

2018 ANNUAL REPORT

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Selected Financial Indicators

Selected Financial Indicators – individual

in MCZK	2015	2014	2013	2012	2011
ANNUAL FIGURES					
Profit before tax	1,963	1,575	748	1,153	381
Tax	(230)	(332)	(117)	(234)	(79)
Profit for the year	1,733	1,243	631	919	302
BALANCES AS AT YEAR-END					
Equity	16,799	14,376	12,917	7,233	5,149
Deposits and loans from banks	4,343	4,537	4,736	10,828	8,211
Deposits from customers	117,058	100,356	82,018	62,086	53,633
Due from financial institutions	33,661	6,295	2,940	6,369	7,801
Loans and advances to customers	70,042	66,311	56,383	39,330	36,107
Total assets	146,990	126,041	104,768	85,087	70,154
FINANCIAL RATIOS					
Return on Equity	11.12%	9.11%	6.26%	14.84%	7.02%
Return on Assets	1.27%	1.08%	0.66%	1.18%	0.52%
Capital adequacy	15.83%	14.54%	17.09%	12.90%	13.00%
Total equity/total assets	11.43%	11.41%	12.33%	8.50%	7.34%
Average number of employees	443	434	378	407	384
Assets per employee	332	290	277	209	183
Administrative expenses per employee	(4)	(4)	(4)	(3)	(2)
Profit after tax per employee	4	3	2	2	1

Selected Financial Indicators – consolidated

in MCZK	2015	2014	2013	2012	2011
ANNUAL FIGURES					
Profit before tax	1,183	1,383	685	1,193	354
Tax	(261)	(381)	(151)	(272)	(85)
Share of profit of equity-accounted investees	167	340	321	–	–
Profit from continuing operations	1,089	1,342	855	921	269
Profit from discontinued operations	787	–	214	95	–
Profit for the year	1,876	1,342	1,069	1,016	269
BALANCES AS AT YEAR-END					
Equity	16,945	15,343	14,046	7,417	5,235
Deposits and loans from banks	4,259	4,616	5,083	11,248	9,110
Deposits from customers	121,812	106,946	85,823	64,032	55,023
Due from financial institutions	34,379	7,164	3,556	6,865	9,091
Loans and advances to customers	74,668	71,170	60,004	41,150	36,584
Total assets	154,851	133,801	110,237	88,401	72,558
FINANCIAL RATIOS					
Return on Equity	11.62%	9.13%	9.96%	16.06%	6.16%
Return on Assets	1.30%	1.10%	1.08%	1.26%	0.45%
Capital adequacy	13.91%	13.44%	15.85%	11.87%	12.08%
Total equity/total assets	10.94%	11.47%	12.74%	8.39%	7.21%
Average number of employees	689	688	487	499	401
Assets per employee	225	194	226	177	181
Administrative expenses per employee	(3)	(3)	(3)	(3)	(2)
Profit after tax per employee	3	2	2	2	1

THANKS TO THE DRIVE.

We support golf while getting inspired by it.



Foreword



Dear Clients, Business Partners and Friends,

I am very glad we have managed to fulfil to a large extent ambitious objectives we have set for 2015. We have managed to follow successes of previous years by increasing the value of managed client assets and positive financial and business results. Profit of CZK 1.733 billion has confirmed the excellent year 2014 when the Bank broke through the limit of a billion of Czech crowns; total assets amounted to CZK 147 billion. The Bank's Group reported profit of CZK 1.876 billion and ended the year 2015 with total assets exceeding CZK 150 billion.

We have offered eight new bond issues to clients; we continued to successfully sell our subordinated yield certificate which was favourably accepted by domestic investors. We were also pleased by the J&T Money CZK open-ended unit trust which was the best fund for 2015 as it has won the Mixed Funds category in the contest Fincentrum & Forbes Investment of the Year 2015 for the second time.

We understand that an increase in the number of clients and their needs and expectations requires enhancements in quality of our services and technologies. Next year, we will therefore strengthen our infrastructure and systems, we will concentrate on technological innovations and novelties and primarily we will pay close attention to our employees who are crucial for the Bank's further successful development.

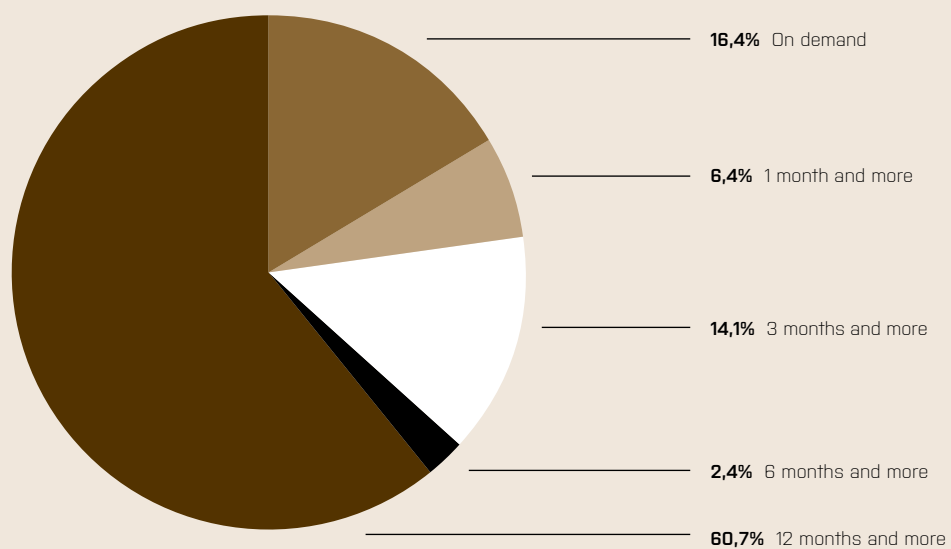
However, even during our care for our clients' finance we have not forgotten activities in support of arts. We continue to create our own art collection also in cooperation with leading art institutions both in the Czech Republic and Slovakia. After the success of the WTA J&T Banka Prague Open tennis tournament held in 2015 we continue our partnership with that significant event. After two years of successful support for the prestigious international race in horse show-jumping, J&T Banka CS13*W, we have decided to extend our cooperation for another three years.

Ladies and gentlemen, let me thank all our employees for their excellent work, partners and clients for their confidence which we highly appreciate.

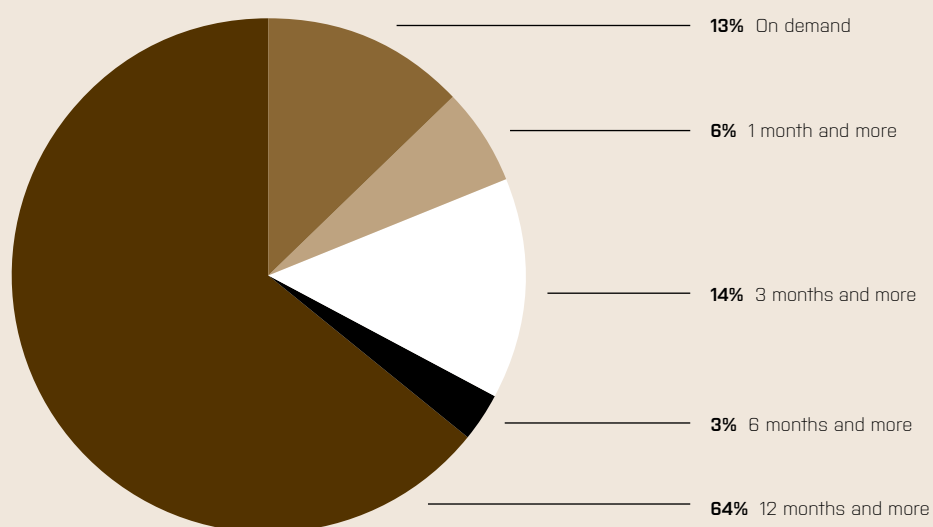
A handwritten signature in black ink, consisting of a stylized 'S' followed by a 'K' and a long horizontal stroke.

Štěpán Ašer, MBA
Chief executive officer, J&T Banka, a. s.

DEPOSITS CONTRACTUAL MATURITY / 2015



DEPOSITS CONTRACTUAL MATURITY / 2014



Report of the Board of Directors

Financial results – the Bank

The Bank ended the year 2015 with total assets of CZK 147 billion. By its profit for 2015 in the amount of CZK 1.733 billion it has confirmed extraordinary results of 2014 when it exceeded CZK 1 billion for the first time. By the year-on-year increase in total assets (+ 17%) and profit after tax (+ 39%) the Bank has again confirmed its growing tendency and ability to achieve profit in compliance with the business and strategic plan set by the Bank's shareholder despite stricter regulatory conditions and increasing competition on the banking market. The year-on-year increase in net profit is largely due to an increase in net interest income by 10% to CZK 2.894 billion (in 2014: CZK 2.627 billion) and an increase in received dividends from ownership interests by CZK 0.26 billion. The Bank's net profit for 2015 was significantly influenced by the sale of an ownership interest in Poštová banka, a.s. The sale of its 37.17% interest of shares contributed to the increase of other operating income by CZK 0.74 billion.

Net income from fees and commissions for 2015 kept their level of 2014. The Bank followed the previous period when it successfully ensured new bond issues for clients. Fees for new bond issues as well as fees for bill of exchange programmes formed a significant part of fee income.

The growth in operating expenses (+ 10%) complied with the Bank's objective and was lower than the growth in total assets and operating income. Administrative expenses per employee are maintained at the same level for the last three years. The Bank has been keeping a ratio of operating expenses to total assets under the level of 1.5%, by which it ranks to the best in the market. In 2015, the Bank managed to increase profit after tax per employee by 36%.

The growth in total assets and profit was supported by an increase in client deposits and granting loans. At 31 December 2015, the volume of client deposits amounted to CZK 117 billion, which means a year-on-year increase by 17%. Despite a decrease in interest rates on the market, the Bank managed to offer interest rates to clients which allow

sustaining the permanent growth in client deposits. Those deposits were managed with regard to their volume as well as their optimum time structure. Due to that approach, the credit portfolio increased year on year by 6% to CZK 70 billion. The total number of the Bank's clients again increased in 2015 and achieved the level of almost 55 thousand. Individuals continue to be a key segment for the Bank.

At the end of 2015, equity totalled CZK 16.8 billion (which means a year-on-year increase by CZK 2.4 billion). A year-on-year increase in capital by 17% was caused in particular by an increase in registered capital (on 10 November 2015 the sole shareholder of the Bank subscribed new shares in the volume of CZK 1.08 billion) and by an increase in retained earnings by CZK 0.49 billion (from profit of 2014).

In 2015, two issues of yield perpetuity certificates were put into market after the successful first issue in 2014. A prospectus of the Czech crown issue in the total nominal value of CZK 1 billion was approved in September 2015 and at 31 December 2015, 83% of its total volume were sold. In December 2015, a prospectus of the first Euro issue was approved in the total nominal value of EUR 50 million intended especially for the Slovak market. The issue of new yield perpetuity certificates resulted in an increase in equity by CZK 0.84 billion.

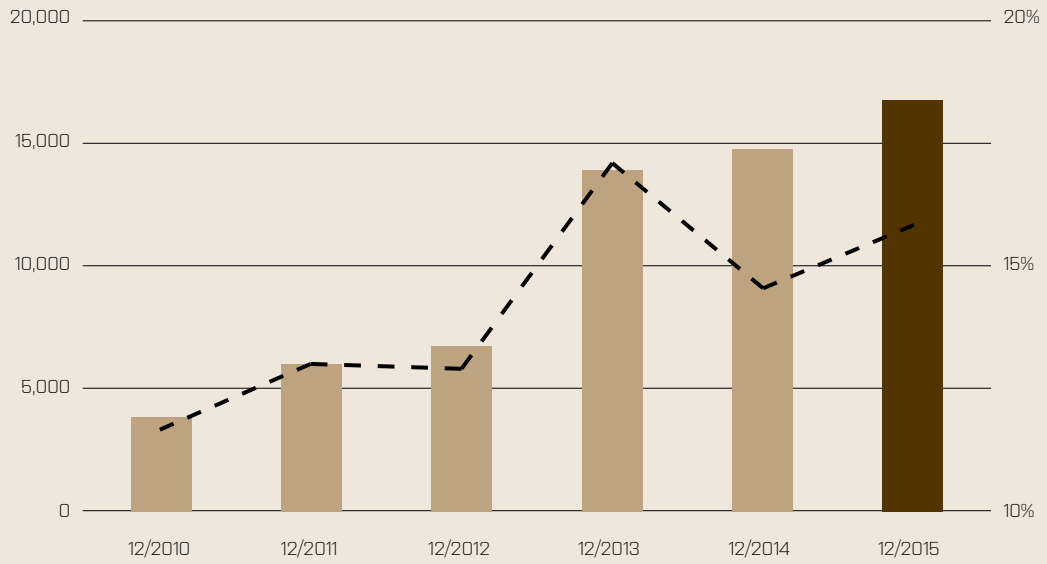
In May 2015, the Bank increased its ownership interest in J&T Bank, a.o. by subscribing new shares in the total nominal value of 5.6 billion of Russian roubles.

The Bank is sufficiently equipped with capital and prepared for the further growth and development. At 31 December 2015, its capital adequacy amounted to 15.83% (in 2014: 14.54%).

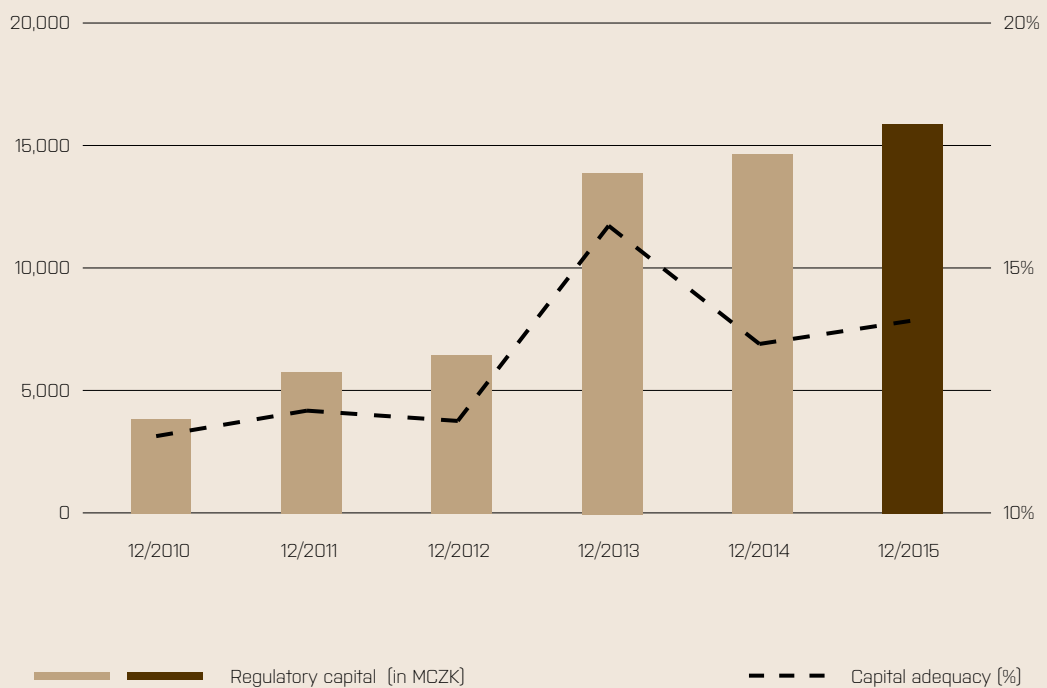
Financial results – the Group

The Group closed the year 2015 with total assets amounting to CZK 154.9 billion (an increase by 16%). Profit after tax increased year on year by 40% and totalled CZK 1.876 billion for the period concerned.

CAPITAL ADEQUACY – THE BANK



CAPITAL ADEQUACY – THE GROUP



A year-on-year increase in net profit was primarily supported by an increase in net interest income by 6% (to total CZK 3.088 billion) and an increase in other operating income (+ 21%). Net income from fees and commissions decreased by 6% to CZK 0.6 billion. Despite that, the Group managed to maintain income from fees and commissions at the last year's level in the amount of almost CZK 0.8 billion. However, despite the growth, operating expense remained almost at the level of 2014 [a decrease by 2%].

As at 31 December 2015, the Group reported assets for sale of CZK 4.962 billion in the balance sheet, of which CZK 4.809 billion were formed by assets of the Russian company J&T Bank a.o. Obligations for sale in the volume of CZK 2.961 billion at 31 December 2015 were formed only by obligations of J&T Bank, a.o. This reporting has resulted from an agreement on the sale of 50% in J&T Bank a.o. entered into in September 2015. At 31 December 2015, the entire transaction was to be approved by respective regulators. Net profit of this asset for sale amounted to CZK 0.787 billion for 2015, where the largest profit share was formed by the revaluation of foreign currency assets.

In 2015, the Group increased a volume of client deposits by 14% to CZK 121.8 billion and a volume of the portfolio of receivables from clients grew by 5% to CZK 74.7 billion.

At the end of 2015, equity amounted to CZK 16.95 billion, which represented a year-on-year increase by 10%. The Group's sufficient capital will enable it to grow and develop also in future years. The Group's capital adequacy on a consolidated basis achieved 13.91% at the end of the year.

Financial markets

In 2015, capital markets reported increased volatility and significant rises and declines in monitored shares. Such situation attracted especially shorter-term investors and projected in an increase in net profit from fees for the brokerage of securities trades by almost 60%. The Bank's fees exceeded a gross amount of CZK 51 million. On the

whole, after the inclusion of other client activities, debit interest, interest on repo transactions, etc. the Bank managed to achieve net income over CZK 410 million, which is an increase by more than 10% compared with 2014.

The Czech National Bank continues its interventions that have exceeded CZK 200 billion in the total volume. A strong defence of the CZK exchange rate had an adverse impact on an increase in the Bank's expenses for securing balance assets denominated in EUR. Strong pressures on a decrease in the yield curve of treasury bonds (CZGB) had a positive influence on the growth in profit from those securities which achieved almost CZK 240 million, both in the form of income from sale and by revaluation against the current market value including accrued interest.

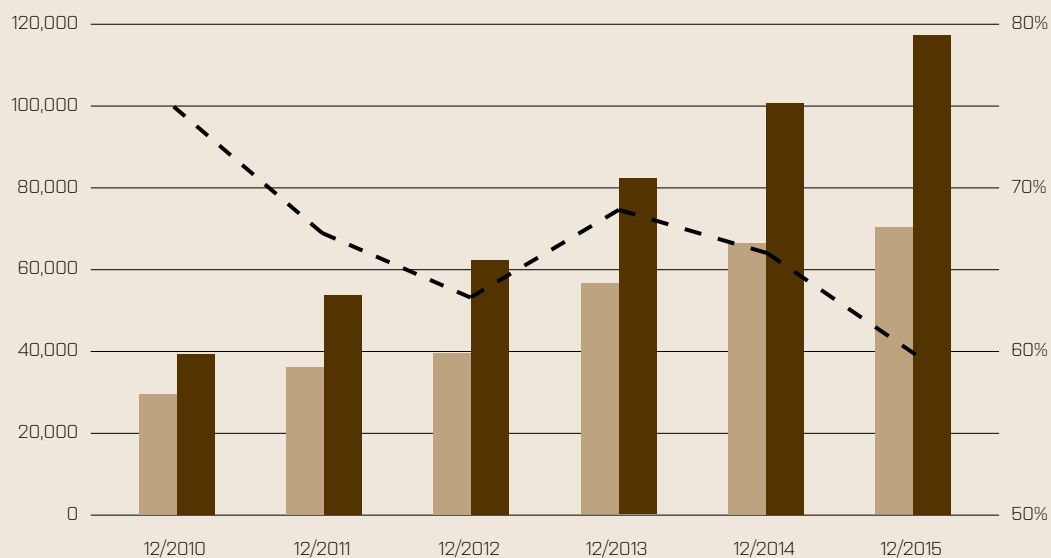
The beginning of 2015 was a period of large sales for Russian assets: a massive outflow of capital and the permanent sale of Russian assets, a fall of the Russian rouble to its historical minimum (RUB 80/USD), a decrease in shares to their minimum value of the year 2009 and similarly extended risk premiums with bonds. In mid-2015, the situation became slightly stabilized and the Russian central bank could gradually decrease interest rates from 17.0% to 11.0% together with a decrease in risk premiums for Russian assets, i.e. a decrease in yield from Eurobond issues. A decrease in risk premiums resulted in a dramatic growth of prices of Eurobonds of Russian companies and significantly contributed by about CZK 130 million to profit of the credit part of the Bank's business portfolio.

Products

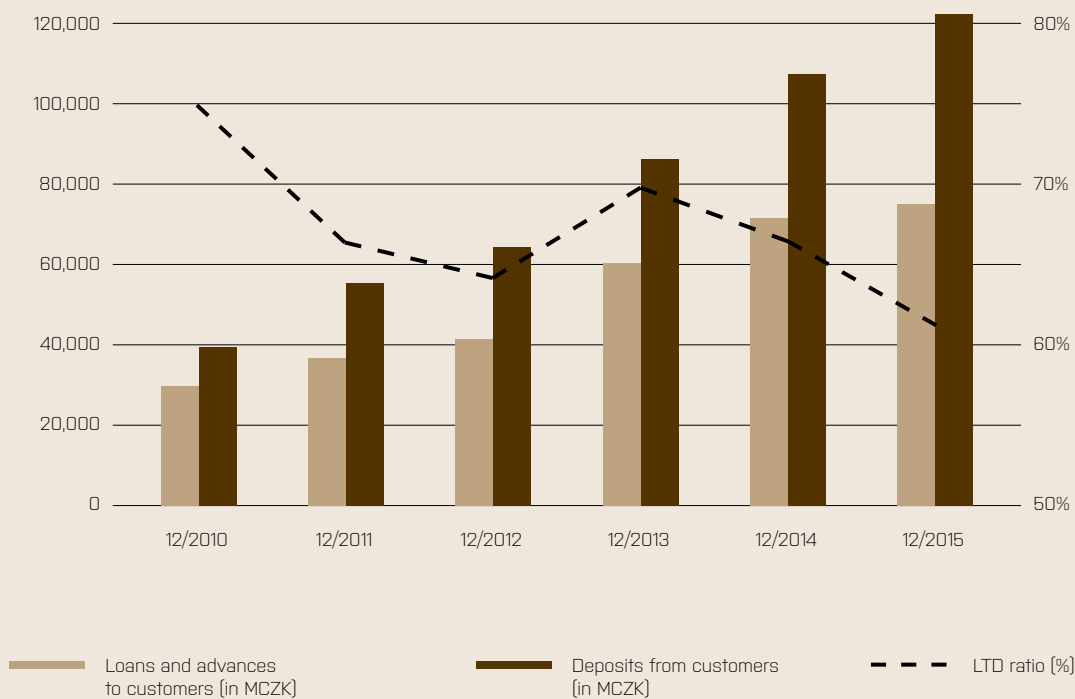
In 2015, the Bank continued to develop products focussed on investments. It extended its offer by a new product combining a term deposit and an investment in a mutual fund called "J&T Combi" in the Czech Republic and the "Investment deposit" in Slovakia.

The J&T Money CZK open-end mutual fund was very successful in 2015 and won the Fincentrum & Forbes

CLIENT DEPOSITS AND LOANS – THE BANK



CLIENT DEPOSITS AND LOANS – THE GROUP



Investment of the Year 2015 contest in the Mixed Funds category for the second time. This award confirms the long-term stability and quality of investment products which the Bank has been offering to its clients.

As well as in previous years, the Bank was a successful manager of bond issues, for example CPI three-year Euro bonds, a four-year issue of JOJ Media House bonds or the Czech crown and Euro issue of three-year bonds of Energetický a průmyslový holding. The total volume of bonds issued in 2015 amounted to almost CZK 22 billion.

Information technologies

Significant changes and improvements were made in the field of information systems in 2015. After the profound impact and economic analysis, the Bank reviewed its original intention to change the banking system and decided to update the existing solution with an aim to respond more flexibly to the requirements of the market and regulators, increase quality of program equipment and simplify internal processes.

In 2015, the first stage of the building of a new data warehouse focussed on business reporting was closed. In the next stage, the Bank intends to enlarge it by data resources necessary for the management reporting and other additional growing requirements for regulatory reports.

In 2015, Internet banking underwent a principal change. The client application newly offers investment services enabling clients to allocate their assets to securities through their current account.

The infrastructure of data centres utilized by the Bank was significantly enhanced by a new generation database system. Through the Group's contractual partner the capacity of data storage media was enlarged and computing performance of the server farm was also increased.

The IT security was enhanced by security monitoring; possibilities of a central tool for the security supervision

and the process of security vulnerability management were extended.

Human resources

To maintain the high standard of services to clients, the development in the field of human resources is a necessity for the Bank. We are well aware of the fact that motivated and well-educated employees are a crucial corporate value. In 2015, an offer of employee benefits within the Magnus Club was extended, the Bank invested in the development of the internal learning system focussed in particular on financial thinking and soft skills.

The Bank is open to young talents; it supports university students, is involved in Career Days projects and the GMC student contest whose general partner it has become. For the fourth consecutive year, it has been organizing the Trainee programme for university students and graduates which enjoys an ever-growing interest.

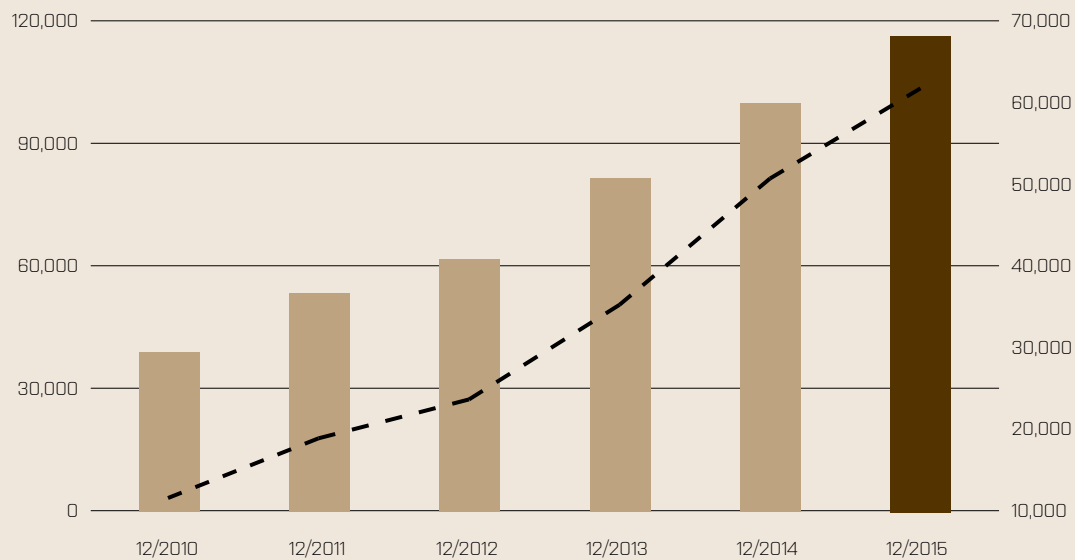
At the end of the year, the Prague Head Office had 317 employees, and its Slovakia branch employed 136 people. The men versus women ratio is 52% to 48% in the Czech Republic and 41% to 59% in our Slovak branch.

Support of the arts and sports

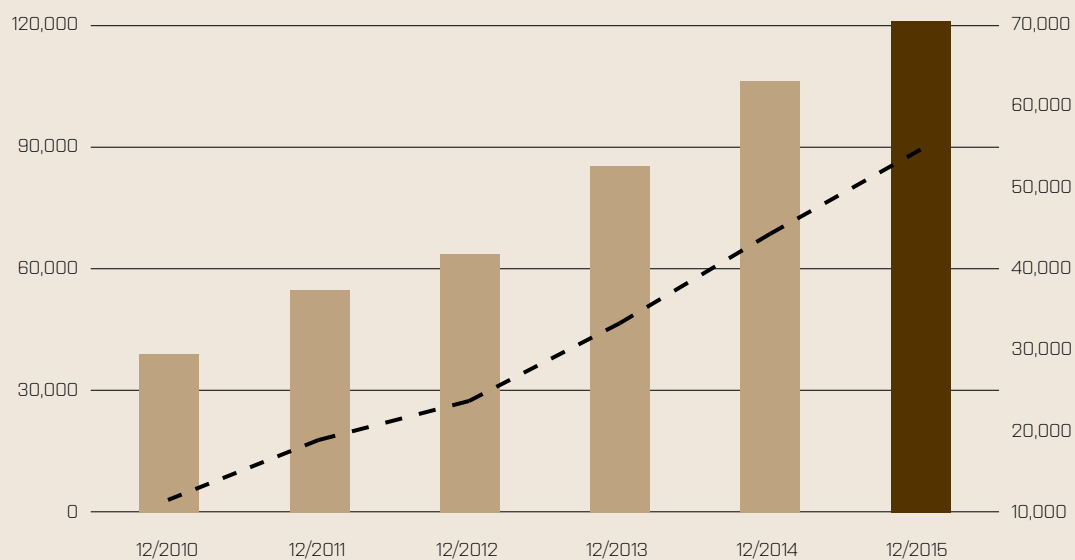
A rich society is a prerequisite for our long-term existence. We believe in the principal significance of elites for the future development and in their positive influence on every individual. Therefore, we search projects and personalities that can improve our future.

In 2015, we continued to focus on fine arts. We are successfully building a unique platform in support of art, Magnus Art, which was created by a sensitive combination of craft and assets. We are the general partner of the Rudolfinum Gallery, the Gallery of Fine Arts in Ostrava and the Slovak National Gallery. We provide our support to young artists; we are the partner of the Jindřich Chaloupecký Award and the Oskár Čepan Award. Activities in that area have resulted in the creation of our

DEPOSITS FROM CUSTOMERS – THE BANK



DEPOSITS FROM CUSTOMERS – THE GROUP



Deposits from customers (in MCZK)

 - - - Number of clients

own art collection comprised by works of art of winners of the Jindřich Chalupecký Award for the entire period of its existence. We have supported the issue of the book by Artist Vladimír 518 entitled "Mania" and bringing interviews with twenty contemporary Czech artists of several generations.

Last year, we also prepared the third unique overview of arts, the J&T Banka Art Index, which attempts to describe without prejudice the development at the contemporary art scene.

We have become a private partner of Josef Špaček, the youngest concert master in the history of the Czech Philharmonic. Our cooperation with the Czech Philharmonic also included the Bank's investment in the violoncello made by the famous manufacturer, Stefan Scarpella, in 1911. After the purchase, the instrument was lent to the Czech Philharmonic. The violoncello not only increases its value but also "improves the sound" of the Czech most famous musical orchestra.

Investments in tennis did not only support the sport but they also promoted success of the Czech Republic and Slovakia. For the second time, the Bank has become the general partner of the WTA J&T Banka Prague Open tournament. The J&T Group was also the partner of the Czech tennis men and women representation and the National Tennis Centre in Bratislava.

As early as in 2014, together with the ESC Olomouc team we succeeded in returning international races in the horse show jumping of the CS13* W category to the Czech Republic. We continued our support also in 2015.

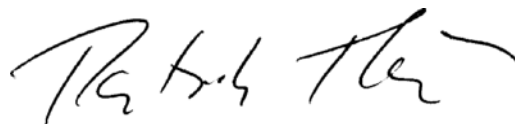
Outlooks for 2016

In 2016, the Bank wants to act as an investment expert and extend its offer of investment products. Our long-term objective is to increase a share of investment in managed client assets. In this connection the Bank will intensively develop internal learning, certification of employees, process automation and improvement of front-end and basic banking system functionalities and applications.

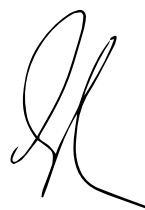
Targets set for the next period are demanding but realizable. We believe the year 2016 as well as future years will be as successful as the last year and together with excellent financial results we will continue to satisfy our clients' needs and wishes.

Declaration

To the best of our knowledge, this annual report presents a true and fair view of business activities, financial position and the results of operations of the Bank and the Group in 2015 and of the outlook of the future development of the financial position, business activities and results of their operations.



Patrik Tkáč
Chairman of the Board of Directors



Štěpán Ašer
Member of the Board of Directors
and Chief executive officer, J&T Banka, a. s.



Patrik Tkáč



Štěpán Ašer



Andrej Zafko



Igor Kováč



Vlastimil Nešetřil

Management of the Bank

BOARD OF DIRECTORS

Patrik Tkáč

Board chairman

Štěpán Ašer

Board member

Igor Kováč

Board member

Andrej Zafko

Board member (he resigned at 11 August 2015)

PROCURATION

Vlastimil Nešetřil

Procuration

SUPERVISORY BOARD

Jozef Tkáč

Supervisory Board chairman

Ivan Jakabovič

Supervisory Board member

Dušan Palcr

Supervisory Board member

Jozef Šepetka

Supervisory Board member

Jozef Spišiak

Supervisory Board member

Jozef Šimovčík

Supervisory Board member (resigned at 11 August 2015)

BOARD OF DIRECTORS

The Board of Directors is the Bank's statutory body which manages the Bank's business activities and acts in its name in a manner laid down in the Articles of Association and the Commercial Register. The Board of Directors decides all matters of the Bank unless they fall within the powers of the general meeting or the Supervisory Board under the law or the Articles of Association or resolutions of the general meeting.

The Board of Directors is elected by the Supervisory Board. The Czech National Bank reviews professional skills, credibility and experience of all members of the Board. The members of the Board elect its chairman. The general meeting decides on the remuneration of the members of the Bank's Board of Directors. Individual members of the Board are elected for five years (their re-election is possible).

The Board of Directors is responsible for the establishment of a comprehensive and appropriate internal governance system and for ensuring the setting of the Bank's overall strategy, the rules which clearly define ethical and professional principles and expected models of behaviour of employees and for the determination of human resources management standards. The Board of Directors is also responsible for ensuring the determination, observance and application of requirements for credibility, knowledge and experience of persons through which it ensures the performance of its activities and for the consistent application of proper management, administrative, accounting and other procedures by the Bank.

The Bank's Board of Directors approves and regularly assesses primarily the Bank's overall strategy, organizational structure, the risk management strategy including risks arising from the macroeconomic environment in which the Bank operates even depending on the economic cycle including principles of assuming, identifying, measuring, monitoring, reporting and limiting the occurrence or impacts of risks to which the Bank can be exposed. It approves the strategy related to capital, strategy of the information and communication system development, principles of the internal control

system, including principles preventing any occurrence of a possible conflict of interests. It also approves compliance and internal audit, security principles including security principles for information and communication systems, a set of limits including the total acceptable risk rate and potential internally determined capital, liquidity and other prudential provisions or premiums which the Bank uses to mitigate risks within the risk rate acceptable for it.

The Bank's Board of Directors also approved new products, activities, systems and other matters being of significant importance for the Bank or having other potential substantial impact on it (the Board of Directors can delegate this power to a specialized committee determined by it). It approves the strategic (four-year) and periodical (annual) internal audit plan.

At 31 December 2015 the Bank's Board of Directors had 3 members:

Patrik Tkáč

Chairman of the Board

Appointed to the Board of Directors on: 3 June 1998

Term of office to: 22 July 2018

He graduated from the Faculty of National Economy of the University of Economics in Bratislava. In 1994, he obtained a broker's licence from the Slovak Ministry of Finance and in the same year he co-founded J&T Securities, s.r.o., an investment firm. He is a leading representative of the J&T Group and chairman of the Board of Directors of J&T BANKA, a.s. where he is in charge of the Financial Markets Division and the Czech Family Office Division.

In addition, in the past five years he is or was involved in the following companies:

J&T FINANCE GROUP SE, ID: 27592502, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – vice-chairman

Nadační fond J&T, ID: 27162524, Prague 9, Prosecká 851/64, postcode 190 00, Managing Board – member

ATLANTIK finanční trhy, a.s., ID: 26218062, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – chairman

J&T IB and Capital Markets, a.s., ID: 24766259, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

CZECH NEWS CENTER a.s., ID: 2346826, Prague 7, Komunardů 1584/42, postcode 170 00, Supervisory Board – chairman

VABA d.d. banka Varazdin, ID: 675539, Aleja kralja Zvonimira 1, 42000 Varazdin, Croatia, Supervisory Board – member

J&T Family Office, a.s., ID: 3667529, Prague 1 Malá Strana, Malostranské nábřeží 563/3, postcode 118 00, Supervisory Board – member

ART FOND - Stredoeurópsky fond súčasného umenia, a. s., ID: 47979160, Bratislava, Dvořákovo nábřežie 8, postcode 811 02, Board of Directors – chairman

Nadace Sirius, ID: 28418808, Prague 1, Thunovská 12, postcode 118 00, Founder

J&T INVESTIČNÍ SPOLEČNOST, a.s., ID: 47672684, Prague 8, Pobřežní 14/297, postcode 186 00, Supervisory Board – chairman (deleted on 27 December 2011)

J&T FINANCE GROUP, a.s., organizational unit, ID: 29038308, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – vice-chairman (deleted on 7 August 2014)

Štěpán Ašer

Board member, Chief Executive Officer

Appointed to the Board of Directors on: 30 May 2006

Term of office to: 2 June 2016

He graduated from the School of Business and Public Management at George Washington University in Washington, in finance and financial markets. He holds an MBA at the Rochester Institute of Technology. He has been working in finances in the Czech Republic since 1997, first as an analyst, a portfolio manager in Credit Suisse Asset management. In 1999 – 2002, he was a member of the Board of Directors of Commerz Asset Management responsible for the portfolio management and sales. In Česká spořitelna he focussed on institutional clients in the asset management. Since 2003, he has been working in J&T BANKA, a.s. Štěpán Ašer is responsible for trade, operations in the Czech Republic, the Information Systems Division, the Administrative Division, the Security Department and the Process and Project Management Department.

