 December 2019	Impact on Other Comprehensive Income 31 December 2018
Level 1 – quoted market prices	177	249	79	69
Level 2 – derived from quoted prices	2,938	1,930	143	127
Level 3 – calculated using valuation techniques	319	305	65	65
Total	**3,434**	**2,484**	**287**	**261**

in thousands of EUR	Total impact on Equity 31 December 2019	Total impact on Equity 31 December 2018
Level 1 – quoted market prices	256	318
Level 2 – derived from quoted prices	3,081	2,057
Level 3 – calculated using valuation techniques	384	370
Total	**3,721**	**2,745**

41.4. Operational risk

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

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

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

- Requirements for the reconciliation and monitoring of transactions.
- Identification of operational risk within the framework of each subsidiary's control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- Reporting of operational risk events by entering the corresponding information into the Regulated Consolidated Group's database of operational risk events (see Note 41.5. Capital management section regarding the definition of the Regulated Consolidated Group).
- This overview of the Group's operational risk events allows the Group to specify the direction of steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

41.5. Capital management

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

Consolidated capital adequacy is calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 23 June 2013 as from 1 January 2014. Until 31 December 2013 it was calculated in accordance with regulation of the Central Bank of the Czech Republic Decree No. 123/2007 Coll.

The Consolidated Group's capital is analysed into two tiers:

- Tier 1 capital, which is divided into:
  1. Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit of current year is excluded), accumulated other comprehensive income, other transitional arrangements CET1 and non-controlling interests after deduction of goodwill and intangible assets and additional value adjustments;
  2. Additional Tier 1 capital (AT1), which can include qualifying perpetual instruments issued in accordance with CRR (see Note 36. Shareholders' equity)
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Czech Act on Banks No. 21/1992, Decree No. 163/2014 Coll. and CRR. According to these regulations, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP SE, i.e. Mr. Jozef Tkáč and Mr. Ivan Jakabovič is defined as RCG from 1 January 2014. Different consolidation rules are applicable for RCG's purposes – only companies which have the status of financial institutions as defined by CRR are fully consolidated. The indicators presented below are for the whole RCG as described above.

Regulatory Capital

in thousands of EUR	31 December 2019	31 December 2018
Common Equity Tier 1 capital (CET1)	1,268,495	1,128,337
Additional Tier 1 capital (AT1)	276 861	276,499
Total Tier 1 capital	**1,545,356**	**1,404,836**
Total Tier 2 capital	13,933	18,376
Total regulatory capital	**1,559,289**	**1,423,212**
Risk Weighted Assets (RWA)		
Credit risk of investment portfolio	7,633,492	7,781,519
Total risk exposure amount for position, foreign exchange and commodity risks	420 340	562,535
Traded debt instruments	115,524	147,000
Shares	25,505	47,880
Position risk in collective investment undertakings (CIUs)	777	631
Foreign exchange	278,534	367,024
Commodity risk	–	–
Operational risk (BIA)	836,423	815,075
Risk exposure amount for credit valuation adjustment	12,114	18,066
Total amount of capital requirements	**8,902,369**	**9,177,195**

The capital adequacy ratio is calculated for CET 1 capital, Tier 1 capital and total own funds as a portion of the relevant capital to risk weighted assets (RWA).The regulatory capital is calculated as the sum of the Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital reduced by deductible items. CET1 capital comprises paid-up share capital, the statutory reserve fund, other equity funds, retained earnings and additional value adjustments. Tier 2 capital comprises subordinated debt approved by the Czech National Bank in an amount of EUR 13,933 thousand (31 December 2018: EUR 18,376 thousand). The deductible items include intangible assets at net book value and net deferred tax liabilities related to these intangible assets.

Capital adequacy ratios

Requirements for capital adequacy ratios are as follows:

in %	Minimum requirements	Capital conservation buffer	Countercyclical capital buffer	Total requirements
CET1 ratio	4.5	2.5	0.96	7.96
Tier 1 ratio	6.0	2.5	0.96	9.46
Total regulatory capital ratio	**8.0**	**2.5**	**0.96**	**11.46**

An additional Capital conservation buffer of 2.5% for CET1 was imposed by the Czech National bank. The specific countercyclical capital buffer rate is calculated in accordance with §63 ČNB decree No. 163/2014 Sb. and is calculated as a weighted average of the countercyclical buffer rates in effect in the jurisdictions in which the Group has relevant risk exposures. It started to be relevant in 2017 when the Czech Republic and the Slovakia first set their countercyclical buffer rates. These rates are also being gradually introduced in other relevant countries.

The capital adequacy ratios of the RCG as at 31 December 2019 and 2018 were as follows:

v %	31 December 2019	31 December 2018
Common equity tier 1 (CET1)	14.25	12.30
Tier 1 capital	17.36	15.31
Total regulatory capital ratio	**17.52**	**15.51**

42. ASSETS UNDER MANAGEMENT

in thousands of EUR	31 December 2019	31 December 2018
Assets in own-managed funds	2,956,647	2,612,188
Assets with discretionary mandates	228,067	171,899
Other assets under management	2,471,918	2,240,497
Total assets under management	**5,656,632**	**5,024,584**

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

(a) Assets in own-managed funds

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

(b) Assets with discretionary mandates

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

(c) Other assets under management

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

43. RELATED PARTIES

Identity of related parties

The Group has, or had, related party relationships as identified in the following table, either at 31 December 2019 and 2018 or during the years with:
(1) Ultimate shareholders and companies they control
(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates
(3) Associates
(4) Joint ventures in which the Group is a venturer
(5) Key management personnel (i. e. Board of Directors) of the Group

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

The summary of transactions with related parties during 2019 and 2018 is as follows

in thousands of EUR	Accounts receivable 31 December 2019	Accounts payable 31 December 2019	Accounts receivable 31 December 2018	Accounts payable 31 December 2018
Ultimate shareholders and companies they control	33	13,751	24	5,287
Associates and joint ventures	36,332	5,264	70,968	5,908
Key management personnel of the entity or its parent and companies they control or jointly control	25,300	35,288	27,956	16,891
Total	**61,665**	**54,303**	**98,949**	**28,086**

There was no provision for doubtful debts due from the "Ultimate shareholders and companies they control" as at 31 December 2019 (2018: nil).

The summary of transactions with related parties during 2019 and 2018 is as follows:

in thousands of EUR	Výnosy 2019	Náklady 2019	Výnosy 2018	Náklady 2018
Ultimate shareholders and companies they control	27	–	27	2
Associates and joint ventures	13,573	13	2,034	13
Key management personnel of the entity or its parent and companies they control or jointly control	8,852	952	18,140	1,045
Total	**22,452**	**965**	**20,201**	**1,060**

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

in thousands of EUR	Guarantees received 31 December 2019	Guarantees granted 31 December 2019	Guarantees received 31 December 2018	Guarantees granted 31 December 2018
Ultimate shareholders and companies they control	–	–	–	–
Key management personnel of the entity or its parent and companies they control or jointly control	–	197	–	194
Total	**–**	**197**	**–**	**194**

Transactions with directors and key management

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

in thousands of EUR	31. prosinec 2019	31. prosinec 2018
Remuneration	3,012	2,700
Loans	156	148

Of the loans to directors and key management, new loans of EUR 51 thousand were granted during 2019 (2018: EUR 27 thousand) and EUR 6 thousand was repaid (2018: EUR 121 thousand).

44. UNCONSOLIDATED STRUCTURED ENTITIES

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

A structured entity often has some or all of the following features or attributes:
- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

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

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

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

The maximum exposure to loss for the Group is determined by considering the nature of the interest in the unconsolidated structured entity and represents the maximum loss that the Group could be required to report as a result of its involvement with unconsolidated structured entities regardless of the probability of the loss being incurred.

The maximum exposure to loans is reflected by their carrying amounts in the consolidated balance sheet as at 31 December 2019 in amount of EUR 252,516 thousand (2018: EUR 230,212 thousand). These exposures are classified into stage 1 for the purposes of ECL calculation. There are no additional contractual arrangements with these entities regarding providing any further funding or guarantees. Liabilities of the unconsolidated structured entities due to other entities are subordinated to liabilities due to the Group.

The total assets value for four unconsolidated structured entities, as indication of their size, is EUR 438,553 thousand (2018: EUR 416,854 thousand).

45. SUBSEQUENT EVENTS

On 1 January 2020 the company PBI, a.s. merged with its parent company J&T FINANCE GROUP, a.s. and since that day ceased to exist as a legal entity.

On 24 January 2020 Colorizo Investment, a.s. acquired 50% share in CI Joint Venture s.r.o. that owns 100% share in Logistics Park Nošovice a.s.

On 28 February the subsidiary ARITIMA, a.s. was sold.

On 27 March the subsidiary Moskovskij Neftechnimiceskij Bank merged with J&T Bank, a.o. and ceased to exist as a legal entity.

In 2020 subsidiaries J&T Global Finance VI., s. r. o. (on 1 March) and J&T Global Finance VII., s. r. o. (on 15 February) started a process of liquidation and were renamed to J&T Global Finance VI., s. r. o. v likvidácii and J&T Global Finance VII., s. r. o. v likvidaci.

46. NON ADJUSTING EVENTS AFTER THE END OF REPORTING PERIOD

COVID-19 pandemic
The first quarter of 2020 was significantly influenced by the sudden spread of COVID-19, which the World Health Organization (WHO) confirmed as a global pandemic on 11 March 2020. In response to the health risks and the rapid spread of the virus, local governments have introduced series of restrictive measures. The free movement of people was reduced to what the respective governments considered strictly necessary.

Most businesses (with exceptions such as grocery stores or pharmacies) were forced to close. Likewise, accommodation and restaurant facilities had to interrupt operations in order to prevent the gathering of larger groups of citizens. Teaching at schools was interrupted.

The measures introduced have had a negative impact on the majority of markets without sector or geographical differentiation. As at 21 March 2020, the US stock market (as measured by the S&P 500 index) fell by more than 30% compared to its peak at the end of February of the same year. The Prague Stock Exchange lost over 35% to the highs of the year 2020, at the same date.

Despite extensive fiscal and monetary incentives presented by local governments and monetary authorities, the outlook for the next months and the overall impact of the COVID-19 pandemic remains unclear and uncertainty remains a determining factor in market developments. The key parameters for the further development of the economic situation will be the length of time for which the restrictive and security measures set by the government authorities will be valid and what their form will be.

Measures implemented by the Group
The Group closely monitors the development of the virus, as well as government regulations and recommendations, and keeps its employees regularly informed. The Group has introduced several measures to protect employees' health while maintaining the Group's operations:
- Employees whose work was not necessarily tied to a workplace in the Group's premises were ordered to work from home. The Group provided these employees with the necessary equipment to perform their work.
- Employees who were not allowed to work from home were divided into two groups, one of which was transferred to a backup workplace.
- Transport and protective equipment were provided for employees working on the Group's premises.

At the end of March, the Group partially restricted the opening hours at some of its bank branches. The headquarters in Prague operates without restrictions. The Group also has no restrictions on the availability of services or products, among other things, through increased support for digital and telecommunications channels that allow it to stay in touch with its clients.

Expected impact on the Group's operations
The Group regularly communicates the situation with its clients and informs them about developments on the financial markets through news published on the Group's website.

With respect to COVID-19, the Group analysed its loan portfolio and identified clients from the most vulnerable segments. The Group selected a sample of clients from the "SME" corporate segment, operating primarily in the travel, entertainment, automotive and retail industries. The Group approached selected clients with a request to describe and analyse the current state of the business, the steps they had to take in response to COVID-19 pandemic and the estimated impact on their economic results for the year 2020. Based on this analysis, the Group does not expect a significant degradation in its loan portfolio in 2020 and, as at 31 March, has not observed any in the most recent consolidated accounts.

The Group takes into account the approaches of other banking market participants and the opinions, recommendations and regulatory measures communicated by the regulators, such as opt-in postponement of instalments, release of repayment schedules, cancellation of some types or part of interest or fee, etc. In connection with the economic consequences of the COVID-19 pandemic, the financial situation of the Group's clients may be adversely affected, which may jeopardize their ability to meet their obligations under existing contractual terms. The Group will continue monitoring and evaluating the quality of its loan portfolio in accordance with the accounting policies described in Note 3 and risk management policies described in Note 41. The Group quantified the impact of a theoretical increase / decrease of LGD by 10% onto the amount of expected credit losses (ECL) in Note 41.1(iv). As the situation evolves, expectations used to determine PD may be revised in the coming periods, which may result in some credit exposures moving from Stage 1 to Stage 2 due to a significant increase in credit risk (SICR). The Group's approach to credit risk is described in Note 3 and Note 41.1. Furthermore, the Group prepared a sensitivity analysis for the impact of an increase / decrease in market interest rates on the non-trading portfolio, assuming no asymmetrical movement in yield curves and a constant financial position in Note 41.3(i), sensitivity to increase / decrease in foreign exchange rates in Note 41.3(ii) and sensitivity to increase / decrease in prices of non-derivative financial assets in Note 41.3(iii).

The impact of an increase/decrease in selected inputs used in the calculation of the fair value of Level 3 financial assets on valuation of such assets is presented in Note 4.1.

The Group's initial analysis also identified items of the consolidated statement of comprehensive income which are expected to be affected in 2020 and possibly in subsequent years as a result of this situation. The first item is Net impairment gain / (loss) on loans, loan commitments and financial guarantees, which is mentioned above as a separate comment. Net fee and commission income is another item where we expect unfavourable development, when one of the Group's important activity is arranging debt securities issued for clients and where we assume shifts in time of some debt issues, or even their non-realization, which will probably lead to a decrease in fee income. Net interest income may be affected by a reduction in reference and, consequently, market interest rates, but due to the sensitivity of assets and liabilities to changes in interest rates (see Note 41.3(i)), the Group does not expect any significant impact. Given the lack of information and future uncertainty, the Group is unable to estimate the specific impact levels in the items of financial statements mentioned above in the longer term.