In addition, in the past five years he is or was involved in the following companies:

J&T INVESTIČNÍ SPOLEČNOST, a.s., ID: 47672684, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

ATLANTIK finanční trhy, a.s., ID: 26218062, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – chairman

J&T IB and Capital Markets, a.s., ID: 24766259, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – chairman

J&T Bank, a.o., ID: 1027739121651, Moscow, Kadshevskaya, Russian Federation, Supervisory Board – member

Bea Development, a.s., ID: 26118106, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – chairman (deleted on 18 January 2012)

Igor Kováč

Board member

Appointed to the Board of Directors on: 16 February 2011

Term of office to: 16 February 2021

In 1998, he graduated from the Faculty of National Economy of the University of Economics in Bratislava. He has spent his entire professional career in finance. Since 2000, he has been working in the banking industry. He joined Hypovereinsbank Slovakia where he worked as a Senior Controller. In 2002 – 2008, he worked in Volksbank Slovakia as the manager of the Economic Department. Since 2008, he has been working in J&T BANKA, a.s. Igor Kováč is responsible for the Finance Division and the Risk Management Division.

In addition, in the past five years he is or was involved in the following companies:

J&T IB and Capital Markets, a.s., ID: 24766259, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

J&T INVESTIČNÍ SPOLEČNOST, a.s., ID: 47672684, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

J&T SERVICES ČR, a.s., ID: 28168305, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

VABA d.d. banka Varazdin, ID: 675539, Aleja kralja Zvonimira 1, 42000 Varazdin, Croatia, Supervisory Board – member

J&T Bank, a.o., ID: 1027739121651, Moscow, Kadshevskaya, Russian Federation, Supervisory Board – chairman

SUPERVISORY BOARD

The Supervisory Board is the Bank's control body. Its activity is regulated by legal regulations and the Bank's Articles of Association. The Supervisory Board supervises the activity of the Board of Directors and the implementation of the Bank's business activity. The members of the Supervisory Board are elected and removed by the general meeting (resp. the sole shareholder). According to the Articles of Association the Supervisory Board has 6 members. At 31 December 2015, it had five members. The members of the Supervisory Board are elected for a five-year term.

Jozef Tkáč

Chairman of the Supervisory Board (not an employee of the Bank)

Appointed to the Supervisory Board on: 3 June 1998

Term of office to: 15 October 2018

After he graduated from the University of Economics, he joined the Main Institute of the State Bank of Czechoslovakia ("SBCS") in Bratislava. In 1989, the Slovak Government and the SBCS authorized him to prepare activities of an investment bank in Slovakia. In 1990, he became the leading director of the Main Institute for the Slovak Republic in Investiční banka, s.p.ú., Praha and after Investiční banka Praha was privatized and divided, he became president of Investičná a rozvojová banka, a.s. in Bratislava. After a change in the bank's owners and the end of the privatization of Investičná a rozvojová banka, a.s. he became president of the J&T Group and chairman of the Board of Directors of J&T FINANCE GROUP.

In addition, in the past five years he is or was involved in the following companies:

J&T FINANCE GROUP SE, ID: 27592502, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – chairman

Geodezie Brno, a.s. in liquidation, ID: 46345906, Brno, Dornych 47, postcode 602 00, Supervisory Board – chairman

J&T Investment Pool - I - SKK, a.s., ID: 35888016, Bratislava, Lamačská cesta 3, postcode 841 04, Board of Directors – vice-chairman

J & T Investment Pool - I - CZK, a. s., ID: 26714493, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – vice-chairman (deleted on 4 November 2014)

ATLANTIK finanční trhy, a.s., ID: 26218062, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

Poštová banka, a.s., ID: 31340890, Bratislava, Dvořákovo nábrežie 4, postcode 811 02, Supervisory Board – member

TECHNO PLUS, a.s., ID: 31385419, Bratislava, Lamačská cesta 3, postcode 841 04, Board of Directors – member (deleted on 1 January 2014)

J&T FINANCE GROUP, a.s., organizational unit, ID: 29038308, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – chairman (deleted on 7 August 2014)

J&T SERVICES ČR, a.s., ID: 28168305, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – chairman

Equity Holding, a.s., ID: 10005005, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – chairman

Ivan Jakobovič

Supervisory Board member (not an employee of the Bank)

Appointed to the Supervisory Board on: 3 June 1998

Term of office to: 15 October 2018

He graduated from the Faculty of Economic Informatics of the University of Economics in Bratislava. He obtained a broker's licence from the Slovak Ministry of Finance. In 1994, he co-founded J&T Securities, s.r.o., an investment firm.

In addition, in the past five years he is or was involved in the following companies:

J&T FINANCE GROUP SE, ID: 27592502, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – vice-chairman

Equity Holding, a.s., ID: 10005005, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member (deleted on 23 July 2014)

KOLIBA REAL, s. r. o., ID: 35725745, Bratislava, Lamačská cesta 3, postcode 841 05, Board of Directors – chairman

J & T Investment Pool - I - CZK, a.s., ID: 26714493, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – member

J&T Investment Pool - I - SKK, a.s., ID: 35888016, Bratislava, Lamačská cesta 3, postcode 841 04, Board of Directors – chairman

První zpravodajská a.s., ID: 27204090, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member [deleted on 29 February 2016]

Nadační fond J&T, ID: 27162524, Prague 9, Prosecká 851/64, postcode 190 00, Managing Board – member

Energetický a průmyslový holding, a.s., ID: 28356250, Brno, Příkop 843/4, postcode 602 00, Supervisory Board – chairman

EP Energy, a.s., ID: 29259428, Brno, Příkop 843/4, postcode 602 00, Supervisory Board – chairman

EP Industries, a.s., ID: 29294746, Brno, Příkop 843/4, postcode 602 00, Supervisory Board – member

J&T FINANCE GROUP, a.s., organizational unit, ID: 29038308, Prague 8, Pobřežní 297/14, postcode 186 00, vice-chairman of the Board of Directors, [deleted on 7 August 2014]

Honor Invest, a.s., ID: 27145565, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – chairman [deleted on 3 February 2010]

TECHNO PLUS, a.s., ID: 31 385 419, Bratislava, Lamačská cesta 3, postcode 841 04, Board of Directors – member [deleted on 1 January 2014]

Společné zdravotnictví, a.s., ID: 36612847, Humenné, Nemocničná 7, postcode 066 01, Supervisory Board - member [deleted on 28 August 2012]

J&T Securities, s.r.o., ID: 31366431, Bratislava, Dvořákovo nábrežie 8, postcode 811 02, member

Dušan Palcr

Supervisory Board member (not an employee of the Bank)

Appointed to the Supervisory Board on: 15 June 2004
Term of office to: 15 October 2018

He graduated from the Faculty of Business and Economics of Mendel University in Brno. From 1996 to 1998, he worked in banking supervision in the Czech National Bank. He joined the J&T Group in 1998. He was a member of the Board of Directors of J&T BANKA, a.s. in charge of the Finance and the Banking Operations Department. Since 2003, he has been a member of the Board of Directors of J&T FINANCE GROUP SE [formerly J&T FINANCE, a.s.].

In addition, in the past five years he is or was involved in the following companies:

J&T FINANCE GROUP SE, ID: 27592502, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – vice-chairman

AC Sparta Prague fotbal, a.s., ID: 46356801, Prague 7, Tř. Milady Horákové 1066/98, 170 00, Supervisory Board – chairman

AERO GROUP, a.s., ID: 27570797, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

MERIDIANS PA ŠTVANICE, a.s., ID: 25921436, Prague 8, Pobřežní 620/3, postcode 186 00, Board of Directors – chairman

Health Care Financing, a.s., ID: 28427980, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – member

První zpravodajská, a.s., ID: 27204090, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – chairman

PBI, a.s., ID: 3633527, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member

J&T Sport Team ČR, s.r.o., ID: 24215163, Prague 8, Pobřežní 297/14, postcode 186 00, Executive officer

J & T REAL ESTATE CZ, a.s., ID: 28255534, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – member [deleted on 17 January 2011]

J&T FINANCE GROUP, a.s., organizational unit, ID: 29038308, Prague 8, Pobřežní 297/14, postcode 186 00, Board of Directors – vice-chairman [deleted on 7 August 2014]

I. Český Lawn - Tennis Klub Prague, ID: 45243077, Prague 7 Holešovice, Ostrov Štvanice č.ev. 38, postcode 170 00, member of the executive committee

Nadační fond J&T, ID: 27162524, Prague 9, Prosecká 851/64, postcode 190 00, Managing Board – member

Honor Invest, a.s., ID: 27145565, Prague 8, Pobřežní 297/14, postcode 186 00, Supervisory Board – member [deleted on 3 February 2010]

Waldštejn Catering Prague s.r.o., ID 24121517, Prague 1, Václavské náměstí 839/7, postcode 110 00, member

Jozef Šepetka

Supervisory Board member

Appointed to the Supervisory Board on: 9 September 2008
Term of office to: 15 October 2018

He graduated from the Faculty of Law of Charles University. Since 1990, he has held various positions in state administration – for example in 1992 he worked at the Ministry of Foreign Affairs of the Czech Republic. In 1998, he joined J&T BANKA, a.s. as a consultant.

In addition, in the past five years he is or was involved in the following companies:

Corinth s.r.o., ID: 24120758, Prague 6, Makovského 1394/8a, postcode 163 00, member

Společenství pro dům Náměstí Interbrigády 950/2, Prague 6, ID: 29003920, Prague 6, Náměstí Interbrigády 950/2, postcode 160 00, Member of the committee [deleted on 12 June 2014]

ALESTA BUSINESS s.r.o., ID: 65139992, Prague 6, Zikova 708/5, 160 00, member

Společenství V Podbabě 2738, Prague 6, ID: 1507672, Prague 6, V Podbabě 2738/12, postcode 160 00, Member of the committee

Společenství vlastníků v domě Zikova 708, ID: 27426955, Prague 6, Zikova 708/5, postcode 160 00, Vice-chairman of the committee

KONTRAFILM s.r.o., ID: 24285846, Prague 6, V Podbabě 2738/12, postcode 160 00, member

Jozef Spišiak

Supervisory Board member - elected by employees

Appointed to the Supervisory Board on 9 December 2013
Term of office to: 9 December 2018

He graduated from the Faculty of Economics of the Military Academy and the Faculty of Law of Comenius University in Bratislava. He has spent his entire professional career in finance; he worked in the Czech National Bank until 1998. Until 2012, he was a member of the Board of Directors of J & T BANKA, a.s.

In addition, in the past five years he is or was involved in the following companies:

Investment Finance Group, a.s., ID: 44960701, Prague 8, Pobřežní 297/14, postcode 186 00, Procurement [deleted on 5 January 2011]

Committees of the Bank

Executive Committee

The Executive Committee (the "EC") has been established by the Bank's Board of Directors to be the Board of Director's advisory body. Its main objective and purpose is to support the operational management of the Bank's activities at a collective body level. The EC's decisions are binding on all employees of the Bank. The EC especially prescribes procedures for providing banking services, sets rules for the Bank's internal operations, approves new products, procedures and the Bank's activities, discusses and approves changes in the Bank's price lists, business terms and conditions, discusses the Bank's overall strategy or its partial strategies and submits them to the Bank's Board of Directors for approval. The EC also discusses and approves the Bank's organizational and operational projects, discusses changes in competences and rights to sign for the Bank and submits them to the Board of Directors for approval. It is responsible for implementing approved strategies, principles and objectives and for elaborating procedures for their fulfilment and the Bank's everyday management. It monitors the functionality and effectiveness of the organizational structure including the separation of inconsistent functions and the prevention of a potential conflict of interests from occurring and suggests respective changes in the Bank's organizational structure to the Bank's Board of Directors. It cooperates with the Board of Directors in ensuring the proper and efficient operation of the governance system, it suggests remedial measures related to identified shortcomings to the Board of Directors and ensures the implementation of measures taken by the Bank's Board of Directors. It decides on the implementation of legislative changes and a way of their including to the Bank's activity. The EC has sufficient personnel and competences to fulfil such tasks. The EC's members are appointed and removed by the Bank's Board of Directors.

The Executive Committee has 6 members and as at 31 December 2015 it had the following members:

- Nešetřil Vlastimil, chairman of the EC, executive director
- Macaláková Anna, member EC, director and the head of the organizational unit of J&T Banka in Slovakia

- Drahotský Daniel, member of the EC, director of the Financial Markets Division
- Kešnerová Mária, member of the EC, director of the Financial Division
- Klimíček Tomáš, member of the EC, manager of the Credit Risk Management Department
- Křenková Alena, member of the EC (without the voting right), manager of the Internal Audit and Control Department

Asset and Liability Committee

The Asset and Liability Committee ("ALCO") has been established by the Bank's Board of Directors. ALCO's main objective and purpose is to facilitate the Bank's asset and liability management process in terms of liquidity, interest rates, the Bank's profitability and capital adequacy. ALCO especially monitors liquidity, the Bank's interest and FX risks, observance of internal and external limits in those areas, analyses possible scenarios of the future development, monitors the observance of internal and regulatory capital adequacy limits at an individual and consolidated level, resp. prudential consolidation. ALCO also evaluates an impact of legislative changes on the Bank's assets and liabilities, responds to the situation in financial markets, analyses prices and products offered by competitive banks and their influence on the Bank's trades and prices. It monitors maturity of significant asset and liability transactions, evaluates an impact of expected new trades on the risk, limits and profitability, it decides on interest rates of deposit and credit products, measures taken in the market risk management, prudential business activities and in trades, it approves emergency plans in case of crisis of liquidity, capital and profitability.

ALCO also has at least 3 members appointed and removed by the Bank's Board of Directors. As at 31 December 2015, ALCO had the following members:

- Kováč Igor, chairman of ALCO, Board member
- Tkáč Patrik, member of ALCO, chairman of the Board of Directors
- Ašer Štěpán, member of ALCO, Board member

- Jakabovič Ivan, member ALCO, partner of J&T Finance Group SE
- Macaláková Anna, member of ALCO, director and head of the organizational unit J&T Banka in Slovakia

Investment Committee

The Investment Committee (the "IC") has been established by the Bank's Board of Directors as an advisory body of the Board of Directors. Its main objective and purpose is to support investments assigned in the business portfolio, the Bank's currency and commodity positions. The IC especially discusses and approves limits or other parameters for the business portfolio trades, the Bank's currency and commodity positions to an extent specified by the Bank's internal rules governing limits for making the Bank's transactions. The IC prescribes a set of liquidity risk figures and approves the Bank's emergency liquidity plan. It regularly evaluates the observance of set limits.

The IC always has at least 3 members appointed and removed by the Bank's Board of Directors. As at 31 December 2015, the IC had following members:

- Drahotský Daniel, chairman of the IC, director of the Financial Markets Division
- Vodička Petr, member of the IC, manager of the Financial Markets Department
- Kováč Igor, member of the IC, Board member
- Míšek Radoslav, member of the IC, manager of the Risk Management Department

Information Systems Committee

The Information Systems Committee (the "ISC") has been established by the Bank's Board of Directors. The ISC's main objective and purpose is to manage the development of banking information systems by the Bank. The ISC sets out the development strategy of information systems and information technology ("IS/IT"), discusses and specifies priorities of individual IS/IT projects and other changes in the IS/IT area in the context of business plans, regulatory requirements and the Bank's strategic development. The

ISC discusses and approves IS/IT projects including their changes, results of tenders in the IS/IT area, evaluates cooperation with IS/IT suppliers.

The ISC has at least 3 members appointed and removed by the Bank's Board of Directors. As at 31 December 2015, the ISC had the following members:

- Martinek Miloslav, chairman of the ISC, director of the Information Systems Division
- Nešetřil Vlastimil, member of the ISC, executive director
- Macaláková Anna, member of the ISC, director and head of the organizational unit J&T Banka in Slovakia
- Drahotský Daniel, member of the ISC, director of the Financial Markets Division
- Kešnerová Mária, member of the ISC, director of the Finance Division

Business Continuity Committee

The Business Continuity Committee (the "BCC") has been established by the Bank's Board of Directors. The BCC's main objective and purpose is to organize and coordinate activities in the Bank in case of any emergency.

The BCC has at least 3 members appointed and removed by the Bank's Board of Directors. As at 31 December 2015, the BCC had the following members:

- Slobodník Michal, chairman of the BCC, manager of the Security Department
- Nešetřil Vlastimil, member of the BCC and vice-chairman of the BCC, executive director
- Martinek Miloslav, member of the BCC, director of the Information Systems Division
- Tkáčová Alena, member of the BCC, director of the Trade CR Division
- Macaláková Anna, member of the BCC, director and head of the organizational unit J&T Banka in Slovakia
- Sležka Milan, member of the BCC, director of the Operation CR Division
- Vršková Eva, member of the BCC, manager of the Front Office Department (organizational unit of J&T Banka SR)

-
- Málek Petr, member of the BCC, manager of the Marketing Department

Security Committee

The Security Committee (the "SC") has been established by the Bank's Board of Directors. The SC's main objective and purpose is to manage security risks. The SC is responsible for working out and submitting proposals for the risk mitigation to an acceptable level, for the check and evaluation of the Bank's security risks and supervision over the implementation of approved proposals for the elimination of security risks by the Bank's Board of Directors.

The SC has at least 3 members appointed and removed by the Bank's Board of Directors. As at 31 December 2015 the SC had the following members:

- Nešetřil Vlastimil, chairman of the SC, executive director
- Slobodník Michal, member of the SC, manager of the Security Department
- Krejčí Oldřich, member of the SC, security consultant
- Skála Zbyněk, member of the SC, manager of the IS/IT Governance Department

Audit Committee

According to the decision of the sole shareholder, on 22 December 2009 Jozef Tkáč, Ivan Jakobovič and Dušan Palcr were appointed as members of the Bank's Audit Committee. Activities of the Audit Committee are governed by valid legal regulations and the Bank's Articles of Association.

Organizational structure

BOARD OF DIRECTORS OF THE BANK

Office of the Chairman
of the Board of Directors

UNIT CZECH REPUBLIC / EXECUTIVE DIRECTOR

	DIVISION SALES CR	DIVISION OPERATION CR
Unit CR Management Department	Sales Support Section	Banking Operations and International Banking Department CR
Marketing Department CR	Private Banking Department CR	Banking Operations Section
	Private Banking Section 1	International Banking Section
	Private Banking Section 2	Payment Cards, Internet Banking and Back Office Clear Deal Section
	Private Banking Section 3	Credit and Loans Department CR
	Private Banking Section 4	Financial Markets Back Office Department CR
	Private Banking Section 5	
	Back Office Section	
	Russian Desk Section	
	Branch Brno	
	Branch Ostrava	
	Client Center Department CR	
	External Sale Department CR	
	External Sale Front Office Section	
	External Sale Support Section	

UNIT SLOVAK REPUBLIC / HEAD OF THE BRANCH

	DIVISION SALES SR	DIVISION OPERATION ČR
Unit SR Management Department	Private Banking Department SR	The High Tatras Exposition
	Premium Banking Section	The Košice Exposition
	Komfort Department SR	Process and Product Management Section SR
	Marketing and Communication Department SR	Front Office Department SR
	Business Call Centrum Department SR	Back Office Department SR
		Back Office Comfort Section
		Back Office PrB and PB Section
		Payment Cards and Internet Banking Section
		Comfort Line Section
		Credit and Loans Department SR
		Financial Markets Back Office Department SR

UNIT SHARED SERVICES

DIVISION FINANCIAL MARKETS	DIVISION FINANCE	DIVISION RISK MANAGEMENT	DIVISION INFORMATION SYSTEMS	DIVISION ADMINISTRATION	
Investment Center Section	Treasury Department	Risk Management Department	Infrastructure and Support Systems Department	Legal Department CR	Internal Audit and Inspection Department
Financial Markets Department CR	Liquidity Management Section	Credit Risk Management Department	Database Section	Legal Department SR	Process and Project Management Department
Financial Markets Department SR	Financial Analysis Department		Supporting Applications Section	Compliance and AML Department	Safety Department
Client Portfolio Management Department	Economy Department CR		Customer and Internal Interfaces Department		Magnus Department
Research Department	Accounting Section		ePortal Section		
New Issues Department	Reporting Section		Reporting Support Department		
	Economy Department SR		Financial Reporting Section		
	Accounting Section		Operational Reporting Section		
	Reporting Section		Banking Applications Department		
			Bank and Information System Section		
			Financial and Securities Systems Section		
			IS/IT Governance Department		

Report of the Supervisory Board

In 2015, the Supervisory Board of J&T BANKA, a.s. had six members first, since 11 August 2015 it had had five members. The Supervisory Board performed its activity in compliance with applicable law, in particular the Business Corporations Act, the Act on Banks and the Bank's Articles of Association.

In 2015, the Supervisory Board held total four sessions at which it discussed especially regular reports on the Bank's activity and its financial situation submitted by the Bank's Board of Directors and all other matters arising from respective legal regulations.

The Supervisory Board has reviewed financial statements as of 31 December 2015 audited by the Bank's external auditor, KPMG Česká republika Audit, s.r.o. According to the auditor's report issued on 31 March 2016, the financial statements present, in all material respects, a true and fair view of the assets and liabilities of J&T BANKA, a.s. as of 31 December 2015 and expenses, income and the results of its operations and cash flows for the year 2015 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Supervisory Board states that the Bank's business activities were performed in compliance with applicable law and the Bank's Articles of Association. The Supervisory Board has reviewed the audited report on relations between related parties in 2015 worked out by the Board of Directors. The Supervisory Board confirms that it has no objections to the report.

The Supervisory Board agrees with the results of the annual financial statements for 2015 and with the settlement of the profit/loss, i.e. the distribution of profit of J&T BANKA, a.s. for 2015 as proposed by the Bank's Board of Directors and has recommended that the sole shareholder exercising the powers of the general meeting approves the financial statements.

Prague, 31 March 2016

Correspondent banks

Československá obchodní banka, a.s.

Prague, Czech Republic

SWIFT: CEKO CZ PP

Currency: CZK, EUR, USD, GBP, CAD, HUF, HRK, CHF, PLN, TRY, RON, AUD, RUB

ING Belgium SA/NV

Brussels, Belgium

SWIFT: BBRU BE BB

Currency: EUR

Deutsche Bank Trust Company Americas

New York, USA

SWIFT: BKTR US 33

Currency: USD

ING Bank N.V.

Prague, Czech Republic

SWIFT: INGB CZ PP

Currency: CZK, EUR, USD, GBP, CAD, HUF, CHF, PLN, TRY, RON, AUD, RUB, SEK, NOK

J&T Bank, a.o.

Moscow, Russian Federation

SWIFT: TRRY RU MM

Currency: RUB

Poštová banka, a.s.

Bratislava, Slovak Republic

SWIFT: POBN SK BA

Currency: EUR

UniCredit Bank Czech Republic and Slovakia, a.s.

Prague, Czech Republic

SWIFT: BACX CZ PP

Currency: CZK, EUR, USD, HRK

Vaba banka d.d. Varazdin

Varazdin, Croatia

SWIFT: VBVZ HR 22

Currency: HRK

Citibank Europe plc, organizational unit

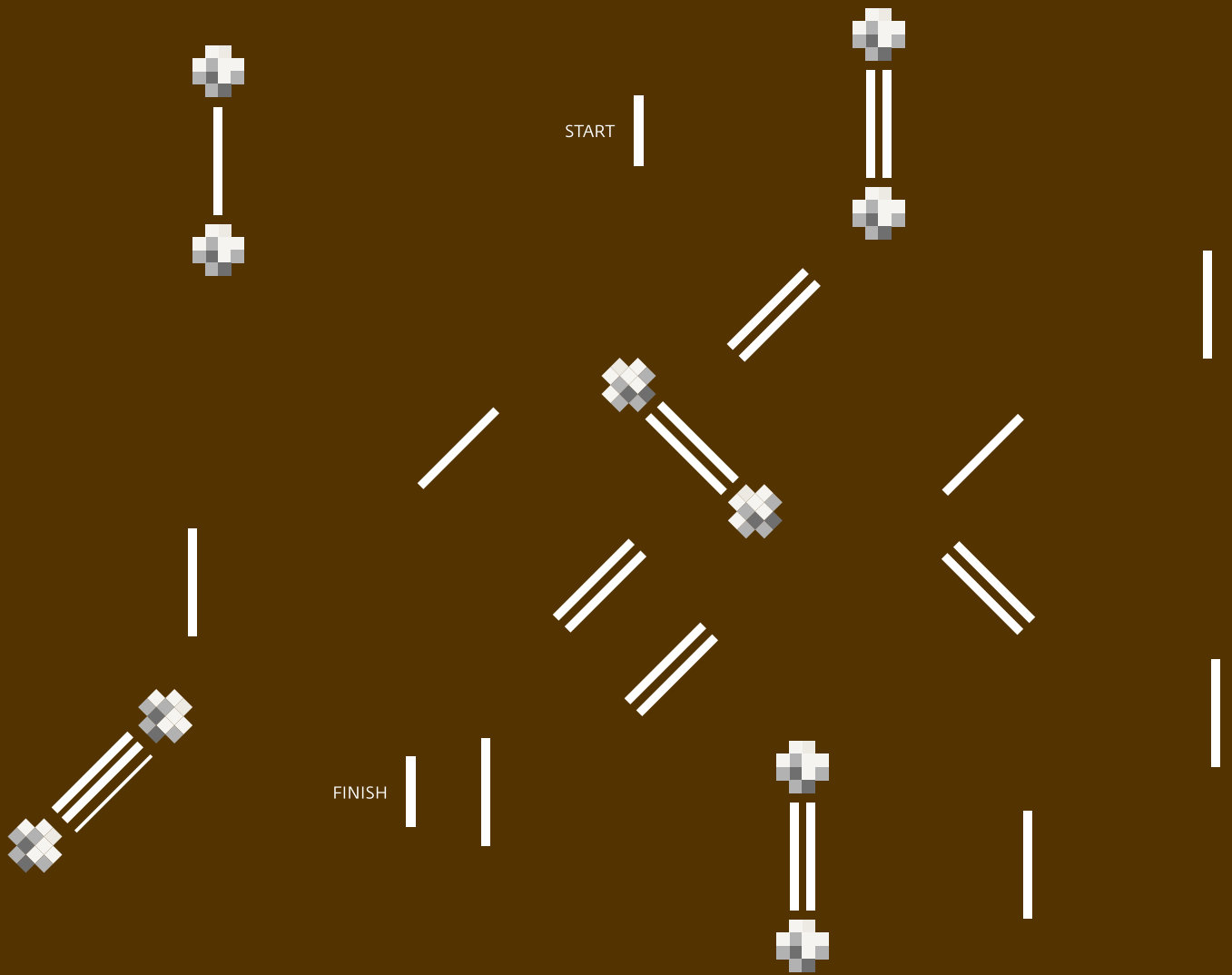
Prague, Czech Republic

SWIFT: CITI CZ PX

Currency: MXN, ZAR

THANKS TO OBSTACLES.

We support international show jumping events while getting inspired by them.



Consolidated statement of financial position as at 31 December 2015

in MCZK	Note	2015	2014
ASSETS			
Cash and balances with central banks	6	19,724	13,339
Due from financial institutions	7	34,379	7,164
Positive fair value of derivatives	8	160	159
Loans and advances to customers	11	74,668	71,170
Financial assets at fair value through profit or loss	9a	2,739	9,279
Financial assets available for sale	9b	15,442	22,113
Financial assets held to maturity	9c	609	1,329
Disposal groups held for sale	18	4,962	130
Investment in equity accounted investees	49	35	7,150
Current tax asset		63	2
Deferred tax asset	26	99	82
Investment property	13	363	425
Property, plant and equipment	14	337	277
Intangible assets	15	157	188
Goodwill	15	30	95
Prepayments, accrued income and other assets	17	1,084	899
Total Assets		154,851	133,801
LIABILITIES			
Deposits and loans from banks	19	4,259	4,616
Deposits from customers	20	121,812	106,946
Negative fair value of derivatives	8	85	922
Subordinated debt	21	2,049	1,908
Current tax liability		5	128
Deferred tax liability	26	66	91
Other liabilities and provisions	22	6,669	3,847
Disposal groups held for sale		2,961	–
Total Liabilities		137,906	118,458
Share capital	23	10,638	9,558
Retained earnings and other reserves	23	3,822	4,060
Other capital instruments	23	1,742	899
Equity attributable to equity holders of the parent		16,202	14,517
Non-controlling interest	24	743	826
Total Equity		16,945	15,343
Total equity and liabilities		154,851	133,801

The accompanying notes, set out on pages 40 to 125, are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2015

in MCZK	Note	2015	2014
Interest income	27	5,689	5,796
Interest expense	28	(2,601)	(2,885)
Net interest income		3,088	2,911
Fee and commission income	29	793	797
Fee and commission expense	30	(188)	(155)
Net fee and commission income		605	642
Dividends from financial assets available for sale		14	75
Impairment of assets available for sale	9b	(32)	(62)
Net trading income	31	196	159
Other operating income	32	303	250
Operating income		4,174	3,975
Personnel expenses	33	(867)	(793)
Other operating expenses	34	(1,203)	(1,116)
Depreciation and amortisation	14, 15	(102)	(90)
Goodwill impairment	15	(65)	(290)
Operating expenses		(2,237)	(2,289)
Profit before provisions, allowances and income tax expenses		1,937	1,686
Net change in provisions from financial activities		(23)	(19)
Net change in allowances for impairment of loans	12	(743)	(284)
Revenues from cession in portfolio of loans and other receivables		12	-
Profit before tax, excluding profit from equity accounted investees		1,183	1,383
Profit/(loss) from equity accounted investees, net of tax	49	167	340
Profit before tax		1,350	1,723
Income tax expenses	25	(261)	(381)
Profit for the period from continuing operations		1,089	1,342
Profit for the period from discontinued operations	18	787	-
Profit for the period		1,876	1,342
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Continuing operations		1,180	1,330
Discontinued operations		787	-
Profit for the period attributable to equity holders of the parent		1,967	1,330
ATTRIBUTABLE TO NON-CONTROLLING INTEREST			
Continuing operations		(91)	12
Discontinued operations		-	-
Profit for the period attributable to non-controlling interest		(91)	12
Profit for the period		1,876	1,342

in MCZK	Note	2015	2014
OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Revaluation reserve – financial assets available for sale			
Net change in fair value		76	29
Net amount reclassified to profit or loss		47	(29)
Foreign exchange translation differences		(1,040)	(542)
Other comprehensive income for the period, net of tax		(917)	(542)
Total comprehensive income for the period		959	800
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Continuing operations		267	795
Discontinued operations		787	–
Total		1,054	795
Non-controlling interest		(95)	5
Continuing operations		–	–
Discontinued operations		(95)	5
Total comprehensive income for the period		959	800

The accompanying notes, set out on pages 40 to 125, are an integral part of these consolidated financial statements.

The Board of Directors approved these consolidated financial statements on 31 March 2016.

Signed on behalf of the Board:



Štěpán Ašer, MBA
Member of the Board of Directors



Ing. Igor Kováč
Member of the Board of Directors

Consolidated statement of changes in equity for the year ended 31 December 2015

in MCZK	Share capital	Capital funds
Balance at 1 January 2015	9,558	83
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Profit for the period	-	-
OTHER COMPREHENSIVE INCOME, NET OF TAX ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Foreign exchange translation differences	-	-
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	-	-
Net amount reclassified to profit or loss	-	-
Total comprehensive income for the period	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY, RECOGNIZED DIRECTLY IN EQUITY		
Issue of capital	1,080	-
Issue of capital instruments	-	-
Dividends	-	-
Distribution from capital instruments	-	-
Set up of Perpetuity fund	-	-
Effect of interest change	-	-
Effect of disposals of subsidiaries	-	(113)
Transfer of legal reserve fund	-	46
Balance at 31 December 2015	10,638	16

On November 10, 2015 the J&T Bank's sole shareholder J&T FINANCE GROUP SE increased share capital of the Bank by subscription of new shares totaling CZK 1 080 million.

Information about Other capital funds and Perpetuity fund is disclosed in note 23.

Translation and revaluation reserve	Retained earnings	Perpetuity fund	Other capital instruments	Total	Non-controlling interest	Total equity
(535)	4,432	80	899	14,517	826	15,343
-	1,967	-	-	1,967	(91)	1,876
(1,035)	-	-	-	(1,035)	(5)	(1,040)
75	-	-	-	75	1	76
47	-	-	-	47	-	47
(913)	1,967	-	-	1,054	(95)	959
-	-	-	-	1,080	-	1,080
-	-	-	843	843	-	843
-	(1,143)	-	-	(1,143)	-	(1,143)
-	-	(108)	-	(108)	-	(108)
-	(100)	100	-	-	-	-
-	(70)	-	-	(70)	12	(58)
23	119	-	-	29	-	29
-	(46)	-	-	-	-	-
(1,425)	5,159	72	1,742	16,202	743	16,945

Consolidated statement of changes in equity for the year ended 31 December 2014

in MCZK	Share capital	Capital funds
Balance at 1 January 2014	9,558	185
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Profit for the period	-	-
OTHER COMPREHENSIVE INCOME, NET OF TAX ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Foreign exchange translation differences	-	-
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	-	-
Net amount reclassified to profit or loss	-	-
Total comprehensive income for the period	-	-
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY, RECOGNIZED DIRECTLY IN EQUITY		
Issue of capital instruments	-	-
Dividends	-	(16)
Distribution from capital instruments	-	-
Set up of Perpetuity fund	-	-
Pricing differences	-	-
Effect of acquisition of subsidiaries	-	-
Effect of disposals of subsidiaries	-	-
Transfer of legal reserve fund	-	(154)
Capital contribution to other capital funds	-	68
Balance at 31 December 2014	9,558	83

The accompanying notes, set out on pages 40 to 125, are an integral part of these consolidated financial statements.

Translation and revaluation reserve	Retained earnings	Perpetuity fund	Other capital instruments	Total	Non-controlling interest	Total equity
-	3,683	-	-	13,426	620	14,046
-	1,330	-	-	1,330	12	1,342
(537)	-	-	-	(537)	(5)	(542)
31	-	-	-	31	(2)	29
(29)	-	-	-	(29)	-	(29)
(535)	1,330	-	-	795	5	800
-	-	-	899	899	-	899
-	(615)	-	-	(631)	-	(631)
-	-	(20)	-	(20)	-	(20)
-	(100)	100	-	-	-	-
-	(4)	-	-	(4)	-	(4)
-	52	-	-	52	202	254
-	-	-	-	-	(1)	(1)
-	154	-	-	-	-	-
-	(68)	-	-	-	-	-
(535)	4,432	80	,899	14,517	826	15,343

Consolidated statement of cash flows for the year ended 31 December 2015

in MCZK	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		1,350	1,723
Profit after tax from discontinued operations		787	–
Adjustments for:			
Depreciation and amortisation	14, 15	102	90
Goodwill impairment	15	65	290
Allowances for impairment of loans	12	743	284
Foreign currency difference from allowances for impairment of loans	12	(10)	(25)
Gain on sale of intangible and tangible fixed assets		78	101
Change in other provisions and other assets		180	163
Profit/(loss) from equity accounted investees		(167)	(340)
Unrealised foreign exchange gains, net		276	206
Impairment of assets available for sale		32	62
Fair value adjustment to P&L from FVTPL assets		(6)	83
Profit from sale associate		(78)	–
CASH GENERATED FROM (USED IN) OPERATIONS			
Compulsory minimum reserves in central banks		(498)	(986)
Due from financial institutions		795	(59)
Originated loans and receivables		(4,231)	(8,993)
Financial assets held to maturity, AFS and FVTPL		13,585	(2,937)
Prepayments, accrued income and other assets		(185)	(234)
Disposal groups held for sale		(1,871)	131
Deposits and loans from banks		(357)	(715)
Deposits from customers		14,866	17,467
Other liabilities and provisions		2,641	327
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		(838)	558
Tax effect			
Income tax expenses paid		(481)	(296)
Net cash flows from operating activities		26,778	6,900
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of and proceeds from sale of intangible and tangible fixed assets, net		(203)	(82)
Acquisition of subsidiary, net of cash acquired		–	687
Acquisition of associate and joint ventures		(19)	(681)
Disposal of associate		6,865	–
Net cash flows used in investing activities		6,643	(76)

in MCZK	Note	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital – subscription of new shares		1,080	–
Issue of other capital instruments		843	899
Distribution from capital instruments		(108)	(20)
Dividends paid		(1,143)	(631)
Subordinated debt		113	387
Foreign currency difference from subordinated debt		28	13
Net cash flows from financing activities		813	648
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	5, 35	17,770	10,611
Effects of exchange rate fluctuations on cash held		(337)	(313)
Cash and cash equivalents at end of period	5, 35	51,667	17,770
Cash flows from operating activities include:			
Interest received		5,865	4,761
Interest paid		2,233	1,813
Dividends received		320	159

For the cash flows from operating, investing and financing activities related to discontinued operation refer to Note 18.

The accompanying notes, set out on pages 40 to 125, are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

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

In December 2015, the Czech National Bank ["CNB"] started administrative procedures with the Bank based on an on-site inspection concerning the implementation of certain provisions of the Banking Act, the Act on Capital Market and Decree no. 163/2014 Coll. prudential rules for banks, credit unions and securities dealers. The Bank submitted a statement on the findings reported by CNB. As at the date of the financial statements, the Bank has initiated appropriate actions that will remedy the findings identified by CNB.

The registered office of the Bank is at Pobřežní 14, Prague 8, Czech Republic. The Bank, its subsidiaries, associates and joint ventures mentioned in the table below ["the Group"] had on average 689 employees in 2015 [2014: 688]. The Group operates in the Czech Republic, Slovakia, Croatia and Russia.

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

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

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

As a result of a cross-border merger by acquisition dated September 23, 2013, J&T FINANCE, a.s., the Bank's parent company, merged with J&T Finance Group, a.s. and Techno Plus, a.s. as at 1 January 2014. J&T FINANCE, a.s. became the successor company, changing its name to J&T FINANCE GROUP SE and its legal form to European Society (Societas Europaea, SE).

The Bank's ultimate parent is J&T FINANCE GROUP SE, a joint-stock company owned by Jozef Tkáč [45,57 %], Ivan Jakobovič [45,57 %], CEFC Shanghai International Group Limited [4,79 %] and CEFC Hainan International Holdings CO., Ltd. [4,07 %].

Ownership interests

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

The companies included in the consolidation Group as at 31 December 2015 are as follows:

Company	Country of incorporation	Share capital in mil. CZK	% share-holding	Consolidation method	Principal activities
J & T BANKA, a.s.	Czech Republic	10,638		parent company	Banking activities
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	20	100	Full	Asset management
ATLANTIK finanční trhy, a.s.	Czech Republic	81	100	Full	Investment activities
J&T IB and Capital Markets, a.s.	Czech Republic	2	100	Full	Advisory activities
– XT-Card a.s.	Czech Republic	10	32	Equity	IT/Programming activities
J&T Bank, a.o.	Russia	2,144*	99.95*	Full	Banking activities
– Interznanie, DAO	Russia	67	50	Full	Real estate
TERCES MANAGEMENT LIMITED	Cyprus	0,065	99	Full	Investment activities
– Interznanie, DAO	Russia	67	50	Full	Real estate
PGJT B.V.	Netherlands	108	50	Equity	Financial activities
– PROFIREAL, OOO	Russia	34	100	Equity	Financial activities
J&T REALITY, o.p.f.	Czech Republic	0	53.08	Full	Collective investment fund
Vaba d.d. banka Varaždin	Croatia	818	76.81	Full	Banking activities
J&T Cafe, s.r.o.	Czech Republic	4	100	Full	Hospitality activities
ART FOND - Stredoeurópsky fond súčasného umenia, a. s.	Slovakia	18	38.46	Full	Activities in the Arts

The Group provides customers with comprehensive banking services, asset management, financial and capital market transactions for the retail segment, as well as support to start-up and restructuring projects. The Group's operating segments are described in the note 37.

On February 16, 2015, the subsidiary company J&T Bank, zao changed its trade name to J&T Bank, a.o.

On May 20, 2015, the Group increased its ownership interest in J&T Bank, a.o. by a subscription of 112 000 000 pieces of new ordinary shares in total nominal value of RUB 5.6 million.

*In September 2015, an agreement was signed between CEFC Shanghai and J&T Bank, a.s. based on which CEFC Shanghai will acquire 50 % ownership interest in J&T Bank, a.o. The transaction is subject of approval by the national regulators in Russia. As a result of the agreement, the Group presents J&T Bank, a.o. as an asset held for sale. The Group loses the control over J&T Bank, a.o.

In 2015, the Group increased its ownership interest in Vaba d.d. banka Varaždin. On February 5, 2015, subscribed for 3 750 000 units of new ordinary shares in total nominal value of HRK 37.5 million. On September 28, 2015, the Group subscribed for 6 500 000 units of new ordinary shares in total nominal value of HRK 65 million.

On February 24, 2015, the Group entered into an agreement with J & T FINANCE GROUP SE relating to the sale of shares in Poštová banka, a.s. The agreement became effective on March 13, 2015, and resulted in transfer of 3.17 % ownership interest, 10 473 pieces of ordinary shares, nominal value 1 107 EUR per share, to J & T FINANCE GROUP SE.

On February 25, 2015, the Group entered into an agreement with PBI, a.s. for the sale of 34 % ownership interest in Poštová banka, a.s. The agreement became effective on December 23, 2015, and resulted in transfer of 112 506 pieces of ordinary shares, nominal value 1 107 EUR per share.

In 2015, the Group increased its ownership interest in the company J & T Cafe, s.r.o. by the amount of CZK 0.8 million as an additional capital contribution beside the share capital.

On July 16, 2015, the Group increased its ownership interest in the company PGJT B.V. by contribution to capital funds in the amount of RUB 30 million.

In 2015, the Group sold its 50 % ownership interest in the subsidiary Interznanie directly owned by the subsidiary TERCES to J&T Bank, a.o. This transaction had no impact on the consolidated financial statements.

In 2015, there were not recorded any restrictions in ownership rights on behalf of subsidiaries.

The companies included in the consolidation Group as at 31 December 2014 are as follows:

Company	Country of incorporation	Share capital in mil. CZK	% share-holding	Consolidation method	Principal activities
J & T BANKA, a.s.	Czech Republic	9,558		parent company	Banking activities
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	20	100	Full	Asset management
ATLANTIK finanční trhy, a.s.	Czech Republic	81	100	Full	Investment activities
J&T IB and Capital Markets, a.s.	Czech Republic	2	100	Full	Advisory activities
J&T Bank, zao	Russia	305	99.54	Full	Banking activities
TERCES MANAGEMENT LIMITED	Cyprus	0,06	99	Full	Investment activities
– Interznanie, DAO	Russia	77	100	Full	Real estate
PGJT B.V.	Netherlands	222	50	Equity	Financial activities
– PROFIREAL, OOO	Russia	77	100	Equity	Financial activities
Poštová banka, a.s.	Slovakia	10,156	37.17	Equity	Banking activities
– Poštová banka, a.s., pobočka Česká republika	Czech Republic	–	100	Equity	Banking activities
– Poisťovňa Poštovej banky, a.s.	Slovakia	321	100	Equity	Insurance activities
– Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a.s.	Slovakia	331	100	Equity	Management of pension funds
– PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLEČNOSŤ POŠTOVEJ BANKY, správ. spol., a.s.	Slovakia	47	100	Equity	Asset management
– POBA Servis, a.s.	Slovakia	1	100	Equity	Facility management
– PB PARTNER, a.s.	Slovakia	78	100	Equity	Financial intermediation
– PB Finančné služby, a.s.	Slovakia	3	100	Equity	Operational and financial leasing
– PB IT, a.s.	Slovakia	1	100	Equity	Activities in the field of information technology
– SPPS, a.s.	Slovakia	10	40	Equity	Payment services
– FOND DLHODOBÝCH VÝNOSOV o.p.f.	Slovakia	0	50.19	Equity	Collective investment fund
– NÁŠ DRUHÝ REALITNÝ o.p.f.	Slovakia	0	53.46	Equity	Collective investment fund
J&T REALITY, o.p.f.	Czech Republic	0	53.08	Full	Collective investment fund
Vaba d.d. banka Varaždin	Croatia	466	58.33	Full	Banking activities
J&T Cafe, s.r.o.	Czech Republic	3	100	Full	Hospitality activities
ART FOND - Stredoeurópsky fond súčasného umenia, a. s.	Slovakia	18	38.46	Full	Activities in the Arts

On February 27, 2014, the Group increased the share capital of J&T REALITY, o.p.f. by amount of EUR 8 million. After the increase the Group holds an ownership share of 53.08 %. The Group fully controls the company through its subsidiary company J&T INVESTIČNÍ SPOLEČNOST, a.s., that manages this fund.

On June 9, 2014, the Group acquired 58.33 % ownership interest in Vaba d.d. banka Varaždin.

In July 2014, the Group increased its ownership interest in Poštová banka, a.s. On 4 July, the Group subscribed 19 706 new ordinary shares with a total nominal value of EUR 21 814 542 and on July 11 the Group subscribed 2 673 new ordinary shares with a total nominal value of EUR 2 959 011. The bank increased its ownership interest by 0.81 % in this associate from 36.36 % to interest of 37.17 %.

On September 30, 2014, the Group acquired 100 % ownership interest in J&T Cafe, s.r.o.

On November 13, 2014, the Bank acquired 38.46 % ownership interest in ART FOND – Stredoeurópsky fond súčasného umenia, a. s. Under the terms of the Shareholders Agreement, the Group has a controlling influence over this company.

FOND DLHODOBÝCH VÝNOSOV o.p.f. and NÁŠ DRUHÝ REALITNÝ o.p.f. sold in the last quarter of 2014 all of its underlying assets / shares in the companies FORESPO.

In 2014, there were not recorded any restrictions in ownership rights on behalf of subsidiaries.

Acquisitions and disposals of subsidiaries made in 2014 are further presented in Note 48.

The Bank's ultimate parent as at 31 December 2014 was J&T FINANCE GROUP SE, a joint-stock company owned by Jozef Tkáč (50 %) and Ivan Jakabovič (50 %).

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements comprise the accounts of the members of the Group and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union for the reporting period of 1 January 2015 – 31 December 2015 ("reporting period").

(b) Basis of preparation

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

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

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

Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Group expects that the amendments, when initially applied, will not have a significant effect on the consolidated financial statements of the Group.

Amendments to IAS 1 – Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

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

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

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

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.

Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Group expects that the amendments, when initially applied, will not have a significant effect on the presentation of the consolidated financial statements of the Group.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered.

The Group expects that the amendments, when initially applied, will not have a significant effect on the consolidated financial statements of the Group.

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.

(c) Functional and presentation currency

The accompanying consolidated financial statements are presented in the national currency of the Czech Republic, the Czech crown ["CZK"], rounded to the nearest million.

Functional currency is the currency of the primary economic environment in which the entity operates. Individual companies forming the Group determined their functional currencies in accordance with IAS 21.

In determining functional currency, each individual company forming the Group considered mainly factors such as the currency:

- in which sales prices for its services are denominated and settled; and
- of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

3. ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Associates

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

The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

(iv) 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.

(v) Loss of control

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

(vi) 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) Financial assets

Classification

Financial instruments at fair value through profit or loss are those that the Group principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments and liabilities from short sales of financial instruments.

Originated loans and receivables comprise loans, advances to banks and customers other than purchased loans and promissory notes.

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

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

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

- In classifying financial assets or liabilities as "trading", management has determined that the Group meets the description of trading assets and liabilities;
- The Group regularly evaluates the liquidity of particular financial instrument with respect to market conditions;
- In classifying financial assets as held-to-maturity, management has determined that the Group has both the positive intention and the ability to hold the assets until their maturity date as required.

Recognition

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

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

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

Measurement

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

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

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

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

Gains and losses on subsequent measurement

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

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

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

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

Impairment

Financial assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

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

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

If an impairment of a financial asset available for sale is identified, the accumulated gains or losses recorded earlier in other comprehensive income are reclassified and recorded in profit or loss in the given period.

In case of an impairment of a financial asset available for sale as a result of a decrease in the registered capital, the resulting income is recognised as a received dividend in profit or loss.

Loans and advances to customers and deposits with banks

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

The Bank classifies all its receivables from clients into the following five basic categories laid down by Decree of the Czech National Bank No. 163/2014 Sb.: receivables without obligor default divided into standard and watch receivables, and receivables with obligor default divided into non-standard, doubtful and loss receivables. In the evaluation of individual loans, the classification takes into account both qualitative and quantitative criteria.

The criteria mentioned include the following:

- major financial problems of the debtor;
- breach of a contract, e.g. delayed payment of interest or principal or failure to pay them;
- relief provided by the creditor to the debtor for economic or other legal reasons relating to debtor's financial problems, that the creditor would not have otherwise provided;
- likelihood of bankruptcy or other financial restructuring of the debtor;
- extinction of an active market for the given financial asset for financial reasons; or
- observable facts demonstrating a measurable decline of estimated future cash flow from the group of financial assets after their initial recognition despite the existing impossibility to detect the decrease for individual financial assets in the group;
- and other.

Forbearance

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

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

Performing and non-performing exposures may also be recognised as exposures without concession provided no modification of terms and conditions or refinancing was made in respect to the given receivable.

Non-performing exposures comprise receivables with debtor's failure.

Details regarding the structure and quality of the credit portfolio are described in paragraph 40.

Individually assessed allowances

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

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

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

Collectively assessed allowances

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

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

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

Calculated amount of allowances is allocated proportionally to the partial components of the carrying amount of receivable, i.e. principal, interest income and penalty interest.

Treasury bills

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

Derivatives

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

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

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

Hedge accounting – Fair Value Hedge

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

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

(c) Sale and repurchase agreements

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

(d) Intangible assets

Goodwill and intangible assets acquired in a business combination

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

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

Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Amortisation is charged to the statement of comprehensive income 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 amortization rates per a year are as follows:

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

(e) Property, plant and equipment

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

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

Land is not depreciated.

Subsequent expenditure

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

(f) Investment property

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

Investment property is stated at fair value, as determined by an independent registered appraiser or by management. Fair value is calculated by applying generally applicable valuation methodologies such as expert opinions and yield methods. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

(g) Operating lease payments

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

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

(h) Foreign currency

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

(i) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability.

In case of modification of loan conditions, such as change of interest rate or instalment calendar, the effective interest rate is updated in line with newly agreed conditions. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

The recognised average interest rate is determined as the annual weighted average from open contracts as at the date of the balance sheet date.

Fees and commissions are recognized on an accrual basis.

(j) Taxation

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

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

(k) Social security and pension schemes

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

(l) Cash and cash equivalents

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

(m) Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(o) Segment reporting

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

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

- Financial markets
- Corporate banking
- Private banking
- Retail banking
- ALCO
- Unallocated

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

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

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

(p) Business combinations and purchase price allocations

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. For financial statement reporting purposes, allocation of the total purchase price among the net assets acquired is performed with the support of professional advisors. The valuation analysis is based on historical and prospective information available as of the date of the business combination. Any prospective information that may impact the fair value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail in the future. The results of the valuation analysis are also used to determine the amortisation and depreciation periods for the values allocated to specific intangible and tangible fixed assets.

In 2015, there was no business combination.

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

Companies	Software and other intangible assets	Loans and advances to customers	Deposits and loans from banks	Deposits and loans from customers	Deferred tax asset	Total net balance sheet effect
Vaba d.d. banka Varaždin	(28)	(32)	3	3	11	(43)

(q) Disposal groups held for sale and discontinued operations

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

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

(r) Dividends

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

(s) Employee benefits

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

The revaluation of the net liability from defined benefit plans (including actuarial gains and losses) is recognised in full immediately in other comprehensive income.

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

These principles supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for impairment of loan

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

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

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

Determining fair values

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

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

- Level 1: quoted priced (unadjusted) in active markets for identical assets or liabilities;
- Level 2: derived from quoted prices, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not derived from quoted prices (calculated using valuation techniques).

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

If the fair values had been higher or lower by 10% than management's estimates, the net carrying amount of Level 3 financial instruments would have been estimated to be CZK 441 million higher or lower than as disclosed as at 31 December 2015 (2014: CZK 412 million).

Financial assets

In the vast majority of cases, the fair value of Level 3 investments was estimated using discounted cash flow ("DCF") models, with inputs coming from the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specificities of the industries and countries in which the investments operate. The key assumptions used in the valuations were the expected cash flows and discount rates. Further information about level 3 financial instruments is disclosed in the notes 9a and 9b.

Valuation of investment property

Investment property is carried at fair value and classified as Level 3 according to the fair value hierarchy.

Fair values of investment property are determined either by independent registered appraisers or by management, in both cases based on discounted cash flow ("DCF") models with inputs coming from rental income projections. These projections are critically assessed by management before inclusion in the models. The discount rates were based on the specificities of the countries in which the investment property is located.

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.

Further information about investment property is disclosed in the note 13.

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 48 Acquisitions and disposals of subsidiaries, associates and joint ventures and note 15 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.

a) ATLANTIK finanční trhy a.s.

In 2014, impairment test to the cash-generating unit ATLANTIK finanční trhy, a.s. resulted in the impairment loss of CZK 50 million. The cash flows were derived from ATLANTIK finanční trhy a.s.'s long term business plan, the key assumptions being forecast net brokerage fees, fund administration fees, interest income. These were applied over a specific ten-year forecast period. Expected future cash flows were discounted using a weighted-average cost of capital ("WACC") of 12.69 %.

In 2015, goodwill allocated to the ATLANTIK finanční trhy, a.s. as cash generating unit was written off in full based on the results of the performed impairment testing.

b) J&T Investiční společnost, a.s.

In 2015, impairment loss of the cash-generating unit J&T Investiční společnost, a.s. was calculated based on discounted cash flows. The cash flows were derived from the J&T Investiční společnost, a.s.'s long term business plan, the key assumptions being forecast profit after tax for the period, these were applied over a specific five-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 1.96 % (2014: 1.38 %). Expected cash flows were discounted using a weighted average cost of capital 10.17 % (2014: 9.09 %). There was no impairment loss identified as a result of this impairment test in 2015 and 2014.

5. CASH AND CASH EQUIVALENTS

in MCZK	2015	2014
Cash on hand (note 6)	245	427
Current accounts with central banks (note 6)	230	348
Term deposits in central banks up to 3 months (note 6)	17,150	10,963
Current accounts with banks (note 7)	1,558	2,988
Loans to central banks – repurchase agreements (note 7)	30,000	–
Term deposits due from fin. institutions up to 3 months (note 7)	73	745
Loans due from banks – repurchase agreements (note 7)	2,411	2,299
Total	51,667	17,770

6. CASH AND BALANCES WITH CENTRAL BANKS

in MCZK	2015	2014
Balances with central banks (including obligatory minimum reserves)	2,099	1,601
Current accounts with central banks	230	348
Term deposits in central banks up to 3 months	17,150	10,963
Total balance with central banks	19,479	12,912
Cash on hand	245	427
Total	19,724	13,339

Balances with central banks represent the obligatory minimum reserves maintained under Czech National Bank, National Bank of Slovakia, Central Bank of the Russian Federation regulations and the Croatian National Bank. The obligatory minimum reserve is stated as 2% of primary deposits with maturity of less than two years and is interest bearing except for Central Bank of the Russian Federation where the obligatory minimum reserve is stated as 4.25 % of primary deposits and is non-interest bearing and the Croatian National Bank where the obligatory minimum reserves is stated as 12 % of liquid claims and is non-interest bearing. The Bank must maintain the obligatory minimum reserves in accounts with the respective central banks. Compliance with this requirement is measured using the average daily closing balance over the whole month.

With regard to the current uncertain situation on the financial markets, the Group has a prudent liquidity policy and holds a significant part of its liquidity surplus in highly liquid assets. Highly liquid assets include balances with the central banks, short

term deposits in financial institutions and highly liquid corporate and government bonds. The Group decides on placements based on the credibility of the counterparty and the offered conditions.

7. DUE FROM FINANCIAL INSTITUTIONS

in MCZK	2015	2014
Current accounts with banks	1,558	2,988
Term deposits and loans up to 3 months	73	745
Term deposits and loans over 3 months	70	70
Subordinated loans to banks	217	222
Loans due from banks – repurchase agreements	2,411	2,299
Loans to central banks – repurchase agreements	30,000	–
Promissory notes over 3 months	–	38
Other receivables	50	802
Total	34,379	7,164

There were no overdue current accounts with banks as of 31 December 2015 and 31 December 2014.

The contractual weighted average interest rate on deposits and loans with other banks was 0.28 % p.a. (2014: 2.49 % p.a.).

8. DERIVATIVES

(a) Derivatives held for trading:

in MCZK	2015 Notional amount buy	2015 Notional amount sell	2015 Fair value Positive	2015 Fair value Negative
Forward currency contracts	35,410	(35,415)	75	(85)
Option contracts for share purchase	897	(816)	81	–
Option contracts for commodity purchase	197	(198)	1	–
Currency derivative transactions IFRS 5	393	(390)	–	–
Total as at 31 December 2015	36,897	(36,819)	157	(85)

in MCZK	2014 Notional amount buy	2014 Notional amount sell	2014 Fair value Positive	2014 Fair value Negative
Forward currency contracts	38,968	(39,184)	99	(320)
Option contracts for share purchase	810	(751)	59	–
Option contracts for commodity purchase	352	(355)	1	–
Total as at 31 December 2014	40,130	(40,290)	159	(320)

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

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

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

Although all these derivatives represent an economic hedge, they are presented as trading.

The foreign currency structure of these transactions was as follows:

	CZK	EUR	USD	RUB	other
LONG POSITION					
31 December 2015	76%	19%	1%	1%	3%
31 December 2014	83%	15%	1%	–	1%

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

	CZK	EUR	USD	RUB	other
SHORT POSITION					
31 December 2015	17%	69%	8%	1%	5%
31 December 2014	14%	68%	17%	–	1%

(b) Derivatives held for risk management:

Fair value hedging

in MCZK	2015 Notional amount buy	2015 Notional amount sell	2015 Fair value Positive	2015 Fair value Negativ
Forward currency contracts	6,055	(6,063)	3	–
Total as at 31 December 2015	6,055	(6,063)	3	–

in MCZK	2014 Notional amount buy	2014 Notional amount sell	2014 Fair value Positive	2014 Fair value Negativ
Forward currency contracts	11,499	(12,042)	–	(602)
Total as at 31 December 2014	11,499	(12,042)	–	(602)

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

The objective of this hedge is to cover the foreign currency exposure to changes in fair value of financial assets available for sale and investment in equity accounted investees denominated in foreign currency over the hedging period. The Group uses currency forwards to reach effectiveness within the hedging relationship.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS AVAILABLE FOR SALE AND FINANCIAL ASSETS HELD TO MATURITY

(a) Financial assets at fair value through profit or loss:

in MCZK	2015 Fair value	2014 Fair value
Shares		
– domestic	316	133
– foreign	53	58
Allotment certificates		
– foreign	1	24
Bonds		
– domestic	1,040	6,907
– foreign	1,329	2,157
Total	2,739	9,279

in MCZK	2015 Fair value	2014 Fair value
Shares		
– listed	369	191
Allotment certificates		
– not listed	1	24
Bonds		
– listed	2,369	9,064
Total	2,739	9,279

in MCZK	2015 Fair value	2014 Fair value
Shares		
– corporate	279	146
– financial institutions	90	45
Allotment certificates		
– financial institutions	1	24
Bonds		
– government	607	6,039
– financial institutions	832	1,153
– international institutions	–	9
– corporate	930	1,863
Total	2,739	9,279

in MCZK	2015 Fair value	2014 Fair value
Shares		
– Level 1 – quoted market price	367	187
– Level 3 – calculated using valuation techniques	2	4
Allotment certificates		
– Level 1 – quoted market price	1	24
Bonds		
– Level 1 – quoted market price	2,313	8,874
– Level 3 – calculated using valuation techniques	56	190
Total	2,739	9,279

Foreign bonds include mainly company bonds of CZK 1 102 million (2014: CZK 1 706 million) in the structure of Luxembourgian bonds of CZK 317 million (2014: CZK 215 million), Slovakian bonds of CZK 234 million (2014: CZK 430 million), Cyprian bonds of CZK 204 million (2014: CZK 237 million) and Dutch bonds of CZK 170 million (2014: CZK 285 million).

Foreign government bonds totalling to CZK 227 million (2014: CZK 416 million) represent Poland government bonds of CZK 163 million (2014: CZK 72 million) and Turkish government bonds of CZK 64 million (2014: CZK 40 million).

No movements from level 1 to level 2 occurred in 2015 and in 2014.

The contractual weighted average interest rate on bonds was 5.35 % p.a. (2014: 3.05 % p.a.).

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

in MCZK	Shares	Bonds	Total
Balance as at 1 January 2015	4	190	194
Addition	–	58	58
Disposal	(2)	(180)	(182)
Effects of movements in foreign exchange	–	(10)	(10)
Accrued interest	–	(2)	(2)
Balance as at 31 December 2015	2	56	58

The Group regularly monitors changes in market conditions of particular financial assets and in case there are available quoted prices of those financial assets on the active market, those are transferred from Level 3 to Level 1. In 2015, the Group did not transfer from Level 3 to Level 1 any bonds and shares (2014: CZK 321 million, CZK 20 million).

(b) Financial assets available for sale:

in MCZK	2015 Fair value	2014 Fair value
Shares		
– domestic	189	272
– foreign	135	175
Allotment certificates		
– domestic	3,127	2,497
– foreign	1,944	1,192
Bonds		
– domestic	3,713	11,440
– foreign	6,331	6,526
Promissory notes		
– foreign	3	11
Total	15,442	22,113

in MCZK	2015 Fair value	2014 Fair value
Shares		
– listed	324	315
– not listed	–	132
Allotment certificates		
– not listed	5,071	3,689
Bonds		
– listed	8,913	16,824
– not listed	1,131	1,142
Promissory notes		
– not listed	3	11
Total	15,442	22,113

in MCZK	2015 Fair value	2014 Fair value
Shares		
– financial institutions	–	21
– corporate	324	426
Allotment certificates		
– financial institutions	5,067	3,689
– corporate	4	–
Bonds		
– government	3,782	11,705
– financial institutions	1,595	1,369
– corporate	4,667	4,892
Promissory notes		
– financial institutions	3	11
Total	15,442	22,113

in MCZK	2015 Fair value	2014 Fair value
Shares		
– Level 1 – quoted market price	162	239
– Level 2 – derived from quoted prices	–	58
– Level 3 – calculated using valuation techniques	162	150
Allotment certificates		
– Level 1 – quoted market price	4,969	3,682
– Level 2 – derived from quoted prices	102	7
Bonds		
– Level 1 – quoted market price	5,849	14,055
– Level 2 – derived from quoted prices	10	16
– Level 3 – calculated using valuation techniques	4,185	3,895
Promissory notes		
– Level 2 – derived from quoted prices	3	11
Total	15,442	22,113

Foreign shares in portfolio as at 31 December 2015 comprise mainly Slovakian company shares of CZK 120 million (2014: CZK 74 million).

Foreign allotment certificates comprise mainly of Malta certificates of CZK 1 815 million (2014: CZK 1 188 million) and Slovakian certificates of CZK 129 million (2014: CZK 4 million).

Foreign bonds in portfolio as at 31 December 2015 comprise mainly of Slovakian company bonds of CZK 5 350 million (2014: CZK 5 076 million), Croatian company bonds of CZK 409 million (2014: CZK 514 million), Luxembourgian company bonds of CZK 359 million (2014: CZK 237 million), and bonds of Great Britain companies of CZK 194 million (2014: CZK 200 million).

No movements from level 1 to level 2 occurred in 2015 and in 2014.

The contractual weighted average interest rate on bonds was 3.06 % p.a. (2014: 1.90 % p.a.).

The contractual weighted average interest rate on promissory notes was 2.5 % p.a. (2014: 6.00 % p.a.).

In 2015, the Group has identified an impairment of financial assets available for sale amounting to CZK 32 million. Impairment resulted in permanent decrease of market price of an individual financial asset available for sale. In 2014, the impairment arose from the decrease of the share capital of the security's issuer amounting to CZK 62 million.

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

in MCZK	Shares	Bonds	Total
Balance as at 1 January 2015	150	3,895	4,045
Gains / (losses) recognised in profit or loss	(2)	(16)	(18)
Gains / (losses) recognised in equity	(1)	(35)	(36)
Addition	121	1,830	1,951
Disposal	(74)	(1,457)	(1,531)
Impairment	(32)	–	(32)
Interest income	–	(32)	(32)
Balance as at 31 December 2015	162	4,185	4,347

The Group regularly monitors changes in market conditions of particular financial assets and in case there are available quoted prices of those financial assets on the active market, those are transferred from Level 3 to Level 1. In 2015, the Group did not transfer from Level 3 to Level 1 any bonds and shares (2014: CZK 699 million, CZK 0 million).

(c) Financial assets held to maturity:

in MCZK	2015 Amortised cost	2014 Amortised cost
Bonds		
– foreign	609	1,329
Total	609	1,329

in MCZK	2015 Amortised cost	2014 Amortised cost
Bonds		
– listed	609	1,329
Total	609	1,329

in MCZK	2015 Amortised cost	2014 Amortised cost
Bonds		
– financial institutions	–	18
– corporate	609	1,311
Total	609	1,329

Foreign bonds comprise of Hungarian corporate bonds of CZK 609 million (2014: CZK 893 million).

The contractual weighted average interest rate on bonds was 5.88 % p.a. (2014: 6.14 % p.a.).

10. REPURCHASE AND RESALE AGREEMENTS

(a) Resale agreements

The Group purchases financial assets under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Legal right to financial assets is transferred to the Group, respectively entity which is a loan provider. Reverse repurchases are entered into as a facility to provide funds to customers. As of 31 December 2015 and 31 December 2014, assets purchased pursuant to the agreements to resell them were as follows:

in MCZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to banks (note 7)	33,862	32,411	To 3 months	32,415
Loans and advances to customers (note 11)	4,882	3,153	To 1 Year	3,172
Total as at 31 December 2015	38,744	35,564		35,587

in MCZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to banks (note 7)	3,690	2,299	To 3 months	2,312
Loans and advances to customers (note 11)	8,192	5,544	To 6 Months	5,759
Total as at 31 December 2014	11,882	7,843		8,071

(b) Repurchase agreements

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

in MCZK	Fair value of assets given as collateral	Carrying amount of liability	Repurchase date	Repurchase price
Loans from banks (note 19)	57	57	To 1 Month	57
Loans and advances from customers (note 20)	132	131	To 6 Months	131
Total as at 31 December 2015	189	188		188

in MCZK	Fair value of assets given as collateral	Carrying amount of liability	Repurchase date	Repurchase price
Loans from banks (note 19)	678	679	To 6 Months	679
Loans and advances from customers (note 20)	34	35	To 3 months	35
Total as at 31 December 2014	712	714		714

As at 31 December 2015, the Group sold securities under repurchase agreements at CZK 57 million (2014: CZK 639 million), which are recognized in the statement of financial position, and securities under repurchase agreements at CZK 34 million (2014: CZK 34 million) which were purchased under reverse repurchase operations before.

11. LOANS AND ADVANCES TO CUSTOMERS

in MCZK	2015	2014
Loans and advances to customers	67,481	62,790
Loans and advances to customers – repurchase agreements	3,153	5,544
Bank overdraft	4,870	3,502
Debt securities – promissory notes	534	220
Other receivables	169	121
Less allowances for impairment of loans (note 12)	(1 539)	(1 007)
Total net loans and advances to customers	74,668	71,170

Loans and advances to customers as at 31 December 2015 include loans amounting to CZK 21 586 million (2014: CZK 19 292 million) where the repayment of the loans is dependent upon the successful realization of the assets whose acquisition was financed by the relevant loans. These assets are pledged in favour of the Group. The Group classifies any loans, the repayment of which depends directly on the sale (realisation) of the financed assets (which may also serve as loan security), as loans dependent on asset realisation. The financed assets may comprise both tangible and intangible assets. The Group recognises the loans dependent on asset realisation according to the actual nature of each individual loan.

Allowances for impairment of loans and advances to customers are determined and created based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral as well as guarantees from third parties. Methodology for allowance creation is described in note 4. Critical accounting estimates and assumptions.

The amount of non-interest bearing loans as at 31 December 2015 totalled to CZK 209 million (2014: CZK 107 million). These loans were mostly acquired from the former Podnikatelská banka or loans that are after due and therefore bearing no interest. Receivables from these loans are fully impaired.

The contractual weighted average interest rate on loans to customers was 6.53 % p.a. (2014: 7.21 % p.a.).

The contractual weighted average interest rate on promissory notes was 1.08 % p.a. (2014: 6.96 % p.a.).

For the additional information about Loans and advances to customers refer to note 40.

12. ALLOWANCES FOR IMPAIRMENT OF LOANS

in MCZK	2015	2014
1 January	1,007	1,224
Charge / (reversal) in the reporting period	743	284
Use / write-offs	(143)	(476)
Transfer to IFRS 5	(58)	-
Currency difference	(10)	(25)
Total as at 31 December 2015	1,539	1,007

13. INVESTMENT PROPERTY

Investment property include building in the property of Interznanie, OAO amounting to CZK 363 million (2014: CZK 425 million). Investment fair value is determined based on the independent expert opinion, assuming expected income and valuation of similar properties that have been analysed using the relevant market parameters available at valuation date (see section 3 (f) – Investment property).

Investment property is fully insured as at 31 December 2015.

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

in MCZK	2015	2014
1 January	425	646
Change	(11)	-
Effect of movement in foreign exchange	(51)	(221)
Total as at 31 December 2015	363	425

In 2015 there was a change in the share of leased area building companies in the consolidation scope of the Group which affected the amount of investment property.

Rental income from investment property of CZK 35 million (2014: CZK 75 million) has been recognized in other operating income. Operating expenses directly attributable to investment property of CZK 5 million (2014: CZK 7 million) have been recognized in other operating expenses.

14. PROPERTY, PLANT AND EQUIPMENT

The movements during the period were as follows:

in MCZK	Land and buildings	Fixtures, fittings and equipment	Total
COST			
1 January 2014	183	86	269
Additions	4	24	28
Acquisitions through business combinations	152	18	170
Disposals	–	(4)	(4)
Effect of movement in foreign exchange	(102)	(12)	(114)
31 December 2014	237	112	349
AMORTIZATION AND IMPAIRMENT LOSSES			
1 January 2014	10	48	58
Depreciation	12	20	32
Disposals	–	(4)	(4)
Effect of movement in foreign exchange	(5)	(9)	(14)
31 December 2014	17	55	72
COST			
1 January 2015	237	112	349
Additions	132	16	148
Transfer to IFRS 5	(46)	(7)	(53)
Disposals	–	(2)	(2)
Effect of movement in foreign exchange	(18)	(2)	(20)
31 December 2015	305	117	422
AMORTIZATION AND IMPAIRMENT LOSSES			
1 January 2015	17	55	72
Depreciation	7	15	22
Transfer to IFRS 5	–	(4)	(4)
Effect of movement in foreign exchange	(2)	(3)	(5)
31 December 2015	22	63	85
NET BOOK VALUE			
31 December 2014	220	57	277
31 December 2015	283	54	337

Property is insured against theft and natural disaster.

The acquisitions through business combinations are represented by the property owned by the newly acquired subsidiary. In 2015, there was no effect from acquisitions (2014: Vaba d.d. banka Varaždin).

15. INTANGIBLE ASSETS AND GOODWILL

The movements during the period were as follows:

in MCZK	Software	Other intangible assets	Goodwill	Assets under construction	Total
COST					
1 January 2014	242	130	571	56	999
Additions	54	–	–	2	56
Transfer	55	–	–	(55)	–
Acquisitions through business combinations	–	2	5	24	31
Disposals	(1)	–	–	–	(1)
Effect of movement in foreign exchange	(3)	–	(140)	–	(143)
31 December 2014	347	132	436	27	942
AMORTIZATION AND IMPAIRMENT LOSSES					
1 January 2014	192	71	166	–	429
Amortisation	41	17	–	–	58
Impairment	–	–	290	–	290
Disposals	(1)	–	–	–	(1)
Effect of movement in foreign exchange	(2)	–	(115)	–	(117)
31 December 2014	230	88	341	–	659
COST					
1 January 2015	347	132	436	27	942
Additions	51	1	–	3	55
Transfer to IFRS 5	43	–	(74)	(49)	(80)
Disposals	(6)	–	–	–	(6)
Effect of movement in foreign exchange	(2)	1	(20)	–	(21)
31 December 2015	433	134	342	(19)	890
AMORTIZATION AND IMPAIRMENT LOSSES					
1 January 2015	230	88	341	–	659
Amortisation	63	17	–	–	80
Transfer to IFRS 5	(4)	–	(74)	–	(78)
Impairment	–	–	65	–	65
Disposals	(2)	–	–	–	(2)
Effect of movement in foreign exchange	(2)	1	(20)	–	(21)
31 December 2015	285	106	312	–	703
NET BOOK VALUE					
31 December 2014	117	44	95	27	283
31 December 2015	148	28	30	(19)	187

There was no increase in goodwill in 2015 (2014: Vaba d.d. banka Varaždin CZK 5 million), (see the note 48).