The Group has a prudent liquidity policy and holds a significant part of its liquidity surplus in highly liquid assets. In general, liquid assets held by the Group include deposits with the central bank, short-term deposits with financial institutions and highly liquid government and corporate bonds, more information in Note 13 and 20. The Group's strategic objective is to maintain stable liquidity and to meet regulatory and internal requirements. Liquidity coverage ratio is calculated as high-quality liquid assets over total net cash outflows over the next 30 calendar days' period and exceeds 100%. The Group strives to diversify its sources of funding to reduce the

risk of loss of a particular source and avoid difficulties. The description, strategies and procedures for liquidity management are described in Note 41.2.
The Group is adequately capitalized, with a capital adequacy ratio of 17.52% as at 31 December 2019, for more information see Note 41.5. The Group complies with all limits set by the Czech National Bank as well as with its internal limits.

According to the information available to the Group's management at the date of issue of the financial statements, the situation mentioned above does not affect the going concern assumption on the basis of which these financial statements have been prepared. Management cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Group operates in will have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. Management continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

47. GROUP ENTITIES

The list of the Group entities as at 31 December 2019 and 2018 is set out below:

Company name	Country of incorporation	Conso-lidated %	Ownership interest December 2019	Conso-lidation method December 2019	Conso-lidated %	Ownership interest December 2018
J&T FINANCE GROUP SE	Czech Republic	parent company			parent company	
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
XT-Card a.s.	Czech Republic	32.00	direct	Equity	32.00	direct
Colorizo Investment, a.s.	Czech Republic	100.00	direct	Full	–	–
OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.	Czech Republic	50.00	direct	Equity	–	–
ARITIMA, a.s.	Slovakia	100.00	direct	Full	–	–
SPERIDA, a.s.	Slovakia	100.00	direct	Full	–	–
J&T Bank, a.o. (J&T Bank ZAO)[1]	Russia	100.00	direct	Full	100.00	direct
Moskovskij Neftechnimiceskij Bank	Russia	100.00	direct	Full	–	–
TERCES MANAGEMENT LIMITED[2]	Cyprus	100.00	direct	Full	100.00	direct
Interznanie OAO[3]	Russia	100.00	direct	Full	100.00	direct
J&T REALITY otevřený podílový fond[4]	Czech Republic	88.88	direct	Full	88.88	direct
J&T Banka d.d. (VABA d.d. banka Varaždin)[9]	Croatia	96.03	direct	Full	84.17	direct
J&T Leasingová společnost, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
ALTERNATIVE UPRAVLJANJE d.o.o.	Croatia	100.00	direct	Full	–	–
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Bayshore Merchant Services Inc.	Barbados	100.00	direct	Full	100.00	direct
J&T Bank and Trust Inc.	Barbados	100.00	direct	Full	100.00	direct
J and T Capital, Sociedad Anonima de Capital Variable	Mexico	100.00	direct	Full	100.00	direct
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Equity Holding, a.s.	Czech Republic	62.64	direct	Full	62.64	direct
Butcher313, s.r.o.	Czech Republic	30.00	direct	Equity	30.00	direct
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct
Hotel Kadashevskaya, LLC	Russia	99.90	direct	Full	99.90	direct
J&T Global Finance V., s.r.o.	Slovakia	–	–	–	100.00	direct
J&T Global Finance VI., s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance VII., s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Global Finance VIII., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct
J&T Global Finance IX., s.r.o	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance X., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES ČR, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES SR, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
PBI, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
Poštová banka, a.s.[5]	Slovakia	98.46	direct	Full	98.46	direct
Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a.s.)	Slovakia	78.77	direct	Full	78.77	direct

pokračování >>

Název společnosti	Country of incorporation	Conso-lidated %	Ownership interest December 2019	Conso-lidation method December 2019	Conso-lidated %	Ownership interest December 2018
Dôchodková správcovská spoločnosť Poštovej Banky, d.s.s., a.s.	Slovakia	98.46	direct	Full	98.46	direct
PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ.spol., a.s.	Slovakia	98.46	direct	Full	98.46	direct
PB Servis, a.s. (POBA Servis, a. s.)	Slovakia	98.46	direct	Full	98.46	direct
PB PARTNER, a.s. v likvidácii	Slovakia	98.46	direct	Full	98.46	direct
PB Finančné služby, a.s.	Slovakia	98.46	direct	Full	98.46	direct
SPPS, a.s.	Slovakia	39.38	direct	Equity	39.38	direct
365.fintech, a.s.	Slovakia	98.46	direct	Full	98.46	direct
Amico Finance, a.s.	Slovakia	93.53	direct	Full	93.53	direct
NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s.[6]	Czech Republic	99.20	direct	Full	99.20	direct
DIAMOND HOTELS SLOVAKIA, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct
BHP Tatry, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.[7]	Czech Republic	99.17	direct	Full	99.17	direct
FORESPO SOLISKO a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO HELIOS 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO HELIOS 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO HOREC a SASANKA a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO PÁLENICA a.s.	Slovakia	99.17	direct	Full	99.17	direct
INVEST-GROUND a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO-RENTAL 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO-RENTAL 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO BDS a.s.	Czech Republic	99.17	direct	Full	99.17	direct
DEVEL PASSAGE s.r.o.	Slovakia	99.17	direct	Full	99.17	direct
FORESPO DUNAJ 6 a.s.	Slovakia	99.17	direct	Full	99.17	direct
J&T LOAN FUND[8]	Malta	99.23	direct	Full	99.23	direct
J&T Wine Holding SE	Czech Republic	100.00	direct	Full	100.00	direct
OUTSIDER LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Chateau Teyssier (Société civile)	France	80.00	direct	Full	80.00	direct
CT Domaines	France	80.00	direct	Full	80.00	direct
SAXONWOLD LIMITED	Ireland	80.00	direct	Full	80.00	direct
World's End	U.S.A.	80.00	direct	Full	80.00	direct
KOLBY a.s.	Czech Republic	100.00	direct	Full	100.00	direct
Reisten, s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Mezzanine, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
URE HOLDING LIMITED	Cyprus	45.00	direct	Equity	45.00	direct
J&T INVESTMENTS SICAV, a.s.	Czech Republic	100.00	direct	Full	–	–

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

1 The Group owns a 99.945% share in J&T Bank, a.o. through the subsidiary J&T BANKA, a.s. and another 0.055% share through J&T FINANCE GROUP SE.
2 The Group owns a 99% share in TERCES MANAGEMENT LIMITED through the subsidiary J&T BANKA, a.s. and another 1% share through the subsidiary J&T Finance, LLC.
3 The Group owns a 50% share in Interznanie OAO through the subsidiary TERCES MANAGEMENT LIMITED and another 50% share through the subsidiary J&T Bank, a.o.

[4] The Group owns a 53.08% share in J&T REALITY otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 35.80% share through the subsidiary Poštová banka, a.s.
[5] The Group owns a 64.46% share in Poštová banka., a.s. through J&T FINANCE GROUP SE and another 34% share through the subsidiary PBI, a.s.
[6] The Group owns a 48.35% share in NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s. through J&T BANKA, a.s. and effectively another 50.85% share through the subsidiary Poštová banka, a.s.
[7] The Group owns a 46.51% share in Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. through J&T BANKA, a.s. and effectively another 52.66% share through the subsidiary Poštová banka, a.s.
[8] The Group owns a 49.99% share in J&T LOAN FUND through J&T BANKA, a.s. and another 49.24% share through the subsidiary Poštová banka, a.s.
[9] The Group owns a 84.17% share in J&T Banka d.d. through J&T BANKA, a.s. and another 11.86% share through the subsidiary ALTERNATIVE UPRAVLJANJE d.o.o.

EUR 37.9 million

POŠTOVÁ BANKA’S CONSOLIDATED NET PROFIT FOR 2019.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF J&T FINANCE GROUP SE

Opinion

We have audited the accompanying financial statements of J&T FINANCE GROUP SE ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 29 Subsequent events after the accounting period not adjusting the financial statements to the financial statements, which describes a significant non-adjusting event after the reporting date, related to the recent outbreak of the COVID-19 pandemic, and includes the management's assessment of the potential effects thereof on the Company's operations, financial position and performance. Our opinion is not modified in respect of this matter.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

J&T FINANCE GROUP SE has not prepared an annual report as at 31 December 2019, as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board, in collaboration with the Audit Committee, is responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of J&T FINANCE GROUP SE as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague, 22 May 2020

KPMG Česká republika Audit

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

Ing. Ondřej Fikrle
Partner

Ing. Jindřich Vašina
Partner
Registration number 2059

EUR 1733.1 million

THE GROUP'S CONSOLIDATED EQUITY FOR 2019.

BALANCE SHEET IN FULL FORMAT AS AT 31 DECEMBER 2019

in thousands of CZK		line	Current period Gross	Current period Adjust	Current period Net	Prior period Net
	TOTAL ASSETS	**1**	**57,300,903**	**(4,157,093)**	**53,143,810**	**54,720,788**
B.	**Fixed assets**	**2**	**44,378,299**	**(3,314,594)**	**41,063,705**	**44,497,792**
B.I.	Intangible fixed assets	3	463	(430)	33	98
B.I.2.	Intellectual property rights	4	71	(71)	–	–
B.I.2.1.	Software	5	71	(71)	–	–
B.I.4.	Other intangible fixed assets	6	392	(359)	33	98
B.II.	Tangible fixed assets	7	233,842	(108,032)	125,810	139,205
B.II.1.	Land and buildings	8	160,679	(53,378)	107,301	115,170
B.II.1.2.	Buildings	9	160,679	(53,378)	107,301	115,170
B.II.2.	Plant and equipment	10	67,326	(54,654)	12,672	17,923
B.II.4.	Other tangible fixed assets	11	5,837	–	5,837	5,837
B.II.4.3.	Other tangible fixed assets	12	5,837	–	5,837	5,837
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	13	–	–	–	275
B.II.5.1.	Advance payments for tangible fixed assets	14	–	–	–	275
B.III.	Long-term investments	15	44,143,994	(3,206,132)	40,937,862	44,358,489
B.III.1.	Equity investments - group undertakings	16	39,062,805	(3,206,132)	35,856,673	36,725,632
B.III.2.	Loans - group undertakings	17	4,492,623	–	4,492,623	6,699,219
B.III.5.	Other long-term securities and equity investments	18	290,293	–	290,293	635,366
B.III.7.	Other long-term investments	19	298,273	–	298,273	298,272
B.III.7.1.	Other long-term investments	20	298,273	–	298,273	298,272

in thousands of CZK		line	Current period Gross	Current period Adjust	Current period Net	Prior period Net
C.	**Current assets**	**21**	**12,853,284**	**(842,499)**	**12,010,785**	**10,133,718**
C.I.	Inventories	22	20	–	20	57
C.I.1.	Raw materials	23	20	–	20	57
C.II.	Receivables	24	10,478,803	(842,499)	9,636,304	8,235,557
C.II.1.	Long-term receivables	25	6,893,821	–	6,893,821	6,726,018
C.II.1.5.	Receivables - other	26	6,893,821	–	6,893,821	6,726,018
C.II.1.5.4.	Other receivables	27	6,893,821	–	6,893,821	6,726,018
C.II.2.	Short-term receivables	28	3,584,982	(842,499)	2,742,483	1,509,539
C.II.2.1.	Trade receivables	29	171,284	(130,037)	41,247	43,775
C.II.2.2.	Receivables - group undertakings	30	1,507,235	–	1,507,235	88,254
C.II.2.4.	Receivables - other	31	1,906,463	(712,462)	1,194,001	1,377,510
C.II.2.4.4.	Short-term advances paid	32	21,811	–	21,811	3,578
C.II.2.4.5.	Estimated receivables	33	3,128	–	3,128	5,544
C.II.2.4.6.	Other receivables	34	1,881,524	(712,462)	1,169,062	1,368,388
C.III.	Short-term financial assets	35	150,932	–	150,932	207,292
C.III.2.	Other short-term financial assets	36	150,932	–	150,932	207,292
C.IV.	Cash	37	2,223,529	–	2,223,529	1,690,812
C.IV.1.	Cash in hand	38	228	–	228	265
C.IV.2.	Bank accounts	39	2,223,301	–	2,223,301	1,690,547
D.	**Deferrals**	**40**	**69,320**	–	**69,320**	**89,278**
D.1.	Prepaid expenses	41	67,068	–	67,068	89,027
D.3.	Accrued revenues	42	2,252	–	2,252	251

in thousands of CZK		line	Current period	Prior period
	TOTAL LIABILITIES AND EQUITY	**43**	**53,143,810**	**54,720,788**
A.	**Equity**	**44**	**33,315,351**	**32,271,498**
A.I.	Registered capital	45	15,780,308	15,780,308
A.I.1.	Registered capital	46	15,780,308	15,780,308
A.II.	Premium and capital contributions	47	7,707,194	7,394,825
A.II.1.	Premium	48	2,551,766	2,551,766
A.II.2.	Capital contributions	49	5,155,428	4,843,059
A.II.2.1.	Other capital contributions	50	5,615,882	5,615,882
A.II.2.2.	Revaluation of assets and liabilities (+/-)	51	(460,454)	(772,823)
A.III.	Funds from profit	52	370,617	367,942
A.III.1.	Other reserve funds	53	200,082	200,082
A.III.2.	Statutory and other funds	54	170,535	167,860
A.IV.	Retained earnings (+/-)	55	7,568,424	7,344,657
A.IV.1.	Retained profits (+/-)	56	7,568,424	7,344,657
A.V.	Profit (loss) for the current period (+/-)	57	1,888,808	1,383,766
B. + C.	**Liabilities**	**58**	**19,815,553**	**22,352,163**
B.	**Provisions**	**59**	**47,494**	**13,201**
B.2.	Income tax provision	60	40,929	9,520
B.4.	Other provisions	61	6,565	3,681
C.	**Liabilities**	**62**	**19,768,059**	**22,338,962**
C.I.	Long-term liabilities	63	11,604,684	14,976,122
C.I.1.	Debentures and bonds issued	64	–	1,287,592
C.I.1.2.	Other debentures and bonds	65	–	1,287,592
C.I.2.	Liabilities to credit institutions	66	–	262,400
C.I.4.	Trade payables	67	80	78
C.I.6.	Liabilities - group undertakings	68	11,604,566	13,426,014
C.I.8.	Deferred tax liability	69	38	38

in thousands of CZK		line	Current period	Prior period
C.II.	Short-term liabilities	70	8,163,375	7,362,840
C.II.2.	Liabilities to credit institutions	71	2,391,809	1,520,432
C.II.4.	Trade payables	72	2,269	10,305
C.II.5.	Short-term bills of exchange payable	73	3,514	180,587
C.II.6.	Liabilities - group undertakings	74	5,715,745	5,595,136
C.II.8.	Liabilities - other	75	50,038	56,380
C.II.8.1.	Liabilities to shareholders/members	76	39,903	40,398
C.II.8.3.	Payables to employees	77	931	747
C.II.8.4.	Social security and health insurance liabilities	78	489	617
C.II.8.5.	Tax liabilities and subsidies	79	553	5,012
C.II.8.6.	Estimated payables	80	7,803	7,963
C.II.8.7.	Other payables	81	359	1,643
D.	**Accruals**	**82**	**12,906**	**97,127**
D.1.	Accrued expenses	83	12,906	96,547
D.2.	Deferred revenues	84	–	580