Based on the impairment testing, a loss in respect of goodwill allocated to the cash generating unit was recognized at the subsidiary ATLANTIK finanční trhy, a.s. amounting to CZK 65 million (2014: CZK 50 million) and at Interznanie, OAO cash generating unit amounting to CZK 0 million (2014: CZK 240 million).

16. OPERATING LEASES

(a) Leases entered into as lessee

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

in MCZK	2015	2014
Less than one year	114	92
Between one and five years	350	315
More than five years	38	100
Total	502	507

(b) Leases entered into as lessor

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

in MCZK	2015	2014
Less than one year	36	74
Between one and five years	44	181
Total	80	255

17. PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

in MCZK	2015	2014
Prepayments and accrued income	81	104
Receivables from customers from securities trading	539	239
Other trading receivables	343	348
Receivables from fees for portfolio management	32	23
Other receivables	63	169
Advance payments – other	30	20
Allowances for impairment of other assets	[4]	[4]
Total	1,084	899

Other trading receivables as at 31 December 2015 include fees for the issue of bonds and promissory notes of CZK 57 million (2014: CZK 261 million) and large number of sundry items that are not significant on an individual basis.

Allowances for impairment of other assets:

in MCZK	2015	2014
1 January	4	8
Charged / (reversed) in the period	10	1
Use / write-offs	(1)	(5)
Transfer to IFRS 5	(9)	–
Total as at 31 December 2015	4	4

18. DISPOSAL GROUPS HELD FOR SALE

The disposal group consists principally of companies which are intended to be sold or contributed in-kind as part of the Group's on-going reorganisation plan in 2016.

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

in MCZK	2015 J&T Bank, a.o.	2015 J&T Ostravice Active Life UPF	2015 Other	2015 Total
Assets associated with assets held for sale	4,809	107	46	4,962
Liabilities associated with assets held for sale	2,961	–	–	2,961
Net amount of disposal group held for sale	1,848	107	46	2,001

in MCZK	2014 J&T Ostravice Active Life UPF	2014 Total
Assets associated with assets held for sale	130	130
Liabilities associated with assets held for sale	–	–
Net amount of disposal group held for sale	130	130

The net profit structure of the disposal group held for sale for the year ended as at 31 December 2015 is presented by the company J&T Bank, a.o. The structure is as follows:

in MCZK	2015
Interest income	464
Interest expense	(268)
Net interest income	196
Fee and commission income	27
Fee and commission expense	(4)
Net fee and commission income	23
Net trading income	828
Other operating income	(1)
Operating income	1,046
Personnel expenses	(77)
Other operating expenses	(48)
Depreciation and amortisation	(2)
Operating expenses	(127)
Profit before provisions, allowances and income tax expenses	920
Net change in provisions from financial activities	(1)
Net change in allowances for impairment of loans	(83)
Profit before tax, excluding profit from equity accounted investees	835
Profit before tax	835
Income tax expenses	(48)
Profit for the period	787
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS	
Net cash flows from (used in) operating activities	(1,018)
Net cash flows from (used in) investing activities	(431)
Net cash flows from (used in) financing activities	1,971
Net cash flows from (used in) discontinued operations	522

19. DEPOSITS AND LOANS FROM BANKS

Deposits and loans from banks comprise:

in MCZK	2015	2014
Deposits from banks	4,202	3,937
Loans from banks – repurchase agreements	57	679
Tota	4,259	4,616

The contractual weighted average interest rate on deposits and loans from banks was 0.73 % p.a. as at 31 December 2015 (2014: 0.91 % p.a.).

20. DEPOSITS FROM CUSTOMERS

Deposits from customers comprise:

in MCZK	2015	2014
Current accounts	40,533	11,009
Term deposits	81,073	95,814
Depository notes	–	32
Loans from customers – repurchase agreements	131	35
Other	75	56
Total	121,812	106,946

The contractual weighted average interest rate on deposits from customers was 1.73 % p.a. as at 31 December 2015 (2014: 2.43 % p.a.).

21. SUBORDINATED DEBT

Subordinated debt at amortised cost:

in MCZK	2015	2014
Issued subordinated bonds	674	690
Subordinated debt – term deposit from customers	1,375	1,218
Total	2,049	1,908

On 28 February 2007, the Bank issued subordinated bonds with a notional amount of EUR 25 million maturing in 2022. The interest rate was 4.75 % p.a. as at 31 December 2015 (2014: 5.17 % p.a.).

The subordinated debt – term deposit from customers with a maturity up to 2024 bear an interest rate between 5 % and 8 % p.a.

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

22. OTHER LIABILITIES AND PROVISIONS

Other liabilities and provisions:

in MCZK	2015	2014
Trade payables	141	161
Other liabilities	654	130
Provision for employee bonuses	529	418
Provision for off-balance sheet items	74	51
Provision for loyalty programmes – customers	120	88
Provision for loyalty programmes – employees	2	3
Other current provisions	33	18
Payables to employees	30	29
Payables related to social costs	14	14
Payables from securities of clients at trader's disposal	4,824	2,709
Estimated payables, accruals and deferred income	183	175
Other tax liabilities	65	51
Total	6,669	3,847

Other liabilities primarily include payables from clearing of CZK 10 million (2014: CZK 26 million), liabilities to securities markets CZK 377 million (2014: CZK 0 million) and incoming and outgoing payments from nostro accounts of CZK 8 million (2014: CZK 3 million).

A provision for employee bonuses is established in relation to the approval of Group employees' annual bonuses. The annual bonus is defined as variable benefit component of employee remuneration which the company may grant and pay to an employee in proportion to his job performance in the evaluated period, most commonly a year. It also comprises the management bonuses with deferred due payment. The Group's remuneration policy is in accordance with the policies of risk management and remuneration in accordance with Decree 163/2014 Coll., on the performance of the activities of banks, credit unions and investment firms.

The loyalty programme (Magnus) has been established to provide non-monetary performances to employees in relation to the employment and similar relationships, and bonuses and to customers when they sign up for any of selected Group products. Since the performance is provided for an unlimited period of time and the withdrawals can be made continuously, the provision for loyalty programme is a long-term one. The Group establishes a provision for loyalty programme for bonuses to customers of CZK 120 million (2014: CZK 88 million) and to employees of CZK 2 million (2014: CZK 3 million).

A provision for off-balance sheet items comprises in particular the provision for the loan promises and guarantees of CZK 74 million (2014: CZK 51 million).

As at 31 December 2015, other provisions amounted to CZK 33 million (2014: CZK 18 million). It is expected that these provisions will be utilised after 12 or more months after the balance sheet date. These provisions include in particular a provision for unpaid premium interest from municipal deposits and a provision for commission fees in respect of the bond emission.

Provisions:

in MCZK	Balance as at 1.1.2015	Additions / Creations	Use	Foreign exchange difference	Balance as at 31.12.2015
Employee bonuses	418	440	(327)	(2)	529
Off-balance sheet items	51	40	(15)	(2)	74
Loyalty programmes – customers	88	32	–	–	120
Loyalty programmes – employees	3	2	(3)	–	2
Other current provisions	18	22	(7)	–	33
Total	578	536	(352)	(4)	758

23. SHARE CAPITAL, RETAINED EARNINGS, CAPITAL FUNDS AND OTHER RESERVES

On November 10, 2015 the J&T Bank's sole shareholder J&T FINANCE GROUP SE increased share capital of the Bank by subscription of new shares totaling CZK 1 080 million.

Share capital is fully paid and consists of:

in MCZK	2015
10 637 126 ordinary shares with a nominal value of CZK 1 000 per share	10,637
700 000 ordinary shares with a nominal value of CZK 1.43 per share	1
Total share capital	10,638

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

The allocation of the profit will be approved at the General Meeting. The Group's Management assumes that the profit will not be paid as a dividend to shareholders.

Retained earnings

Retained earnings are distributable to the Group's shareholders and are subject to the shareholders meeting resolution. As at 31 December 2015, retained earnings amounted to CZK 5 159 million (2014: CZK 4 432 million). For detail of retained earnings refer to Consolidated statement of changes in equity.

Capital funds

Capital funds consist of a special purpose fund for income distribution from subordinated income certificates and other non-distributable capital funds.

For details related to the special purpose fund refer to last paragraph in Other capital instruments.

According to a new Czech legal framework which does not require maintaining the statutory reserve fund any longer, and policy of the Group, the amount recognized as statutory reserve fund was transferred to other capital funds reported as a part of retained earnings.

The other non-distributable capital funds amounted to CZK 16 million as at 31 December 2015 (2014: CZK 83 million).

Translation and revaluation reserve

Translation and revaluation reserve comprise the items arisen from the following:

- changes in the fair value of financial assets available for sale;
- all foreign exchange difference arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

The sum of translation and revaluation reserve was negative as at 31 December 2015 amounting to CZK 1 425 million (2014: CZK 535 million).

Other capital instruments

Other capital instruments comprise issued subordinated unsecured revenue certificates with fixed interest revenue subject to approval of, with no fixed maturity date. The certificates are hybrid financial instruments combining the economic features of capital and debt securities. These certificates are also considered capital instruments compliant with the conditions for the inclusion thereof into the additional Tier 1 capital (AT1). This inclusion is subject to the approval by the Czech National Bank.

On 19 June 2014, the Czech National Bank approved the prospectus of revenue certificate emission of total estimated value of CZK 1 000 million with expected revenue of 10 % p.a.

On 12 September 2015, the Czech National Bank approved the prospectus of second revenue certificate emission of total estimated value of CZK 1 000 million with expected revenue of 9 % p.a.

On 11 December 2015, the Czech National Bank approved the prospectus of third revenue certificate emission of total estimated value of EUR 50 million with expected revenue of 9 % p.a.

As at 31 December 2015, the volume of outstanding certificated reached CZK 1 742 million (2014: CZK 899 million).

On 30 June 2014, the Bank's Board of Directors also approved the establishment of a purpose-built capital fund for the payment of revenue from certificates of CZK 100 million. This fund was created from retained earnings. In 2015, another CZK 100 million was transferred to this fund from the 2014 profit. The payment of revenue from certificates is governed by the conditions defined in the prospectus. In 2015, revenue of CZK 108 million (2014: CZK 20 million) was paid out from the fund.

24. NON-CONTROLLING INTEREST

in MCZK	2015	2014
J&T Bank, a.o.	1	2
Interznanie, OAO	[4]	[7]
TERCES MANAGEMENT LIMITED	6	6
J&T REALITY, o.p.f.	610	640
Vaba d.d. banka Varaždin	119	173
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	11	12
Total	743	826

The following table provides information on companies from the consolidation Group that have a significant non-controlling interest.

31. 12. 2015

in MCZK	J&T REALITY, o.p.f.	Vaba d.d. banka Varaždin
Non-controlling interest	46.92 %	23.19 %
Assets	1,303	5,941
Liabilities	3	5,205
Net assets	1,300	736
Carrying amount of non-controlling interest	610	119
Income	92	313
Profit for the period	[65]	[193]
Total profit for the period	[65]	[193]
Profit for the period attributable to non-controlling interest	[30]	[60]
Cash flows from operating activities	44	274
Cash flows from financing activities	–	[106]
Cash flows from investing activities	–	–
Net increase in cash and cash equivalents	44	168

31. 12. 2014

in MCZK	J&T REALITY, o.p.f.	Vaba d.d. banka Varaždin
Non-controlling interest	46.92%	41.67%
Assets	1,401	4,841
Liabilities	37	4,407
Net assets	1,364	435
Carrying amount of non-controlling interest	640	173
Income	91	166
Profit for the period	62	(37)
Total profit for the period	62	(37)
Profit for the period attributable to non-controlling interest	29	(14)
Cash flows from operating activities	(244)	7
Cash flows from financing activities	–	26
Cash flows from investing activities	219	–
Net increase in cash and cash equivalents	(25)	33

25. INCOME TAX

Income tax was calculated in accordance with Czech tax regulations at the rate of 19% in 2015 (2014: 19%). The income tax rate for 2016 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax law. The tax paid by the branch in Slovakia is offset against the income tax for the Bank as a whole paid in the Czech Republic. The income tax rate in Slovakia for 2015 is 22% (2014: 22%). As from 1 January 2016 the tax rate in Slovakia is 22%.

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

Effects of different tax rates of subsidiaries are taken into account when calculating income tax in total and are represented by row "Effect of tax rates in foreign jurisdictions". The income tax rate in Russia for 2015 is 20% (2014: 20%). The income tax rate in Croatia for 2015 is 20% (2014: 20%).

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

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

in MCZK	2015	2014
Profit before tax	1,376	1,723
Tax non-deductible expenses	1,731	1,201
Non-taxable revenues and tax refund for the last period	(1,704)	(955)
Statutory income tax rate	19%	19%
Income tax expenses	(267)	(374)
Effect of tax rates in foreign jurisdictions	(6)	(7)
Income tax expenses Total	(261)	(381)
of which:		
Deferred tax (expense) / revenue	35	19
Current tax (expense)	(296)	(400)
Effective tax rate	19 %	22,1 %

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

26. DEFERRED TAX

The Group has the following deferred tax assets and liabilities:

in MCZK	2015	2014
DEFERRED TAX ASSET / (LIABILITY)		
Property, plant and equipment	(7)	(4)
Unpaid interest, net	-	(1)
Financial assets at fair value through profit or loss	-	7
Financial assets available for sale	(14)	(19)
Investment property	(64)	(80)
Tax losses	-	4
Other temporary differences	118	84
Net deferred tax asset / (liability)	33	(9)

The deferred tax asset and liability is calculated using the 2016 income tax rate of 19 %, for J&T Bank, a.o. 20 %, Vaba d.d. banka Varaždin 20 % and for J&T Banka Slovak Branch 22 % (2015: 19 %, 20 %, 20 % and 22 %).

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax liabilities in 2015.

in MCZK	2015	2014
Deferred tax liability, net as at 1 January	(9)	(98)
Incoming from business combination	–	4
Deferred tax expense in the period (see note 25)	35	19
Deferred tax recognized in equity	(6)	16
Currency difference	10	50
Transfer to IFRS 5	3	–
Net deferred tax asset / (liability)	33	(9)

The following table shows the net deferred tax by company as at 31 December 2015:

in MCZK	Asset	Liability	Net
DEFERRED TAX			
J&T BANKA, a.s. (parent company)	88	–	88
ATLANTIK finanční trhy, a.s.	–	(2)	(2)
Interznanie OAO	–	(64)	(64)
Vaba d.d. banka Varaždin	11	–	11
Net deferred tax asset / (liability)	99	(66)	33

The following table shows the net deferred tax by company as at 31 December 2014:

in MCZK	Asset	Liability	Net
DEFERRED TAX			
J & T BANKA, a.s. (parent company)	70	–	70
J&T INVESTIČNÍ SPOLEČNOST, a.s.	–	(1)	(1)
ATLANTIK finanční trhy, a.s.	–	(3)	(3)
Interznanie, OAO	–	(80)	(80)
J&T Bank, a.o.	–	(7)	(7)
Vaba d.d. banka Varaždin	12	–	12
Net deferred tax asset liability	82	(91)	(9)

27. INTEREST INCOME

in MCZK	2015	2014
Interest income from:		
Due from financial institutions	16	42
Loans and advances to customers	4,785	4,541
Repo transactions	310	287
Bonds and other fixed income securities	558	905
Other operations	20	21
Total	5,689	5,796

Item "Loans and advances to customers" includes commissions for origination of loans of CZK 50 million (2014: CZK 48 million), which are part of effective interest rate.

Interest income according to classes of assets:

in MCZK	2015	2014
Interest income from:		
Financial assets at fair value through profit or loss:		
– those held for trading	226	215
– those designated at initial recognition	1	141
Financial assets available for sale	271	482
Financial assets held to maturity	80	89
Loans and other receivables	5,111	4,869
– of which: Impaired loans and receivables	287	67
– of which: Forbearance	160	142
Total	5,689	5,796

28. INTEREST EXPENSE

in MCZK	2015	2014
Interest expense on:		
Deposits and loans from banks	(30)	(51)
Deposits from customers	(2,513)	(2,769)
Repo transactions	(3)	(2)
Subordinated bonds and promissory notes	(36)	(39)
Other operations	(19)	(24)
Total	(2,601)	(2,885)

Interest expense according to classes of liabilities:

in MCZK	2015	2014
Interest expense on:		
Financial liabilities at amortised cost	(2,582)	(2,861)
Financial liabilities at fair value through profit or loss	(19)	(24)
Total	(2,601)	(2,885)

29. FEE AND COMMISSION INCOME

in MCZK	2015	2014
Fee and commission income from:		
Securities and derivatives for customers	680	616
Loan activities	54	67
Payment transactions	47	94
Other	12	20
Total	793	797

30. FEE AND COMMISSION EXPENSE

in MCZK	2015	2014
Fee and commission expense on:		
Transactions with securities	(151)	(124)
Payment transactions	(19)	(20)
Other	(18)	(11)
Total	(188)	(155)

31. NET TRADING INCOME

in MCZK	2015	2014
Realised and unrealised losses on financial instruments at fair value	219	296
Net gains / (losses) on derivative operations	(454)	(1,079)
Realised and unrealised gains (losses) from receivables	-	(1)
Net profit / (loss) from foreign currency translation	406	943
Net gains / (losses) on hedging derivative operations	(1)	(1)
Dividend income	26	1
Total net trading income	196	159

Net trading income comprises of:

in MCZK	2015	2014
Financial assets and liabilities at fair value through profit or loss:		
– those held for trading	(329)	(1,005)
– those designated at initial recognition	–	22
Financial assets available for sale	119	200
Profit or loss from loans and other receivables	–	(1)
Exchange rate differences	406	943
Total	196	159

32. OTHER OPERATING INCOME

in MCZK	2015	2014
Rental income from investment property	35	75
Rental income	1	–
Profit from transfer of FI with control and significant influence	78	–
Revenues from services and consulting	66	68
Income from rendered operating leases	25	17
Income from re-invoicing of services	5	4
Other income	93	86
Total	303	250

Other income of CZK 93 million at 31 December 2015 (2014: CZK 86 million) includes a large number of sundry items that are not significant on an individual basis.

33. PERSONNEL EXPENSES

in MCZK	2015	2014
Wages and salaries	(668)	(609)
Directors' and Supervisory Board members' remuneration and wages	(34)	(30)
Compulsory soc. security contributions	(145)	(135)
Other social costs	(20)	(19)
Total personnel expenses	(867)	(793)
Average number of employees during the reporting period	689	688

There were 24 members of the Group's Board of Directors at 31 December 2015 (2014: 24).

34. OTHER OPERATING EXPENSES

in MCZK	2015	2014
Rent expense	(139)	(129)
Contributions to Deposit Insurance Fund	(177)	(150)
Taxes and fees	(64)	(97)
OPERATING COSTS:		
Consulting expenses	(27)	(18)
Communication expenses	(23)	(18)
Materials	(17)	(27)
Advertising expenses and representation	(161)	(181)
Audit, legal and tax consulting	(50)	(41)
Transport and accommodation, travel expenses	(19)	(16)
Expenses from re-invoicing	(5)	(4)
Repairs and maintenance – IS, IT	(45)	(39)
Sponsoring and gifts	(24)	(16)
Services related to rent	(37)	(33)
Outsourcing	(178)	(138)
Expenses related to investment property	(5)	(7)
Other operating costs	(234)	(202)
Total	(1,203)	(1,116)

Other operating costs of CZK 234 million at 31 December 2015 (2014: CZK 202 million) include a large number of sundry items that are not significant on an individual basis.

Taxes and fees include a special bank levy to the Slovak Tax Authority. This levy does not fall within the scope of IAS 12 Income Taxes. The Group considers the levy to be operational in nature and has accrued the respective cost within "Other operating expenses".

35. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS FOR PURPOSES OF STATEMENT OF CASH FLOWS

in MCZK	Cash and balances with central banks	Term deposits in central banks up to 3 months	Loans to central banks – repurchase agreements	Loans to banks – repurchase agreements	Current bank accounts or up to 3 months	Total
31 December 2013	264	7,855	–	–	2,492	10,611
Change in 2014	511	3,108	–	2,299	1,241	7,159
31 December 2014	775	10,963	–	2,299	3,733	17,770
Change in 2015	(300)	6,187	30,000	112	(2 102)	33,897
31 December 2015	475	17,150	30,000	2,411	1,631	51,667

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

36. FINANCIAL COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies comprise:

in MCZK	2015	2014
Granted guarantees	3,258	2,657
Unused credit lines	6,107	5,141
Securities held on behalf of clients	40,330	27,427
Total	49,695	35,225

37. SEGMENT REPORTING

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

(a) Business segments

The Group comprises the following main business segments:

- Financial markets
 - Includes the trading and corporate finance activities, mainly activities within financial markets department regardless of level of service and client business segment;
- Corporate Banking
 - Includes loans, deposits and other transactions and balances with corporate customers (including business segment: corporations, non-profit organisations, financial institutions);
- Private Banking
 - Includes loans, deposits and other transactions and balances with private banking and premium banking customers (the customer's aggregate sum of deposits with the Bank is at least CZK 3 million);
- Retail Banking
 - Includes loans, deposits and other transactions and balances with retail customers (the customer's aggregate sum of deposits with the Bank is at least CZK 500 thousand);
- ALCO
 - Includes balance sheet items of strategic importance that are managed by the Asset and Liability Committee;
- Unallocated
 - Includes balance sheet items that are not included in the segments above.

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

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

- Financial assets available for sale and held to maturity
- Due from financial institutions
- Deposits and loans from banks
- Cash and balances with central banks

Personnel costs, operating expenses and depreciation charges that are not allocated to business segments are included in the segment "Unallocated".

Consolidated statement of financial position as at 31 December 2015:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Cash and balances with central banks	–	–	–	–	19,724	–	19,724
Due from financial institutions	–	2,411	–	–	31,968	–	34,379
Positive fair value of derivatives, financial assets	2,897	–	–	–	16,053	–	18,950
Investment in equity accounted investees	–	–	–	–	35	–	35
Investment property	–	–	–	–	–	363	363
Loans and advances to customers	6,949	58,774	8,318	627	–	–	74,668
Current tax assets	–	–	–	–	–	63	63
Deferred tax assets	–	–	–	–	–	99	99
Property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	–	–	–	–	–	1,608	1,608
Disposal groups held for sale	–	–	–	–	4,962	–	4,962
Total Assets	9,846	61,185	8,318	627	72,742	2,133	154,851
Negative fair value of derivatives	84	–	–	–	1	–	85
Deposits and loans from banks	–	–	–	–	4,259	–	4,259
Deposits from customers	104	42,987	23,122	55,599	–	–	121,812
Subordinated debt	–	1,104	508	437	–	–	2,049
Current tax liability	–	–	–	–	–	5	5
Deferred tax liability	–	–	–	–	–	66	66
Other liabilities and provisions	–	–	–	–	–	6,669	6,669
Disposal groups held for sale	–	–	–	–	2,961	–	2,961
Total Liabilities	188	44,091	23,630	56,036	7,221	6,740	137,906

Consolidated statement of financial position as at 31 December 2014:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Cash and balances with central banks	-	-	-	-	13,339	-	13,339
Due from financial institutions	-	2,299	-	-	4,865	-	7,164
Positive fair value of derivatives, financial assets	9,438	-	-	-	23,442	-	32,880
Investment in equity accounted investees	-	-	-	-	7,150	-	7,150
Investment property	-	-	-	-	-	425	425
Loans and advances to customers	8,675	51,807	9,756	932	-	-	71,170
Current tax assets	-	-	-	-	-	2	2
Deferred tax assets	-	-	-	-	-	82	82
Property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	-	-	-	-	-	1,459	1,459
Disposal groups held for sale	-	-	-	-	130	-	130
Total Assets	18,113	54,106	9,756	932	48,926	1,968	133,801
Negative fair value of derivatives	320	-	-	-	602	-	922
Deposits and loans from banks	-	-	-	-	4,616	-	4,616
Deposits from customers	19	39,697	20,247	46,983	-	-	106,946
Subordinated debt	-	1,125	439	344	-	-	1,908
Current tax liability	-	-	-	-	-	128	128
Deferred tax liability	-	-	-	-	-	91	91
Other liabilities and provisions	-	-	-	-	-	3,847	3,847
Disposal groups held for sale	-	-	-	-	-	-	-
Total Liabilities	339	40,822	20,686	47,327	5,218	4,066	118,458

Consolidated statement of comprehensive income for the period ended 31 December 2015:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Net interest income	237	1,752	629	339	124	7	3,088
Fee and commission income	687	88	4	13	1	–	793
Fee and commission expense	(156)	(28)	–	(4)	–	–	(188)
Dividends from financial assets available for sale	–	–	–	–	14	–	14
Impairment of assets available for sale	(32)	–	–	–	–	–	(32)
Net trading income / [expense]	256	(60)	–	–	–	–	196
Other operating income	67	61	–	2	–	173	303
Operating income	1,059	1,813	633	350	139	180	4,174
Personnel expenses	(129)	(57)	(142)	(48)	–	(491)	(867)
Other operating expenses	(85)	(35)	(28)	(47)	–	(1,008)	(1,203)
Depreciation and amortisation	(10)	(4)	(1)	(5)	–	(82)	(102)
Goodwill impairment	(65)	–	–	–	–	–	(65)
Profit before provisions, allowances and income taxes	770	1,717	462	250	139	(1,401)	1,937
Net change in provisions from financial activities	–	(23)	–	–	–	–	(23)
Net change in allowances for impairment of loans	–	(706)	(6)	(19)	–	–	(731)
Profit before tax, excluding profit from equity accounted investees	770	988	456	231	139	(1,401)	1,183
Profit/(loss) from equity accounted investees	(1)	–	–	–	–	168	167
Profit before tax	769	988	456	231	139	(1,233)	1,350
Income tax expenses	(135)	(175)	(81)	(65)	(39)	234	(261)
Continuing operations	634	813	375	166	100	(999)	1,089
Discontinued operations	57	195	–	(121)	776	(120)	787
Profit for the period	691	1,008	375	45	876	(1,119)	1,876

The values disclosed are net of inter-segment transactions and are submitted to the executive manager as such.

When assessing the performance of the segment and issuing the decision about the funds which should be allocated to the segment, the executive manager decided that unallocated operating expenses need not be re-allocated to individual segments.

Consolidated statement of comprehensive income for the period ended 31 December 2014:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Net interest income	165	1,516	501	198	511	20	2,911
Fee and commission income	666	111	5	9	6	–	797
Fee and commission expense	(127)	(24)	–	(3)	(1)	–	(155)
Dividends from financial assets available for sale	–	–	–	–	75	–	75
Impairment of assets available for sale	–	–	–	–	(62)	–	(62)
Net trading income / (expense)	189	(30)	–	–	–	–	159
Other operating income	72	92	–	1	–	85	250
Operating income	965	1,665	506	205	529	105	3,975
Personnel expenses	(106)	(110)	(101)	(33)	–	(443)	(793)
Other operating expenses	(74)	(67)	(31)	(53)	–	(891)	(1,116)
Depreciation and amortisation	(11)	(16)	(1)	(2)	–	(60)	(90)
Goodwill impairment	(50)	(240)	–	–	–	–	(290)
Profit before provisions, allowances and income tax expenses	724	1,232	373	117	529	(1,289)	1,686
Net change in provisions from financial activities	–	(19)	–	–	–	–	(19)
Net change in allowances for impairment of loans	–	(227)	(50)	(7)	–	–	(284)
Profit before tax, excluding profit from equity accounted investees	724	986	323	110	529	(1,289)	1,383
Profit/(loss) from equity accounted investees	–	–	–	–	–	340	340
Profit before tax	724	986	323	110	529	(949)	1,723
Income tax expenses	(159)	(254)	(80)	(59)	(123)	294	(381)
Continuing operations	565	732	243	51	406	(655)	1,342
Discontinued operations	–	–	–	–	–	–	–
Profit for the period	565	732	243	51	406	(655)	1,342

(b) Geographical segments

In presenting information on the basis of geographical areas, revenue is based on the customer's country of domicile and assets/liabilities are based on the geographical location of the assets/liabilities. More details about splitting the credit risk for loans according to the actual loan purpose and location are comprised in note 40d.

Consolidated statement of financial position as at 31 December 2015:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Cash and balances with central banks	18,715	308	701	–	19,724
Due from financial institutions	30,581	285	1,099	2,414	34,379
Fair value of derivatives, financial assets	9,014	5,303	4,485	148	18,950
Investment in equity accounted investees	11	–	1	23	35
Loans and advances to customers	13,162	19,569	38,544	3,393	74,668
Current tax assets	93	(30)	–	–	63
Deferred tax assets	64	25	10	–	99
Investment property	–	–	–	363	363
Property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	1,046	112	368	82	1,608
Disposal groups held for sale	108	–	46	4,808	4,962
Total Assets	72,794	25,572	45,254	11,231	154,851
Negative fair value of derivatives	18	20	43	4	85
Deposits and Loans from banks	819	2,112	293	1,035	4,259
Deposits from customers	78,500	26,538	13,095	3,679	121,812
Subordinated debt	999	319	707	24	2,049
Current tax liability	5	–	–	–	5
Deferred tax liability	2	–	–	64	66
Other liabilities and provisions	3,135	633	2,674	227	6,669
Disposal groups held for sale	–	–	–	2,961	2,961
Total Liabilities	83,478	29,622	16,812	7,994	137,906

Consolidated statement of financial position as at 31 December 2014:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Cash and balances with central banks	12,235	94	692	318	13,339
Due from financial institutions	1,175	505	2,530	2,954	7,164
Fair value of derivatives, financial assets	21,637	5,691	4,612	940	32,880
Investment in equity accounted investees	–	7,096	10	44	7,150
Loans and advances to customers	16,382	12,655	38,897	3,236	71,170
Current tax assets	–	–	–	2	2
Deferred tax assets	43	27	12	–	82
Investment property	–	–	–	425	425
Property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	754	122	482	101	1,459
Disposal groups held for sale	108	–	–	22	130
Total Assets	52,334	26,190	47,235	8,042	133,801
Negative fair value of derivatives	157	20	745	–	922
Deposits and Loans from banks	1,259	2,217	1,140	–	4,616
Deposits from customers	70,907	25,544	7,394	3,101	106,946
Subordinated debt	881	326	706	(5)	1,908
Current tax liability	125	3	–	–	128
Deferred tax liability	5	–	–	86	91
Other liabilities and provisions	2,094	658	847	248	3,847
Total Liabilities	75,428	28,768	10,832	3,430	118,458

Consolidated statement of comprehensive income for the year ended 31 December 2015:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Interest income	1,644	1,259	2,654	132	5,689
Interest expense	(1,824)	(546)	(224)	(7)	(2,601)
Net interest income	(180)	713	2,430	125	3,088
Fee and commission income	356	199	224	14	793
Fee and commission expense	(157)	(22)	(7)	(2)	(188)
Dividends from financial assets available for sale	11	–	–	3	14
Impairment of assets available for sale	(32)	–	–	–	(32)
Net trading income / (expense)	219	(121)	364	(266)	196
Other operating income	118	96	28	61	303
Operating income	335	865	3,039	(65)	4,174
Personnel expenses	(497)	(280)	(84)	(6)	(867)
Other operating expenses	(613)	(428)	(133)	(29)	(1,203)
Depreciation and amortisation	(81)	(3)	(14)	(4)	(102)
Goodwill impairment	(65)	–	–	–	(65)
Profit before provisions, allowances and income taxes	(921)	154	2,808	(104)	1,937
Net change in provisions from financial activities	(23)	–	–	–	(23)
Net change in allowances for impairment of loans	(280)	(289)	(162)	–	(731)
Profit before tax, excluding profit from equity accounted investees	(1,224)	(135)	2,646	(104)	1,183
Profit/(loss) from equity accounted investees	(1)	199	–	(31)	167
Profit before tax	(1,225)	64	2,646	(135)	1,350
Income tax expenses	(139)	(120)	(1)	(1)	(261)
Continuing operations	(1,364)	(56)	2,645	(136)	1,089
Discontinued operations	–	–	–	787	787
Profit for the period	(1,364)	(56)	2,645	651	1,876

Consolidated statement of comprehensive income for the year ended 31 December 2014:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Interest income	1,573	1,084	2,627	512	5,796
Interest expense	(1,837)	(641)	(144)	(263)	(2,885)
Net interest income	[264]	443	2,483	249	2,911
Fee and commission income	334	135	294	34	797
Fee and commission expense	(117)	(26)	(6)	(6)	(155)
Dividends from financial assets available for sale	64	–	11	–	75
Impairment of assets available for sale	(62)	–	–	–	(62)
Net trading income / (expense)	954	(96)	(599)	(100)	159
Other operating income	152	3	3	92	250
Operating income	1,061	459	2,186	269	3,975
Personnel expenses	(516)	(154)	(47)	(76)	(793)
Other operating expenses	(691)	(320)	(39)	(66)	(1,116)
Depreciation and amortisation	(65)	(2)	(6)	(17)	(90)
Goodwill impairment	(50)	–	–	(240)	(290)
Profit before provisions, allowances and income taxes	[261]	[17]	2,094	[130]	1,686
Net change in provisions from financial activities	(19)	–	–	–	(19)
Net change in allowances for impairment of loans	(108)	(151)	(7)	(18)	(284)
Profit before tax, excluding profit from equity accounted investees	[388]	[168]	2,087	[148]	1,383
Profit/(loss) from equity accounted investees	–	(359)	–	(19)	340
Profit before tax	[388]	191	2,087	[167]	1,723
Income tax expenses	(263)	(96)	–	(22)	(381)
Continuing operations	[651]	95	2,087	[189]	1,342
Discontinued operations	–	–	–	–	–
Profit for the period	[651]	95	2,087	[189]	1,342

38. RELATED PARTIES – GENERAL

The outstanding balances and transactions with related parties of the Group are with general related parties as presented in the following tables. All transactions with such entities took place under standard market conditions.

The related parties are sorted in the following categories:

- I) Parent. This category includes J&T FINANCE GROUP SE and its majority owners Jozef Tkáč and Ivan Jakabovič.
- II) Subsidiaries. This category includes subsidiaries of J&T FINANCE GROUP SE which are included in its consolidated financial statements by reason of majority ownership.
- III) Associates and joint ventures. This category includes associates and joint ventures of the Group.
- IV) Key management personnel of the entity or its parent. This category includes related parties which are connected through key management personnel of the Group or its parent.

in MCZK	I.	II.	III.	IV.	Total
BALANCE SHEET ITEMS AS AT 31.12.2015					
Receivables	11	920	14	7,554	8,498
Payables	1,182	2,404	–	391	3,977
Granted guarantees	–	7	–	2	9
Received guarantees	862	415	–	262	1,539
Provided loan commitments	7	37	–	28	72
Received collateral	–	73	–	442	515
PROFIT / LOSS ITEMS FOR PERIOD ENDED 31.12.2015					
Expenses	(155)	(252)	(100)	(88)	(595)
Income	116	161	145	762	1,184

in MCZK	I.	II.	III.	IV.	Total
BALANCE SHEET ITEMS AS AT 31.12.2014					
Receivables	4	1,078	500	8,791	10,373
Payables	619	1,134	1,243	762	3,758
Granted guarantees	2	10	–	4	16
Received guarantees	859	524	–	599	1,982
Provided loan commitments	174	59	–	20	253
Received collateral	–	98	–	489	587
PROFIT / LOSS ITEMS FOR PERIOD ENDED 31.12.2014					
Expenses	(73)	(219)	(129)	(26)	(447)
Income	30	197	132	579	938

Receivables from members of the Board of Directors and the Supervisory Board

in MCZK	2015	2014
Provided loans	24	27

Loans to employees of the Group as at 31 December 2015 amounted to CZK 114 [2014: CZK 93 million]. The loans provided to the Board of Directors and Supervisory Board were provided under standard market conditions.

39. RISK MANAGEMENT POLICIES AND DISCLOSURES

The strategy, main goals and processes

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

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

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

- In terms of that, risks are monitored, assessed and eventually limited, at least as strictly as required by Czech National Bank. The internal limits are being reconsidered regularly and in case of significant changes of market conditions to ensure their compliance with both the overall group's strategy and market and credit conditions. The adherence to the limits is monitored and reported daily. In case of their potential breach, the Group immediately adopts adequate remedial measures.
- The Group establishes goals for capital adequacy that it wants to attain over a specified time horizon (i.e. the level to which risks should be covered by capital) and threshold limits below which capital adequacy cannot decrease.

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

40. CREDIT RISK

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

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

(a) Exposition forbearance

in MCZK	2015	2014
Performing exposition	66,911	67,763
– performing exposition forbearance	3,132	2,451
Non-performing exposition	7,757	3,407
– non-performing exposition forbearance	3,736	3,369
Total	74,668	71,170
The share of loan exposition forbearance on total loans and advances to customers	9.18%	8.18%

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

in MCZK	2015	2014
NOT FORBEARANCE		
Non-financial organisations	48,213	47,365
Financial organisations	16,003	14,876
Households	3,580	3,102
Other	4	7
Total	67,800	65,350

in MCZK	2015	2014
FORBEARANCE		
Non-financial organisations	6,222	4,649
Financial organisations	467	491
Households	129	627
Other	50	53
Total	6,868	5,820

(c) Concentration of loans to customers by industry:

in MCZK	2015	2014
Financial activities	21,801	19,157
Real estate activities	15,454	15,889
Manufacturing	7,777	7,046
Construction	5,810	3,464
Production and distribution of electricity, gas and heat	5,748	5,550
Information and communication	4,720	3,691
Accommodation and food service activities	3,606	2,917
Mining and quarrying, agriculture	2,714	3,348
Private households and employed persons	2,142	2,485
Transporting and storage	1,601	1,465
Wholesale and retail trade	971	1,470
Sports, entertainment and recreation activities	913	1,204
Professional, scientific and technical activities	710	2,723
Waste collection, modification and disposal	11	47
Other	690	714
Total	74,668	71,170

(d) Concentration of loans to customers by location:

in MCZK	2015	2014
Cyprus	26,319	30,543
Slovakia	19,569	12,655
Czech Republic	13,162	16,382
Luxembourg	4,461	–
Croatia	3,084	2,458
Poland	2,450	2,362
British Virgin Islands	1,813	885
Jersey, C.I.	866	–
Netherlands	865	1,376
Ireland	570	1,307
Austria	433	398
Malta	304	181
Russia	78	1,604
Great Britain	58	272
Cayman Islands	–	559
Others	636	188
Total	74,668	71,170

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

in MCZK	2015	2014
Czech Republic	33,117	28,290
Slovakia	23,301	21,994
Croatia	4,685	4,771
Russia	3,870	4,424
Poland	2,450	3,090
Slovenia	1,922	1,339
Great Britain	1,097	449
Cyprus	893	606
Greece	707	724
Ukraine	640	1,213
Maldives	631	–
Austria	214	333
USA	184	676
Netherlands	176	12
Luxemburg	41	35
Germany	1	3,206
Other	739,	8
Total	74,668	71,170

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

(f) Credit risk associated with financial assets

As at 31 December 2015

in MCZK	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements – customers
Financial assets impaired:				
Impaired financial assets at amortised cost individually assessed not forbearance:				
Gross amount	–	–	2,170	–
Impairment	–	–	(226)	–
Carrying amount	–	–	1,944	–
Impaired financial assets at amortised cost individually assessed forbearance:				
Gross amount	–	–	2,767	–
Impairment	–	–	(1,299)	–
Carrying amount	–	–	1,468	–
Impaired financial assets at amortised cost collectively assessed not forbearance:				
Gross amount	–	–	72	–
Impairment	–	–	(14)	–
Carrying amount	–	–	58	–
Impaired financial assets at amortised cost collectively assessed forbearance:				
Gross amount	–	–	–	–
Impairment	–	–	–	–
Carrying amount	–	–	–	–
Total financial assets impaired	–	–	3,471	–
Financial assets not impaired:	1,968	32,411	68,045	3,153
Neither past due nor impaired:				
– forbearance	–	–	5,340	–
– not forbearance	1,968	32,411	61,734	3,153
Past due not impaired:				
– forbearance	–	–	60	–
– not forbearance	–	–	911	–
to maturity date	–	–	1	–
up to 1 month	–	–	144	–
1 month to 6 months	–	–	716	–
6 months to 12 months	–	–	1	–
more than 12 months	–	–	109	–
Total financial assets not forbearance	1,968	32,411	64,647	3,153
Total financial assets forbearance	–	–	6,868	–
Total	1,968	32,411	71,515	3,153
of which: Financial assets neither past due nor impaired with a sign of impairment:				
Gross amount not forbearance	–	–	3,758	–
Gross amount forbearance	–	–	5,400	–

As at 31 December 2014

in MCZK	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements – customers
Financial assets impaired:				
Impaired financial assets at amortised cost individually assessed not forbearance:				
Gross amount	–	–	330	–
Impairment	–	–	(296)	–
Carrying amount	–	–	34	–
Impaired financial assets at amortised cost individually assessed forbearance:				
Gross amount	–	–	3,235	–
Impairment	–	–	(709)	–
Carrying amount	–	–	2,526	–
Impaired financial assets at amortised cost collectively assessed not forbearance:				
Gross amount	–	–	–	–
Impairment	–	–	–	–
Carrying amount	–	–	–	–
Impaired financial assets at amortised cost collectively assessed forbearance:				
Gross amount	–	–	54	–
Impairment	–	–	(2)	–
Carrying amount	–	–	52	–
Total financial assets impaired	–	–	2,612	–
Financial assets not impaired:	4,865	2,299	63,014	5,544
Neither past due nor impaired:	4,865	2,299	59,175	5,544
– not forbearance	4,865	2,299	56,034	5,544
– forbearance	–	–	3,141	–
Past due not impaired:	–	–	3,839	–
– not forbearance	–	–	3,738	–
– forbearance	–	–	101	–
to maturity date	–	–	1,377	–
up to 1 month	–	–	978	–
1 month to 6 months	–	–	456	–
6 months to 12 months	–	–	192	–
more than 12 months	–	–	836	–
Total financial assets not forbearance	4,865	2,299	59,806	5,544
Total financial assets forbearance	–	–	5,820	–
Total	4,865	2,299	65,626	5,544
of which: Financial assets neither past due nor impaired with a sign of impairment:				
Gross amount not forbearance	–	–	603	–
Gross amount forbearance	–	–	3,230	–

Assets classified as "Financial assets neither past due nor impaired with a sign of impairment" and "Past due not impaired" represent those loans with a sign of impairment whose net present value of expected cash flows exceeds their carrying value, and therefore no provision has been created.

The part of the receivables that is not past due is presented in the line "To maturity date" and the Group does not assume any problems with counterparty's payment discipline. Past due receivables are presented in the appropriate columns according to the period past due.

(g) Collateral and credit enhancements for financial assets

in MCZK	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Neither past due nor impaired:	61,889	69,552	42,111	74,171
Guarantees	2,716	3,139	6,638	6,755
Acceptances of promissory note	1,128	1,973	1,363	2,246
Real estate	7,711	9,963	7,699	10,042
Cash deposits	2,292	2,292	1,319	1,319
Securities	4,502	6,397	7,206	9,408
Other	4,796	7,044	6,004	10,492
Securities received under reverse repurchase agreements	38,744	38,744	11,882	11,882
Neither past due nor impaired from IFRS 5	1,266	1,266	-	-
Real estate	683	683	-	-
Cash deposits	44	44	-	-
Other	539	539	-	-
Past due but not impaired:	60	344	1,085	1,451
Guarantees	-	-	-	-
Acceptances of promissory note	-	-	1	1
Real estate	58	342	992	1,356
Cash deposits	2	2	53	53
Securities	-	-	36	36
Other	-	-	3	5
Securities received under reverse repurchase agreements	-	-	-	-
Impaired:	1,425	1,967	1,598	1,777
Guarantees	81	81	-	-
Acceptances of promissory note	-	-	-	-
Real estate	1,120	1,636	1,418	1,564
Cash deposits	8	8	8	8
Pledges – securities	96	103	35	35
Other	120	139	137	170
Securities received under reverse repurchase agreements	-	-	-	-

Only co-accepted promissory notes of a 3rd party were accepted as security of loans by the Group. The amount of security is up to the value of guarantee provided by promissory note guarantor. The Group did not receive any financial assets from

indemnity claims based on loans in default.

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

The carrying value of securities received under reverse repurchase agreements is represented in the quoted market price of the securities.

(h) 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 dominant factor in deciding who controls the entity.

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

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

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

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

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

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

The maximum exposure for loans is reflected by their carrying amounts in the consolidated balance sheet as at 31 December 2015 amounting to CZK 3 246 million (2014: CZK 2 976 million) and there was no loss incurred in 2015 in respect of these loans provided.

The total assets value for the significant unconsolidated structured entity which was identified, as indication of its size, is CZK 7 059 million (2014: CZK 4 311 million).

(i) Credit risk processes

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

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

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

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

(j) Credit risk monitoring

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

The Group scoring system has seven rating levels based on a standardized point evaluation of relevant criteria, which describe the financial position of the contractual party and its ability and willingness to fulfil its credit obligations – in both cases including the expected development, quality and adequacy of the collateral, as well as proposed conditions for effecting the transaction.

(k) Credit risk measurement

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

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

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

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

in MCZK	2015	2014
Decrease of the trading portfolio value due to a rating migration by one credit class	103	62
(in the Standard & Poor's scale)		

(I) Risk management of customer trades

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

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

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

As of 31 December 2015, the Group recorded customer trades totalling CZK 411 million (2014: CZK 414 million) and those are not recognized in the Group financial statements.

41. LIQUIDITY RISK

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

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

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

Three scenarios are used in terms of liquidity risk management:

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

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

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

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

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

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

a) Liquidity risk of liquidity relevant instruments as of 31 December 2015:

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

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
ASSETS							
Cash and balances with central banks	19,724	19,724	17,630	–	–	–	2,094
Due from financial institutions	34,379	34,612	34,103	9	135	363	2
Financial assets (without derivatives)	18,790	21,171	243	1,623	5,224	8,316	5,765
Investment in equity accounted investees	35	35	–	–	–	–	35
Loans and advances to customers	74,668	91,741	13,064	15,837	41,696	21,113	31
Total	147,596	167,283	65,040	17,469	47,055	29,792	7,927
OFF BALANCE							
Unused credit lines	6,357	6,357	6,002	131	37	130	57
Unused credit lines from IFRS 5	575	575	38	4	533	–	–
Granted guarantees	2,434	2,434	2,367	10	42	1	14
LIABILITIES							
Deposits and loans from banks	4,259	4,275	3,352	875	48	–	–
Deposits from customers	121,812	123,821	62,052	32,803	28,883	83	–
Subordinated debt	2,049	2,788	29	100	1,001	1,658	–
Total	128,120	130,884	65,433	33,778	29,932	1,741	–
Net Liquidity position	19,476	36,399	(393)	(16 309)	17,123	28,051	7,927
Cumulative liquidity position	–	–	(393)	(16 702)	421	28,472	36,399

Contractual cash flows represent expected contractual future cash flows.

As of 31 December 2015 deposits from customers do not include depository notes (2014: CZK 32 million) distributed according to their maturity (Note 20).

Expected liquidity

In the worst case scenario, the latest possible repayment date is assumed, which is based on latest expected completion date of each particular project. The projects' latest expected completion date may not be the same as the contractual maturity date.

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
Loans and advances to customers	74,668	91,741	12,581	14,071	42,989	22,019	81

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

a) Liquidity risk of liquidity relevant instruments as of 31 December 2014:

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

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
ASSETS							
Cash and balances with central banks	13,339	13,339	11,771	–	–	–	1,568
Due from financial institutions	7,164	7,259	6,891	9	108	243	8
Financial assets (without derivatives)	32,721	36,201	1,821	1,722	15,720	12,587	4,351
Investment in equity accounted investees	7,150	7,150	–	–	–	–	7,150
Loans and advances to customers	71,170	88,302	14,535	15,219	33,850	24,621	77
Total	131,544	152,251	35,018	16,950	49,678	37,451	13,154
OFF BALANCE							
Unused credit lines	5,141	5,062	2,857	1,018	1,187	–	–
Granted guarantees	2,657	2,657	2,548	109	–	–	–

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
LIABILITIES							
Deposits and Loans from banks	4,616	(4,651)	(3,371)	(66)	(1,214)	–	–
Deposits from customers	106,946	(109,079)	(50,638)	(32,130)	(26,260)	(51)	–
Subordinated debt	1,908	(2,720)	(38)	(97)	(583)	(2,002)	–
Total	113,470	(116,450)	(54,047)	(32,293)	(28,057)	(2,053)	–
Net Liquidity position	18,074	35,801	(19,029)	(15,343)	21,621	35,398	13,154
Cumulative liquidity position	–	–	(19,029)	(34,372)	(12,751)	22,647	35,801

Expected liquidity

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
Loans and advances to customers	71,170	88,302	14,043	14,969	34,433	24,609	248

b) Liquidity risk of derivatives as of 31 December 2015:

in MCZK	Carrying amount	Contractual cash flows	up to 3 months	up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL ASSETS					
Forward currency contracts					
- outflow	-	(17,159)	(16,585)	(534)	(40)
- inflow	78	17,238	16,649	548	41
OTHER DERIVATIVES					
- inflow	82	82	-	-	82
Total	160	161	64	14	83
DERIVATIVE FINANCIAL LIABILITIES					
Forward currency contracts					
- outflow	(85)	(24,316)	(23,525)	(728)	(63)
- inflow	-	24,223	23,455	706	62
Total	(85)	(93)	(70)	(22)	(1)

b) Liquidity risk of derivatives as of 31 December 2014:

in MCZK	Carrying amount	Contractual cash flows	up to 3 months	up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL ASSETS					
Forward currency contracts					
- outflow	-	(6,543)	(4,425)	(2,118)	-
- inflow	99	6,636	4,500	2,136	-
OTHER DERIVATIVES					
- inflow	60	60	-	-	60
Total	159	153	75	18	60
DERIVATIVE FINANCIAL LIABILITIES					
Forward currency contracts					
- outflow	(922)	(44,676)	(39,006)	(5,668)	(2)
- inflow	-	43,773	38,656	5,115	2
OTHER DERIVATIVES					
- outflow	-	(2)	-	(1)	(1)
Total	(922)	(905)	(350)	(554)	(1)

42. MARKET RISK

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

Market risk of the trading portfolio includes:

- Interest rate risk;
- Foreign exchange risk;
- Other market risk (equity risk, commodity risk).

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

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

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

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

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

The VaR statistics as of 31 December 2015 and 31 December 2014 are as follows:

in MCZK	2015	2014
VaR market risk overall	789	133
VaR interest rate risk (general risk)	49	7
VaR FX risk	787	127
VaR stock risk	15	10
VaR commodity risk	3	3

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

in MCZK	2015	2014
CHANGE IN THE FAIR VALUE OF THE TRADING PORTFOLIO DUE TO HISTORIC SHOCK SCENARIO		
short-term scenario	509	49
medium-term scenario	595	80
long-term scenario	595	144

The market risk of the banking portfolio consists mainly of FX risk.

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

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

	2015	2014
[% TIER 1 + TIER 2]		
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	14.03	14.31

43. INTEREST RATE RISK

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

Interest rate risk exposure as at 31 December 2015 was as follows:

in MCZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS					
Cash and balances with central banks	19,092	–	–	632	19,724
Due from financial institutions	34,160	–	216	3	34,379
Fair value of derivatives, financial assets	7,836	2,055	3,212	5,847	18,950
Investment in equity accounted investees	–	–	–	35	35
Loans and advances to customers	58,632	12,981	2,917	138	74,668
Investment property, property, plant and equipment, intangible assets, goodwill	–	–	–	887	887
Current tax asset	–	–	–	63	63
Deferred tax asset	–	–	–	99	99
Prepayments, accrued income and other assets	3	–	–	1,081	1,084
Disposal groups held for sale	–	–	–	4,962	4,962
Total assets	119,723	15,036	6,345	13,747	154,851
LIABILITIES					
Negative fair value of derivatives	84	1	–	–	85
Deposits and loans from banks	4,216	42	–	1	4,259
Deposits from customers	94,270	27,628	66	(152)	121,812
Subordinated debt	763	535	761	(10)	2,049
Current tax liability	–	–	–	5	5
Deferred tax liability	–	–	–	66	66
Other liabilities and provisions	149	3	–	6 517	6 669
Disposal groups held for sale	–	–	–	2,961	2,961
Share capital	–	–	–	10,638	10,638
Retained earnings and other reserves (incl. NCI)	–	–	–	6,307	6,307
Total liabilities and equity	99,482	28,209	827	26,333	154,851
Net interest rate risk position	20,241	[13,173]	5,518	[12,586]	–
Cumulative interest rate risk position	20,241	7,068	12,586	–	–

Deposits from customers do not include depository notes (2014: CZK 32 million) distributed according their maturity (Note 20).

Interest rate risk exposure as at 31 December 2014 was as follows:

in MCZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS					
Cash and balances with central banks	12,497	–	–	842	13,339
Due from financial institutions	6,934	–	222	8	7,164
Fair value of derivatives, financial assets	16,930	6,980	3,249	5,721	32,880
Investment in equity accounted investees	–	–	–	7,150	7,150
Loans and advances to customers	62,748	5,015	2,859	548	71,170
Investment property, property, plant and equipment, intangible assets, goodwill	–	–	–	985	985
Current tax asset	–	–	–	2	2
Deferred tax asset	–	–	–	82	82
Prepayments, accrued income and other assets	–	–	–	899	899
Disposal groups held for sale	–	–	–	130	130
Total assets	99,109	11,995	6,330	16,367	133,801
LIABILITIES					
Negative fair value of derivatives	922	–	–	–	922
Deposits and loans from banks	3,408	1,208	–	–	4,616
Deposits from customers	84,554	22,442	26	(76)	106,946
Subordinated debt	719	130	1,059	–	1,908
Current tax liability	–	–	–	128	128
Deferred tax liability	–	–	–	91	91
Other liabilities and provisions	–	–	–	3,847	3,847
Disposal groups held for sale	–	–	–	–	–
Share capital	–	–	–	9,558	9,558
Retained earnings and other reserves (incl. NCI)	–	–	–	5,785	5,785
Total liabilities and equity	89,603	23,780	1,085	19,333	133,801
Net interest rate risk position	9,506	(11,785)	5,245	(2,966)	–
Cumulative interest rate risk position	9,506	(2,279)	2,966	–	–

44. FOREIGN EXCHANGE RISK

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

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

As at 31 December 2015, the exposure to Group's foreign exchange risk translated into millions of CZK was as follows:

in MCZK	CZK	USD	EUR	RUB	Other	Total
ASSETS						
Cash and balances with central banks	18,671	70	367	–	616	19,724
Due from financial institutions	30,268	2,610	1,360	–	141	34,379
Fair value of derivatives, financial assets	5,879	396	12,245	–	430	18,950
Investment in equity accounted investees	6	–	6	23	–	35
Loans and advances to customers	18,799	2,270	51,975	49	1,575	74,668
Current tax asset	93	–	(30)	–	–	63
Deferred tax asset	64	–	25	–	10	99
Investment property, property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	561	118	611	440	241	1,971
Disposal groups held for sale	107	800	1,276	2,684	95	4,962
Total	74,448	6,264	67,835	3,196	3,108	154,851
LIABILITIES						
Deposits and loans from banks	1,144	196	2,778	–	141	4,259
Deposits from customers	77,588	2,409	39,992	164	1,659	121,812
Subordinated debt	997	–	1,052	–	–	2,049
Current tax liability	5	–	–	–	–	5
Deferred tax liability	2	–	–	64	–	66
Disposal groups held for sale	12	589	198	2,162	–	2,961
Other liabilities and equity	22,364	308	2,629	(1,603)	1	23,699
Total	102,112	3,502	46,649	787	1,801	154,851
Long position off-balance sheet:						
items from derivative transactions	32,734	241	8,221	206	1,157	42,559
items from derivative transactions from IFRS 5	–	269	39	85	–	393
items from spot transactions with share instruments	15	63	–	–	–	78
Short position off-balance sheet:						
items from derivative transactions	7,099	3,481	29,708	65	2,139	42,492
items from derivative transactions from IFRS 5	–	73	12	305	–	390
items from spot transactions with share instruments	15	63	–	–	–	78
Open position asset/(liability)	(2,029)	(282)	(274)	2,330	325	70

As at 31 December 2014, the exposure to foreign exchange risk translated into millions of CZK was as follows:

in MCZK	CZK	USD	EUR	RUB	Other	Total
ASSETS						
Cash and balances with central banks	12,199	135	146	253	606	13,339
Due from financial institutions	830	2,988	2,538	224	584	7,164
Fair value of derivatives, financial assets	19,289	508	12,016	495	572	32,880
Investment in equity accounted investees	–	–	7,106	44	–	7,150
Loans and advances to customers	18,730	6,654	41,905	1,397	2,484	71,170
Current tax asset	–	–	–	2	–	2
Deferred tax asset	43	–	27	–	12	82
Investment property, property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	674	126	258	518	308	1,884
Disposal groups held for sale	108	–	–	22	–	130
Total	51,873	10,411	63,996	2,955	4,566	133,801
LIABILITIES						
Deposits and loans from banks	1,453	151	2,800	4	208	4,616
Deposits from customers	70,071	2,736	30,946	1,804	1,389	106,946
Subordinated debt	878	–	1,030	–	–	1,908
Current tax liability	125	–	3	–	–	128
Deferred tax liability	5	–	–	86	–	91
Disposal groups held for sale	–	–	–	–	–	–
Other liabilities and equity	18,016	347	2,360	(818)	207	20,112
Total	90,548	3,234	37,139	1,076	1,804	133,801
Long position off-balance sheet:						
items from derivative transactions	44,277	506	7,983	11	218	52,995
items from spot transactions with share instruments	44	1	1	–	–	46
Short position off-balance sheet:						
items from derivative transactions	8,679	8,618	35,675	52	722	53,746
items from spot transactions with share instruments	45	–	1	–	–	46
Open position asset/(liability)	(3,078)	(934)	(835)	1,838	2,258	(751)

45. 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 Group's database of operational risk events
- This overview of the Group's operational risk events allows the Group to specify the direction of the steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
 - accepting the individual risks that are faced;
 - initiating processes leading to limitation of possible impacts; or
 - decreasing the scope of the relevant activity or discontinuing it entirely.

46. CAPITAL MANAGEMENT

The Group policy is to hold strong capital base in order to maintain the confidence of creditors and the market, while ensuring the future development of her business.

Starting 1 January 2014 the consolidated capital adequacy ratios are calculated in accordance with the Regulation (EU) no. 575/2013 of the European Parliament and Council Regulation (the "CRR") of 26 June 2013. Until 31 December 2013 the capital adequacy ratio was calculated in accordance with the Czech National Bank ("CNB") decree no. 123/2007 Coll.

Own funds (regulatory capital) of the Group are analysed in two parts:

- Tier 1 capital, which consist of:
 - Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit for the period is not included), accumulated other comprehensive income, net of goodwill, intangible assets and additional value adjustments;
 - Additional Tier 1 capital (AT1), which includes capital instruments (subordinated income certificates) issued in accordance with CRR (See note 23 Other capital instruments).
- Tier 2 capital, which consists of eligible subordinated debt approved by Czech National Bank in the amount of CZK 1 932 million (31 December 2014: CZK 1 857 million).

Until 31 December 2013, the capital adequacy ratio was calculated as the ratio of regulatory capital to capital requirements multiplied by 8 % according to regulatory requirements. The capital adequacy ratio had to be a minimum value of 8 %.

From 1 January 2014 the capital adequacy ratios are calculated for CET1, Tier 1 capital and total regulatory capital. The value represents the ratio of capital to risk weighted assets (RWA). CNB also requires every institution to hold additional capital conservation buffer of 2.5 % on all the levels of regulatory capital.

Minimum requirements for capital ratios are as follows:

	Minimum requirement	Capital conservation buffer	Total requirement
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	7.0%
Tier 1 capital	6.0%	2.5%	8.5%
Total regulatory capital	8.0%	2.5%	10.5%

Regulatory capital and equity reconciliation

The tables below summarize the composition of own funds (regulatory capital) and equity and capital ratios for 31 December 2015 and 31 December 2014, providing a complete reconciliation of individual items of regulatory capital to equity items.

31 December 2015

in MCZK	Regulatory capital	Equity
Paid-up capital registered in the Commercial Register	10,638	10,638
Retained earnings	2,953	3,192
Profit for the period	–	1,967
Accumulated other comprehensive income	(1,371)	(1,425)
Reserve funds	15	88
Non-controlling interest	87	743
(-) Additional value adjustments (AVA)	(19)	–
(-) Intangible assets other than goodwill	(157)	–
Deferred tax liabilities associated with intangible assets other than goodwill	12	–
(-) Goodwill	(30)	–
Paid-in AT1 instruments, share premium	1,742	1,742
Total Tier 1 capital	13,870	n/a
Total Tier 2 capital	1,932	–
Total regulatory capital/equity	15,802	16,945

31 December 2014

in MCZK	Regulatory capital	Equity
Paid-in capital registered in the Commercial Register	9,558	9,558
Retained earnings	2,949	3,102
Profit for the period	–	1,330
Accumulated other comprehensive income	(576)	(535)
Reserve funds	83	163
Non-controlling interest	107	826
(-) Additional value adjustments (AVA)	(10)	–
(-) Intangible assets other than goodwill	(189)	–
Deferred tax liabilities associated with intangible assets other than goodwill	10	–
(-) Goodwill	(95)	–
Paid-in AT1 instruments	899	899
Total Tier 1 capital	12,736	n/a
Total Tier 2 capital	1,857	–
Total regulatory capital/equity	14,593	15,343

RWA and capital ratios

in MCZK	31 December 2015	31 December 2014
Total risk weighted assets (RWA)	113,600	108,573

Capital adequacy ratios

In percentage	31 December 2015	31 December 2014
Common Equity Tier 1 capital (CET1)	10.68%	10.90%
Tier 1 capital	12.21%	11.73%
Total regulatory capital	13.91%	13.44%

Based on the opinion of the Czech National Bank, retained earnings were reduced by the amount of the anticipated payment from subordinated income certificates (AT1 instruments) in the next four quarters not covered by a special-purpose fund for the payment of the income from those certificates before their inclusion in regulatory capital.

The key goal of capital management of the Group is to ensure that the risks faced do not threaten the solvency of the Group and capital adequacy regulatory limit compliance. In addition, within the strategic framework of the Group the board stipulated the value above 12% for mid-term capital adequacy goal as a reflection of the risk appetite of the Group.

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

The compliance of the Group capital with established limits and goals for the capital adequacy is evaluated regularly by the ALCO committee and the Group's management.

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

47. FAIR VALUES INFORMATION

Estimation of fair values

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

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

Financial assets held to maturity: Fair value is based on quoted market prices traded in active markets at the statement of financial position date.

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

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

As at 31 December 2015

in MCZK	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
FINANCIAL ASSETS					
Cash and balances with central banks	–	19,718	–	19,718	19,724
Due from financial institutions	–	34,343	–	34,343	34,379
Loans and advances to customers	–	73,390	2,568	75,958	74,668
Financial assets held to maturity	625	–	–	625	609
FINANCIAL LIABILITIES					
Deposits and loans from banks	–	4,244	–	4,244	4,259
Deposits from customers	–	121,366	–	121,366	121,812
Subordinated debt	–	1,967	–	1,967	2,049

As at 31 December 2014

in MCZK	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
FINANCIAL ASSETS					
Cash and balances with central banks	–	13,337	–	13,337	13,339
Due from financial institutions	–	7,142	–	7,142	7,164
Loans and advances to customers	–	68,803	3,333	72,136	71,170
Financial assets held to maturity	1,391	–	–	1,391	1,329
FINANCIAL LIABILITIES					
Deposits and loans from banks	–	4,569	–	4,569	4,616
Deposits from customers	–	105,900	–	105,900	106,946
Subordinated debt	–	1,753	–	1,753	1,908

48. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

a) Acquisitions of subsidiaries, associates and joint ventures

The Group did not acquire any new subsidiaries in 2015. The Group increased the capital of subsidiaries (see note 1).

The capital increase in subsidiaries, see below for details:

in MCZK	Date of acquisition	Cost	Contribution to capital	Total cash outflow
CAPITAL INCREASE IN SUBSIDIARIES IN 2015				
J&T Bank, a.o.	20.5.2015	–	2,758	–
Vaba d.d. banka Varaždin	5.2.2015	–	135	–
Vaba d.d. banka Varaždin	28.9.2015	–	231	–
J&T Cafe, s.r.o.	31.12.2015	–	1	–
Total		–	3,125	–

in MCZK	Date of acquisition	Cost	Contribution to capital	Total cash outflow
NEW SUBSIDIARIES IN 2014				
Vaba d.d. banka Varaždin	9.6.2014	–	272	–
J&T Cafe, s.r.o.	30.9.2014	–	3	–
J&T Bank, zao	13.8.2014	–	204	–
Total		–	479	–
Cash acquired				687
Total cash inflow/(outflow)				687

Contribution to capital of Vaba d.d. banka Varaždin and J&T Cafe, s.r.o. was made on the same day as the acquisition in 2014. The capital increase of J&T Cafe, s.r.o. was subsequently credited against the repayment of debts to Bank.

Contribution to capital of subsidiaries does not represent the cash outflow from the Group.

New associates in 2015

in MCZK	Date of increased	Cost	Contribution to capital	Total cash outflow
NEW ASSOCIATES IN 2015				
XT-Card a.s.	26.11.2015	6	-	6
Total		6	-	6

The Group did not acquire any new associate in 2014.

The Group increased the share capital of the Poštová banka, a.s. (see note 1).

The capital increase in associates represents cash out from the group, see below for details:

in MCZK	Date of acquisition	Cost	Contribution to capital	Total cash outflow
NEW ASSOCIATES IN 2014				
Poštová banka, a.s.	4.7.2014	-	599	599
Poštová banka, a.s.	11.7.2014	-	82	82
Total		-	681	681

b) Formation/establishment of subsidiaries and joint ventures

The Group did not form/establish any new subsidiaries in 2015.

The Group increased the capital of the PGJT B.V. (see note 1).

in MCZK	Date of acquisition	Cost	Contribution to capital	Total cash outflow
CAPITAL INCREASE IN JOINT VENTURES IN 2015				
PGJT B.V.	16.7.2015	-	13	13
Total		-	13	13

in MCZK	Date of acquisition	Cost	Contribution to capital	Total cash outflow
NEW SUBSIDIARIES AND JOINT VENTURES IN 2014				
ART FOND – Stredoeurópsky fond súčasného umenia, a. s. (subsidiary)	5.12.2014	-	8	-
J&T REALITY, o.p.f. (subsidiary)	27.2.2014	-	219	-
Total		-	227	-

Contribution to capital of subsidiaries does not represent the cash outflow from the Group. Contribution to capital of joint ventures does represent the cash outflow from the Group as they are not consolidated using full method.

c) Effect of acquisitions of subsidiaries

The acquisitions of new subsidiaries (only consolidated "full method") had the following effect on the Group's assets and liabilities:

The Group did not acquire any new subsidiaries in 2015.

1. 1. - 31. 12. 2014:

in MCZK	2014
Cash and balances with central banks	959
Obligatory minimum reserves	326
Due from financial institutions	9
Financial assets available for sale	664
Loans and advances to customers	2,432
Property, plant and equipment	171
Other intangible assets	27
Deferred tax asset	8
Prepayments, accrued income and other assets	71
Deposits and Loans from banks	248
Deposits from customers	3,656
Other liabilities and provisions	306
Net identifiable assets and liabilities	457
Non-controlling interest	(190)
Goodwill on acquisition of new subsidiaries	5
Consideration transferred, paid in cash	272
Cash acquired	687
Profit or loss since acquisition date	(37)
Revenues since acquisition date	57
Profit or loss of the acquired entities for the year 2014	(24)
Revenues of the acquired entity for the year 2014	93

d) Disposals of subsidiaries

The Group did not dispose of any subsidiary in 2015 and 2014.

e) Disposals of associates

The Group sold of the Poštová banka, a.s. in 2015 (see note 1).

in MCZK	Date of acquisition	Cost	Total cash inflow
Poštová banka, a.s.	13.3.2015	615	615
Poštová banka, a.s.	23.12.2015	6,250	6,250
Total		6,865	6,865

49. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

The following table shows a break-down of individual investments in equity accounted investees. All financial information presented in this note represent the audited figures.

As at 31 December 2015

in MCZK	PGJT B.V.	XT-Card a.s.	Total
Group's share in the consolidated fair value of equity at the date of acquisition	116	6	122
Exchange rate differences	5	-	5
Group's share in the post-acquisition profit / (loss) year 2013	(13)	-	(13)
Group's share in the post-acquisition profit / (loss) year 2014	(18)	-	(18)
Group's share in the post-acquisition profit / (loss) year 2015	(32)	-	(32)
Group's share in the post-acquisition other comprehensive income	(29)	-	(29)
Total	29	6	35

As at 31 December 2014

in MCZK	Poštová banka, a.s.	PGJT B.V.	Total
Group's share in the consolidated fair value of equity at the date of acquisition	5,636	103	5,739
Goodwill	239	-	239
Exchange rate differences	404	8	412
Group's share in the post-acquisition profit / (loss) year 2013	334	(13)	321
Group's share in the post-acquisition profit / (loss) year 2014	358	(18)	340
Group's share in the post-acquisition other comprehensive income	124	(25)	99
Total	7,095	55	7,150

Summary financial information for equity accounted investees as at 31 December 2015:

in MCZK	Poštová banka, a.s.	PGJT B.V.	XT-Card a.s.	Total
Type	Associate	Joint venture	Associate	
Assets	–	344	23	367
Liabilities	–	60	11	71
Net Assets	–	284	12	296
Income	–	29	6	35
Expenses	–	93	7	100
Profit / (loss)	–	(64)	(1)	(65)
Group's share	–	50%	32%	x
Group's share in profit / (loss) of equity accounted investees	199	(32)	–	167

Summary financial information for equity accounted investees as at 31 December 2014:

in MCZK	Poštová banka, a.s.	PGJT B.V.	Total
Type	Associate	Joint venture	
Assets	122,775	329	123,104
Liabilities	102,766	21	102,787
Net Assets	20,009	308	20,317
Income	45,506	27	45,533
Expenses	(44,745)	(64)	(44,809)
Profit / (loss)	761	(37)	x
Group's share	37.17%	50%	x
Group's share in profit / (loss) of equity accounted investees	358	(18)	340

50. SUBSEQUENT EVENTS

In February 2016, the Bank sold its ownership interest in the company ART FOND - Stredoeurópsky fond súčasného umenia, a. s.

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

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

Statutory Body's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing, and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of J & T BANKA, a.s. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Information

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

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

We have nothing to report in this regard.

Prague
31 March 2016

KPMG Česká republika Audit

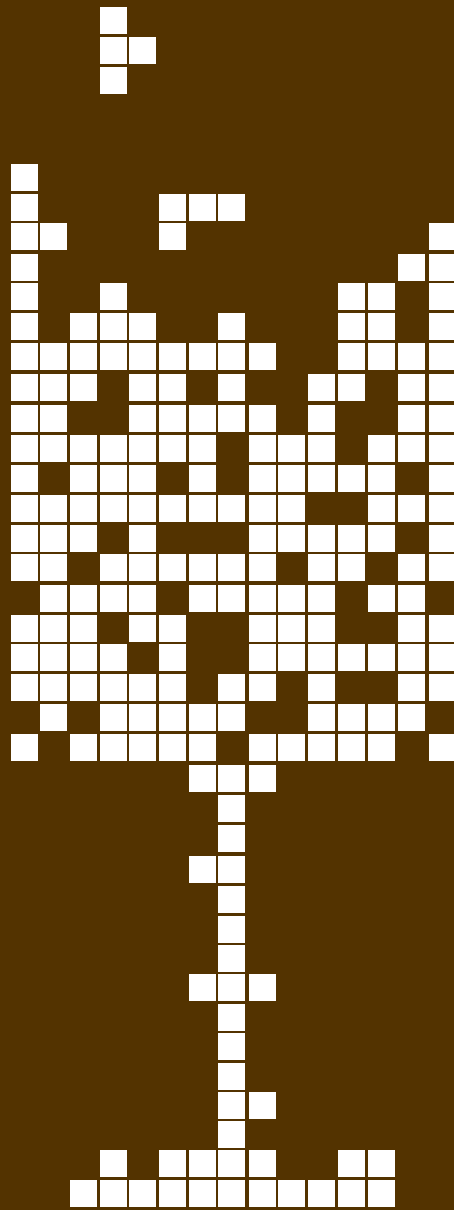
KPMG Česká republika Audit, s.r.o.
Registration number 71



Vladimír Dvořáček
Partner
Registration number 2332

THANKS TO FRAGMENTS.

We support Bohemia crystal while getting inspired by it.