INCOME STATEMENT CLASSIFICATION BY NATURE FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of CZK		line	Current period	Prior period
I.	Revenue from products and services	1	15,338	15,690
A.	Cost of sales	2	89,493	112,850
A.2.	Materials and consumables	3	814	1,871
A.3.	Services	4	88,679	110,979
D.	Personnel expenses	5	24,371	20,518
D.1.	Wages and salaries	6	18,470	15,506
D.2.	Social security, health insurance and other expenses	7	5,901	5,012
D.2.1.	Social security and health insurance expenses	8	5,697	4,591
D.2.2.	Other expenses	9	204	421
E.	Adjustments relating to operating activities	10	(48,442)	33,450
E.1.	Adjustments to intangible and tangible fixed assets	11	15,060	15,254
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	12	15,060	15,254
E.3.	Adjustments to receivables	13	(63,502)	18,196
III.	Other operating revenues	14	6,397	10,644
III.2.	Proceeds from disposals of raw materials	15	41	62
III.3.	Miscellaneous operating revenues	16	6,356	10,582
F.	Other operating expenses	17	67,953	33,280
F.2.	Net book value of raw materials sold	18	37	58
F.3.	Taxes and charges	19	97	241
F.4.	Provisions relating to operating activity and complex prepaid expenses	20	2,884	(1,436)
F.5.	Miscellaneous operating expenses	21	64,935	34,417
*	**Operating profit (loss) (+/-)**	**22**	**(111,640)**	**(173,764)**

in thousands of CZK		line	Current period	Prior period
IV.	Revenue from long-term investments - equity investments	23	2,861,651	3,073,609
IV.1.	Revenue from equity investments - group undertakings	24	2,253,467	1,862,368
IV.2.	Other revenue from equity investments	25	608,184	1,211,241
G.	Cost of equity investments sold	26	391,936	1,076,867
V.	Revenue from other long-term investments	27	2,203,028	170,775
V.2.	Other revenue from other long-term investments	28	2,203,028	170,775
H.	Expenses related to other long-term investments	29	2,154,295	172,033
VI.	Interest revenue and similar revenue	30	762,958	791,835
VI.1.	Interest revenue and similar revenue - group undertakings	31	356,409	322,861
VI.2.	Other interest revenue and similar revenue	32	406,549	468,974
I.	Adjustments and provisions relating to financial activity	33	282,774	246,366
J.	Interest expense and similar expense	34	973,021	962,700
J.1.	Interest expense and similar expense - group undertakings	35	847,634	768,355
J.2.	Other interest expense and similar expense	36	125,387	194,345
VII.	Other financial revenues	37	387,456	418,659
K.	Other financial expenses	38	347,708	428,891
*	**Profit (loss) from financial operations**	**39**	**2,065,359**	**1,568,021**
**	**Profit (loss) before tax (+/-)**	**40**	**1,953,719**	**1,394,257**
L.	Income tax	41	64,911	10,491
L.1.	Current tax	42	64,911	13,163
L.2.	Deferred tax (+/-)	43	–	(2,672)
**	**Profit (loss) after tax (+/-)**	**44**	**1,888,808**	**1,383,766**
***	**Profit (loss) for the accounting period (+/-)**	**45**	**1,888,808**	**1,383,766**
*	**Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.**	**46**	**6,236,828**	**4,481,212**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of CZK		Current period	Prior period
P.	**Cash and cash equivalents, beginning of period**	**1,690,812**	**701,984**
Net operating cash flow			
Z.	Operating profit (loss) before tax	(111,640)	(173,764)
A.1.	Non-cash transactions	(185,262)	278,446
A.1.1.	Depreciation and amortisation of fixed assets	15,060	15,254
A.1.2.	Change in:	(147,504)	263,192
A.1.2.2.	provisions and adjustments relating to operating activity	(147,504)	263,192
A.1.4.	Other non-cash transactions	(52,818)	–
A*.	**Net operating cash flow before taxation, financial items, changes in working capital and extraordinary items**	**(296,902)**	**104,682**
A.2.	Changes in working capital	(1,009,929)	3,712,737
A.2.1.	Change in receivables from operating activities, estimated receivables and deferrals	(808,018)	3,847,689
A.2.2.	Change in short-term liabilities from operating activities, estimated payables and accruals	(274,720)	(126,178)
A.2.3.	Change in inventories	37	3
A.2.4.	Change in short-term financial assets, other than cash and cash equivalents	72,772	(8,777)
A.**	**Net operating cash flow before taxation, financial balances, and extraordinary items**	**(1,306,831)**	**3,817,419**
A.3.	Interest paid excluding amounts capitalised	(925,715)	(943,511)
A.4.	Interest received	371,655	1,504,509
A.5.	Income tax paid on ordinary income and income tax relating to prior periods	(33,502)	(6,867)
A.6.	Other financial receipts and disbursement	418,524	14,489
A.7.	Dividends received	2,245,261	1,882,932
A.***	**Net operating cash flow**	**769,392**	**6,268,971**
Investing activities			
B.1.	Acquisition of fixed assets	584,585	(1,747,782)
B.1.1.	Acquisition of tangible fixed assets	(1,600)	(3,438)
B.1.3.	Acquisition of long-term investments	586,185	(1,744,344)
B.2.	Proceeds from sales of fixed assets	578,355	1,211,241
B.2.2.	Proceeds from sale of long-term investments	578,355	1,211,241
B.3.	Advances and loans to related parties	2,184,963	(3,965,346)
B.***	**Net cash flow from investing activities**	**3,347,903**	**(4,501,887)**
Financing activities			
C.1.	Change in long-term resp. short-term liabilities from financing	(2,427,253)	(421,071)
C.2.	Increase and decrease in equity from cash transactions	(1,157,325)	(357,185)
C.2.5.	Payments from funds created from net profit	(257,325)	(357,185)
C.2.6.	Dividends paid, including withholding tax paid and bonuses paid to board members	(900,000)	–
C.***	**Net cash flow from financing activities**	**(3,584,578)**	**(778,256)**
F.	**Net increase or decrease in cash balance**	**532,717**	**988,828**
R.	**Cash and cash equivalents, end of period**	**2,223,529**	**1,690,812**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

in thousands of CZK	Registered capital	Premium	Other capital contributions
Balance as at 1.1.2019	**15,780,308**	**2,551,766**	**5,615,882**
Transfer of the profit (loss) of prior year period	–	–	–
Dividends	–	–	–
Change in revaluation	–	–	–
Change in fair value of hedging instruments	–	–	–
Rounding	–	–	–
Profit (loss) for the current period	–	–	–
Balance as at 31.12.2019	**15,780,308**	**2,551,766**	**5,615,882**

in thousands of CZK	Registered capital	Premium	Other capital contributions
Balance as at 1.1.2018	**15,780,308**	**2,551,766**	**5,615,882**
Transfer of the profit (loss) of prior year period	–	–	–
Dividends	–	–	–
Change in revaluation	–	–	–
Change in fair value of hedging instruments	–	–	–
Profit (loss) for the current period	–	–	–
Balance as at 31.12.2018	**15,780,308**	**2,551,766**	**5,615,882**

Revaluation of assets and liabilities	Other reserve funds	Statutory and other funds	Retained profits (+/-)	Profit (loss) for the current period	Total
(772,823)	**200,082**	**167,860**	**7,344,657**	**1,383,766**	**32,271,498**
–	–	260,000	1,123,766	(1,383,766)	–
–	–	(257,325)	(900,000)	–	(1,157,325)
(153,837)	–	–	–	–	-153,837
466,206	–	–	–	–	466,206
–	–	–	1	–	1
–	–	–	–	1,888,808	1,888,808
(460,454)	**200,082**	**170,535**	**7,568,424**	**1,888,808**	**33,315,351**

Revaluation of assets and liabilities	Other reserve funds	Statutory and other funds	Retained profits (+/-)	Profit (loss) for the current period	Total
(838,795)	**200,082**	**255,045**	**5,455,089**	**2,159,568**	**31,178,945**
–	–	270,000	1,889,568	(2,159,568)	–
–	–	(357,185)	–	–	(357,185)
176,972	–	–	–	–	176,972
(111,000)	–	–	–	–	(111,000)
–	–	–	–	1,383,766	1,383,766
(772,823)	**200,082**	**167,860**	**7,344,657**	**1,383,766**	**32,271,498**

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2019

1. DESCRIPTION AND PRINCIPAL ACTIVITIES

Establishment and description of the Company
J&T FINANCE GROUP SE ("the Company") was registered on August 24, 2006. The subject of the company's business is production, trade and services not listed in appendices 1 to 3 of the Trade Act. The principal activities of the Company are acquisition and holding of shares in legal entities.

Ownership structure
The shareholders of the Company as at December 31, 2019 were:
Jozef Tkáč, 45.05%
Ivan Jakabovič, 45.05%
Rainbow Wisdom Investments Limited, 9.90%

Registered office
J&T FINANCE GROUP SE
Pobřežní 297/14
186 00 Prague 8
Czech Republic

Identification number
275 92 502

Members of the Board of directors and Supervisory board as at December 31, 2019

Members of the Board of directors	Members of the Supervisory board
Jozef Tkáč (Chairman)	Marta Tkáčová (Chairman)
Patrik Tkáč (Vice-Chairman)	Ivan Jakabovič st.
Ivan Jakabovič (Vice-Chairman)	Jana Šuterová
Dušan Palcr (Vice-Chairman)	
Gabriela Lachoutová	

During the accounting period members of the board of directors and the supervisory board did not change. All previous members of the board of directors and the supervisory board were re-elected to their positions as at January 1, 2019.

The Company prepares consolidated financial statements.

Changes in the Commercial Register
Based on the merger project dated November 15, 2019, a merger took place with effective date of January 1, 2020, during which the assets of the acquired company PBI, a.s., with its registered at office Sokolovská 394/17, Karlín, 186 00 Prague 8, Identification number: 036 33 527 were transferred to J&T FINANCE GROUP SE as a successor company.

Administrative branch
J&T FINANCE GROUP SE, organizačná zložka ("administrative branch") was established in Slovakia based on the decision of the board of directors of J&T FINANCE, a.s. (legal predecessor of the Company) dated November 6, 2013 and on November 15, 2013 it was recorded in the Commercial Register maintained by the District Court in Bratislava I, section Po, insert No. 2332/B as an administrative branch of a foreign entity.

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

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

Head of the administrative branch:

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

As at December 31, 2019 the administrative branch had 8 employees (2018: 7 employees).

2. GENERAL ACCOUNTING PRINCIPLES, ACCOUNTING POLICIES AND THEIR CHANGES AND DEVIATIONS

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

The financial statements have been prepared on a going concern basis.

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

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

Tangible fixed assets acquired free of charge are measured at replacement cost and credited to other operating income. An asset's replacement cost is the cost at which the asset would be acquired at the time of its recognition. The replacement cost of the respective assets has been determined based on an expert appraisal.

Land is not depreciated.

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

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

In the income statement, depreciation is presented in "Depreciation and amortization of intangible and tangible fixed assets".

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

b) Long-term investments

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

Long-term investments are stated at cost initially, which includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges. Granted loans and credits are initially valued at nominal value, if acquired for consideration or by deposit they are valued at cost. Securities, except held-to-maturity securities and securities comprising equity investments in subsidiaries and associated companies, are measured at fair value as at the balance sheet date. Gains/losses arising from the change in fair value are not included in the net profit or loss for the period until they are realized, and are recorded as changes in "Revaluation of assets and liabilities" in equity.

Where the fair value cannot be reliably determined the investments are recognized at acquisition cost, and if a particular investment has been impaired, an adjustment is established.

As at the balance sheet date, investments are recognized at acquisition cost, and if a particular investment has been impaired, an adjustment is established. The Company establishes the adjustments as at the last date of accounting period. Adjustments are recorded in the currency of recognized equity interest. FX changes to adjustments are recognized in the profit and loss on the same account as the impairment.

FX changes to adjustments are recognized in the profit and loss on the same account as the impairment. FX differences of non-current securities and interests that arise as at balance sheet date are recorded within the equity in "Gains or losses from revaluation of assets and liabilities".

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

c) Short-term securities and ownership interests

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

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

The value of debt securities as at the balance sheet date also includes the proportionate part of interest revenue that is recognized in the income statement. Adjustments are established where the value of held-to-maturity debt securities has been impaired. In the income statement, the establishment and release of adjustments is presented in "Adjustments and provisions relating to financial activity".

d) Inventories

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

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

e) Establishment of adjustments and provisions

Receivables

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables. In the income statement, the establishment and release of adjustments is presented in "Adjustments to receivables".

Investments

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

Provisions

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

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases or uses this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

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

f) Foreign currency translation

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are only recognized when realized at the time of settlement. As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Unrealized foreign exchange gains and losses are recognized in profit or loss.

g) Derivatives

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

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

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

Trading derivatives

Derivatives held for trading are recognized in the balance sheet at fair value. Gains/losses from changes in fair value are recorded in the income statement under "Other financial revenues"/"Other financial expenses".

Hedging derivatives

The Company uses hedging derivatives (currency forwards, currency swaps) to mitigate foreign exchange risks relating to the holding of foreign currency investment. Hedging derivatives are recognized in the balance sheet at fair value. The method of recognizing changes in fair value depends on the model of hedge accounting applied.

In accordance with accounting policies, the Company has decided to apply hedge accounting for recognizing of effects resulting from hedging of foreign exchange risks. Hedge accounting is applied if:

- hedging is in line with the company's management strategy ,
- the hedging relationship is formally documented at the time of the hedging transaction,
- the hedging relationship is expected to be effective for its duration,
- the effectiveness of the hedging relationship is objectively measurable,
- the hedging relationship is effective during the accounting period, which means that changes in fair values or cash flows of hedging instruments are offset by changes in cash flows of the hedging instruments which correspond to hedged risk,
- in the case of cash flow hedges, the expected transaction is highly probable and there is a risk that there will be changes in cash flows that will affect profit or loss

The Company applies the hedging model of net investment in foreign currencies. If the Company hedges foreign exchange risk arising from investments in foreign currency with controlling or significant influence, the effective part of the hedging (ie, the change in the fair value of the hedging instrument in terms of hedged risk) is recognized as part of equity in "Gains or losses from revaluation of assets and liabilities". The ineffective part is recognized in the income statement.

Embedded derivatives
In some instances, a derivative may be part of a compound financial instrument, which includes both the host instrument and the derivative (embedded derivative) that influences the cash flow or otherwise modifies the characteristics of the host instrument. The embedded derivative is accounted for separately if both of the following conditions are satisfied:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument
- a financial instrument with the same terms as an embedded derivative would, as a stand-alone instrument, meet the definition of a derivative.

The host instrument in not revalued to fair value or is revalued to fair value, but changes in revaluation are retained in the balance sheet.

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

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

j) Income tax
Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.

A deferred tax asset is recognized only if it is probable that it will be utilised in future accounting periods.

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

l) Consolidation
The Company is the parent entity that prepares consolidated financial statements in accordance with the provisions of 22aa of Act No. 563/1991 Coll., On Accounting. The consolidated financial statements will be published in accordance with Sections 22a (2c) and 21a of Act No. 563/1991 Coll., on Accounting. The Company prepares consolidated financial statements in accordance with International Accounting Standards (IFRS), as adopted by the European Union.

m) Accounting of the organizational unit

The accounting of the organizational unit is kept in EUR and separately in Slovakia. The turnover on all accounts is recalculated once a month at the daily exchange rate of the Czech National Bank. Assets and liabilities in EUR are translated at the balance sheet date using the exchange rate announced by the CNB. Any exchange differences arising from the translation of the balance sheet and the income statement at the balance sheet date are recognized in the income statement.

3. FIXED ASSETS

a) Intangible fixed assets

2019

in thousands of CZK	Intellectual property rights	Software	Total
Acquisition cost			
Balance as at 1.1.2019	392	71	463
Balance as at 31.12.2019	392	71	463
Accumulated depreciation			
Balance as at 1.1.2019	294	71	365
Depreciation expense	65	–	65
Balance as at 31.12.2019	359	71	430
Net book value 1.1.2019	**98**	**–**	**98**
Net book value 31.12.2019	**33**	**–**	**33**

2018

in thousands of CZK	Intellectual property rights	Software	Total
Acquisition cost			
Balance as at 1.1.2018	392	71	463
Balance as at 31.12.2018	392	71	463
Accumulated depreciation			
Balance as at 1.1.2018	229	71	300
Depreciation expense	65	–	65
Balance as at 31.12.2018	294	71	365
Net book value 1.1.2018	**163**	**–**	**163**
Net book value 31.12.2018	**98**	**–**	**98**

b) Tangible fixed assets

2019

in thousands of CZK	Buildings	Machin. and equip.	Motor vehicles	Office equip.	Low-value assets	Valuable items	Total
Pořizovací cena							
Zůstatek k 1.1.2019	159,936	294	1,796	33,135	31,244	5,837	232,242
Přírůstky	743	140	–	992	–	–	1,875
Úbytky	–	–	–	275	–	–	275
Zůst. k 31.12.2019	160,679	434	1,796	33,852	31,244	5,837	233,842
Oprávky							
Zůstatek k 1.1.2019	44,766	227	1,735	29,550	16,759	–	93,037
Odpisy	8,612	42	21	3,867	2,453	–	14,995
Oprávky k úbytkům	–	–	–	–	–	–	–
Zůstatek k 31.12.2019	53,378	269	1,756	33,417	19,212	–	108,032
Opravné položky							
Zůstatek k 1.1.2019	–	–	–	–	–	–	–
Zůst. k 31.12.2019	–	–	–	–	–	–	–
Zůst. hodn. 1.1.2019	**115,170**	**67**	**61**	**3,585**	**14,485**	**5,837**	**139,205**
Zůst. hodn. 31.12.2019	**107,301**	**165**	**40**	**435**	**12,032**	**5,837**	**125,810**

2018

in thousands of CZK	Buildings	Machin. and equip.	Motor vehicles	Office equip.	Low-value assets	Valuable items	Total
Acquisition cost							
Balance as at 1.1.2018	159,735	251	1,796	32,860	31,660	2,918	229,220
Additions	201	43	–	275	–	2,919	3,438
Disposals	–	–	–	–	416	–	416
Balance as at 31.12.2018	159,936	294	1,796	33,135	31,244	5,837	232,242
Accumulated depreciation							
Balance as at 1.1.2018	36,168	194	1,646	25,718	14,540	–	78,266
Depreciation expense	8,598	33	89	3,832	2,635	–	15,187
Accumulated depreciation disposals	–	–	–	–	416	–	416
Balance as at 31.12.2018	44,766	227	1,735	29,550	16,759	–	93,037
Adjustments							
Balance as at 1.1.2018	–	–	–	–	–	–	–
Balance as at 31.12.2018	–	–	–	–	–	–	–
Net book value 1.1.2018	**123,567**	**57**	**150**	**7,142**	**17,120**	**2,918**	**150,954**
Net book value 31.12.2018	**115,170**	**67**	**61**	**3,585**	**14,485**	**5,837**	**139,205**

The assets are mainly assets of an administrative branch.

4. INVESTMENTS

a) Long-term investments

Overview of movements of long-term investments.

2019

in thousands of CZK	Equity investments – group undertakings	Loans – group undertakings	Other long-term securities and equity investments	Other long-term investments	Total
Balance as at 1.1.2019	36,725,632	6,699,219	635,366	298,272	44,358,489
Additions	342,904	2,591,242	–	–	2,934,146
Disposals	(737,615)	(3,311,938)	(356,738)	–	(4,406,291)
Transfers	–	(1,416,407)	–	1	(1,416,406)
Revaluation	(104,588)	(69,493)	11,665	–	(162,416)
Balance as at 31.12.2019	**36,226,333**	**4,492,623**	**290,293**	**298,273**	**41,307,522**

2018

in thousands of CZK	Equity investments – group undertakings	Loans – group undertakings	Other long-term securities and equity investments	Other long-term investments	Total
Balance as at 1.1.2018	35,453,546	2,615,473	1,313,630	298,272	39,680,921
Additions	1,341,164	7,768,658	403,180	–	9,513,002
Disposals	–	(3,136,977)	(1,124,297)	–	(4,261,274)
Transfers	–	(622,341)	(4,260)	–	(626,601)
Revaluation	(69,078)	74,406	47,113	–	52,441
Balance as at 31.12.2018	**36,725,632**	**6,699,219**	**635,366**	**298,272**	**44,358,489**

Controlled and controlling entities and entities under significant influence

2019

in thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) / loss (-) for 2019	Equity as at 31.12.2019	Acquisition cost	Carrying value
PBI, a.s.*	100%	5,777	1,000,000	413	5,876,676	6,220,287	5,850,627
J&T INTEGRIS GROUP LIMITED**		264,001	25.41				
	100%	161,620	0,025	21,633	4,753,626	6,840,742	5,122,351
J&T BANKA, a.s.*		700,000	1.43				
	100%	10,637,126	1,000	2,879,581	19,990,948	11,142,805	11,142,805
J&T Bank (Schweiz) AG in Liquidation **	100%	200,000	2 283	–	–	1,118,081	–
Poštová banka, a.s.*	64.46%	213,288	28,129	1,161,948	16,330,982	10,195,085	10,195,085
J&T Wine Holding SE**		20	156,480				
	100%	5,730	156,630	(1 603)	1,359,540	1,386,276	1,386,276
J&T Mezzanine, a.s.**	100%	2	1,000,000	109,048	2,120,158	2,014,211	2,014,211
J&T SERVICES ČR, a.s.**		10	200,000				
	100%	139,134	1,000	19,236	197,846	140,958	140,958
J&T INVESTMENTS SICAV**	100%	100,000	1	–	100	100	100
Compact Property Fund**	100%	35	100,000	8,240	3,791,978	4,260	4,260
Total ownership interests						**39,062,805**	**35,856,673**

Loans – group undertakings

2019

in thousands of CZK	Principal	% p.a.	Accrued interest	Maturity	Carrying value
J&T Mezzanine, a.s.	4,252,471	5.75% - 6%	65,932	2022 - 2023	4,318,403
JOINT-STOCK COMMERCIAL BANK "KHOVANSKIY"	174,182	8.0%	38	27.12.2023	174,220
Total loans – group undertakings					**4,492,623**

Available-for-sale securities

2019

in thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total Profit (+) / loss (-) for 2019	Acquisition cost	Carrying value
Steel Assets Management Limited B.V.	9.9%	1,797	25.41	–	46	46
J&T Bank, a.o.	0.1%	70,000	62.44	–	4,371	4,371
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s. (CZK)	0%	99,124,555	n/a	–	102,098	111,783
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s. (EUR)	0%	1,204,470	n/a	–	158,343	174,093
Total available-for-sale securities					**264,858**	**290,293**

Other long-term investments

2019

in thousands of CZK	Number of pieces	Nominal piece value in CZK	% p.a.	Acquisition cost	Carrying value
J&T BANKA, a.s. – Investiční certifikáty	2,220	135,100	9%	298,272	298,273
Total other long-term investments	298,272	298,273	–	–	
Total long-term investments					**40,937,862**

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

As at January 1, 2020 the company PBI, a.s. merged into J&T FINANCE GROUP SE. Due to this fact the extraordinary financial statements were prepared as at December 31, 2019.

During 2019, J&T FINANCE GROUP provided additional loans to its subsidiary J&T Mezzanine, a.s. As at December 31, 2019, the number of these long-term loans was 4 in total, these loans were partly denominated in CZK and partly in EUR.

The loan provided by J&T FINANCE GROUP to J&T Minorities was transferred to short-term loans due to its maturity in 2020.

Controlled and controlling entities and entities under significant influence

2018

in thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) loss (-) for 2018	Equity as at 31.12.2018	Acquisition cost	Carrying value
PBI, a.s.	100%	5,777	1,000,000	(1 447)	6,019,963	6,220,287	6,220,287
J&T INTEGRIS GROUP LIMITED	100%	4,000	25.725	28,671	5,252,895	7,671,566	5,868,010
J&T BANKA, a.s.		700,000	1.43				
	100%	10,637,126	1,000	1,534,279	18,605,983	11,142,805	11,142,805
J&T Bank (Schweiz) AG in Liquidation	100%	200,000	2 283	–	–	1,089,957	0
Poštová banka, a.s.	64.46%	213,288	28,478	1,690,004	16,305,457	10,321,470	10,321,470
J&T Wine Holding SE		20	156,480				
	100%	5,730	156,630	(868)	1,109,169	1,123,476	1,123,476
J&T Mezzanine, a.s.	100%	2	1,000,000	77,535	2,005,610	1,934,211	1,934,211
J&T SERVICES ČR, a.s.		10	200,000				
	100%	139,134	1,000	12,642	178,430	140,958	111,113
Compact Property Fund	100%	35	100,000	6,920	4,125,571	4,260	4,260
Total ownership interests						**39,648,990**	**36,725,632**

Loans – group undertakings

2018

in thousands of CZK	Principal	% p.a.	Accrued interest	Maturity	Carrying value
J&T Mezzanine, a.s.	6,443,322	3% - 6%	56,843	2022 - 2023	6,500,165
JOINT-STOCK COMMERCIAL BANK "KHOVANSKIY"	172,988	8.0%	38	27.12.2023	173,026
J&T Minorities Portfolio Limited	25,982	1%	46	31.12.2020	26,028
Total loans – group undertakings					**6,699,219**

Available-for-sale securities

2018

in thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Total profit (+) loss (-) for 2018	Acquisition cost	Carrying value
Steel Assets Management Limited B.V.	9.9%	1,797	25.725	–	46	46
J&T Bank, a.o.	0,1%	70,000	62.44	–	4,371	4,371
SANDBERG INVESTMENT FUND SICAV P.L.C	0%	20,000	n/a	–	51,080	61,687
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.	0%	146,070,698	n/a	–	149,547	156,617
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.	0%	2,965,871	n/a	–	383,067	412,645
Total available-for-sale securities					**588,111**	**635,366**

Other long-term investments

2018

in thousands of CZK	Number of pieces	Nominal piece value in CZK	% p.a.	Acquisition cost	Carrying value
J&T BANKA, a.s. – Investment certificates	2,220	135,100	9 %	298,272	298,272
Total other long-term investments					298,272
Total long-term investments					**44,358,489**

During 2019, the Company had revenue from long-term investments relating to dividends received from PBI, a.s. of TCZK 307,462 (2018 – TCZK 210,450), from Poštová banka, a.s. of TCZK 583,449 (2018 – TCZK 398,025), from J&T BANKA, a.s. of TCZK 1,292,500 (2018 – TCZK 1,253,819), from J&T Mezzanine of TCZK 70,000 (2018 – TCZK 0) and from J&T Bank a.o. of TCZK 55 (2018 – TCZK 75). The Company also had revenue of TCZK 21,805 from holding the Investment certificates of J&T BANKA, a.s. (2018 – TCZK 21,794).