Statement of financial position as at 31 December 2015

in MCZK	Note	2015	2014
ASSETS			
Cash and balances with central banks	6	19,023	12,329
Due from financial institutions	7	33,661	6,295
Positive fair value of derivatives	8	102	100
Loans and advances to customers	11a	70,042	66,311
Financial assets at fair value through profit or loss	9a	2,731	8,768
Financial assets available for sale	9b	14,852	21,100
Financial assets held to maturity	9c	609	1,311
Disposal groups held for sale	1	1,368	107
Ownership interests	1	3,309	8,800
Current tax asset		59	–
Deferred tax asset	23	88	70
Property, plant and equipment	13	48	51
Intangible assets	14	105	115
Prepayments, accrued income and other assets	16	993	684
Total Assets		146,990	126,041
LIABILITIES			
Deposits and loans from banks	17	4,343	4,537
Deposits from customers	18	117,058	100,356
Negative fair value of derivatives	8	125	988
Subordinated debt	19	2,049	1,897
Current tax liability		–	117
Other liabilities and provisions	20	6,616	3,770
Total Liabilities		130,191	111,665
Share capital	21	10,638	9,558
Retained earnings and other reserves	21	6,161	4,818
Total Equity		16,799	14,376
Total equity and liabilities		146,990	126,041

The accompanying notes, set out on pages 136 to 207, are an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2015

in MCZK	Note	2015	2014
Interest income	24	5,353	5,155
Interest expense	25	(2,459)	(2,528)
Net interest income		2,894	2,627
Fee and commission income	26	603	576
Fee and commission expense	27	(127)	(95)
Net fee and commission income		476	481
Dividends from financial assets available for sale		14	75
Dividends from ownership interests		384	122
Net trading income	28	25	270
Impairment of assets available for sale	9b	(32)	(62)
Other operating income	29	834	98
Operating income		4,595	3,611
Personnel expenses	30	(731)	(640)
Other operating expenses	31	(1,033)	(975)
Depreciation and amortisation	13, 14	(67)	(51)
Operating expenses		(1,831)	(1,666)
Profit before provisions, allowances and income tax expenses		2,764	1,945
Net change in provisions from financial activities	20	(23)	(19)
Net change in allowances for impairment of loans	12	(542)	(259)
Allowances for ownership interests	1	(236)	(92)
Profit before tax		1,963	1,575
Income tax expenses	22	(230)	(332)
Profit for the period		1,733	1,243
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders		1,733	1,243
Profit for the period		1,733	1,243

in MCZK	Note	2015	2014
OTHER COMPREHENSIVE INCOME – ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Revaluation reserve – financial assets available for sale			
Net change in fair value		146	72
Net amount reclassified to profit or loss		[123]	[84]
Foreign exchange translation differences		[5]	[20]
Other comprehensive income for the period, net of tax		18	[32]
Total comprehensive income for the period		1,751	1,211

The accompanying notes, set out on pages 136 to 207, are an integral part of these financial statements.

The Board of Directors approved these financial statements on 31 March 2016.

Signed on behalf of the Board:



Štěpán Ašer, MBA
Member of the Board of Directors



Ing. Igor Kováč
Member of the Board of Directors

Statement of changes in equity for the year ended 31 December 2015

in MCZK	Share capital	Retained earnings
Balance at 1 January 2014	9,558	3,103
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Profit for the period	-	1,243
Transfer of legal reserve fund	-	155
Dividends	-	(631)
Issue of capital instruments	-	-
Contribution to Perpetuity fund	-	(100)
OTHER COMPREHENSIVE INCOME		
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	-	-
Net amount reclassified to profit or loss	-	-
Foreign exchange translation differences	-	-
Balance at 1 January 2015	9,558	3,770
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Issue of capital	1,080	-
Profit for the period	-	1,733
Dividends	-	(1,143)
Issue of capital instruments	-	-
Contribution to Perpetuity fund	-	(100)
OTHER COMPREHENSIVE INCOME		
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	-	-
Net amount reclassified to profit or loss	-	-
Foreign exchange translation differences	-	-
Balance at 31 December 2015	10,638	4,260

On November 10, 2015 the J&T Bank's sole shareholder J&T FINANCE GROUP SE increased share capital of the Bank by subscription of new shares totaling CZK 1 080 million.

Information about Other capital funds and Perpetuity fund is disclosed in note 21.

The accompanying notes, set out on pages 136 to 207, are an integral part of these financial statements.

Other reserves and funds	Perpetuity fund	Other capital instruments	Revaluation reserve	Total
155	-	-	101	12,917
-	-	-	-	1,243
(155)	-	-	-	-
-	-	-	-	(631)
-	(20)	899	-	879
-	100	-	-	-
-	-	-	72	72
-	-	-	(84)	(84)
-	-	-	(20)	(20)
-	80	899	69	14,376
-	-	-	-	1,080
-	-	-	-	1,733
-	-	-	-	(1,143)
-	(108)	843	-	735
-	100	-	-	-
-	-	-	146	146
-	-	-	(123)	(123)
-	-	-	(5)	(5)
-	72	1,742	87	16,799

Statement of cash flows for the year ended 31 December 2015

in MCZK	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,963	1,575
Adjustments for:			
Depreciation and amortisation	13, 14	67	51
Allowances for impairment of loans	12	542	259
FX difference from allowances for impairment of loans	12	(8)	7
Amortized costs of sold intangible and tangible fixed assets		6	-
Change in other provisions		180	171
Change in revaluation of financial assets at fair value through profit or loss		45	(67)
Ownership interests – unrealised FX difference / FV hedge		998	(144)
Creation of allowances for ownership interests	1	236	92
Profit from sale of associate		(737)	-
Financial assets available for sale - unrealised FX difference / FV hedge		92	(28)
Impairment of financial assets available for sale	9b	32	62
Net unrealized foreign exchange gains/losses		(191)	(59)
(Increase) / decrease of operating assets:			
Compulsory minimum reserves in central banks		(526)	(943)
Due from financial institutions		770	122
Originated loans and receivables		(4,265)	(10,194)
Financial assets held to maturity		702	535
Financial assets at fair value through profit or loss		5,992	(2,083)
Financial assets available for sale		6,153	(814)
Prepayments, accrued income and other assets		(309)	(223)
Increase / (decrease) of operating liabilities:			
Deposits and loans from banks		(194)	(199)
Deposits from customers		16,702	18,338
Other assets/liabilities		2,666	614
Income tax expenses paid		(431)	(253)
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		(865)	587
Net cash flows from operating activities		29,620	7,406
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital – subscription of new shares		1,080	-
Dividends paid		(1,143)	(631)
Issue of other capital instruments		843	899
Distribution from capital instruments		(108)	(20)
Subordinated debt		124	376
Foreign currency difference from subordinated debt		28	13
Net cash flows from financing activities		824	637

in MCZK	Note	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of and proceeds from sale of intangible and tangible fixed assets, net		(58)	(75)
Participations – contribution to capital		(3,138)	(1,387)
Disposal of associate		6,865	–
Net cash flows used in investing activities		3,669	(1,462)
Net increase in cash and cash equivalents		34,113	6,581
Cash and cash equivalents at beginning of period	5, 32	16,155	9,534
Effects of exchange rate fluctuations on cash held		191	40
Cash and cash equivalents at end of period	5, 32	50,459	16,155
Cash flows from operating activities include:			
Interest received		5,408	4,777
Interest paid		1,966	1,813
Dividends received		423	197

The accompanying notes, set out on pages 136 to 207, are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

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

In December 2015, the Czech National Bank ("CNB") started administrative procedures with the Bank based on an on-site inspection concerning the implementation of certain provisions of the Banking Act, the Act on Capital Market and Decree no. 163/2014 Coll. prudential rules for banks, credit unions and securities dealers. The Bank submitted a statement on the findings reported by CNB. As at the date of the financial statements, the Bank has initiated appropriate actions that will remedy the findings identified by CNB.

The registered office of the Bank is at Pobřežní 14, Prague 8, Czech Republic. The Bank (including a branch in the Slovakia) had on average 443 employees in 2015 (2014: 434). The Bank operates in the Czech Republic and Slovakia.

Slovakia branch of the Bank was established on 23 November 2005, and was registered in the Commercial Register of the District Court Bratislava I, section Po, file 1320/B as the organizational unit "J & T BANKA, a.s., pobočka zahraniční banky", Dvořákovo nábřeží 8, 811 02 Bratislava, and with the identification number 35 964 693.

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

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

As a result of a cross-border merger by acquisition dated September 23, 2013, J&T FINANCE, a.s., the Bank's parent company, merged with J&T Finance Group, a.s. and Techno Plus, a.s. as at 1 January 2014. J&T FINANCE, a.s. became the successor company, changing its name to J&T FINANCE GROUP SE and its legal form to European Society (Societas Europaea, SE).

The Bank's ultimate parent is J&T FINANCE GROUP SE, a joint-stock company owned by Jozef Tkáč (45.57%), Ivan Jakabovič (45.57%), CEFC Shanghai International Group Limited (4.79%) and CEFC Hainan International Holdings CO., Ltd. (4.07%).

Ownership interests

The below listed companies became the Bank's subsidiaries, associated companies and joint venture with the intention of the shareholder to centralize financial services under the Bank's supervision.

The Bank provides customers with comprehensive banking services, asset management, financial and capital market transactions for the retail segment, as well as support to start-up and restructuring projects. The Group's operating segments are described in the note 34.

Company	Balance at 31.12.2015	Share capital in mil. CZK	% shareholding	Principal activities	Country of incorporation
J&T Bank, a.o.	2,522*	2,144	99.95*	Banking activities	Russia
ATLANTIK finanční trhy, a.s.	82	81	100	Investment activities	Czech Republic
J&T INVESTIČNÍ SPOLEČNOST, a.s.	149	20	100	Investment activities	Czech Republic
J&T IB and Capital Markets, a.s.	2	2	100	Advisory activities	Czech Republic
TERCES MANAGEMENT LIMITED	377	0,06	99	Investment activities	Cyprus
PGJT B.V.	121	216	50	Financial activities	Netherlands
J&T REALITY, o.p.f.	675	–	53.08	Investment activities	Czech Republic
Vaba d.d. banka Varaždin	635	818	76.81	Banking activities	Croatia
J&T Cafe, s.r.o.	–	3	100	Hospitality activities	Czech Republic
ART FOND – Stredoeurópsky fond súčasného umenia, a.s.	7	18	38.46	Activities in the Arts	Slovakia
Total	4,570				

On February 16, 2015, the subsidiary company J&T Bank, a.o. changed its trade name to J&T Bank, a.o.

On May 20, 2015, the Bank increased its ownership interest in J&T Bank, a.o. by a subscription of 112 000 000 pieces of new ordinary shares in total nominal value of RUB 5.6 million.

* In September 2015, there was signed an agreement between CEFC Shanghai and J&T Bank, a.s. based on which CEFC Shanghai will acquire 50% ownership interest in J&T Bank, a.o. The transaction is subject of approval by the national regulators in Russia. As a result of the agreement, the Bank presents J&T Bank, a.o. as an asset held for sale. The Bank does not lose the control over J&T Bank, a.o.

In 2015, the Bank increased its ownership interest in Vaba d.d. Bank of Varaždin. On February 5, 2015, subscribed for 3 750 000 units of new ordinary shares in total nominal value of HRK 37.5 million. On September 28, 2015, the Bank subscribed for 6 500 000 units of new ordinary shares in total nominal value of HRK 65 million. By these steps Bank gained more than 76% of Vaba dd Bank Varaždin.

On February 24, 2015, the Bank entered into an agreement with J & T FINANCE GROUP SE relating to the sale of shares in Poštová banka, a.s. The agreement became effective on March 13, 2015, and resulted in transfer of 3.17% ownership interest, 10 473 pieces of ordinary shares, nominal value 1 107 EUR per share, to J & T FINANCE GROUP SE.

On February 25, 2015, the Bank entered into an agreement with PBI, a.s. for the sale of 37.17% ownership interest in Poštová banka, a.s. The agreement became effective on December 23, 2015, and resulted in transfer of 112 506 pieces of ordinary shares, nominal value 1 107 EUR per share.

In 2015, the Bank increased its ownership interest in the company J & T Cafe, s.r.o. by the amount of CZK 0.8 million as an additional charge beside the share capital.

On July 16, 2015, the Bank increased its ownership interest in the company PGJT B.V. by contribution to capital funds in the amount of RUB 30 million.

On December 31 2015, the Bank created allowance for the entire value of the ownership interest in the company of J & T Cafe, s.r.o. on December 31, 2015 due to its planned liquidation in 2016.

The Bank created allowances for ownership interests totaling CZK 236 million in 2015.

Disposal groups held for sale as at 31 December 2015 are as follows:

Company	Balance at 31.12.2015	% shareholding	Principal activities	Country of incorporation
J&T Ostravice Active Life UPF	107	46.74	Investments in companies owning real estate	Czech Republic
J&T Bank, a.o.	1,261	49.97	Banking activities	Russia
Total	1,368			

Subsidiaries of Bank as at 31 December 2014 are shown in the following table:

Company	Balance at 31.12.2014	Share capital in mil. CZK	% shareholding	Principal activities	Country of incorporation
J&T Bank, zao	633	305	99.54	Banking activities	Russia
ATLANTIK finanční trhy, a.s.	147	81	100	Investment activities	Czech Republic
J&T INVESTIČNÍ SPOLEČNOST, a.s.	149	20	100	Investment activities	Czech Republic
J&T IB and Capital Markets, a.s.	2	2	100	Advisory activities	Czech Republic
TERCES MANAGEMENT LIMITED	501	0,05	99	Investment activities	Cyprus
PGJT B.V.	111	222	50	Financial activities	Netherlands
Poštová banka, a.s.	6,279	10,156	37.17	Banking activities	Slovakia
J&T REALITY, o.p.f.	692	–	53.08	Investment activities	Czech Republic
Vaba d.d. banka Varaždin	275	466	58.33	Banking activities	Croatia
J&T Cafe, s.r.o.	3	3	100	Hospitality activities	Czech Republic
ART FOND – Stredoeurópsky fond súčasného umenia, a.s.	8	18	38.46	Activities in the Arts	Slovakia
Total	8,800				

On February 27, 2014, the Bank increased the share capital of J&T REALITY, o.p.f. by amount of EUR 8 million. After the increase the Bank holds an ownership share of 53.08%. The Bank fully controls the company through its subsidiary company J&T

INVESTIČNÍ SPOLEČNOST, a.s., that manages this fund.

On June 9, 2014, the Bank acquired 58.33% ownership interest in Vaba d.d. banka Varaždin.

In July 2014, the Bank increased its ownership interest in Poštová banka, a.s. On 4 July, the Bank subscribed 19 706 new ordinary shares with a total nominal value of EUR 21 814 542 and on July 11 the Bank subscribed 2 673 new ordinary shares with a total nominal value of EUR 2 959 011. The bank increased its ownership interest by 0.81% in this associate from 36.36% to current interest of 37.17%.

On September 30, 2014, the Bank acquired 100% ownership interest in J&T Cafe, s.r.o.

On November 13, 2014, the Bank acquired 38.46% ownership interest in ART FOND – Stredoeurópsky fond súčasného umenia, a. s. Under the terms of the Shareholders Agreement, the Bank has a controlling influence over this company.

The Bank created allowances for ownership interests totaling CZK 92 million in 2014.

Disposal groups held for sale as at 31 December 2014 are as follows:

Company	Balance at 31.12.2014	% shareholding	Principal activities	Country of incorporation
J&T Ostravice Active Life UPF	107	46.74	Investments in companies owning real estate	Czech Republic
Total	107			

During 2014, the Bank sold 2.17% share of own ownership interest in the fund J&T Ostravice Active Life UPF.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements comprise the accounts of the members of the Bank and have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as adopted by the European Union for the reporting period of 1 January 2015 – 31 December 2015 ["reporting period"].

(b) Basis of preparation

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

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

Below stated accounting methods have been applied consistently in all periods presented in this financial statements.

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

Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted. These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Bank expects that the amendments, when initially applied, will not have a significant effect on the financial statements.

Amendments to IAS 1 – Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

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

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

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

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

The Bank expects that the amendments, when initially applied, will not have a significant effect on the presentation of the financial statements.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and

-
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Bank expects that the amendments, when initially applied, will not have a significant effect on the financial statements.

Amendments to IAS 27 – Equity method in the separate financial statements

Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

Other new International Financial Reporting Standards and Interpretations not yet due

The Bank 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 Bank elects to apply the standards prospectively from the date of transition.

Management of the Bank does not expect that these other new standards will have a significant effect on the financial statements.

(c) Functional and presentation currency

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

3. ACCOUNTING POLICIES

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

(a) Financial instruments

Classification

Financial instruments at fair value through profit or loss are those that the Bank principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments and liabilities from short sales of financial instruments.

Originated loans and receivables comprise loans, advances to banks and customers other than purchased loans and promissory notes.

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

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

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

- In classifying financial assets or liabilities as "trading", management has determined that the Bank meets the description of trading assets and liabilities;
- The Bank regularly evaluates the liquidity of particular financial instrument with respect to market conditions;
- In classifying financial assets as held-to-maturity, management has determined that the Bank has both the positive intention and the ability to hold the assets until their maturity date as required.

Recognition

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

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

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

Measurement

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

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

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

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

Gains and losses on subsequent measurement

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

Derecognition

A financial asset is derecognised when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

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

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

Impairment

Financial assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

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

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

If an impairment of a financial asset available for sale is identified, the accumulated gains or losses recorded earlier in other comprehensive income are reclassified and recorded in profit or loss in the given period.

In case of an impairment of a financial asset available for sale as a result of a decrease in the registered capital, the resulting income is recognised as a received dividend in profit or loss.

Loans and advances to customers and deposits with banks

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

The Bank classifies all its receivables from clients into the following five basic categories laid down by Decree of the Czech National Bank No. 163/2014 Sb.: receivables without obligor default divided into standard and watch receivables, and receivables with obligor default divided into non-standard, doubtful and loss receivables.

In the evaluation of individual loans, the classification takes into account both qualitative and quantitative criteria. The criteria mentioned include the following:

- major financial problems of the debtor
- breach of a contract, e.g. delayed payment of interest or principal or failure to pay them;
- relief provided by the creditor to the debtor for economic or other legal reasons relating to debtor's financial problems, that the creditor would not have otherwise provided;
- likelihood of bankruptcy or other financial restructuring of the debtor;
- extinction of an active market for the given financial asset for financial reasons; or
- observable facts demonstrating a measurable decline of estimated future cash flow from the group of financial assets after their initial recognition despite the existing impossibility to detect the decrease for individual financial assets in the group
- and other.

Forbearance

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

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

Performing and non-performing exposures may also be recognised as exposures without concession provided no modification of terms and conditions or refinancing was made in respect to the given receivable.

Non-performing exposures comprise receivables with debtor's failure.

Details regarding the structure and quality of the credit portfolio are described in note 36.

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

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

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

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

Calculated amount of allowances is allocated proportionally to the partial components of the carrying amount of receivable, i.e. principal, interest income and penalty interest.

Treasury bills

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

Derivatives

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

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

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

Hedge accounting – Fair Value Hedge

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

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

(b) Sale and repurchase agreements

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

(c) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of 5 years.

(d) Tangible assets

Tangible assets are stated at historical cost less accumulated amortization and impairment losses. Depreciation is provided on a straight-line basis over the estimated useful economic life of the asset. Assets under construction are not depreciated.

The average depreciation rates used are as follows:

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

Land is not depreciated.

Subsequent expenditure

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

(e) Operating lease payments

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

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

(f) Foreign currency

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

(g) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability. In case of modification of loan conditions, such as change of interest rate or instalment calendar, the effective interest rate is updated in line with newly agreed conditions. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

The recognised average interest rate is determined as the annual weighted average from open contracts as at the date of the balance sheet date.

Fees and commissions are recognized on an accrual basis.

(h) Taxation

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

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

(i) Social security and pension schemes

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

(j) Cash and cash equivalents

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

(k) Provisions

A provision is recognized in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(m) Ownership interests

The subsidiary consists of participation with controlling influence in an entity where the Bank identified control/supervision. Control arises when the Bank receives or is entitled to receive variable returns from its participation in the company and has the ability to affect those returns through its power over the company, regardless of the ownership share.

In case of control/supervision all following conditions must be met:

- power over the company in which has been invested;
- the right or authority to acquire rights to obtain variable returns based on the investment in the company;
- the ability to use the power over the company, in order to influence the amount of the Bank's returns from this investment.

An associate enterprise consists of participation with significant influence in an entity where the Bank has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in decisions on the financial and operating policy of the invested subject, but it does not involve control or joint control over those policies.

A joint venture is a joint arrangement where parties that together control the arrangement have rights to the net assets of this arrangement. Joint control is the contractually agreed sharing of control over the arrangement which exists when decisions about the relevant activities require the unanimous consent of the parties that share control.

Ownership interests are appraised at cost. The Bank creates allowances to this appraised ownership interests on the date of the annual financial statements in the amount of the difference between the value of appraised ownership interests recorded in the accounting and the recoverable amount.

The Bank applies fair value hedge accounting for ownership interests held in foreign currency that applies only to foreign currency risk.

(n) Disposal groups held for sale

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

Disposal groups held for sale are measured at the lower of:

- Net book value of the asset at the date of classification to "disposal group held for sale";
- The fair value less estimated costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(o) Segment reporting

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

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

- Financial markets
- Corporate banking
- Private banking
- Retail banking
- ALCO
- Unallocated

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

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

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

(p) Dividends

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

(q) Employee benefits

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

The revaluation of the net liability from defined benefit plans (including actuarial gains and losses) is recognised in full immediately in other comprehensive income.

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

These principles supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for impairment of loan

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

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

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

Determining fair values

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

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

- Level 1: quoted priced (unadjusted) in active markets for identical assets or liabilities;
- Level 2: derived from quoted prices, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not derived from quoted prices (calculated using valuation techniques).

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

If the fair values had been higher or lower by 10% than management's estimates, the net carrying amount of Level 3 financial instruments would have been estimated to be CZK 441 million higher or lower than as disclosed as at 31 December 2015 (2014: CZK 424 million).

Financial instruments

In the vast majority of cases, the fair value of Level 3 investments was estimated using discounted cash flow ("DCF") models, with inputs coming from the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specificities of the industries and countries in which the investments operate. The key assumptions used in the valuations were the expected cash flows and discount rates. Further information about level 3 financial instruments is disclosed in the notes 9a and 9b.

5. CASH AND CASH EQUIVALENTS

in MCZK	2015	2014
Cash on hand and current accounts with central banks (note 6)	162	181
Term deposits in central banks up to 3 months (note 6)	17,150	10,963
Loans to central banks – repurchase agreements (note 7)	30,000	–
Loans due from banks – repurchase agreements (note 7)	2,411	2,299
Current accounts with banks or payable within 3 months (note 7)	736	2,712
Total	50,459	16,155

6. CASH AND BALANCES WITH CENTRAL BANKS

in MCZK	2015	2014
Balances with central banks (including obligatory minimum reserves)	1,711	1,185
Current accounts with central banks	1	–
Term deposits in central banks up to 3 months	17,150	10,963
Total balance with central banks	18,862	12,148
Cash on hand	161	181
Total	19,023	12,329

Balances with central banks represent the obligatory minimum reserves maintained under Czech National Bank („CNB“) and National Bank of Slovakia („NBS“). The obligatory minimum reserve is stated as 2% of primary deposits with maturity of less than two years. The Bank must maintain the obligatory minimum reserves in accounts with the respective central banks. Compliance with this requirement is measured using the average daily closing balance over the whole month.

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

7. DUE FROM FINANCIAL INSTITUTIONS

in MCZK	2015	2014
Current accounts with banks	656	2,111
Term deposits and loans up to 3 months	80	601
Term deposits and loans over 3 months	66	60
Loans to central banks – repurchase agreements (note 10)	30,000	–
Loans due from banks – repurchase agreements (note 10)	2,411	2,299
Subordinated loans to banks	398	422
Other receivables due from banks	50	802
Total	33,661	6,295

Subordinated loans to banks are provided to related banks.

Other receivables due from banks includes cash collateral of derivative transactions amounting to CZK 48 million (2014: CZK 799 million).

There were no overdue current account with banks as of 31 December 2015 and 31 December 2014.

The contractual weighted average interest rate on deposits and loans with other banks was 0.3% p.a. (2014: 2.6% p.a.).

8. DERIVATIVES

(a) Derivatives held for trading:

in MCZK	2015 Notional amount buy	2015 Notional amount sell	2015 Fair value Positive	2015 Fair value Negative
Forward currency contracts	38,434	(38,473)	97	(113)
Other derivatives	197	(198)	1	–
Total as at 31 December 2015	38,631	(38,671)	98	(113)

in MCZK	2014 Notional amount buy	2014 Notional amount sell	2014 Fair value Positive	2014 Fair value Negative
Forward currency contracts	39,939	(40,223)	99	(386)
Other derivatives	352	(355)	1	–
Total as at 31 December 2014	40,291	(40,578)	100	(386)

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

Purchased and written options are recognized in the trading portfolio as other derivatives. Written options comprise derivatives embedded in structured client deposits. The Bank has purchased matching options (with the same underlying assets, maturity and strike prices) from third parties in order to hedge the exposures. Accordingly, the fair value of the purchased options portfolio equals to the fair value of the sum of the written options.

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

Although all these derivatives represent an economic hedge, they are presented as trading, because IAS 39 does not allow include this type of derivatives in the category of hedging derivatives.

The foreign currency structure of these transactions was as follows:

	CZK	EUR	USD	other
LONG POSITION				
31 December 2015	74%	22%	2%	2%
31 December 2014	83%	15%	1%	1%

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

	CZK	EUR	USD	other
SHORT POSITION				
31 December 2015	14%	69%	8%	9%
31 December 2014	13%	70%	16%	1%

(b) Derivatives held for risk management:

Fair value hedging

in MCZK	2015 Notional amount buy	2015 Notional amount sell	2015 Fair value Positive	2015 Fair value Negative
Forward currency contracts	6,055	(6,063)	4	(12)
Total as at 31 December 2015	6,055	(6,063)	4	(12)

in MCZK	2014 Notional amount buy	2014 Notional amount sell	2014 Fair value Positive	2014 Fair value Negative
Forward currency contracts	11,449	(12,042)	–	(602)
Total as at 31 December 2014	11,449	(12,042)	–	(602)

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

The objective of this hedge is to cover the foreign currency exposure to changes in fair value of financial assets available for sale and investment in equity accounted investees denominated in foreign currency over the hedging period. The Bank uses currency forwards to reach effectiveness within the hedging relationship.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS AVAILABLE FOR SALE AND FINANCIAL ASSETS HELD TO MATURITY

(a) Financial assets at fair value through profit or loss:

in MCZK	2015 Fair value	2014 Fair value
Shares		
– domestic	316	133
– foreign	53	58
Allotment certificates		
– domestic	–	25
– foreign	1	–
Bonds		
– domestic	1,040	6,907
– foreign	1,321	1,645
Total	2,731	8,768

in MCZK	2015 Fair value	2014 Fair value
Shares		
– listed	369	191
Allotment certificates		
– not listed	1	25
Bonds		
– listed	2,361	8,552
Total	2,731	8,768

Shares in portfolio as at 31 December 2015 comprise mainly non-government bonds of CZK 1 094 million (2014: CZK 1 229 million) in the structure of Luxemburgian bonds of CZK 317 million (2014: CZK 215 million), Slovakian bonds of CZK 234 million (2014: CZK 392 million), Cyprian bonds of CZK 196 million (2014: CZK 225 million) and Netherlands bonds of CZK 170 million (2014: CZK 285 million).

Foreign government bonds totaling the amount of CZK 227 million (2014: CZK 416 million) represent Poland government bonds of CZK 163 million (2014: CZK 72 million) and Turkish government bonds of CZK 64 million (2014: CZK 40 million).

in MCZK	2015 Fair value	2014 Fair value
Shares		
– financial institutions	90	45
– corporate	279	146
Allotment certificates		
– financial institutions	1	25
Bonds		
– government	608	6,004
– financial institutions	832	733
– corporate	921	1,806
– international institutions	–	9
Total	2,731	8,768

in MCZK	2015 Fair value	2014 Fair value
Shares		
– Level 1 – quoted market price	367	187
– Level 3 – calculated using valuation techniques	2	4
Allotment certificates		
– Level 1 – quoted market price	1	25
Bonds		
– Level 1 – quoted market price	2,305	8,362
– Level 3 – calculated using valuation techniques	56	190
Total	2,731	8,768

The contractual weighted average interest rate on bonds was 5.35% p.a. (2014: 2.67% p.a.).

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

in MCZK	Shares	Bonds	Total
Balance as at 1 January 2015	4	190	194
Addition	–	58	58
Disposal	(2)	(180)	(182)
Effects of movements in foreign exchange	–	(10)	(10)
Accrued interest	–	(2)	(2)
Balance as at 31 December 2015	2	56	58

The Bank regularly monitors changes in market conditions of particular financial assets and in case there are available quoted prices of those financial assets on the active market, those are transferred from Level 3 to Level 1. In 2015, the Bank did not transfer from Level 3 to Level 1 any bonds and shares (2014: CZK 267 million and CZK 20 million).

(b) Financial assets available for sale:

in MCZK	2015 Fair value	2014 Fair value
Shares		
– domestic	189	271
– foreign	135	118
Allotment certificates		
– domestic	3,022	2,492
– foreign	1,942	1,190
Bonds		
– domestic	3,713	11,422
– foreign	5,851	5,607
Total	14,852	21,100

in MCZK	2015 Fair value	2014 Fair value
Shares		
– listed	324	315
– not listed	–	74
Allotment certificates		
– not listed	4,964	3,682
Bonds		
– listed	8,432	15,888
– not listed	1,132	1,141
Total	14,852	21,100

Foreign shares in portfolio as at 31 December 2015 comprise mainly Slovakian corporate shares in the amount of CZK 120 million (2014: CZK 74 million).

Foreign allotment certificates comprise Malta certificates of CZK 1 813 million (2014: CZK 1 186 million) and Slovakian certificates of CZK 129 million (2014: CZK 4 million).

Foreign bonds include Slovakia bonds of CZK 5 298 million (2014: CZK 5 076 million), Luxembourg bonds of CZK 359 million (2014: CZK 119 million) and Great Britain bonds of CZK 194 million (2014: CZK 200 million).

in MCZK	2015 Fair value	2014 Fair value
Shares		
– corporate	324	389
Allotment certificates		
– financial institutions	4,964	3,682
Bonds		
– government	3,384	11,084
– financial institutions	1,540	1,224
– corporate	4,640	4,721
Total	14,852	21,100

in MCZK	2015 Fair value	2014 Fair value
Shares		
– Level 1 – quoted market price	162	239
– Level 3 – calculated using valuation techniques	162	150
Allotment certificates		
– Level 1 – quoted market price	4,964	3,682
Bonds		
– Level 1 – quoted market price	5,379	13,134
– Level 3 – calculated using valuation techniques	4,185	3,895
Total	14,852	21,100

The contractual weighted average interest rate on bonds was 2.76% p.a. (2014: 1.92% p.a.).

In 2015, the Bank has identified an impairment of financial assets available for sale amounting to CZK 32 million. Impairment resulted in permanent decrease of market price of an individual financial asset available for sale. In 2014, the impairment arose from the decrease of the share capital of the security's issuer amounting to CZK 62 million.

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

in MCZK	Shares	Bonds	Total
Balance as at 1 January 2015	150	3,895	4,045
Total gains / [losses] recognised in profit or loss	(2)	(16)	(18)
Total gains / [losses] recognised in equity	(1)	(35)	(36)
Addition	121	1,830	1,951
Disposal	(74)	(1,457)	(1,531)
Impairment	(32)	–	(32)
Interest income	–	(32)	(32)
Balance as at 31 December 2015	162	4,185	4,347

The Bank regularly monitors changes in market conditions of particular financial assets and in case there are available quoted prices of those financial assets on the active market, those are transferred from Level 3 to Level 1. In 2015, the Bank did not transfer from Level 3 to Level 1 any bonds and shares (2014: CZK 699 million, CZK 0 million).

(c) Financial assets held to maturity:

in MCZK	2015 Amortised cost	2014 Amortised cost
Bonds		
– foreign	609	1,311
Total	609	1,311

in MCZK	2015 Amortised cost	2014 Amortised cost
Bonds		
– listed	609	1,311
Total	609	1,311

in MCZK	2015 Amortised cost	2014 Amortised cost
Bonds		
– corporate	609	1,311
Total	609	1,311

The contractual weighted average interest rate on bonds was 5.88% p.a. (2014: 6.14% p.a.).

Foreign bonds include Hungarian corporate bonds amounting to CZK 609 million (2014: CZK 893 million).

10. REPURCHASE AND RESALE AGREEMENTS

(a) Resale agreements

The Bank purchases financial assets under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Legal right to financial assets is transferred to the Bank, respectively entity which is a loan provider. Reverse repurchases are entered into as a facility to provide funds to customers. As of 31 December 2015 and 31 December 2014, assets purchased pursuant to the agreements to resell them were as follows:

in MCZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks (note 7)	30,000	30,000	To 1 Month	30,000
Loans to banks (note 7)	3,862	2,411	To 3 Months	2,415
Loans and advances to customers (note 11)	4,866	3,027	To 3 Months	3,045
Total as at 31 December 2015	38,728	35,438		35,460

in MCZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to banks (note 7)	3,690	2,299	To 3 Months	2,312
Loans and advances to customers (note 11)	7,816	5,313	To 3 Months	5,525
Total as at 31 December 2014	11,506	7,612		7,837

(b) Repurchase agreements

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

in MCZK	Fair value of assets given as collateral	Carrying amount of liability	Repurchase date	Repurchase price
Loans from banks (note 17)	57	57	To 1 Month	57
Loans and advances from customers (note 18)	34	33	To 3 Months	33
Total as at 31 December 2015	91	90		90

in MCZK	Fair value of assets given as collateral	Carrying amount of liability	Repurchase date	Repurchase price
Loans from banks (note 17)	639	640	To 1 Month	640
Loans and advances from customers (note 18)	34	35	To 3 Months	35
Total as at 31 December 2014	673	675		675

As at 31 December 2015, the Bank sold securities under repurchase agreements at CZK 57 million (2014: CZK 639 million), which are recognized in the statement of financial position, and securities under repurchase agreements at CZK 34 million (2014: CZK 34 million) which were purchased under reverse repurchase operations before.

11. LOANS AND ADVANCES TO CUSTOMERS

in MCZK	2015	2014
Loans and advances to customers	63,120	57,829
Loans and advances to customers – repurchase agreements (note 10)	3,027	5,313
Bank overdraft	5,030	3,928
Debt securities – promissory notes	103	103
Other receivables	93	78
Less allowances for impairment of loans (note 12)	(1,331)	(940)
Total net loans and advances to customers	70,042	66,311

Loans and advances to customers as at 31 December 2015 include loans amounting to CZK 19 401 million (2014: CZK 19 292 million) where the repayment of the loans is dependent upon the successful realization of the assets whose acquisition was financed by the relevant loans. These assets are pledged in favour of the Bank. The Bank classifies any loans, the repayment of which depends directly on the sale (realisation) of the financed assets (which may also serve as loan security), as loans dependent on asset realisation. The financed assets may comprise both tangible and intangible assets. The Bank recognises the loans dependent on asset realisation according to the actual nature of each individual loan.

Allowances for impairment of loans and advances to customers are determined and created based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral as well as guarantees from third parties. Methodology for allowance creation is described in note 4. Critical accounting estimates and assumptions.

The amount of non-interest bearing loans as at 31 December 2015 totalled to CZK 209 million (2014: CZK 107 million). These loans were mostly acquired from the former Podnikatelská banka or loans that are already overdue and no interest is charged. Receivables from these loans are fully impaired.

The contractual weighted average interest rate on promissory notes was 5% p.a. (2014: 5% p.a.).

The contractual weighted average interest rate on loans to customers was 6.57% p.a. (2014: 6.89% p.a.).

For the additional information about Loans and advances to customers refer to note 36.

12. ALLOWANCES FOR IMPAIRMENT OF LOANS

in MCZK	2015	2014
1 January	940	1,150
Charge / (reversal) in the reporting period	542	259
Use / write-offs	(143)	(476)
Currency difference	(8)	7
Total as at 31 December	1,331	940

Use of allowances for impairment of loans for the year ended 31 December 2015 amounting to CZK 133 million (2014: CZK 466 million) represents the sale of receivables with gross value of CZK 154 million (2014: CZK 1 033 million), to which provisions of CZK 137 million (2014: CZK 466 million) were created at the time of sale. The selling price of these receivables was CZK 21 millions (2014: CZK 566 million).

At the same time, allowances for impairment of loans were used for write-offs of loans amounting to CZK 10 million (2014: CZK 10 million) for the year ended 31 December 2015, the gross amount of these loans was CZK 10 million (2014: CZK 10 million).

13. PROPERTY, PLANT AND EQUIPMENT

The movements during the period were as follows:

in MCZK	Land and buildings	Fixtures, fittings and equipment	Total
COST			
1 January 2014	20	51	71
Additions	–	22	22
Disposals	–	(1)	(1)
31 December 2014	20	72	92
ACCUMULATED DEPRECIATION			
1 January 2014	3	28	31
Depreciation	2	9	11
Disposals	–	(1)	(1)
31 December 2014	5	36	41
COST			
1 January 2015	20	72	92
Additions	1	6	7
Disposals	–	(1)	(1)
31 December 2015	21	77	98
ACCUMULATED DEPRECIATION			
1 January 2015	5	36	41
Depreciation	2	7	9
31 December 2015	7	43	50
NET BOOK VALUE			
31 December 2014	15	36	51
31 December 2015	14	34	48

The Bank did not record any fixed tangible assets under construction at the end of 2015 and 2014.

Property is insured against theft and natural disaster.