The registered offices of the subsidiaries are as follows:

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

J&T INTEGRIS GROUP LTD
Klimentos, 41-43,
KLIMENTOS TOWER, 2nd floor, flat/office 21
P.C. 1016, Nikózia
Cyprus

J&T Wine Holding SE
Pobřežní 297/14, Karlín
186 00 Prague 8
Czech Republic

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

Compact Property Fund, i.f.
s proměnnným základním kapitálem
Na Příkopě 393/11, Staré Město
110 00 Prague
Czech Republic

PBI, a.s.
Sokolovská 394/17, Karlín
186 00 Prague 8
Czech Republic

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

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

J&T Mezzanine, a.s.
Pobřežní 297/14, Karlín
186 00 Prague 8
Czech Republic

J&T INVESTMENTS SICAV, a.s.
Pobřežní 297/14, Karlín
186 00 Prague 8
Czech Republic

b) Short-term investments

Securities held for trading

in thousands of CZK	Ownership	Shares held	Nominal share value in CZK	Acquisition cost	Received shares on profit	2019 Fair value	2018 Fair value
Tatry mountain resort, a.s.	2.94%	197,076	177,87	147,011	–	150,932	142,208
Best Hotel Properties, a.s.	–	–	–	–	–	–	65,084
Total securities held for trading				**147,011**	**–**	**150,932**	**207,292**

In 2018, short-term investments also included a 6.57% share in Best Hotel Properties, a.s. These were 2,300,000 shares with a nominal value of CZK 25,725, which the Company booked at a cost of TCZK 767,653 (fair value as at 31 December 2018 was TCZK 65,084). These shares were sold during 2019.

5. OPRAVNÉ POLOŽKY K FINANČNÍMU MAJETKU

in thousands of CZK	Adjustment for ownership interests	Total
Balance as at 1.1.2019	2,923,358	2,923,358
Additions	375,700	375,700
Release/utilization	(92,926)	(92,926)
Balance as at 31.12.2019	**3,206,132**	**3,206,132**

in thousands of CZK	Adjustment for ownership interests	Total
Balance as at 1.1.2018	2,676,992	2,676,992
Additions	246,366	246,366
Release/utilization	–	–
Balance as at 31.12.2018	**2,923,358**	**2,923,358**

J&T Bank Switzerland entered into liquidation in 2012. As at December 31, 2018 was J&T Bank Switzerland using allowance revaluated to zero value, total adjustment was TCZK 1,118,081 (2018 - TCZK 1,089,951).

For the investment in J&T INTEGRIS GROUP LIMITED foreign exchange revaluation and release of adjustment were carried out as at December 31, 2019. Adjustment totaling TCZK 1,781,472 was established (2018 - TCZK 1,803,556).

The adjustment of TCZK 29,845 created for the investment in J&T SERVICES ČR, a.s., was released in full in 2019 (2018 – TCZK 29,845).

An adjustment of TCZK 369,660 was created for the investment in PBI, a.s. (2018 – TCZK 0).

6. INVENTORIES

Inventories of material comprise access cards to the building that will be subsequently handed over to the lessees, and amount to TCZK 20 (2018 - TCZK 57).

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables total TCZK 171,284 (2018 – TCZK 228,482), of which TCZK 149,140 (2018 – TCZK 207,337) is overdue. An allowance of TCZK 130,037 (2018 – TCZK 184,707) was created for these receivables.

b) The value of short-term receivables to the controlled or controlling person or the person with substantial influence represents borrowings amounting to TCZK 1,507,235 (2018 – TCZK 88,254).

c) Other short-term trade receivables as at December 31, 2019 of TCZK 1,169,062 (2018 – TCZK 1,368,388) also comprise loans and borrowings provided by the Company amounting to TCZK 913,373 (2018 – TCZK 1,220,630). The remaining part of other short-term receivables of TCZK 968,151 (2018 - TCZK 869,052) consists mainly of receivables from one company and of currency forwards. Allowances of TCZK 712,462 (2018 – TCZK 721,294) were created for these receivables.

d) Other long-term receivables of TCZK 6,893,821 (2018 – TCZK 6,726,018) are due in more than one year. These receivables represent loans and borrowings provided by the Company. None of the loan will mature in more than 5 years.

Summary of loans and borrowings:

in thousands of CZK	31 December 2019	31 December 2018
Loans and borrowing provided – short-term	2,420,608	1,308,884
Loans and borrowing provided – long-term	11,386,444	13,425,237
Total	**13,807,052**	**14,734,121**

Short-term loans and borrowing were provided to the controlled persons of TCZK 1,507,235 (2018 – TCZK 88,254) and to third parties of TCZK 913,373 (2018 – TCZK 1,220,630) recognized as Other receivables as described in Note 7c.

In the current period the Company registered loans and borrowings provided to its clients with a total of 7 short-term loans and borrowings and 18 long-term loans (contracted in the current period or in the previous years). In the prior period (2018) this concerned 10 short-term loans and borrowings and 19 long-term loans.

None of the above short-term loans/borrowings were overdue.

The company does not have any other long-term receivables due in more than 5 years.

The companies whose loans were due by the end of 2019 prolonged the maturity of the particular loans by one calendar year, in minimum.

e) Short-term trade payables total TCZK 2,269 (2018 – TCZK 10,305), of which TCZK 0 (2018 – TCZK 0) is overdue.

f) Short-term bills of exchange payable consist of bills of exchange below:

in thousands of CZK	December 31, 2019	December 31, 2018
Bills of exchange provided – due within 1 year	–	177,173
Bills of exchange provided – due upon presentation	3,514	3,414
Total	**3,514**	**180,587**

J&T FINANCE GROUP SE as at December 31, 2019 records a bill of exchange provided by 1 creditor (contracted in the previous years). In the prior accounting period there were 4 creditors.

The bill of exchange is payable at sight.

g) Payables to partners of TCZK 39,903 (2018 – TCZK 40,398) relate to dividends.

h) Other short-term payables as at 31 December 2019 of TCZK 359 (2018 – TCZK 1,643) primarily to the Board of Directors (TCZK 213), in 2018 the VAT payment in terms of group identification number (TCZK 382) and remuneration to the Board of Directors (TCZK 640).

8. SHORT-TERM ADVANCES PROVIDED AND RECEIVED

Short-term advances provided as at December 31, 2019 of TCZK 21,811 (2018 – TCZK 3,578) consist of advances provided for services of TCZK 312 (2018 – TCZK 69), advances provided to a securities trader of TCZK 18,479 (2018 – TCZK 451) and advances provided for purchase of securities of TCZK 3,020 (2018 – TCZK 3,058).

9. ESTIMATED RECEIVABLES AND PAYABLES

As at December 31, 2019, estimated receivables in the total amount of TCZK 3,128 (2018 – TCZK 5,544) include estimates for the re-invoicing of the audit of consolidated group for 2019 (2018 – TCZK 3,389, the remaining TZCK 2,155 was the remuneration for guarantees).

As at December 31, 2019, estimated payables in the total amount of TCZK 7,803 (2018 – TCZK 7,963) consist mainly of estimates for audit of 2019 (2018 as well).

10. SHORT-TERM OVERDRAFTS

tis. Kč	December 31, 2019	December 31, 2018
Loans and borrowings received – short-term – group undertakings	5,715,745	5,595,136
Total	**5,715,745**	**5,595,136**

As at December 31, 2019 J&T FINANCE GROUP SE received loans and borrowings from 4 creditors (contracted in 2019 or in the previous years). In the prior accounting period there were 3 creditors.

None of these loans are past their due date.

11. LONG-TERM OVERDRAFTS AND BONDS

Broken down according to maturity

in thousands of CZK	31 December 2019	31 December 2018
1 – 2 years	–	6,417,996
2 - 5 years	7,105,507	4,537,592
More than 5 years	4,499,059	3,758,019
Total	**11,604,566**	**14,713,606**

As at December 31, 2019 J&T FINANCE GROUP SE records long-term loans and borrowings received due within 1 – 2 years from 0 creditors (contracted in the previous years); in the prior accounting period there were 2 creditors. Loans and borrowings due within 2 – 5 years were from 2 creditors; in the prior accounting period there were 4 creditors; these liabilities represented in 2019 issued bonds and long-term loans and in 2018 also issued bonds and long-term loans. Long-term loans and borrowings received due within more than 5 years from 1 creditor. In the prior accounting period there was 1 creditor.

Paragraph Long-term borrowings and bonds follows on the lines Other bonds and Payables - controlled or controlling entity in the balance sheet.

None of these loans are past their due date.

Other long-term payables consist of retention of TCZK 80 (2018 – TCZK 78).

12. PREPAID EXPENSES

Prepaid expenses of TCZK 67,068 (2018 – TCZK 89,027) are primarily related to fees related to bonds issuance of TCZK 66,466 (2018 – TCZK 87,758) and prepaid expenses of the administrative branch for property insurance and rent of TCZK 602 (2018 – TCZK 480).

In 2019 prepaid expenses of TCZK 12,906 (2018 – TCZK 96,547) consist of accrued expenses related to reimbursement of expenses for usual services of (2018 – TCZK 21,814 and also of re-invoiced fees related to issue of bonds by a related company – TCZK 74,603).

13. DERIVATIVES

The fair value of financial derivatives is reported in other receivables (if positive) or other payables (if negative).

The Company held the following financial derivatives for trading:

Term transaction reported in Other receivables

31.12.2019

in thousands of CZK	Due date (expiry)	Nominal value 31.12.2019	Nominal value 31.12.2019
Forward sale EUR/CZK	2.6.2020	90,000 TEUR	6,911
Total swaps and forwards at 31.12.2019			**6,911**
Purchased equity options			1
Total equity options as at 31.12.2019			**1**

31.12.2018

in thousands of CZK	Due date (expiry)	Nominal value 31.12.2018	Nominal value 31.12.2018
Forward sale RUB/CZK	2019	35,000 TRUB	355
Forward sale EUR/CZK	2019	27,000 TEUR	2,656
Forward sale EUR/CZK	2019	30,000 TEUR	(465)
Total swaps and forwards at 31.12.2018			**2,546**
Purchased equity options			1
Total equity options as at 31.12.2018			**1**

As a result of the termination of exchange rate interventions by the Czech National Bank, the Company has decided to hedge part of its net foreign currency investments as at June 27, 2017 and opened a hedging derivative for part of its foreign currency investments in Poštová banka, a.s. and J&T INTEGRIS GROUP LIMITED in value of TEUR 600,000. The nominal value of this derivative is TEUR 600,000.The derivative will reach the maturity as at January 16, 2020. The derivative is made for a period of six months and it is regularly extended for this time period. As at December 31, 2019 the revaluation of this derivative of TCZK 232,185 (2018 – 119,978) was recorded in account 414 - revaluation of ownership interest.

As at the balance sheet date the Company held the following derivatives for hedging of assets and liabilities:

2019

Hedging instrument	Hedged asset/liability	Change in value of the hedging instrument in terms of hedged risk	Foreign Exchange difference from hedged asset/liability	Accounting value of hedging instrument as at 31.12.2019
Forward sale EUR/CZK TEUR 600,000	Part of foreign currency investments in associates in Poštová banka, a.s. and J&T INTEGIRS GROUP LIMITED in total value of TEUR 600,000	32,185	(232,185)	232,185

2018

Hedging instrument	Hedged asset/liability	Change in value of the hedging instrument in terms of hedged risk	Foreign Exchange difference from hedged asset/liability	Accounting value of hedging instrument as at 31.12.2019
Forward sale EUR/CZK TEUR 600,000	Part of foreign currency investments in associates in Poštová banka, a.s. and J&T INTEGIRS GROUP LIMITED in total value of TEUR 600,000	93,000	(93,000)	119,978

14. ALLOWANCES TO RECEIVABLES

in thousands of CZK	Allowances to receivables
Balance as at 1.1.2019	906,001
Additions	(6,468)
Release	(4,216)
Disposal	(52,818)
Balance as at 31.12.2019	**842,499**

15. REGISTERED CAPITAL

in thousands of CZK	Registered capital
Balance as at 1.1.2019	**15,780,308**
Balance as at 31.12.2019	**15,780,308**
Registered capital as at 31.12.2019 consists of following:	
10 bearer shares at CZK 200,000 per share	2,000
1,999,556,188 bearer shares at CZK 1 per share	1,999,556
13,778,752 bearer shares at CZK 1,000 per share	13,778,752
Total	**15,780,308**

16. EQUITY

in thousands of CZK	Planned distribution of the current year's profit
Current year profit	1,888,808
Transfer to capital funds	(130,000)
Transfer to retained profits and dividend payout	(1,758,808)
Retained earnings	0

in thousands of CZK	Movements in the "Capital funds" account
Balance as at 1.1.2019	4,843,059
Change in valuation of an ownership interest	(153,838)
Change in valuation from hedging derivatives	466,207
Balance as at 31.12.2019	**5,155,428**

in thousands of CZK	Movements in the "Profit funds" account
Balance as at 1.1.2019	367,942
Transfer of profit for the previous period to Investment certificates fund	260,000
Yield payout from Investment certificates	(257,325)
Balance as at 31.12.2019	**370,617**

in thousands of CZK	Share premium and capital funds comprise the following:
Share premium	2,551,766
Contribution to registered capital (in the dissolved company TECHNO PLUS)	208,882
Investment certificates*	5,407,000
Revaluation of ownership interest in J&T INTEGRIS GROUP LTD	(542,467)
Revaluation of ownership interest in J&T Bank (Schweiz) AG in Liquidation	51,186
Revaluation of Poštová banka, a.s. shares	(787,004)
Hedging derivative for investment in J&T Bank (Schweiz) AG**	29,485
Hedging derivative for investment MÚ Poštová banka, a.s.	793,207
Revaluation Steel Assets Management Limited B.V. shares	(2)
Revaluation of NOVA Real Estate, investiční fond s proměnlivým základem shares	(4,859)
Balance as at 31.12.2019	**7,707,194**

in thousands of CZK	Movements in retained earnings
Balance as at 1.1.2019	7,344,657
Transfer of profit/loss for the previous period	223,767
Balance as at 31.12.2019	**7,568,424**

* In 2016, J&T FINANCE GROUP SE issued and sold to its shareholders subordinated unsecured income certificates without a maturity date ("Investment certificates") with a nominal value of TCZK 5,407,000 and with a yield of 9% p.a. for the first four six-month yield periods and a yield of 5% p.a. for the following yield periods, depending on the fulfilment of conditions specified in the certificate leaflet.
** As at February 14, 2008 the Company terminated a hedging derivative for a foreign exchange investment in Swiss francs. The nominal value of a derivative was TCHF 24,950. The revaluation of this derivative of TCZK 29,485 was recorded in account 414 – revaluation of ownership interest, when this balance will be held until the liquidation of this investment.

17. PROVISIONS

in thousands of CZK	Provision for CIT	Other provisions	Total
Balance as at 1.1.2019	9,520	3,681	13,201
Additions	40,929	5,870	46,799
Utilization	9,520	2,986	12,506
Release	–	–	–
Balance as at 31.12.2019	**40,929**	**6,565**	**47,494**

Company recognizes provision for income tax of TCZK 57,977 (2018 – TCZK 15,405) lowered by paid advances on income tax of TCZK 17,048 (2018 – TCZK 5,885) within Income tax provision item. The resulting provision amounts to TCZK 40,929 (2018 – TCZK 9,520).

Other provisions mainly consist of provisions for salary bonuses.

18. LIABILITIES TO CREDIT INSTITUTIONS

As at 31. 12. 2019

Company	Currency	Principal	Percentages*	Interests at 31. 12. 2019	Due date of principal	Due date of interest	Translation to TCZK
Prima banka	EUR	75,000,000	4.75%	128,646	19.3.2020	1x in 3 months	1,909,019
Privatbanka	EUR	19,000,000	4.75%	0	29.4.2020	1x in 3 months	482,790
Total							**2,391,809**

As at 31. 12. 2018

Company	Currency	Principal	Percentages*	Interests at 31. 12. 2018	Due date of principal	Due date of interest	Translation to TCZK
Prima banka	EUR	59,000,000	4.75%	101 201	19.3.2019	1x in 3 months	1,520,378
Privatbanka	CZK	262,400,000	4.75%	0	29.12.2021	1x in 3 months	262,400
Total							**1,782,778**

As at 31 December 2018, the interest on overdrafts from J&T BANKA, a.s. of EUR 2,078 equivalent to TCZK 54 is recorded under liabilities to credit institutions.

The short-term loan was extended by three months in December 2018.

19. REVENUES

Selected items of revenues are summarised below:

in thousands of CZK	Year	Domestic sales	Europe	Total
Interest revenue	2019	349,601	413,357	762,958
Interest revenue	2018	331,615	460,220	791,835
Guarantees and warranties	2019	42,463	32,398	74,861
Guarantees and warranties	2018	29,409	33,116	62,525
Other financial revenues	2019	153,437	159,158	312,595
Other financial revenues	2018	306,543	49,591	356,134
Revenues from shares	2019	1,669,963	583,504	2,253,467
Revenues from shares	2018	1,464,269	398,099	1,862,368
Other revenues from long-term financial assets	2019	2,005,770	805,442	2,811,212
Other revenues from long-term financial assets	2018	192,569	1,189,447	1,382,016
Total 2019	**2019**	**4,221,234**	**1,993,859**	**6,215,093**
Total 2018	**2018**	**2,324,405**	**2,130,473**	**4,454,878**

Revenues presented in this table are recognized in income statement in section IV.1 (Revenues from equity investments), IV.2 and V.2 (Other revenue from other long-term investments), VI. (Interest revenues), VII (Guarantees and warranties and Other financial revenues). Other financial revenues consist of foreign exchange gains and derivative transactions.

20. SERVICES

in thousands of CZK	2019	2018
Repairs and maintenance	547	2,194
Travel expenses	2,794	5,695
Representation costs	2,725	2,479
Rent and administration of buildings	4,120	4,145
Telecommunication services	171	271
Advisory services, audit and accounting	34,004	47,321
Other	44,318	48,874
Total	**88,679**	**110,979**

21. FEES PAYABLE TO STATUTORY AUDITORS

in thousands of CZK	2019	2018
Statutory audit	6,692	7,574
Other non-audit services	192	21
Total	**6,884**	**7,595**

22. EMPLOYEES AND MEMBERS OF MANAGEMENT, CONTROL AND ADMINISTRATIVE BODIES

in thousands of CZK	2019 Average recalculated number	2018 Average recalculated number	2019 Wage costs*	2018 Wage costs*
Employees	14	14	16,568	14,820
Members of management	5	5	1,866	86
Members of the supervisory authorities	3	3	36	600
Total	**22**	**22**	**18,470**	**15,506**

*The wage costs of members of management, supervisory and administrative bodies represent remuneration to members of these bodies for the performance of their function.

As at December 31, 2019, no pension liabilities were incurred in respect of former members of the management, supervisory and administrative bodies.

23. INCOME TAX

a) Current tax

Current income tax includes estimate of income tax for the tax period 2019 amounting to TCZK 64,911 (2018 – TCZK 13,163).

b) Deferred tax

in thousands of CZK	2019 Assets	2018 Assets	2019 Liabilities	2018 Liabilities	2019 Net	2018 Net
Tangible fixed assets	–	–	(38)	(38)	(38)	(38)
Intangible fixed assets	–	–	–	–	–	–
Deferred tax asset/(liability)	**–**	**–**	**(38)**	**(38)**	**(38)**	**(38)**

In accordance with the accounting policy described in note 2j), a tax rate of 19% was used to calculate deferred tax (2018 – 19%).

24. RELATED PARTIES

a) Transactions with related parties

in thousands of CZK	2019 Volume of mutual transactions	2018 Volume of mutual transactions	2019 Receivables/ Payables as at 31 December	2018 Receivables/ Payables as at 31 December
Sale of goods and services				
Other companies in the group	133,981	126,633	42,465	119,363
Purchase of goods and services				
Other companies in the group	89,988	100,748	8,434	139,826
Loans granted				
Shareholders of the Company	–	–	–	–
Other companies in the group	356,686	315,071	5,999,859	6,786,769
Loans received				
Shareholders of the Company	–	–	39,903	40,398
Other companies in the group	577,794	768,451	13,480,231	19,021,204

Loans received are included in the long-term and short-term payables and are described in notes 10 and 11. Loans granted are described in note 7.

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

In the course of 2019, the Company reported a dividend income of TCZK 2,275,271 as stated in note 4.

b) In 2019 and 2018, members of management, supervisory and administrative bodies received no advances, loans, guarantees granted nor any other benefits and did not own any shares in the Company.

25. LEASED PROPERTY

Operating leases

The Company leases four cars under operating lease. The related expenses for 2019 amount to TCZK 1,275 (2018 – TCZK 1,318).

26. RECEIVABLES AND PAYABLES NOT RECOGNIZED IN THE BALANCE SHEET

a) The Company has receivables of TCZK 1,714,005 (2018 – TCZK 1,889,803) and payables from equity options of TCZK 1,708,497 (2018 – TCZK 1,887,139).
b) The Company provides guarantees for loans totaling TCZK 11,766,866 (2018 – TCZK 17,278,343).
c) The Company received pledges to provided loans totaling TCZK 349,001 (2018 – TCZK 404,675).
d) The Company received the credit facilities and various guarantees of TCZK 3,222,935 (2018 – TCZK 5,966,723).
e) As at December 31, 2019 the Company had currency forwards, receivables of TCZK 17,813,700 (2018 – TCZK 17,047,094) and payables of TCZK 17,532,900 (2018 – TCZK 16,912,620) recorded on off-balance sheet.

27. CASH FLOW STATEMENT

For the compilation of the cash flow statement, cash and cash equivalents are defined to include cash on hand, cash in transit, cash on bank accounts, and other financial assets whose value can be reliably determined and can be easily transferred to cash. The balance of cash and cash equivalents is as follows:

in thousands of CZK	31 December 2019	31 December 2018
Cash in hand	228	265
Cash in current accounts	2,223,301	1,690,547
Cash and cash equivalents	2,223,529	1,690,812

Cash flows from operating, investing or financing activities are reported in the cash flow statement uncompensated.

28. MATERIAL SUBSEQUENT EVENT

As at January 1, 2020 the merge with Company JTFG and PBI, a.s. took place where the Company became a successor entity. More details are given in note 1, section Changes in the Commercial Register.

29. SUBSEQUENT EVENT AFTER THE ACCOUNTING PERIOD NOT ADJUSTING THE FINANCIAL STATEMENT

COVID-19 pandemics

The first quarter of 2020 was significantly influenced by the sudden spread of COVID-19, which the World Health Organization (WHO) confirmed as a global pandemic on March 11, 2020.

In response to the health risks and the rapid spread of the virus, local governments have introduced series of restrictive measures. The free movement of people was reduced to what the respective governments considered strictly necessary. Most businesses (with exceptions such as grocery stores or pharmacies) were forced to close. Likewise, accommodation and restaurant facilities had to interrupt operations in order to prevent the gathering of larger groups of citizens. Teaching at schools was interrupted.

The measures introduced have had a negative impact on the majority of markets without sector or geographical differentiation. As at March 21, 2020, the US stock market (as measured by the S&P 500 index) fell by more than 30% compared to its peak at the end of February of the same year. Equal decrease was also recorded in other global markets.

Despite extensive fiscal and monetary incentives presented by local governments and monetary authorities, the outlook for the next months and the overall impact of the COVID-19 pandemic remains unclear and uncertainty remains a determining factor in market developments. The key parameters for the further development of the economic situation will be the length of time for which the restrictive and security measures set by the government authorities will be valid and what their form will be.

Measures implemented by the Company

The Company closely monitors the development of the virus, as well as government regulations and recommendations, and keeps its employees regularly informed. The Company has introduced several measures to protect employees' health while maintaining the Company's operations:

- Employees whose work was not necessarily tied to a workplace in the Group's premises were ordered to work from home. The Group provided these employees with the necessary equipment to perform their work.
- Transport and protective equipment were provided for employees working on the Company's premises.

Expected impact on the Company's operations

The most significant assets of the Company consist of ownership interests in subsidiaries and loans provided to them (for detailed description see notes 4 and 7). Based on information from subsidiaries, the Company does not expect changes in loan repayments or other loan parameters stated in contractual terms or in impairment of ownership interests. With regard to the above information, the Company performed an analysis of the impact of the current situation on the income statement items in the following accounting periods. The Company has identified a potential impact related to increased creation of adjustments in relation to loans granted and shares held in companies. The Company does not expect a significant impact on net interest income. However, in current situation due to the degree of uncertainty and under the constantly changing economic conditions, it is not possible to estimate the degree of impact related to the realized protective measures and the expected economic downturn.

As the Company refinanced a majority of its liabilities due in 2020 before issuing the financial statements, the Company’s management does not expect the liquidity situation to deteriorate in the following accounting period.

Furthermore, the Company does not expect significant impact of changes in exchange rates, as it is hedged against currency risk by currency derivatives (see note 13).

The Company monitors the situation and is ready to act in accordance with the measures of regulatory and legislative institutions related to the COVID-19 pandemic. The Company is aware of the possible impact on its activities (e.g. the discussed deferral of loan repayments, remission of certain types or parts of interests or fees etc.), but it is not able to predict it in advance. Based on information available to the Company's management at the date of financial statements, the above described situation does not affect the assumption that the Company is a going concern, based on which the financial statements are prepared.

Company's management cannot preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment we operate in will have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

Prepared on: May 22, 2020

Dušan Palcr
Vice-Chairman of the Board of Directors

Gabriela Lachoutová
Member of the Board of Directors

EUR 8 million

THE AMOUNT THE GROUP AND EPH EARMARKED TO HELP IN THE FIGHT AGAINST THE CORONA-VIRUS PANDEMIC.

TEXT PART OF THE ANNUAL REPORT

Description of the Company
Company name: J&T FINANCE GROUP SE
Registered office: Pobřežní 297/14, 186 00 Prague 8
Identification number: 275 92 502
Legal form: european society
Registered in: the Commercial Register maintained by the Municipality Court in Prague, section H, insert 1317
Principal business activities: manufacturing, trade and services not listed in appendices 1 to 3 of the Trades Licensing Act
Principal activities: the acquisition and holding interests in legal entities

Board of Directors of the Company as at December 31, 2019
Chairman of the Board of Directors: Ing. Jozef Tkáč
Vice-Chairman of the Board of Directors: Ing. Patrik Tkáč
Vice-Chairman of the Board of Directors: Ing. Ivan Jakabovič
Vice-Chairman of the Board of Directors: Ing. Dušan Palcr
Member of the Board of Directors: Ing. Gabriela Lachoutová

Supervisory Board of the Company as at December 31, 2019
Chairman of the Supervisory Board: RNDr. Marta Tkáčová
Member of the Supervisory Board: Ivan Jakabovič
Member of the Supervisory Board: Jana Šuterová

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

Financial results of the Company
The Company has a long history as a strong and stable institution. As at December 31, 2019, the Company recorded assets of CZK 53.1 billion, equity of CZK 33.3 billion and the registered capital of CZK 15.8 billion. In the accounting period, the Company achieved profit of CZK 1.9 billion.

The balance of Company's assets and its financial position is disclosed in the financial statements as at December 31, 2019, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

Information about expected economic development in 2020
In 2020, the Company will continue to focus all its activities on the administration of own assets by means of ownership shares in subsidiaries, provision of guarantees; and the fulfilment of obligation arising thereof.

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

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

Environmental protection
In the period from January 1, 2019 to December 31, 2019, the Company realised no environmental protection activities.

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

In Prague, May 22, 2020

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

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

REPORT ON RELATIONS

Report on relations between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for the reporting period 2019 of J&T FINANCE GROUP SE prepared in accordance with Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Act on Business Corporations).

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipal Court in Prague, section H, insert 1317 („the Company"), based on data available. The period covered by the report: from January 1, 2019 to December 31, 2019 (hereinafter referred to as the "2019 accounting period").