14. INTANGIBLE ASSETS

The movements during the period were as follows:

in MCZK	Software	Assets under construction	Total
COST			
1 January 2014	212	56	268
Additions	53	–	53
Transfer	56	(56)	–
Disposals	(1)	–	(1)
31 December 2014	320	–	320
ACCUMULATED AMORTISATION			
1 January 2014	166	–	166
Amortisation	40	–	40
Disposals	(1)	–	(1)
31 December 2014	205	–	205
COST			
1 January 2015	320	–	320
Additions	51	–	51
Disposals	(5)	–	(5)
31 December 2015	366	–	366
ACCUMULATED AMORTISATION			
1 January 2015	205	–	205
Amortisation	58	–	58
Disposals	(2)	–	(2)
31 December 2015	261	–	261
NET BOOK VALUE			
31 December 2014	115	–	115
31 December 2015	105	–	105

Intangible fixed assets under construction from 2014 that included paid advances for the acquisition of assets were reclassified into the appropriate type of purchased assets in 2015.

15. OPERATING LEASES

(a) Leases entered into as lessee

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

in MCZK	2015	2014
Less than one year	99	90
Between one and five years	305	308
More than five years	38	100
Total	442	498

(b) Leases entered into as lessor

The Bank has non-cancellable operating lease receivables as follows:

in MCZK	2015	2014
Less than one year	1	1
Between one and five years	2	2
Total	3	3

16. PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

in MCZK	2015	2014
Prepayments and accrued income	65	68
Receivables from customers from securities trading	538	239
Other trading receivables	270	268
Receivables from fees for portfolio management	32	23
Other receivables	58	68
Advance payments – other	31	20
Allowances for impairment of other assets	(1)	(2)
Total	993	684

Other trading receivables as at 31 December 2015 include reward for the issue of bonds and promissory notes of CZK 57 million (2014: CZK 261 million) and large number of sundry items that are not significant on an individual basis.

Receivables from customers from securities trading increased primarily because of a higher volume of trades in the client accounts.

Allowances for impairment of other assets:

in MCZK	2015	2014
1 January	2	2
Charged / [reversed] in the period	[1]	–
Total as at 31 December	1	2

17. DEPOSITS AND LOANS FROM BANKS

Deposits and loans from banks comprise:

in MCZK	2015	2014
Deposits from banks	4,286	3,897
Loans from banks – repurchase agreements	57	640
Total	4,343	4,537

Deposits from banks includes current deposits, term deposits and other financial liabilities.

The contractual weighted average interest rate on deposits and loans from banks was 0.64% p.a. as at 31 December 2015 (2014: 0.85% p.a.).

18. DEPOSITS FROM CUSTOMERS

Deposits from customers comprise:

in MCZK	2015	2014
Current accounts	17,856	10,019
Term deposits	99,169	90,302
Loans from customers – repurchase agreements	33	35
Total	117,058	100,356

The contractual weighted average interest rate on deposits from customers was 1.79% p.a. as at 31 December 2015 (2014: 2.31% p.a.).

19. SUBORDINATED DEBT

Subordinated debt at amortised cost:

in MCZK	2015	2014
Issued subordinated bonds	674	690
Subordinated debt – term deposit from customers	1,375	1,207
Total	2,049	1,897

On 28 February 2007, the Bank issued subordinated bonds with a notional amount of EUR 25 million maturing in 2022. Czech National Bank approved the subordinated debt as a part of the capital for regulatory purposes. The interest rate was 4.75% p.a. as at 31 December 2015 (2014: 5.17% p.a.).

The subordinated debt – term deposit from customers with a maturity up to 2025 bear an interest rate between 5% and 8% p.a. Czech National Bank approved the subordinated debt as a part of the capital for regulatory purposes.

20. OTHER LIABILITIES AND PROVISIONS

Other liabilities and provisions:

in MCZK	2015	2014
Trade payables	140	151
Other liabilities	631	96
Other current provisions	28	17
Provision for off-balance sheet items	71	48
Provision for untaken vacation	10	10
Provision for employee bonuses	506	392
Provision for loyalty programmes - customers	120	88
Provision for loyalty programmes - employees	2	2
Payables to employees	24	24
Payables related to social costs	10	10
Payables from securities of clients at trader's disposal	4,841	2,719
Estimated payables, accruals and deferred income	172	166
Other tax liabilities	61	47
Total	6,616	3,770

Other liabilities primarily include payables from clearing of CZK 10 million (2014: CZK 26 million), liabilities to securities markets CZK 377 million (2014: CZK 0 million) and incoming and outgoing payments from nostro accounts of CZK 8 million (2014: CZK 3 million).

Payables to clients from securities at the trader's disposal increased primarily because of an increased volume of client transactions with securities.

A provision for employee bonuses is established in relation to the approval of Group employees' annual bonuses. The annual bonus is defined as variable benefit component of employee remuneration which the company may grant and pay to an employee in proportion to his job performance in the evaluated period, most commonly a year. It also comprises the management bonuses with deferred due payment. The Bank's remuneration policy is in accordance with the policies of risk management and remuneration in accordance with Decree 163/2014 Sb., on the performance of the activities of banks, credit unions and investment firms.

The loyalty programme (Magnus) has been established to provide non-monetary performances to employees in relation to the employment and similar relationships, and bonuses and to customers when they sign up for any of selected Group products. Since the performance is provided for an unlimited period of time and the withdrawals can be made continuously, the provision for loyalty programme is a long-term one. The Bank establishes a provision for loyalty programme for bonuses to customers of CZK 119 million (2014: CZK 88 million) and to employees of CZK 2 million (2014: CZK 2 million).

A provision for off-balance sheet items comprises in particular the provision for the loan promises and guarantees of CZK 70 million (2014: CZK 48 million).

As at 31 December 2015, other provisions amounted to CZK 28 million (2014: CZK 17 million). It is expected that these provisions will be utilised after 12 or more months after the balance sheet date. These provisions include in particular a provision for unpaid premium interest from municipal deposits and a provision for commission fees in respect of the bond emission.

Provisions:

in MCZK	Balance as at 1 January 2015	Additions / Creations	Use	Foreign exchange difference	Balance as at 31 December 2015
Off-balance sheet items	48	38	(15)	–	71
Untaken vacation	10	8	(8)	–	10
Employee bonuses	392	441	(326)	(1)	506
Loyalty programmes – customers	88	32	–	–	120
Loyalty programmes – employees	2	3	(3)	–	2
Other current provisions	17	18	(7)	–	28
Total	557	540	(359)	(1)	737

21. SHARE CAPITAL, RETAINED EARNINGS AND OTHER RESERVES

On November 10, 2015 the J&T Bank's sole shareholder J&T FINANCE GROUP SE increased share capital of the Bank by subscription of new shares totaling CZK 1 080 million.

Share capital is fully paid and consists of:

in MCZK	2015
10 637 126 ordinary shares with a nominal value of CZK 1 000 per share	10,637
700 000 ordinary shares with a nominal value of CZK 1.43 per share	1
Total share capital	10,638

The owners of ordinary shares are entitled to the payment from approved dividends.

The allocation of the profit will be approved at the General Meeting. The Bank's Management assumes that the relevant part of the profit will be transferred into a dedicated fund for the payment of the income from subordinated income certificates that are part of the bank's equity and the remaining amount will be transferred to retained earnings. The Bank does not assume that the

profit for 2015 will be paid as a dividend to shareholders.

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

Retained earnings

Retained earnings are distributable to the Bank's shareholders and are subject to the shareholders meeting resolution. As at 31 December 2015, retained earnings amounted to CZK 4 260 million (2014: CZK 3 770 million). For detail of retained earnings see Statement of changes in equity.

Capital funds

Capital funds consist of a special purpose fund for income distribution from subordinated income certificates.

For details related to the special purpose fund refer to last paragraph in Other capital instruments.

Revaluation reserve

a) Revaluation reserve from financial assets available for sale

Gains and losses on the revaluation of financial assets available for sale are recognized directly in equity through a revaluation reserve. On 31 December 2015, the revaluation reserve from the revaluation of financial assets available for sales amounted to CZK 90 million (2014: CZK 67 million).

b) Other revaluation reserves

Other revaluation reserves are represented by the FX difference from the translation of the Slovak branch's statements amounted to CZK (3) million (2014: CZK 2 million).

Other capital instruments

Other capital instruments comprise issued subordinated unsecured revenue certificates with fixed interest revenue dependent of the fulfilment of pre-defined conditions, with no fixed maturity date. The certificates are hybrid financial instruments combining the economic features of capital and debt securities. These certificates are also considered capital instruments compliant with the conditions for the inclusion thereof into the additional Tier 1 capital (AT1). This inclusion is subject to the approval by the Czech National Bank.

On 19 June 2014, the Czech National Bank approved the prospectus of revenue certificate emission of total estimated value of CZK 1 000 million with interest revenue of 10% p.a.

On 12 September 2015, the Czech National Bank approved the prospectus of second revenue certificate emission of total estimated value of CZK 1 000 million with interest revenue of 9% p.a.

On 11 December 2015, the Czech National Bank approved the prospectus of third revenue certificate emission of total estimated value of EUR 50 million with interest revenue of 9% p.a.

As at 31 December 2015, the volume of emitted certificated reached CZK 1 742 million (2014: CZK 899 million).

On 30 June 2014, the Bank's Board of Directors also approved the establishment of a purpose-built capital fund for the payment of revenue from certificates of CZK 100 million. This fund was created from retained earnings. In 2015, another CZK 100 million was transferred to this fund from the 2014 profit. The payment of revenue from certificates is governed by the conditions defined in the prospectus. In 2015, revenue of CZK 108 million (2014: CZK 20 million) was paid out from the fund.

22. INCOME TAX

Income tax was calculated in accordance with Czech tax regulations at the rate of 19% in 2015 (2014: 19%). The income tax rate for 2016 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax law. The tax paid by the branch in Slovakia is offset against the income tax for the Bank as a whole paid in the Czech Republic. The income tax rate in Slovakia for 2015 is 22% (2014: 22%). As from 1 January 2016 the tax rate in Slovakia is 22%.

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

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

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

in MCZK	2015	2014
Profit before tax	1,963	1,575
Tax non-deductible expenses	874	723
Non-taxable revenues and tax refund for the last period	(1,558)	(443)
Statutory income tax rate	19 %	19 %
Income tax expenses	243	352
Correction of tax expenses from previous periods and additional payments	–	1
Difference from Slovak branch tax	12	11
Deferred tax (note 23)	(25)	(32)
Total income tax expenses	230	332
Effective tax rate	11.7%	21.1%

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

Main tax non-deductible expenses are dividend income from ownership interests, dissolve/use of allowances for receivables and use/write-offs of allowances. A significant portion of non-taxable revenues was represented by the gain from the sale of ownership interests.

Income tax expenses amounting to CZK 243 million [2014: CZK 352 million] are calculated in accordance with the Czech accounting standards from profit adjusted according to the Czech Law on Income Tax, as amended.

23. DEFERRED TAX

The Bank has the following deferred tax assets and liabilities:

in MCZK	2015	2014
DEFERRED TAX ASSET / (LIABILITY)		
Property, plant and equipment	(7)	(2)
Unpaid interest, net	-	(1)
Financial assets available for sale	(21)	(16)
Other temporary differences	116	89
Net deferred tax liability	88	70

The deferred tax asset and liability is calculated using the 2016 income tax rate of 19% [2015: 19%].

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax liabilities in 2015.

in MCZK	2015	2014
Deferred tax liability, net as at 1 January	70	35
Deferred tax expense in the period (note 22)	25	32
Deferred tax recognized in equity	(6)	2
Currency difference (Slovak branch)	(1)	1
Net deferred tax liability as at the end of the period	88	70

24. INTEREST INCOME

in MCZK	2015	2014
Interest income from:		
Due from financial institutions	31	60
Loans and advances to customers	4,497	3,995
Repo transactions	297	271
Bonds and other fixed income securities	508	807
Other operations	20	22
Total	5,353	5,155

Item "Loans and advances to customers" includes commissions for origination of loans of CZK 50 million (2014: CZK 48 million), which are part of effective interest rate.

Interest income according to classes of assets:

in MCZK	2015	2014
Interest income from:		
Financial assets at fair value through profit or loss:		
– those held for trading	226	215
– those designated at initial recognition	–	70
Financial assets available for sale	245	459
Financial assets held to maturity	57	84
Loans and other receivables	4,825	4,327
– of which: Impaired loans and receivables	83	57
– of which: Forbearance	160	142
Total	5,353	5,155

25. INTEREST EXPENSE

in MCZK	2015	2014
Interest expense on:		
Deposits and loans from banks	(27)	(29)
Deposits from customers	(2,377)	(2,437)
Repo transactions	(1)	(1)
Subordinated bonds and promissory notes	(36)	(37)
Other operations	(18)	(24)
Total	(2,459)	(2,528)

Interest expense according to classes of liabilities:

in MCZK	2015	2014
Interest expense on:		
Financial liabilities at amortised cost	(2,441)	(2,504)
Financial liabilities at fair value through profit or loss	(18)	(24)
Total	(2,459)	(2,528)

26. FEE AND COMMISSION INCOME

in MCZK	2015	2014
Fee and commission income from:		
Securities and derivatives for customers	506	430
Loan activities	59	61
Payment transactions	31	73
Other	7	12
Total	603	576

27. FEE AND COMMISSION EXPENSE

in MCZK	2015	2014
Fee and commission expense on:		
Transactions with securities	(104)	(76)
Payment transactions	(12)	(14)
Other	(11)	(5)
Total	(127)	(95)

28. NET TRADING INCOME

in MCZK	2015	2014
Realised and unrealised losses on financial instruments at fair value	260	369
Net gains / (losses) on derivative operations	(661)	(1,029)
Realised and unrealised gains (losses) from receivables	-	(1)
Net profit / (loss) from foreign currency translation	401	930
Net gains / (losses) on hedging derivative operations	(1)	-
Dividend income	26	1
Total net trading income	25	270

Net trading income comprises of:

in MCZK	2015	2014
Financial assets and liabilities at fair value through profit or loss:		
– those held for trading	(536)	(894)
– those designated at initial recognition	–	–
Financial assets available for sale	160	235
Profit or loss from loans and other receivables	–	(1)
Exchange rate differences	401	930
Total	25	270

29. OTHER OPERATING INCOME

in MCZK	2015	2014
Rental income	1	–
Income from re-invoicing of services	5	4
Income from sale of ownership interests	737	–
Income from rendered operating leases	16	17
Other income	75	77
Total	834	98

Income from the sale of ownership interests of CZK 737 million represents realized gain on the sale of 37.17% shares of Poštová banka, a.s. (see note 1).

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

30. PERSONNEL EXPENSES

in MCZK	2015	2014
Wages and salaries	(560)	(486)
Directors' and Supervisory Board members' remuneration	(31)	(29)
Compulsory soc. security contributions	(124)	(108)
Other social costs	(16)	(17)
Total personnel expenses	(731)	(640)
Average number of employees during the reporting period	443	434

There were 4 members of the Bank's Board of Directors at 31 December 2015 (2014: 4).

31. OTHER OPERATING EXPENSES

in MCZK	2015	2014
Rent expense	(120)	(111)
Contributions to Deposit Insurance Fund	(166)	(141)
Taxes and fees	(57)	(77)
OPERATING COSTS:		
Repairs and maintenance – other	(4)	(3)
Consulting expenses	(24)	(12)
Communication expenses	(17)	(12)
Materials	(13)	(25)
Advertising expenses and representation	(157)	(174)
Audit, legal and tax consulting	(35)	(25)
Transport and accommodation, travel expenses	(18)	(14)
Expenses from re-invoicing	(5)	(4)
Sponsoring and gifts	(24)	(16)
Repairs and maintenance – IS, IT	(38)	(35)
Services related to rent	(29)	(22)
Outsourcing	(178)	(138)
Other operating costs	(148)	(166)
Total	(1,033)	(975)

Other operating costs of CZK 148 million at 31 December 2015 (2014: CZK 166 million) include a large number of sundry items that are not significant on an individual basis.

Taxes and fees include a special bank levy to the Slovak Tax Authority. This levy does not fall within the scope of IAS 12 Income Taxes. The Bank considers the levy to be operational in nature and has accrued the respective cost within "Other operating expenses".

32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE STATEMENT OF CASH FLOWS

in MCZK	Cash and balances with central banks	Term deposits in central banks up to 3 months	Loans to central banks – repurchase agreements	Loans to banks – repurchase agreements	Current bank accounts or up to 3 months	Total
31 December 2013	145	7,855	–	–	1,534	9,534
Change in 2014	36	3,108	–	2,299	1,178	6,621
31 December 2014	181	10,963	–	2,299	2,712	16,155
Change in 2015	(19)	6,187	30,000	112	(1,976)	34,304
31 December 2015	162	17,150	30,000	2,411	736	50,459

33. FINANCIAL COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies comprise:

in MCZK	2015	2014
Granted guarantees	2,852	2,827
Unused credit lines	6,165	5,104
Securities held on behalf of clients	27,453	17,919
Total	36,470	25,850

34. SEGMENT REPORTING

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

(a) Business segments

The Bank comprises the following main business segments:

- Financial markets
 - Includes the trading and corporate finance activities, mainly activities within financial markets department regardless of level of service and client business segment;
- Corporate Banking
 - Includes loans, deposits and other transactions and balances with corporate customers (including business segment: corporations, non-profit organisations, financial institutions);
- Private Banking
 - Includes loans, deposits and other transactions and balances with private banking and premium banking customers (the customer's aggregate sum of deposits with the Bank is at least CZK 3 million);
- Retail Banking
 - Includes loans, deposits and other transactions and balances with retail customers (the customer's aggregate sum of deposits with the Bank is at least CZK 0.5 million);
- ALCO
 - Includes balance sheet items of strategic importance that are managed by the Asset and Liability Committee;
- Unallocated
 - Includes balance sheet items that are not included in the segments above.

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

- Financial assets available for sale and held to maturity,
- Due from financial institutions,
- Deposits and loans from banks,
- Cash and balances with central banks.

Personnel costs, operating expenses and depreciation charges that are not allocated to business segments are included in the segment "Unallocated".

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

Statement of financial position as at 31 December 2015:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Cash and balances with central banks	–	–	–	–	19,023	–	19,023
Due from financial institutions	–	2,411	–	–	31,250	–	33,661
Positive fair value of derivatives, financial assets	2,830	–	–	–	15,464	–	18,294
Ownership interests	–	–	–	–	3,309	–	3,309
Loans and advances to customers	6,586	55,082	8,318	56	–	–	70,042
Current tax assets	–	–	–	–	–	59	59
Deferred tax assets	–	–	–	–	–	88	88
Prepayments, accrued income and other assets	–	–	–	–	–	1,146	1,146
Disposal groups held for sale	–	–	–	–	1,368	–	1,368
Total Assets	9,416	57,493	8,318	56	70,414	1,293	146,990
Negative fair value of derivatives	124	–	–	–	1	–	125
Deposits and loans from banks	–	–	–	–	4,343	–	4,343
Deposits from customers	–	42,673	23,122	51,263	–	–	117,058
Subordinated debt	–	1,104	508	437	–	–	2,049
Other liabilities and provisions	–	–	–	–	–	6,616	6,616
Total Liabilities	124	43,777	23,630	51,700	4,344	6,616	130,191

Statement of financial position as at 31 December 2014:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Cash and balances with central banks	-	-	-	-	12,329	-	12,329
Due from financial institutions	-	2,299	-	-	3,996	-	6,295
Positive fair value of derivatives, financial assets	8,867	-	-	-	22,412	-	31,279
Ownership interests	-	-	-	-	8,800	-	8,800
Loans and advances to customers	7,994	48,481	9,756	80	-	-	66,311
Deferred tax assets	-	-	-	-	-	70	70
Prepayments, accrued income and other assets	-	-	-	-	-	850	850
Disposal groups held for sale	-	-	-	-	107	-	107
Total Assets	16,861	50,780	9,756	80	47,644	920	126,041
Negative fair value of derivatives	386	-	-	-	602	-	988
Deposits and loans from banks	-	-	-	-	4,537	-	4,537
Deposits from customers	-	38,439	19,424	42,493	-	-	100,356
Subordinated debt	-	1,114	439	344	-	-	1,897
Current tax liability	-	-	-	-	-	117	117
Other liabilities and provisions	-	-	-	-	-	3,770	3,770
Total Liabilities	386	39,553	19,863	42,837	5,139	3,887	111,665

Statement of comprehensive income for the period ended 31 December 2015:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Net interest income	166	1,516	629	415	162	6	2,894
Fee and commission income	520	76	4	3	–	–	603
Fee and commission expense	(103)	(24)	–	–	–	–	(127)
Dividends from financial assets available for sale	–	–	–	–	14	–	14
Dividends from investment in equity	–	–	–	–	384	–	384
Impairment of assets available for sale	(32)	–	–	–	–	–	(32)
Net trading income / (expense)	25	–	–	–	–	–	25
Other operating income	–	–	–	–	736	98	834
Operating income	576	1,568	633	418	1,296	104	4,595
Personnel expenses	(81)	(45)	(142)	(27)	–	(436)	(731)
Other operating expenses	(50)	(9)	(28)	(29)	–	(917)	(1,033)
Depreciation and amortisation	–	–	(1)	–	–	(66)	(67)
Profit before provisions, allowances and income taxes	445	1,514	462	362	1,296	(1,315)	2,764
Net change in provisions from financial activities	–	(23)	–	–	–	–	(23)
Net change in allowances for loan losses	–	(532)	(6)	(4)	–	–	(542)
Allowances for investment in equity	–	–	–	–	(236)	–	(236)
Profit before tax	445	959	456	358	1,060	(1,315)	1,963
Income tax expenses	(52)	(112)	(54)	(42)	(124)	154	(230)
Profit for the period	393	847	402	316	936	(1,161)	1,733

The values disclosed are net of inter-segment transactions and are submitted to the executive manager as such.

When assessing the performance of the segment and issuing the decision about the funds which should be allocated to the segment, the executive manager decided that unallocated operating expenses need not be re-allocated to individual segments.

Statement of comprehensive income for the period ended 31 December 2014:

in MCZK	Financial markets	Corporate banking	Private banking	Retail banking	ALCO	Unallocated	Total
Net interest income	80	1,131	516	346	534	20	2,627
Fee and commission income	489	79	5	3	–	–	576
Fee and commission expense	(75)	(20)	–	–	–	–	(95)
Dividends from financial assets available for sale	–	–	–	–	75	–	75
Dividends from investment in equity	–	–	–	–	122	–	122
Impairment of assets available for sale	–	–	–	–	(62)	–	(62)
Net trading income / [expense]	270	–	–	–	–	–	270
Other operating income	–	–	–	–	–	98	98
Operating income	764	1,190	521	349	669	118	3,611
Personnel expenses	(72)	(43)	(101)	(21)	–	(403)	(640)
Other operating expenses	(37)	(5)	(31)	(45)	–	(857)	(975)
Depreciation and amortisation	–	–	(1)	–	–	(50)	(51)
Profit before provisions, allowances and income taxes	655	1,142	388	283	669	(1,192)	1,945
Net change in provisions from financial activities	–	(19)	–	–	–	–	(19)
Net change in allowances for loan losses	–	(207)	(50)	(2)	–	–	(259)
Allowances for investment in equity	–	–	–	–	(92)	–	(92)
Profit before tax	655	916	338	281	577	(1,192)	1,575
Income tax expenses	(138)	(193)	(71)	(59)	(121)	250	(332)
Profit for the period	517	723	267	222	456	(942)	1,243

(b) Geographical segments

In presenting information on the basis of geographical areas, revenue is based on the customer's country of domicile and assets/liabilities are based on the geographical location of the assets/liabilities. More details about splitting the credit risk for loans according to the actual loan purpose and location are comprised in note 37d.

Statement of financial position as at 31 December 2015:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Cash and balances with central banks	18,715	308	–	–	19,023
Due from financial institutions	30,514	285	332	2,530	33,661
Fair value of derivatives, financial assets	8,828	5,251	4,043	172	18,294
Investment in equity accounted investees	908	7	1,133	1,261	3,309
Loans and advances to customers	12,053	19,517	35,079	3,393	70,042
Current tax assets	89	(30)	–	–	59
Deferred tax assets	63	25	–	–	88
Prepayments, accrued income and other assets	916	99	121	10	1,146
Disposal groups held for sale	107	–	–	1,261	1,368
Total Assets	72,193	25,462	40,708	8,627	146,990
Negative fair value of derivatives	58	20	43	4	125
Deposits and Loans from banks	819	2,112	112	1,300	4,343
Deposits from customers	78,653	26,543	8,202	3,660	117,058
Subordinated debt	999	319	707	24	2,049
Other liabilities and provisions	3,124	633	2,643	216	6,616
Total Liabilities	83,653	29,627	11,707	5,204	130,191

Statement of financial position as at 31 December 2014:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Cash and balances with central banks	12,235	94	–	–	12,329
Due from financial institutions	1,156	505	1,817	2,817	6,295
Fair value of derivatives, financial assets	21,557	5,653	3,775	294	31,279
Investment in equity accounted investees	993	6,287	887	633	8,800
Loans and advances to customers	15,474	12,655	36,168	2,014	66,311
Deferred tax assets	42	28	–	–	70
Prepayments, accrued income and other assets	547	99	198	6	850
Disposal groups held for sale	107	–	–	–	107
Total Assets	52,111	25,321	42,845	5,764	126,041
Negative fair value of derivatives	223	20	745	–	988
Deposits and Loans from banks	1,259	2,213	1,036	29	4,537
Deposits from customers	70,996	25,526	3,253	581	100,356
Subordinated debt	881	326	695	(5)	1,897
Current tax liability	114	3	–	–	117
Other liabilities and provisions	2,082	656	816	216	3,770
Total Liabilities	75,555	28,744	6,545	821	111,665

Statement of comprehensive income for the year ended 31 December 2015:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Net interest income	(264)	685	2,325	148	2,894
Fee and commission income	192	199	190	22	603
Fee and commission expense	(103)	(21)	(1)	(2)	(127)
Dividends from financial assets available for sale	11	–	–	3	14
Dividends from investment in equity	104	280	–	–	384
Net trading income / (expense)	(784)	66	350	393	25
Impairment of assets available for sale	(32)	–	–	–	(32)
Other operating income	89	741	4	–	834
Operating income	(787)	1,950	2,868	564	4,595
Personnel expenses	(454)	(276)	–	(1)	(731)
Other operating expenses	(590)	(427)	(9)	(7)	(1,033)
Depreciation and amortisation	(64)	(3)	–	–	(67)
Profit before provisions, allowances and income taxes	(1,895)	1,244	2,859	556	2,764
Net change in provisions from financial activities	(23)	–	–	–	(23)
Net change in allowances for impairment of loans	(203)	(302)	(37)	–	(542)
Allowances for investment in equity	(69)	–	(167)	–	(236)
Profit before tax	(2,190)	942	2,655	556	1,963
Income tax expenses	(110)	(120)	–	–	(230)
Profit for the period	(2,300)	822	2,655	556	1,733

Statement of comprehensive income for the year ended 31 December 2014:

in MCZK	Czech Republic	Slovakia	Other EU	Other countries	Total
Net interest income	849	[769]	2,442	105	2,627
Fee and commission income	156	134	269	17	576
Fee and commission expense	[21]	[70]	[2]	[2]	[95]
Dividends from financial assets available for sale	64	–	11	–	75
Dividends from investment in equity	122	–	–	–	122
Net trading income / [expense]	988	[15]	[624]	[79]	270
Impairment of assets available for sale	[62]	–	–	–	[62]
Other operating income	95	3	–	–	98
Operating income	2,191	[717]	2,096	41	3,611
Personnel expenses	[486]	[154]	–	–	[640]
Other operating expenses	[656]	[319]	–	–	[975]
Depreciation and amortisation	[48]	[3]	–	–	[51]
Profit before provisions, allowances and income taxes	1,001	[1,193]	2,096	41	1,945
Net change in provisions from financial activities	[19]	–	–	–	[19]
Net change in allowances for impairment of loans	[108]	[151]	–	–	[259]
Allowances for investment in equity	[92]	–	–	–	[92]
Profit before tax	782	[1,344]	2,096	41	1,575
Income tax expenses	[236]	[96]	–	–	[332]
Profit for the period	546	[1,440]	2,096	41	1,243

35. RELATED PARTIES – GENERAL

The outstanding balances and transactions with related parties of the Bank are with general related parties as presented in the following tables. All transactions with such entities took place under standard market conditions.

The related parties are sorted in the following categories:

- I. Parent company. This category includes J&T FINANCE GROUP SE and its majority owners Jozef Tkáč and Ivan Jakabovič.
- II. Subsidiaries. This category includes subsidiaries of J&T FINANCE GROUP SE which are included in its consolidated financial statements by reason of majority ownership.
- III. Associates and joint ventures. This category includes transactions with joint venture PGJT B.V. and its subsidiary PROFIREAL, OOO. Transactions with Poštová banka, a.s. and its subsidiaries are included in income and expense as well. Receivables and payables towards Poštová banka, a.s. and its subsidiaries are included in category II. as at 31 December 2015 as a result of the sale of a share in Poštová banka, a.s. on 23 December 2015.
- IV. Key management personnel of the entity or its parent. This category includes related parties which are connected through key management personnel of the Bank or its parent.

in MCZK	I.	II.	III.	IV.	Total
BALANCE SHEET ITEMS AS AT 31 DECEMBER 2015					
Receivables	11	1,348	14	7,549	8,922
Payables	1,179	3,516	–	386	5,081
Granted guarantees	–	246	–	2	248
Received guarantees	862	418	–	262	1,542
Provided loan commitments	7	506	1	28	542
Received collateral	–	73	–	442	515
PROFIT / LOSS ITEMS FOR PERIOD ENDED 31 DECEMBER 2015					
Expenses	(154)	(258)	(100)	(88)	(600)
Income	116	894	145	756	1,911

in MCZK	I.	II.	III.	IV.	Total
BALANCE SHEET ITEMS AS AT 31 DECEMBER 2014					
Receivables	4	1,987	500	8,791	11,282
Payables	619	1,734	1,240	761	4,354
Granted guarantees	2	475	–	4	481
Received guarantees	859	524	–	599	1,982
Provided loan commitments	174	280	–	20	474
Received collateral	–	98	–	489	587
PROFIT / LOSS ITEMS FOR PERIOD ENDED 31 DECEMBER 2014					
Expenses	(73)	(222)	(129)	(26)	(450)
Income	25	265	132	579	1,001

Receivables from members of the Board of Directors and the Supervisory Board

in MCZK	2015	2014
Provided loans	24	27

Loans to employees of the Bank as at 31 December 2015 amounted to CZK 70 million (2014: CZK 44 million). The loans provided to the Board of Directors and Supervisory Board were provided under standard market conditions.

36. RISK MANAGEMENT POLICIES AND DISCLOSURES

The strategy, main goals and processes

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

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

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

- In terms of that, risks are monitored, assessed and eventually limited, at least as strictly as required by Czech National Bank. The internal limits are being reconsidered regularly and in case of significant changes of market conditions to ensure their compliance with both the overall group's strategy and market and credit conditions. The adherence to the limits is monitored and reported daily. In case of their potential breach, the Bank immediately adopts adequate remedial measures.
- The Bank establishes goals for capital adequacy that it wants to attain over a specified time horizon (i.e. the level to which risks should be covered by capital) and threshold limits below which capital adequacy cannot decrease.

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

37. CREDIT RISK

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

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

(a) Exposition forbearance

in MCZK	2015	2014
Performing exposition	65,426	63,827
– performing exposition forbearance	3,132	2,451
Non-performing exposition	4,616	2,484
– non-performing exposition forbearance	3,736	2,447
Total	70,042	66,311
The share of exposition forbearance on the total loans provided to clients	9.81%	7.39%

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

in MCZK	2015	2014
TOTAL NOT FORBEARANCE	63,174	61,413
Non-financial organisations	44,491	45,369
Financial organisations	15,668	13,850
Households	3,012	2,187
Other	3	7
TOTAL FORBEARANCE	6,868	4,898
Non-financial organisations	6,222	3,900
Financial organisations	467	419
Households	129	526
Other	50	53
Total	70,042	66,311

(c) Concentration of loans to customers by industry:

in MCZK	2015	2014
Financial activities	21,267	18,860
Real estate activities	14,316	14,956
Manufacturing	6,802	6,402
Production and distribution of electricity, gas and heat	5,748	5,550
Construction	5,588	2,888
Information and communication	4,707	3,673
Accommodation and food service activities	3,452	2,835
Mining and quarrying, agriculture	2,591	3,192
Private households and employed persons	1,773	2,086
Transporting and storage	1,583	1,427
Sports, entertainment and recreation activities	913	1,204
Wholesale and retail trade	476	574
Professional, scientific and technical activities	475	2,429
Administrative and support service activities	156	155
Health and social care	1	43
Other	194	37
Total	70,042	66,311

(d) Concentration of loans to customers by location:

in MCZK	2015	2014
Cyprus	26,111	30,312
Slovakia	19,517	12,655
Czech Republic	12,053	15,474
Luxembourg	4,461	–
Poland	2,450	2,362
British Virgin Islands	1,813	885
Jersey, C.I.	866	–
Netherlands	692	1,337
Maldives	631	–
Ireland	570	1,306
Austria	433	398
Malta	304	181
Russia	77	568
Great Britain	58	272
Cayman Islands	–	559
Others	6	2
Total	70,042	66,311

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

in MCZK	2015	2014
Czech Republic	32,009	27,342
Slovakia	23,249	21,808
Russia	3,870	3,410
Poland	2,450	3,090
Slovenia	1,922	1,339
Croatia	1,601	2,211
Great Britain	1,097	446
Greece	707	724
Cyprus	684	338
Ukraine	640	1,213
Maldives	631	–
Austria	214	333
Malta	199	–
USA	184	676
Luxemburg	41	35
Germany	–	3,179
Other	544	167
Total	70,042	66,311

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

(f) Credit risk associated with financial assets

As at 31 December 2015

in MCZK	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements – customers
Financial assets impaired:				
Impaired financial assets at amortised cost individually assessed not forbearance:				
Gross amount	–	–	426	–
Impairment	–	–	(32)	–
Carrying amount	–	–	394	–
Impaired financial assets at amortised cost individually assessed forbearance:				
Gross amount	–	–	2,767	–
Impairment	–	–	(1 299)	–
Carrying amount	–	–	1,468	–
Total financial assets impaired	–	–	1,862	–
Financial assets not impaired:				
Neither past due nor impaired:				
– not forbearance	1,250	32,411	59,752	3,027
– forbearance	–	–	5,340	–
Past due not impaired:				
– not forbearance	–	–	1	–
– forbearance	–	–	60	–
to maturity date	–	–	1	–
up to 1 month	–	–	13	–
1 month to 6 months	–	–	–	–
6 months to 12 months	–	–	–	–
more than 12 months	–	–	47	–
Total financial assets not forbearance	1,250	32,411	60,147	3,027
Total financial assets forbearance	–	–	6,868	–
of which: Financial assets neither past due nor impaired with a sign of impairment:	–	–	9,085	–
Gross amount not forbearance	–	–	3,685	–
Gross amount forbearance	–	–	5,400	–

As at 31 December 2014

in MCZK	Loans to banks	Repurchase agreements – financial institutions	Loans and advances to customers	Repurchase agreements – customers
Financial assets impaired:				
Gross amount	–	–	329	–
Impairment	–	–	(296)	–
Carrying amount	–	–	33	–
Impaired financial assets at amortised cost individually assessed forbearance:				
Gross amount	–	–	2,298	–
Impairment	–	–	(644)	–
Carrying amount	–	–	1,654	–
Total financial assets impaired	–	–	1,687	–
Financial assets not impaired:				
Neither past due nor impaired:				
– not forbearance	3,996	2,299	54,788	5,313
– forbearance	–	–	3,143	–
Past due not impaired:				
– not forbearance	–	–	1,279	–
– forbearance	–	–	101	–
to maturity date	–	–	1,288	–
up to 1 month	–	–	21	–
1 month to 6 months	–	–	16	–
6 months to 12 months	–	–	7	–
more than 12 months	–	–	48	–
Total financial assets not forbearance	3,996	2,299	56,100	5,313
Total financial assets forbearance	–	–	4,898	–
of which: Financial assets neither past due nor impaired with a sign of impairment:				
Gross amount not forbearance	–	–	596	–
Gross amount forbearance	–	–	3,243	–

Assets classified as "Financial assets neither past due nor impaired with a sign of impairment" and "Past due not impaired" represent those loans with a sign of impairment whose net present value of expected cash flows exceeds their carrying value, and therefore no provision has been created.

The part of the receivables that is not past due is presented in the line "To maturity date" and the Bank does not assume any problems with counterparty's payment discipline. Past due receivables are presented in the appropriate columns according to the period past due.

The amounts in the table on the previous page represent the maximum accounting loss that would be recognized in the statement of financial position if counterparties had completely failed to fulfill their obligations and if any potential collateral had no value as well. Those amounts are therefore considerably higher than expected losses that are included in the allowance for

the loan losses. The Bank's policy is to require collateral from certain customers before loans can be drawn.