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

1.1 The Board of Directors of the Company is aware that during the period from January 1, 2019 to December 31, 2019, the Company was directly controlled by the following persons:

Ivan Jakabovič,
Date of birth: October 8, 1972, residing at 32 rue COMTE FELIX GASTALDI, 98000 Monaco, Monaco, who, along with Jozef Tkáč (see below), controls J&T FINANCE GROUP SE (hereinafter „Ivan Jakabovič" or also „Controlling entity").

In addition, Ivan Jakabovič owns shares in the following companies:

J & T Securities, s.r.o.
ID: 31 366 431, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

KOLIBA REAL a.s.
ID: 35 725 745, with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

KPRHT 3, s.r.o.
ID: 36 864 781, with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

KPRHT 14, s.r.o.
ID: 36 864 765, s with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

KPRHT 19, s.r.o.
ID: 36 864 889, with its registered office Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic,

Jozef Tkáč,
Date of birth: June 16, 1950, residing at Júlová 10941/32, 831 01 Bratislava, Slovak Republic, who, along with Ivan Jakabovič (see above), controls J&T FINANCE GROUP SE (hereinafter „Jozef Tkáč" or also „Controlling entity").

1.2 The Board of Directors of the Company is aware that during the accounting period 2019 the Company was part of the following structure:

J&T FINANCE GROUP SE ovládá níže uvedené osoby:

J&T INTEGRIS GROUP LIMITED
ID: HE 207436, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, Office 301, P.C. 1082, Nicosia, the Republic of Cyprus

In addition, this company controls:

Bayshore Merchant Services Inc.
ID: 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands

In addition, this company controls:

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

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

J&T Funds Inc. (INTEGRIS FUNDS LIMITED)
ID: 100415, with its registered office at Radley Court, Upper Collymore Rock, St. Michael, Barbados, West Indies, BB14004

J&T Global Finance VI., s.r.o.
ID: 50 195 131, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Global Finance VII., s.r.o.
ID: 052 43 441, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

J&T Global Finance VIII., s.r.o.
ID: 060 62 831, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

J&T Global Finance IX., s.r.o.
ID: 51 836 301, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Global Finance X., s.r.o.
ID: 074 02 520, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

J&T MINORITIES PORTFOLIO LIMITED
ID: HE 260754, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P.C. 1082, Nicosia, the Republic of Cyprus

In addition, this company controls:

Equity Holding, a.s.
ID: 100 05 005, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic, J&T MINORITIES PORTFOLIO LIMITED has 62.64% share in this company

J & T FINANCE, LLC
ID: 1067746577326, with its registered office at Kadashevskaya embankment, 26, Moscow, Russian Federation, J&T MINORITIES PORTFOLIO LIMITED has 99.9% share in this company

In addition, this company controls:

Hotel Kadashevskaya, LLC
ID: 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115035 Moscow, Russian Federation

J&T SERVICES ČR, a.s.
ID: 281 68 305, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic

In addition, this company controls:

J&T SERVICES SR, s.r.o.
ID: 46 293 329, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Bank Switzerland Ltd. in liquidation
ID: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001, Zurich, Swiss Confederation

PBI, a.s.
ID: 036 33 527, with its registered office at Sokolovská 394/17, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

Poštová banka, a.s.
ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, PBI, a.s. has 34% share in this company

J&T Mezzanine, a.s.
ID: 066 05 991, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

J&T Wine Holding SE
ID: 063 77 149, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

KOLBY, a.s.
ID: 255 12 919, with its registered office at Česká 51, 691 26 Pouzdřany, Czech Republic

OUTSIDER LIMITED
ID: HE 372202, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Office 21, P.C. 1061, Nicosia, the Republic of Cyprus

In addition, this company controls:

SOCIETE CIVILE D'EXPLOITATION AGRICOLE DU CHATEAU TEYSSIER
ID: 316 809 391, with its registered office at Château Teyssier, Vignonet, 33330, Saint Emilion, France, OUTSIDER LIMITED has 80% share in this company

In addition, this company controls:

CT Domaines SARL
ID: 507 402 386, with its registered office at Château Teyssier, Vignonet, 33330, Saint Emilion, France

Reisten, s.r.o.
ID: 255 33 924, with its registered office at Zahradní 288, 692 01 Pavlov, Czech Republic

SAXONWOLD LIMITED
ID: 508611, with its registered office at Cam Lodge, Kilquaide, The Russian Village, Co. Wicklow, A63 FK24, Ireland, J&T Wine Holding SE has 80% share in this company

In addition, this company controls:

WORLD´S END LLC
ID: 200807010154, with its registered office at 5 Financial Plaza, 116, Cnr Trancas & Big Ranch Road, Nap, California, 94558, United States of America

J&T Bank, a.o. (J&T Bank ZAO)
ID: 1027739121651, with its registered office at Kadashevskaya Embankment 26, Moscow, Russian Federation, J&T FINANCE GROUP SE, a.s. has 0.055% share in this company

J & T BANKA, a.s.
ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic

In addition, this company controls:

ALTERNATIVE UPRAVJANJE d.o.o.
ID: 30770704700, with its registered office at ALEJA KRALJA ZVONIMIRA 1, Varaždin, Republic of Croatia

J&T Bank, a.o. (J&T Bank ZAO)
ID: 1027739121651, with its registered office at Kadashevskaya Embankment 26, Moscow, Russian Federation, J & T BANKA, a.s. has 99.945% share in this company

In addition, this company controls:

Interznanie OAO
ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 115035 Moscow, Russian Federation, J&T Bank, a.o. has 50% share in this company
Moskovskij Neftechnimiceskij Bank
ID: 1027739337581, with its registered office at 49 Bolshaya Nikitskaya Str., 121069 Moscow, Russian Federation

ATLANTIK finanční trhy, a.s.
ID: 262 18 062, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic

J&T banka d.d. (VABA d.d. banka Varaždin)
ID: 0675539, with its registered office at Aleja kralja Zvonimira 1, 42000, Varaždin, Republic of Croatia, J & T BANKA, a.s. has 84.17% share in this company

J&T BANKA, a.s., pobočka zahraničnej banky
ID: 35 964 693, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T INVESTIČNÍ SPOLEČNOST, a.s.
ID: 476 72 684, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic

J&T IB and Capital Markets, a.s.
ID: 247 66 259, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic

In addition, this company controls:

ARITIMA, a.s.
ID: 52 425 576, with its registered office at Dúbravská cesta 14, 841 04 Bratislava – Karlova Ves, Slovak Republic, (since June 20, 2019)

Colorizo Investment, a.s.
ID: 079 01 241, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic, (since April 18, 2019)

Skytoll CZ, s.r.o.
ID: 033 44 584, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

SPERIDA, a.s.
ID: 52 424 693, with its registered office at Dúbravská cesta 14, 841 04 Bratislava – Karlova Ves, Slovak Republic, (since June 19, 2019)

J&T Leasingová společnost, a.s.
ID: 284 27 980, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic

J&T LOAN FUND, podfond J&T AIF Fund SICAV PLC
ID: SV 472, with its registered office at TG Complex, Suite 2, Level 3, Brewery Street, Imriehel, BKR 3000, Republic of Malta. The Company holds 49.99% of investment shares through J & T BANKA, a.s. and another 50.01% of investment shares through Poštová banka, a.s., and at the same time it has an option to acquire founders' shares from Mr. Roman Hajda.

J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.
ID: 476 72 684, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic. The Company holds 53.08% of allotment certificates through J & T BANKA, a.s. and another 36.36% of allotment certificates through Poštová banka, a.s.
NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s.
ID: 242 44 601, with its registered office at V Celnici 1031/4, Staré Město, 110 00 Prague 1, Czech Republic

In addition, this company controls:

DIAMOND HOTELS SLOVAKIA, s.r.o.
ID: 35 838 833, with its registered office at Hodžovo nám.2, 816 25 Bratislava, Slovak Republic

BHP Tatry s. r. o.
ID: 45 948 879, with its registered office at Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic

TERCES MANAGEMENT LIMITED
ID: HE 201003, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 23, P.C. 1061, Nicosia, Republic of Cyprus, J & T BANKA, a.s. has 99% share in this company

In addition, this company controls:

Interznanie OAO
ID: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 113035 Moscow, Russian Federation, TERCES MANAGEMENT LIMITED has 50 % share in this company

J&T INVESTMENTS SICAV, a.s.
ID: 088 00 693, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic

Poštová banka, a.s.
ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, J&T FINANCE GROUP SE has 64.46% share in this company

In addition, this company controls:

Amico Finance, a.s.
ID: 48 113 671, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, Poštová banka, a.s. has 95% share in this company

Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.
ID: 35 904 305, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

J&T LOAN FUND, podfond J&T AIF Fund SICAV PLC
ID: SV 472, with its registered office at TG Complex, Suite 2, Level 3, Brewery Street, Imriehel, BKR 3000, Republic of Malta. The Company holds 49.99% of investment shares through J & T BANKA, a.s. and another 50.01% of investment shares through Poštová banka, a.s., and at the same time it has an option to acquire founders' shares from Mr. Roman Hajda.

J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.
ID: 476 72 684, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic. The Company holds 53.08% of allotment certificates through J & T BANKA, a.s. and another 36.36% of allotment certificates through Poštová banka, a.s.

PB Finančné služby, a. s.
ID: 35 817 453, with its registered office at Hattalova 12, 831 03 Bratislava, Slovak Republic

PB PARTNER, a. s. v likvidácii
ID: 36 864 013, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

PB Servis, a. s.
ID: 47 234 571, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a. s.)
ID: 31 405 410, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, Poštová banka, a.s. has 80% share in this company

PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.
ID: 31 621 317, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s.
ID: 242 44 601, with its registered office at V Celnici 1031/4, Staré Město, 110 00 Prague 1, Czech Republic. The Company indirectly holds 48.35% of allotment certificates through J & T BANKA, a.s. and another 51.65% of allotment certificates through Poštová banka, a.s.

In addition, this company controls:

DIAMOND HOTELS SLOVAKIA, s.r.o.
ID: 35 838 833, with its registered office at Hodžovo nám. 2, 816 25 Bratislava, Slovak Republic

BHP Tatry s. r. o.
ID: 45 948 879, with its registered office at Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic

SPPS, a. s.
ID: 46 552 723, with its registered office at Nám. SNP 35, 811 01 Bratislava, Slovak Republic, Poštová banka, a.s. has 40% share in this company

365.fintech, a.s.
ID: 51 301 547, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.
ID: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic. J&T FINANCE GROUP SE holds 100% of founders' shares of the investment found. The Company indirectly holds 46.51% of allotment certificates through J & T BANKA, a.s. and another 53.49% of allotment certificates through Poštová banka, a.s.

In addition, this company controls:

Devel Passage s. r. o.
ID: 43 853 765, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO BDS a.s.
ID: 272 09 938, with its registered office at Janáčkovo nábřeží 478/39, Smíchov, 150 00, Prague 5, Czech Republic

FORESPO DUNAJ 6 a. s.
ID: 47 235 608, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 1 a. s.
ID: 47 234 032, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 2 a. s.
ID: 47 234 024, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HOREC A SASANKA a. s.
ID: 47 232 994, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO PÁLENICA a. s.
ID: 47 232 978, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 1 a.s.
ID: 36 782 653, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 2 a. s.
ID: 36 781 487, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO SOLISKO a. s.
ID: 47 232 935, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republica

INVEST-GROUND a. s.
ID: 36 858 137, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

OSTRAVICE HOTEL, a.s.
ID: 275 74 911, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic. Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. has 50% share in this company.

1.3 The Board of Directors of the Company is aware that during the accounting period 2019 the Company was controlled by the same entities as the following other controlled entities, which, however, were no longer related parties as at December 31, 2019.

J&T Global Finance III, s.r.o. v likvidácii
ID: 47 101 181, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic, (till February 4, 2019)

J&T Global Finance V., s.r.o. v likvidácii
ID: 47 916 036, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic, (till July 31, 2019)

Together with the Company, the above mentioned parties are in this report further referred to as „related parties".

1.4 The role of the Company

The Company acts as a holding company with shares in other legal entities.

1.5 Manner and means of control

The controlling entities control the Company by holding Company's shares of 90.1 % of the voting rights. Therefore, the exercise of the voting rights is the principal means of control. In the accounting period from January 1, 2019 to December 31, 2019, no particular contracts between the controlling entities and the Company in respect of manner and means of control.

II. Summary of acts made in the accounting period which were made at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity if these acts concerned assets the value of which exceeds 10% of the controlled entity's equity identified from the last financial statements.

In the accounting period, the Company performed no acts at the instigation or in the interest of the controlling entity or the entities controlled by the controlling entity in respect of assets the value of which exceeds 10% of Company's equity.

III. Summary of contracts entered into between the controlled entity and the controlling entity or between controlled entities.

In the accounting period 2019, the following contracts were entered into between the Company and the controlling entity or between the entities controlled by the same controlling entities:

Contracts between the Company and Jozef Tkáč:
- Performance contract
  Scope: Chairman of the Board of Directors

Contracts between the Company and Ivan Jakabovič:
- Performance contract
  Scope: Vice-Chairman of the Board of Directors

Contracts between the Company and J & T BANKA, a.s.:
- Guarantee Agreement
  Scope: guarantees performance for selected clients of the bank
- Contract on the business lease of movable property
  Scope: inventory lease
- Contract on the lease of movable property and financial settlement
  Scope: inventory lease in the building at Dvořákovo nábrežie 8, Bratislava
- Contract on cooperation in the provision of J & T Family and Friends banking services and participation in the Magnus loyalty programme
  Scope: provision of J & T Family and Friends and Magnus loyalty system programme
- Contract on financial settlement
  Scope: settlement of receivables and liabilities resulting from value added tax as they are members of one VAT group
- Contract on mediation
  Scope: concluding contracts with potential clients
- Cost allocation contract
  Scope: cost distribution in relation to the entry of the strategic investor
- Agreement on cost distribution
  Scope: distribution of cost of consolidation package audit
- Contract on the provision of services
  Scope: provision of services related to debt securities
- Framework agreement on trading on the financial market
  Scope: negotiation of currency derivative transactions
- Agreement on deposit of securities
  Scope: ensuring deposit of securities
- Contract on the provision of services
  Scope: maintenance of current account in accordance with bank's Terms and Conditions

- Contract on the provision of services:
  Scope: issue of debit cards in accordance with bank's Terms and Conditions
- Contract on the lease of a safe deposit boxes
  Scope: lease of a safe deposit box in accordance with bank's Terms and Conditions
- Contract on the provision of services
  Scope: fixed term transactions with currency instruments in accordance with bank's Terms and Conditions
- Contract on the provision of Internet banking services
  Scope: provision of Internet banking services
- Contract with the administrator and Special arrangement to the contract with the administrator
  Scope: the perpetuity issue
- Overdraft contract
  Scope: lending Company's funds
- Contract on the provision of services (outsourcing)
  Scope: provision of services related to controlling function (internal audit and compliance)
- Contract on the provision of services (outsourcing)
  Scope: provision of services related to risk management
- Contract on the provision of services (outsourcing)
  Scope: provision of services related to analytical functions
- Purchase contract
  Scope: sale of movable assets

Contracts between the Company and J & T BANKA, a.s., pobočka zahraniční banky:
- Framework agreement / consignment agreement on arranging a purchase or sale of securities
  Scope: provision of services related to securities
- Contract on the provision of banking services
  Scope: provision of banking services
- Framework agreement on the provision of services for legal entities
  Scope: provision of banking and investment services

Contracts between the Company and J&T BANK a.o.:
- Assigment agreement
  Scope: providing funding to AKB „Khovanskiy“ a.o. for funding subordinated liabilities purpose

Contracts between the Company and J&T SERVICES ČR, a.s.:
- Contract of mandate on the provision of expert tax assistance and advisory
  Scope: tax advisory services
- Contract on personal data processing
  Scope: personal data processing in HR and payroll
- Contract on the provision of professional assistance
  Scope: personnel and payroll administration
- Contract on the provision of services (outsourcing)
  Scope: preparation of consolidated financial statements under IFRS for selected consolidated entities
- Contract on the provision of services - OLAS
  Scope: provision of logistics services
- Contract on the lease of non-residential premises
  Scope: lease of non-residential premises
- Contract on the provision of services
  Scope: provision of services - KIS application
- Contract on the provision of professional assistance

Scope: bookkeeping
- Contract on the provision of administration assistance
  Scope: administration
- Contract on the lease of movable assets
  Scope: lease of movable assets
- Contract on the lease of motor vehicle
  Scope: lease of a vehicle
- Contract on the provision of services Legal Managements
  Scope: Legal Management services
- Contract on the lease of motor vehicle
  Scope: lease of a vehicle
- Contract on personal data processing
  Scope: processing of personal data according to GDPR

Contracts between the Company and J&T SERVICES SR, s.r.o.:
- Contract on provision of service
  Scope: provision of all services necessary for the operation of the company

Contracts between the Company and Equity Holding, a.s.:
- Loan agreement
  Scope: lending Company's funds

Contracts between the Company and J&T MINORITIES PORTFOLIO LIMITED:
- Loan agreement
  Scope: lending funds to a related party

Contracts between the Company and J&T INTEGRIS GROUP LIMITED:
- Contract on debt assignment
  Scope: lending Company's funds
- Contract on set-off of receivables
  Scope: set-off of Company's receivables
- Subscription agreement
  Scope: increase of registered capital

Contracts between the Company and J&T Global Finance VI., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance VII., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance VIII., s.r.o.:
- Loan agreement
  Scope: lending Company's funds

- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance IX., s.r.o.:
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Global Finance X., s.r.o.::
- Loan agreement
  Scope: lending Company's funds
- Contract on provision of guarantee
  Scope: provision of guarantee to a related party

Contracts between the Company and J&T Mezzanine, a.s.:
- Agreement on provision additional payment outside the registered capital
  Scope: provision additional payment outside the registered capital
- Loan agreement no. 01/JTFG SE/2017
  Scope: lending Company's funds
- Loan agreement no. 02/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 05/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 06/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 07/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 08/JTFG SE/2018
  Scope: lending Company's funds
- Loan agreement no. 09/JTFG SE/2018
  Scope: lending Company's funds

Contracts between the Company and J&T Wine Holding SE:
- Agreement on provision additional payment outside the registered capital
  Scope: provision additional payment outside the registered capital of CZK 1,800,000
- Agreement on provision additional payment outside the registered capital
  Scope: provision additional payment outside the registered capital of CZK 5,000,000
- Agreement on provision additional payment outside the registered capital
  Scope: provision additional payment outside the registered capital of CZK 256,000,000

Contracts between the Company and Poštová Banka, a.s.:
- Overdraft contract
  Scope: lending Company's funds
- Agreement on future cession´s contract
  Scope: interest regarding future cession of receivables including attachments

IV. Assessment of whether the controlled entity incurred a loss and judgment of its settlement under Sections 71 and 72 of the Act on Business Corporations.

All contracts listed under Section III of this report on relations were concluded in accordance with the arm's length principle. All performances received or rendered based on these contracts were also realised in accordance with the arm's length principle. Thus, the Company incurred no loss in relation to these transactions that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

During the accounting period 2019, no other legal acts except those listed in this report were adopted, no other measures were made, no performances were rendered or received in the interest or at the instigation of controlling entities or controlled entities on which the Company would incur a loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

V. Assessment of advantages and disadvantages arising from relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity including a statement on whether advantages or disadvantages prevail and what are the risks arising from this fact for the controlled entity.

Having reviewed the relations between the Company and the controlling entity and the entities controlled by the same controlling entity, the Board of Directors declares that the Company did not gain any advantages or suffer any disadvantages arising on the relations between the Company and the controlling entity and/or entities controlled by the same controlling entity. The Company incurred no loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

VI. The Board of Directors declares that it has collated and reviewed the information for the purpose of this report on relations with due diligence. The conclusions made were drawn upon a thorough review of collated available information, and the Board of Directors considers all information disclosed in this report on relations as true and complete.

In Prague, March 27, 2020

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

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

REPORT OF THE BOARD OF DIRECTORS OF J&T FINANCE GROUP SE ON BUSINESS ACTIVITIES OF THE COMPANY AND THE BALANCE OF ITS ASSETS FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019

Report of the Board of Directors of J&T FINANCE GROUP SE on business activities of the Company and the balance of its assets for the period from January 1, 2019 to December 31, 2019.

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 1317 („the Company“), in accordance with Section 436 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives („The Act on Business Corporation“).

I. The composition of Company's statutory bodies in the period from January 1, 2019 to December 31, 2019 was as follows:

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

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

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

During the period from January 1, 2019 to December 31, 2019, the Company continued to hold and administer own assets, consisting of

A) 100% share in the companies:

J & T BANKA, a.s.,
ID: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 1731,

J&T Bank Switzerland Ltd. in liquidation
ID: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001 Zurich, Swiss Confederation,

J&T INVESTMENTS SICAV, a.s.
ID: 088 00 693, ith its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic,

J&T INTEGRIS GROUP LIMITED,
ID: HE 207436, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P.C. 1082, Nicosia, Cyprus,

J&T Mezzanine, a.s.,
ID: 066 05 991, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 23005,

J&T SERVICES ČR, a.s.,
ID: 281 68 305, with its registered office at Pobřežní 297/14, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 12445,

J&T Wine Holding SE
ID: 063 77 149, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 2007,

PBI, a.s.,
ID: 036 33 527, with its registered office at Sokolovská 394/17, Karlín, 186 00 Prague 8, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 20280 (deleted as at January 1, 2020),

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.
ID: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic, registered in the Commercial Register maintained by the Municipality Court in Prague, section B, insert No. 20065,

B) 64,46% share in the company:

Poštová banka, a.s.,
ID: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, registered in the Commercial Register maintained by the District Court in Bratislava I, section Sa, insert No. 501/B.

The Company has a long history as a strong and stable institution. As at December 31, 2019, the Company recorded assets of CZK 53.1 billion, equity of CZK 33.3 billion and the registered capital of CZK 15.8 billion. In the accounting period, the Company achieved profit of CZK 1.9 billion.

The balance of Company's assets and its financial position is disclosed in the financial statements as at December 31, 2019, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

III. Major decisions of Company's bodies
During the period from January 1, 2019 to December 31, 2019, the Board of Directors and the Supervisory Board of the Company adopted necessary decisions relating to the ordinary business activities of the Company and the fulfilment of obligations arising to the members of Companies statutory bodies based on relevant regulations and Company's Statute.

In Prague, May 22, 2020

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

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

REPORT OF THE SUPERVISORY BOARD OF J&T FINANCE GROUP SE ON THE REVIEW OF ITS OPERATIONS FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019

Report of the supervisory board of J&T FINANCE GROUP SE on the review of its operations for the period from January 1, 2019 to December 31, 2019.

This report has been prepared by the supervisory board of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, 186 00 Prague 8, identification number: 275 92 502, recorded in the Commercial Register maintained by the Municipal Court in Prague, section H, insertion No. 1317 ("the Company").

I. Report on the activities of the supervisory board

In the period from January 1, 2019 to December 31, 2019, the Company's supervisory board was composed as follows
Chairman of the Supervisory board: Marta Tkáčová
Member of the Supervisory board: Ivan Jakabovič
Member of the Supervisory board: Jana Šuterová

The Company's supervisory board performed its activity in compliance with relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended ("the Business Corporations Act") and the Company's articles of association. In the past period, the Supervisory board supervised the activity of the Board of directors, examined the Company's accounting books, and, at its meetings, evaluated the Company's economic situation and management, its interim results of operations and activities in the period from January 1, 2019 to December 31, 2019.

II. The Company's financial statements and the proposed settlement of the profit/loss for the period from January 1, 2019 to December 31, 2019 made by the Board of directors

The Supervisory board has reviewed the Company's financial statements for the period from January 1, 2019 to December 31, 2019, audited by an auditor whose opinion on the financial statements was unqualified, and the proposed settlement of the Company's profit/loss for the period from January 1, 2019 to December 31, 2019 made by the Board of directors.

The Company's supervisory board declares that the Company's financial statements for the period from January 1, 2019 to December 31, 2019 correspond with reality, have been prepared in compliance with valid Czech legislation, that the Company's accounting and accounting records and books present the Company's financial position in all material aspects and that the financial statements prepared based on these accounting records present a true and fair view of the Company's object of accounting and its financial position.

The Supervisory board has no objections to the proposed settlement of the profit/loss for the period from January 1, 2019 to December 31, 2019 made by the Board of directors and recommends that the general meeting approve the financial statements and the proposed settlement of the Company's profit/loss for the period from January 1, 2019 to December 31, 2019, as made by the Company's board of directors.

III. Report of the Board of directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from January 1, 2019 to December 31, 2019

The Supervisory board has reviewed the report of the Board of directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from January 1, 2019 to December 31, 2019, prepared by the Company's board of directors in compliance with Section 82 et seq. of the Business Corporations Act, and declares that it has no objections to this report and that in connection with contracts and agreements concluded between related parties, no damage was caused to the Company in the accounting period from January 1, 2019 to December 31, 2019.

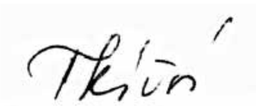
IV. Report on control activities of the Supervisory board

Evaluating the results for the period from January 1, 2019 to December 31, 2019, the Supervisory board declares that it has ascertained neither any fundamental or formal defects in the Company's operation and activity, nor any fundamental or formal defects in the discharge of the duties of the Company's members of the Board of directors and that the Company's business activities were carried out in compliance with relevant legislation and the Company's articles of association.

Based on the above matters, the Company's supervisory board recommends that the Company's general meeting approve:

- the financial statements for the period from January 1, 2019 to December 31, 2019;
- the proposed settlement of the Company's profit/loss for the period from January 1, 2019 to December 31, 2019, as made by the board of directors;
- the report of the board of directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from January 1, 2019 to December 31, 2019.

In Bratislava, May 22, 2020



Marta Tkáčová
Chairman of the Supervisory board
J&T FINANCE GROUP SE

REPORT OF THE BOARD OF DIRECTORS OF J&T FINANCE GROUP SE ON THE BALANCE OF ITS ASSETS FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019 AND PROPOSAL ON SETTLEMENT OF COMPANY´S FINANCIAL RESULT

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Pobřežní 297/14, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 1317 („the Company").

The Board of Directors states that the financial statements as at December 31, 2019 include all operations occurring in the period from January 1, 2019 to December 31, 2019. The details regarding respective parts are disclosed in the financial statements.

The Company's financial statements as at December 31, 2019 will be audited by an external auditor, KPMG Česká republika Audit, s.r.o, with its registered office at Pobřežní 648 / 1a, 186 00 Prague 8, ID: 496 19 187, registered in the Commercial Register maintained by the Municipality Court in Prague, section C, insert No. 24185.

The Company's Board of Directors states that the Company's financial statements correspond to the reality and are in accordance with the applicable legislation of the Czech Republic, the Company's accounting and accounting records show the Company's financial position in all material respects, and the financial statements prepared on the basis of these accounting records provide a true and fair picture of the subject of accounting and financial situation of the Company.

Main indicators of Financial Statement as at December 31, 2019 (in TCZK):

Total assets	53,143,810	Total liabilities	53,143,810
Fixed assets	41,063,705	Equity	33,315,351
Current assets	12,010,785	Liabilities	19,815,553
Accruals	69,320	Accruals	12,906

The profit for the period from January 1, 2019 to December 31, 2019 amounts to CZK 1,888,807,326.85.

The accumulated retained earnings of previous years amount to CZK 7,568,423,668.14 as at December 31, 2019.

The Board of Directors proposes to the General Meeting to approve the annual financial statements of the Company as at December 31, 2019.

The Board of Directors of the Company proposes to the General Meeting to approve the following settlement of the economic result for the period from January 1, 2019 to December 31, 2019:

The Board of Directors of the Company proposes to the General Meeting to decide that:
– Profit of CZK 130,000,000.- will be transferred to the perpetuity fund account
– The remaining profit of CZK 1,758,807,326.85 will be transferred to retained earnings of previous years

V Praze dne 22. května 2020

Ing. Dušan Palcr
Vice-Chairman of the Board of Directors
J&T FINANCE GROUP SE

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

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