(g) Collateral and credit enhancements for financial assets

in MCZK	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Neither past due nor impaired:	60,549	87,559	39,627	71,777
Guarantees	2,691	3,114	6,638	6,765
Acceptances of promissory note	1,128	1,973	1,363	2,246
Real estate	6,606	8,858	5,985	8,419
Cash deposits	2,248	2,248	1,235	1,235
Securities	4,352	6,305	7,010	9,212
Other	4,796	7,045	5,889	10,377
Securities received under reverse repurchase agreements	38,728	38,728	11,506	11,506
Past due but not impaired:	60	344	1,085	1,451
Guarantees	-	-	-	-
Acceptances of promissory note	-	-	1	1
Real estate	58	342	992	1,356
Cash deposits	2	2	53	53
Securities	-	-	36	36
Other	-	-	3	5
Securities received under reverse repurchase agreements	-	-	-	-
Impaired:	1,425	1,967	1,598	1,777
Guarantees	81	81	-	-
Acceptances of promissory note	-	-	-	-
Real estate	1,120	1,636	1,418	1,564
Cash deposits	8	8	8	8
Pledges – securities	96	103	35	35
Other	120	139	137	170
Securities received under reverse repurchase agreements	-	-	-	-

Other is mainly represented by movable assets and receivables.

Only co-accepted promissory notes of a 3rd party were accepted as security of loans by the Bank. The amount of security is up to the value of guarantee provided by promissory note guarantor. The Bank did not receive any financial assets from indemnity claims based on loans in default.

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

The carrying value of securities received under reverse repurchase agreements is represented in the quoted market price of the securities.

(h) Unconsolidated structured entities

The Bank 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 dominant factor in deciding who controls the entity.

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

- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity that does not enable to finance its activities without subordinated financial support.

The Bank provides financing to certain structured entities for the purchase of assets that are collateralized in favor of the Bank by the structured entities. The Bank 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 Bank 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 Bank on the funding provided to structured entities.

The Bank'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 Bank is determined by considering the nature of the interest in the unconsolidated structured entity and represents the maximum loss that the Bank 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 for loans is reflected by their carrying amounts in the balance sheet as at 31 December 2015 amounting to CZK 3 246 million (2014: CZK 2 976 million) and there was no loss incurred in respect of these loans provided.

The total assets value for the significant unconsolidated structured entity which was identified, as indication of its size, is CZK 7 059 million (2014: CZK 4 311 million).

(i) Credit risk processes

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

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

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

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

(j) Credit risk monitoring

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

The Bank scoring system has seven rating levels based on a standardized point evaluation of relevant criteria, which describe the financial position of the contractual party and its ability and willingness to fulfil its credit obligations – in both cases including the expected development, quality and adequacy of the collateral, as well as proposed conditions for effecting the transaction.

(k) Credit risk measurement

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

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

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

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

in MCZK	2015	2014
Decrease of the trading portfolio value due to a rating migration by one credit class (in the Standard & Poor's scale)	82	53

Overall, there was an increase in credit spreads across rating grades that is evident primarily in higher risk grades. The impact of stress scenarios increased due to this factor.

(l) Risk management of customer trades

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

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

3. The Bank accepts only instruments of specified minimal creditworthiness as collateral for customer trades.

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

As of 31 December 2015, the Bank recorded customer trades totalling CZK 411 million (2014: CZK 414 million) and those are not recognized in the Bank financial statements.

38. LIQUIDITY RISK

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

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

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

Three scenarios are used in terms of liquidity risk management:

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

Stress Scenarios are based on stress imposed on components that might be negatively affected when liquidity crisis starts to approach. The stress scenario helps identify periods when it is necessary to manage the cash flows of the Bank with caution.

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

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

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

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

Liquidity risk of liquidity relevant instruments as of 31 December 2015:

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

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
ASSETS							
Cash and balances with the central banks	19,023	19,023	17,317	–	–	–	1,706
Due from financial institutions	33,661	34,218	33,208	20	224	766	–
Financial assets (without derivatives)	18,192	20,571	213	1,589	4,814	8,297	5,658
Loans and advances to customers	70,042	85,777	11,461	15,293	38,888	20,135	–
Total	140,918	159,589	62,198	16,902	43,926	29,198	7,364
OFF BALANCE							
Unused credit lines	6,415	6,415	6,415	–	–	–	–
Granted guarantees	2,602	2,602	2,602	–	–	–	–
LIABILITIES							
Deposits and loans from banks	4,343	4,353	3,527	826	–	–	–
Deposits from customers	117,058	119,026	60,899	30,219	27,858	50	–
Subordinated debt	2,049	2,788	29	100	1,001	1,658	–
Total	123,450	126,167	64,454	31,145	28,859	1,708	–
Net Liquidity position	17,468	33,422	[786]	[14,243]	15,067	27,490	5,895
Cumulative liquidity position	–	–	[786]	[15,029]	38	27,528	33,423

Contractual cash flows represents expected contractual future cash flows.

Expected liquidity

In the worst case scenario, the latest possible repayment date is assumed, which is based on latest expected completion date of each particular project. The projects' latest expected completion date may not be the same as the contractual maturity date.

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

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
Loans and advances to customers	70,042	85,784	9,382	15,129	40,181	21,042	50

Liquidity risk of derivatives as of 31 December 2015:

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL ASSETS					
Forward currency contracts					
– outflow	–	(19,036)	(18,462)	(534)	(40)
– inflow	101	19,124	18,534	549	41
Other derivatives					
– inflow	1	1	–	–	1
Total	102	89	72	15	2
DERIVATIVE FINANCIAL LIABILITIES					
Forward currency contracts					
– outflow	(125)	(25,496)	(23,525)	(1,909)	(62)
– inflow	–	25,362	23,456	1 844	62
Total	(125)	(134)	(69)	(65)	–

Liquidity risk of liquidity relevant instruments as of 31 December 2014:

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

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
ASSETS							
Cash and balances with the central banks	12,329	12,329	11,157	–	–	–	1,171
Due from financial institutions	6,295	6,538	5,836	22	174	506	–
Financial assets (without derivatives)	31,179	33,345	876	1,404	15,146	12,131	3,788
Loans and advances to customers	66,311	82,861	13,435	14,035	31,196	24,195	–
Total	116,114	135,073	31,304	15,461	46,516	36,832	4,959
OFF BALANCE							
Unused credit lines	5,104	5,104	2,857	1,024	1,223	–	–
Granted guarantees	2,827	2,827	2,827	–	–	–	–
LIABILITIES							
Deposits and Loans from banks	4,537	4,564	3,389	21	1,154	–	–
Deposits from customers	100,356	102,369	48,296	28,751	25,298	24	–
Subordinated debt	1,897	2,708	27	96	583	2,002	–
Total	106,790	109,641	51,712	28,868	27,035	2,026	–
Net Liquidity position	9,324	25,432	(20,389)	(13,407)	19,481	34,806	4,941
Cumulative liquidity position	–	–	(20,389)	(33,796)	(14,315)	20,491	25,432

Expected liquidity

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Over 3 months & up to 1 year	1 to 5 years	>5 years	Undefined maturity
Loans and advances to customers	66,311	82,861	12,943	13,785	31,779	24,183	171

Liquidity risk of derivatives as of 31 December 2014:

in MCZK	Carrying amount	Contractual cash flows	Up to 3 months	Up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL ASSETS					
Forward currency contracts					
– outflow	–	(6,532)	(4,414)	(2,118)	–
– inflow	99	6,625	4,489	2,136	–
Other derivatives					
– inflow	1	1	–	–	1
Total	100	94	75	18	1
DERIVATIVE FINANCIAL LIABILITIES					
Forward currency contracts					
– outflow	(998)	(45,725)	(39,006)	(5,668)	(1,051)
– inflow	–	44,755	38,656	5,115	984
Other derivatives					
– outflow	–	(3)	(1)	(1)	(1)
Total	(998)	(973)	(351)	(554)	(68)

39. MARKET RISK

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

Market risk of the trading portfolio includes:

- Interest rate risk;
- Foreign exchange risk;
- Other market risk (equity risk, commodity risk).

Further information on interest rate risk and foreign exchange risk is provided in note 40 and 41, respectively.

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

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

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

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

The VaR statistics as of 31 December 2015 and 31 December 2014 are as follows:

in MCZK	2015	2014
VaR market risk overall	101	30
VaR interest rate risk (general risk)	40	4
VaR FX risk	100	32
VaR stock risk	15	10
VaR commodity risk	3	3

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

The decline in overall risk is primarily associated with a decline in interest rate risk, while the fall in the interest rate risk is because of a reduced volatility of interest rates. The increase in the stock risk is caused by more than a double increase of stock positions and the increase in FX risk is caused mainly by the increased volatility of exchange rates.

in MCZK	2015	2014
CHANGE IN THE FAIR VALUE OF THE TRADING PORTFOLIO DUE TO HISTORIC SHOCK SCENARIO		
short-term scenario	66	21
medium-term scenario	66	77
long-term scenario	83	143

The deterioration of the impact of stress scenarios is caused by the increase in the overall FX position, which is reflected in the short-term and medium-term scenarios. Reduced exposures in the trading portfolio are reflected by a decrease in the long-term scenario impact compared to the previous year.

The market risk of the banking portfolio consists mainly of FX risk.

For details of the interest rate risk see note 40.

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

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

	2015	2014
[% TIER 1 + TIER 2]		
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	12.03	15.40

40. INTEREST RATE RISK

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

Interest rate risk exposure as at 31 December 2015 was as follows:

in MCZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS					
Cash and balances with central banks	18,862	–	–	161	19,023
Due from financial institutions	33,344	–	317	–	33,661
Fair value of derivatives, financial assets	7,792	1,651	3,096	5,755	18,294
Loans and advances to customers	56,593	10,981	2,361	107	70,042
Investment in equity	–	–	–	3,309	3,309
Investment property, property, plant and equipment, intangible assets	–	–	–	153	153
Current tax assets	–	–	–	59	59
Deferred tax assets	–	–	–	88	88
Prepayments, accrued income and other assets	3	–	–	990	993
Disposal groups held for sale	–	–	–	1,368	1,368
Total assets	116,594	12,632	5,774	11,990	146,990
LIABILITIES					
Deposits and loans from banks	4,342	–	–	1	4,343
Deposits from customers	90,532	26,637	40	(151)	117,058
Negative fair value of derivatives	124	1	–	–	125
Subordinated debt	760	535	761	(7)	2,049
Other liabilities and provisions	148	3	–	6,465	6,616
Share capital	–	–	–	10,638	10,638
Retained earnings and other reserves	–	–	–	6,161	6,161
Total liabilities and equity	95,906	27,176	801	23,107	146,990
Net interest rate risk position	20,688	(14,544)	4,973	(11,117)	–
Cumulative interest rate risk position	20,688	6,144	11,117	–	–

Interest rate risk exposure as at 31 December 2014 was as follows:

in MCZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS					
Cash and balances with central banks	12,148	–	–	181	12,329
Due from financial institutions	5,875	–	420	–	6,295
Fair value of derivatives, financial assets	16,290	6,587	2,804	5,598	31,279
Loans and advances to customers	60,933	2,674	2,194	510	66,311
Investment in equity	–	–	–	8,800	8,800
Investment property, property, plant and equipment, intangible assets	–	–	–	166	166
Deferred tax assets	–	–	–	70	70
Prepayments, accrued income and other assets	–	–	–	684	684
Disposal groups held for sale	–	–	–	107	107
Total assets	95,246	9,261	5,418	16,116	126,041
LIABILITIES					
Deposits and loans from banks	3,382	1,155	–	–	4,537
Deposits from customers	79,083	21,398	9	(134)	100,356
Negative fair value of derivatives	978	10	–	–	988
Subordinated debt	708	130	1,059	–	1,897
Current tax liability	–	–	–	117	117
Other liabilities and provisions	–	–	–	3,770	3,770
Share capital	–	–	–	9,558	9,558
Retained earnings and other reserves	–	–	–	4,818	4,818
Total liabilities and equity	84,151	22,693	1,068	18,129	126,041
Net interest rate risk position	11,095	(13,432)	4,350	(2,013)	–
Cumulative interest rate risk position	11,095	(2,337)	2,013	–	–

41. FOREIGN EXCHANGE RISK

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Bank's exposure to currency risk. Both realized and unrealized foreign exchange gains and losses are reported directly in the statement of comprehensive income. The main tool used for managing foreign currency risk is the VaR methodology which is applied using a 99% confidence level and a ten-day holding period.

As at 31 December 2015, the exposure to Group's foreign exchange risk translated into millions of CZK was as follows:

in MCZK	CZK	USD	EUR	RUB	Other	Total
ASSETS						
Cash and balances with the central banks	18,671	12	332	–	8	19,023
Due from financial institutions	30,250	2,583	629	116	83	33,661
Fair value of derivatives, financial assets	5,708	397	11,902	–	287	18,294
Loans and advances to customers	17,623	2,276	48,998	49	1,096	70,042
Investment in equity accounted investees	908	377	128	1,261	635	3,309
Current tax assets	89	–	(30)	–	–	59
Deferred tax assets	63	–	25	–	–	88
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	423	118	600	4	1	1,146
Disposal groups held for sale	107	–	–	1,261	–	1,368
Total	73,842	5,763	62,584	2,691	2,110	146,990
LIABILITIES						
Deposits and loans from banks	1,157	199	2,951	–	36	4,343
Deposits from customers	77,670	2,329	36,793	164	102	117,058
Subordinated debt	997	–	1,052	–	–	2,049
Other liabilities and equity	20,603	289	2,616	5	25	23,540
Total	100,427	2,821	43,412	169	163	146,990
Long position off-balance sheet:						
items from derivative transactions	32,927	733	9,614	206	1,206	44,686
items from spot transactions with share instruments	15	63	–	–	–	78
Short position off-balance sheet:						
items from derivative transactions	6,284	3,530	30,839	1,942	2,139	44,734
items from spot transactions with share instruments	15	63	–	–	–	78
Open position asset/(liability)	59	147	(2,053)	785	1,014	(48)

As at 31 December 2014, the exposure to foreign exchange risk translated into millions of CZK was as follows:

in MCZK	CZK	USD	EUR	RUB	Other	Total
ASSETS						
Cash and balances with the central banks	12,198	18	106	–	7	12,329
Due from financial institutions	824	2,905	1,864	153	549	6,295
Fair value of derivatives, financial assets	19,217	319	11,587	–	156	31,279
Loans and advances to customers	17,555	6,947	41,583	38	188	66,311
Investment in equity accounted investees	302	501	7,089	633	275	8,800
Deferred tax assets	42	–	28	–	–	70
Investment property, property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	458	124	234	1	33	850
Disposal groups held for sale	107	–	–	–	–	107
Total	50,703	10,814	62,491	825	1,208	126,041
LIABILITIES						
Deposits and loans from banks	1,468	152	2,828	8	81	4,537
Deposits from customers	70,128	2,080	27,990	94	64	100,356
Subordinated debt	878	–	1,019	–	–	1,897
Current tax liability	114	–	3	–	–	117
Other liabilities and equity	17,036	314	1,755	–	29	19,134
Total	89,624	2,546	33,595	102	174	126,041
Long position off-balance sheet:						
items from derivative transactions	44,449	506	7,983	–	57	39,100
items from spot transactions with share instruments	44	1	1	–	–	46
Short position off-balance sheet:						
items from derivative transactions	7,928	8,608	36,724	52	722	54,034
items from spot transactions with share instruments	45	–	1	–	–	46
Open position asset/(liability)	(2,401)	167	155	671	530	(878)

42. 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 Bank's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank'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 Bank 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.

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- 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 Bank's database of operational risk events
 - This overview of the Bank's operational risk events allows the Bank to specify the direction of the steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
 - accepting the individual risks that are faced;
 - initiating processes leading to limitation of possible impacts; or
 - decreasing the scope of the relevant activity or discontinuing it entirely.

43. CAPITAL MANAGEMENT

The Bank policy is to hold strong capital base in order to maintain the confidence of creditors and the market, while ensuring the future development of her business.

Starting 1 January 2014 the capital adequacy ratios are calculated in accordance with the Regulation (EU) no. 575/2013 of the European Parliament and Council Regulation (the "CRR") of 26 June 2013. Until 31 December 2013 the capital adequacy ratio was calculated in accordance with the Czech National Bank ("CNB") decree no. 123/2007 Coll.

Own funds (regulatory capital) of the Bank are analysed in two parts:

- Tier 1 capital, which consist of:
 - Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit for the period is not included), accumulated other comprehensive income, net of goodwill, intangible assets and additional value adjustments;
 - Additional Tier 1 capital (AT1), which includes capital instruments (subordinated income certificates) issued in accordance with CRR.
- Tier 2 capital, which consists of eligible subordinated debt approved by Czech National Bank in the amount of CZK 1 932 million (31 December 2014: CZK 1 857 million).

Until 31 December 2013, the capital adequacy ratio was calculated as the ratio of regulatory capital to capital requirements multiplied by 8% according to regulatory requirements. The capital adequacy ratio had to be a minimum value of 8%.

From 1 January 2014 the capital adequacy ratios are calculated for CET1, Tier 1 capital and total regulatory capital. The value represents the ratio of capital to risk weighted assets (RWA). CNB also requires every institution to hold additional capital conservation buffer of 2.5% on all the levels of regulatory capital.

Minimum requirements for capital ratios are as follows:

	Minimum requirement	Capital conservation buffer	Total requirement
Common Equity Tier 1 capital (CET1)	4.5 %	2.5 %	7.0 %
Tier 1 capital	6.0 %	2.5 %	8.5 %
Total regulatory capital	8.0 %	2.5 %	10.5 %

Regulatory capital and equity reconciliation

The tables below summarize the composition of own funds (regulatory capital) and equity and capital ratios for 31 December 2015 and 31 December 2014, providing a complete reconciliation of individual items of regulatory capital to equity.

31 December 2015

in MCZK	Regulatory capital	Equity
Paid-up capital registered in the Commercial Register	10,638	10,638
Retained earnings	2,433	2,527
Profit for the period	–	1,733
Accumulated other comprehensive income	79	87
Reserve funds	–	72
(-) Additional value adjustments (AVA)	(18)	–
(-) Intangible assets other than goodwill	(97)	–
Paid-in AT1 instruments, share premium	1,742	1,742
Total Tier 1 capital	14,777	n/a
Total Tier 2 capital	1,932	–
Total regulatory capital/equity	16,709	16,799

31 December 2014

in MCZK	Regulatory capital	Equity
Paid-in capital registered in the Commercial Register	9,558	9,558
Retained earnings	2,518	2,527
Profit for the period	–	1,243
Accumulated other comprehensive income	–	69
Reserve funds	–	80
Gains or losses from financial assets available for sale	(11)	–
(-) Intangible assets other than goodwill	(113)	–
Paid-in AT1 instruments, share premium	899	899
Total Tier 1 capital	12,851	n/a
Total Tier 2 capital	1,857	–
Total regulatory capital/equity	14,708	14,376

Based on the opinion of the Czech National Bank, retained earnings were reduced by the anticipated payment amount of the income from subordinated income certificates (AT1 instruments) in the next four quarters that are not covered by a special-purpose fund for the payment of the income from those certificates before its inclusion in regulatory capital.

RWA and capital ratios

in MCZK	31 December 2015	31 December 2014
Total risk weighted assets (RWA)	105,568	101,186

Capital adequacy ratios

	31 December 2015	31 December 2014
Common Equity Tier 1 capital (CET1)	12.34 %	11.81 %
Tier 1 capital	14.00 %	12.70 %
Total regulatory capital	15.83 %	14.54 %

The key goal of capital management of the Bank is to ensure that the risks faced do not threaten the solvency of the Bank and capital adequacy regulatory limit compliance. In addition, within the strategic framework of the Bank the board stipulated the value 12% for mid-term capital adequacy goal as a reflection of the risk appetite of the Bank.

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

The compliance of the Bank capital with established limits and goals for the capital adequacy is evaluated regularly by the ALCO committee and the Bank's management.

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

44. FAIR VALUES INFORMATION

Estimation of fair values

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

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

Financial assets held to maturity: Fair value is based on quoted market prices traded in active markets at the statement of financial position date.

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

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

Estimates of the fair value of financial assets measured at amortized cost, analyzed according to the hierarchy that reflects the significance of the inputs used in the valuation were as follows:

As at 31 December 2015

in MCZK	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
FINANCIAL ASSETS					
Cash and balances with central banks	–	19,023	–	19,023	19,023
Due from financial institutions	–	33,632	–	33,632	33,661
Loans and advances to customers	–	68,736	2,242	70,978	70,042
Financial assets held to maturity	625	–	–	625	609
FINANCIAL LIABILITIES					
Deposits and loans from banks	–	4,327	–	4,327	4,343
Deposits from customers	–	116,609	–	116,609	117,058
Subordinated debt	–	1,967	–	1,967	2,049

As at 31 December 2014

in MCZK	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
FINANCIAL ASSETS					
Cash and balances with central banks	–	12,329	–	12,329	12,329
Due from financial institutions	–	6,295	–	6,295	6,295
Loans and advances to customers	–	64,534	2,301	66,835	66,311
Financial assets held to maturity	1,368	–	–	1,368	1,311
FINANCIAL LIABILITIES					
Deposits and loans from banks	–	4,494	–	4,494	4,537
Deposits from customers	–	99,697	–	99,697	100,356
Subordinated debt	–	1,742	–	1,742	1,897

45. SUBSEQUENT EVENTS

In February, 2016, the Bank sold its ownership interest in the company ART FOND – Stredoeurópsky fond súčasného umenia, a.s.

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

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

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of J & T BANKA, a.s. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Information

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

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

Prague
31 March 2016

KPMG Česká republika Audit

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



Ing. Vladimír Dvořáček
Partner
Registration number 2332

THANKS TO THE SERVICE.

We support tennis while getting inspired by it.



Report on Relations between Related Parties for the Accounting Period of 2015

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 BANKA, a.s., with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, ID# 47115378 („the Bank“).

I. STRUCTURE OF RELATIONS BETWEEN THE CONTROLLING ENTITIES AND THE CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY, THE ROLE OF THE CONTROLLED ENTITY IN THE STRUCTURE, AND MANNER AND MEANS OF CONTROL.

The Board of Directors of J & T BANKA, a.s. is aware that during the period from 1 January 2015 to 31 December 2015, J & T BANKA, a.s. was directly controlled by the following persons and entities:

J&T FINANCE GROUP SE

ID# 27592502, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic

The Board of Directors of J & T BANKA, a.s. is aware that during the period from 1 January 2015 to 31 December 2015, J & T BANKA, a.s. was indirectly controlled by the following persons and entities:

Ing. Ivan Jakobovič,

Birth ID# 721008/6246, residing at 32 rue Comte Felix Gastaldi, 980 00 Monaco-Ville, who, along with Ing. Jozef Tkáč (see below), controls J&T FINANCE GROUP SE.

In addition, Ing. Ivan Jakobovič owns shares in the following companies:

J & T Securities, s.r.o.

ID# 31366431, with its registered office at Bratislava, Dvořákovo nábrežie 8, postcode 811 02, Slovakia, controlled by Ing. Ivan Jakobovič

DANILLA EQUITY LIMITED

ID# HE297027, with its registered office at SAVVIDES CENTER, 59-61, Akropoleos Avenue, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by Ing. Ivan Jakobovič along with Ing. Jozef Tkáč

Ing. Jozef Tkáč,

Birth ID# 500616/210, residing at Bratislava, Na Revíne 2941/13, postcode 830 00, Slovakia, who, along with Ing. Ivan Jakobovič (see above) controls J&T FINANCE GROUP SE.

The Board of Directors of J & T BANKA, a.s. is aware that during the period from 1 January 2015 to 31 December 2015, J & T BANKA, a.s. was controlled by the same entities as the following other controlled entities, through J&T FINANCE GROUP SE.

Poštová banka, a.s.

ID# 31340890, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by J&T FINANCE GROUP SE.

Poisťovňa Poštovej banky, a. s.

ID# 31405410, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by Poštová banka, a.s.

Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.

ID# 35904305, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by Poštová banka, a.s.

PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.

ID# 31621317, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by Poštová banka, a.s.

POBA Servis, a. s.

ID# 47234571, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Poštová banka, a.s.

PB PARTNER, a. s.

ID# 36864013, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by Poštová banka, a.s.

Salve Finance, a.s.

ID# 35700165, with its registered office at Plynárska 7/A, Bratislava 824 60, Slovakia, controlled by PB PARTNER, a.s.
To 24.6.2015.

PB Finančné služby, a. s.

ID# 35817453, with its registered office at Hattalova 12, Bratislava 831 03, Slovakia, controlled by Poštová banka, a.s.

SPPS, a. s.

ID# 46552723, with its registered office at Nám. SNP 35, Bratislava 811 01, Slovakia, controlled by Poštová banka, a.s.

PB IT, a.s.

ID# 47621320, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by Poštová banka, a.s.

J&T SERVICES ČR, a.s. (J&T Management, a.s.)

ID# 28168305, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T FINANCE GROUP SE.

J&T SERVICES SR, s.r.o.

ID# 46293329, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by J&T SERVICES ČR, a.s.

J&T FINANCE, LLC

ID# 1067746577326, with its registered office at Rossolimo 17, Moscow, Russia, controlled by J&T SERVICES ČR, a.s.

Hotel Kadashevskaya, LLC.

ID# 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115 035 Moscow, Russia, controlled by J & T FINANCE, LLC.

KHASOMIA LIMITED

ID# HE238546, with its registered office at Akropoleos, 59-61, Savvides Centre, 1st floor, flat/office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T Finance Group SE. To 16.2.2015 – ceased to exist by merging with J&T FINANCE GROUP SE.

J&T Bank Switzerland Ltd. in liquidation

ID# CH02030069721, with its registered office at Zurich, Talacker 50, 12th floor, postcode 8001, Switzerland, controlled by J&T FINANCE GROUP SE.

J&T Concierge, s.r.o.

ID# 28189825, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T FINANCE GROUP SE.

PBI, a.s.

ID# 03633527, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T FINANCE GROUP SE.

J&T Integris Group Ltd.

ID# HE207436, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 21, Nicosia, postcode 1061, Cyprus, controlled by J&T FINANCE GROUP SE.

Bayshore Merchant Services Inc.

ID# 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands, controlled by J&T Integris Group Ltd.

J&T Bank & Trust Inc.

ID# 00011908, with its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados, controlled by Bayshore Merchant Services Inc.

J and T Capital, Sociedad Anonima de Capital Variable

ID# 155559102, with its registered office at Explanada 905-A, Lomas de Chapultepec, postcode 11000, Ciudad de Mexico, Mexico, controlled by Bayshore Merchant Services Inc.

J&T MINORITIES PORTFOLIO LTD

ID# HE260754, with its registered office at SAVVIDES CENTER, 59-61, Akropoleos Avenue, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T Integris Group Ltd.

Equity Holding, a.s.

ID# 10005005, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T MINORITIES PORTFOLIO LTD.

ABS PROPERTY LIMITED

ID# 385594, with its registered office at 41 Central Chambers, Dame Court, Dublin 2, Ireland, controlled by J&T MINORITIES PORTFOLIO LTD.

J&T Global Finance I., B.V.

ID# 53836146, with its registered office at Weteringschans 26, Amsterdam, 1017 SG, the Netherlands, controlled by J&T Integris Group Ltd.

J&T Global Finance II., B.V.

ID# 53835697, with its registered office at Weteringschans 26, Amsterdam, 1017 SG, the Netherlands, controlled by J&T Integris Group Ltd.

J&T Global Finance III., s.r.o.

ID# 47101181, with its registered office at Dvořákovo nábřeží 8, Bratislava 811 02, Slovakia, controlled by J&T Integris Group Ltd.

J&T Global Finance IV., B.V.

ID# 60411740, with its registered office at Weteringschans 26, Amsterdam, 1017 SG, the Netherlands, controlled by J&T Integris Group Ltd.

J&T Global Finance V., s.r.o.

ID# 47916036, with its registered office at Dvořákovo nábřeží 8, Bratislava 811 02, Slovakia, controlled by J&T Integris Group Ltd.

J & T BANKA, a.s. is a member of the consolidation unit of the financial holding company of Ing. Jakabovič and Ing. Tkáč in accordance with Act No. 21/1992 Coll., on Banks. The manner and means of control described in this report follow from control effected based on an interest in registered capital and voting rights of the company.

II. SUMMARY OF ACTS MADE IN THE ACCOUNTING PERIOD OF 2015 WHICH WERE MADE AT THE INSTIGATION OR IN THE INTEREST OF THE CONTROLLING ENTITY OR THE ENTITIES CONTROLLED BY THE CONTROLLING ENTITY IF THESE ACTS CONCERNED ASSETS THE VALUE OF WHICH EXCEEDS 10% OF THE CONTROLLED ENTITY'S EQUITY IDENTIFIED FROM THE LAST FINANCIAL STATEMENTS.

During the accounting period, no acts concerning assets the value of which exceeds 10% of the Bank's equity identified from the last financial statements were made in the interest or at the instigation of the controlling entity and entities controlled by the controlling entity.

III. SUMMARY OF CONTRACTS ENTERED INTO BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY OR BETWEEN CONTROLLED ENTITIES.

With J&T FINANCE GROUP SE:

Contracts in force entered into between related parties:

Agreement on protection of confidential information and the procedure to be applied when providing confidential information, dated 30 April 2014, based on which the parties to this agreement are obliged to maintain confidentiality.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- General agent agreement for the brokerage of purchase and sale of securities, dated 10 April 2008, as further amended, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.
- Overdraft loan agreement No. EUR 6/KTK_SR/2014, dated 20 August 2014, based on which J & T BANKA, a.s. undertook to provide funds (an overdraft loan), and J&T FINANCE GROUP SE undertook to repay the loan, pay the interest and other fees in accordance with the agreed terms and conditions. The overdraft loan was duly repaid on 23 February 2015.
- Agent agreement dated 15 December 2008, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.
- Contract for the custody of financial instruments, dated 15 January 2007, based on which J&T BANKA, a.s. provided to related party in 2015 custody of securities to the appropriate payment.
- Contract agreement for the custody of financial instruments, dated 2 November 2005, based on which J&T BANKA, a.s. provided to related party in 2015 custody of securities to the appropriate payment.
- Financial settlement agreement dated 3 January 2012, based on which J & T BANKA, a.s. settles its receivables and liabilities arising in connection with value added tax, as they are members of a single VAT group of which the Bank is the representing member.
- Cost splitting agreement dated 31 December 2014, based on which the companies mutually covered 50% of the cost of the audit of group reporting packages in 2015, in exchange for adequate consideration.
- Contract for the provision of a guarantee, dated 15 December 2005, based on which, in 2015, J&T FINANCE GROUP SE provided a guarantee as to a minimum amount of revenue generated by a client's portfolio, in exchange for adequate consideration.
- Contract for the provision of a guarantee, dated 21 August 2006, based on which, in 2015, J&T FINANCE GROUP SE provided a guarantee to selected clients of the bank, in exchange for adequate consideration.
- Liability sharing agreement dated 11 July 2007, based on which, in 2015, J&T FINANCE GROUP SE shared the potential liability of J & T BANKA, a.s. arising from a Purchase agreement with the original assignees of the subordinated debt, in exchange for adequate consideration.
- Contract for the business lease of movable assets, dated 22 September 2010, as further amended, based on which, in 2015, J&T FINANCE GROUP SE leased fixtures and fittings to the Bank, in exchange for adequate consideration – lease payment.
- Contract for the business lease of movable assets and financial settlement, dated 30 May 2011, as further amended, based on which J&T FINANCE GROUP SE leased fixtures and fittings in the building at Dvořákovo nábřežie 8, Bratislava to the Bank in 2015, in exchange for adequate consideration – lease payment.

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- Agreement on the cooperation in providing the J&T Family and Friends with banking services and in participating in the Magnus loyalty scheme, dated 25 November 2011, based on which, in 2015, J & T BANKA, a.s. provided the related party with an advantageous package of services and participation rights on the loyalty scheme MAGNUS as an instrument of social policy, in exchange for adequate consideration.
 - Contract for the business lease of movable assets and financial settlement, dated 1 December 2014, based on which J&T FINANCE GROUP SE leased fixtures and fittings in the River Park building complex in Bratislava to the Bank in 2015, in exchange for adequate consideration – lease payment.
 - Contract for the provision of banking services, dated 22 January 2014, based on which J & T BANKA, a.s. undertook to provide services pursuant to this contract, in exchange for adequate consideration.
 - Cost splitting contract, dated 6 October 2014, based on which J&T FINANCE GROUP SE and J & T BANKA, a.s. share the costs connected with the entry of a strategic investor into the J&T financial group, in exchange for adequate consideration – payment of the costs.
 - Brokerage contract dated 6 November 2013, based on which J&T FINANCE GROUP SE mediated opportunities to conclude a contract with potential clients, in exchange for adequate consideration.
 - Contract for the provision of services, dated 10 September 2015, based on which J&T BANKA, a.s. provided services relating to debt securities of J&T FINANCE GROUP SE's client, in exchange for adequate consideration.
 - Contract for the sale of shares in Poštová banka, a.s., dated 24 February 2015, based on which J&T BANKA, a.s. undertook to sell the shares and transfer the ownership, in exchange for adequate consideration.
 - Bank account contract for the increase in the share capital of a company, dated 1 September 2015, based on which J&T BANKA, a.s. undertook to open and maintain a special bank account for J&T FINANCE GROUP SE and pay interest, in exchange for adequate consideration – payment of fees.
 - General contract for the trading in financial markets, dated 2 January 2014, based on which J&T BANKA, a.s. negotiated currency derivative transactions, in exchange for adequate consideration.
 - General contract for the trading in financial markets, dated 30 November 2015, based on which J&T BANKA, a.s. negotiated currency derivative transactions, in exchange for adequate consideration.
 - Contract for the subscription of shares, dated 4 November 2015, based on which ordinary shares of J&T BANKA, a.s. were subscribed and thereby the share capital increased.
 - Current account maintenance in accordance with the terms and conditions of the Bank.
 - Deposit account maintenance in accordance with the terms and conditions of the Bank.
 - Issue of a charge card in accordance with the terms and conditions of the Bank.
 - Provision of a safety deposit box in accordance with the terms and conditions of the Bank.
 - Forward currency transactions in accordance with the terms and conditions of the Bank.

With Ing. Ivan Jakabovič:

Contracts in force entered into between related parties:

- Agent agreement No. 17726 for the brokerage of purchase and sale of securities, dated 13 March 2009, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- General agreement for the custody of financial instruments, dated 5 October 2009, based on which J&T BANKA, a.s. provided to related party in 2015 custody of securities to the appropriate payment.
- General agreement on the private banking, dated 24 November 2015, based on which J & T BANKA, a.s. undertook to provide services pursuant to this agreement, in exchange for adequate consideration.
- Statement of the qualified investor, dated 24 November 2015, based on which financial transactions with units can be concluded, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Deposit account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a charge card in accordance with the terms and conditions of the Bank.

With J & T Securities, s.r.o.:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With DANILLA EQUITY LIMITED:

- Contract for the provisions of banking services, dated 26 February 2015, based on which J & T BANKA, a.s. undertook to provide services pursuant to this contract, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With Ing. Jozef Tkáč:**Contracts in force entered into between related parties based on which performance was provided in 2015:**

- General agreement for the custody of financial instruments, dated 10 December 2009, based on which J&T BANKA, a.s. provided to related party in 2015 custody of securities to the appropriate payment.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a charge card in accordance with the terms and conditions of the Bank.

With Poštová banka, a.s.:**Contracts in force entered into between related parties:**

- Lease contract for the lease of non-residential premises, dated 5 October 2010, based on which, in 2015, Poštová banka, a.s. leased to the Bank non-residential premises and fixtures and fittings in the River Park building complex, Dvořákovo nábřeží, Bratislava.
- Agreement on the cooperation in participating in the Magnus loyalty scheme, dated 22 October 2013, based on which, in 2015, J & T BANKA, a.s. provided the related party with a participation rights on the loyalty scheme MAGNUS as an instrument of social policy, in exchange for adequate consideration.
- Agreement on the protection of confidential information and the procedure to be applied when providing confidential information, dated 30 April 2014, based on which the parties hereto are obliged to maintain confidentiality.
- Agent agreement No. 17673, dated 7 February 2005, based on which, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Subordinated loan agreement dated 21 September 2011, based on which J & T BANKA, a.s. undertook to provide funds (a loan), and Poštová banka, a.s. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.
- Contract for support of membership in the card company MasterCard, dated 24 June 2014, based on which Poštová banka, a.s. provided payment system related services to J & T BANKA, a.s., a related party, in 2015, in exchange for adequate consideration.
- Contract for the cooperation, dated 5 October 2010, based on which Poštová banka, a.s. provided the Bank with the possibility to use an ATM in the River Park centre at Dvořákovo nábřeží in Bratislava in 2015, in exchange for adequate consideration.
- Contract for a loro account, dated 27 May 2014, based on which Poštová banka, a.s. provided services connected with keeping a Euro bank account used for settling transactions made with MasterCard payment cards.
- Contract for a loro account, dated 27 May 2014, based on which Poštová banka, a.s. provided services connected with keeping a CZK bank account used for settling transactions made with MasterCard payment cards.
- Contract for the purchase of movable assets, dated 13 August 2015, based on which J & T BANKA a.s. sold a mobile phone, in exchange for adequate consideration.
- 2002 Master Agreement for derivative transactions between J&T BANKA, a.s. and Poštová banka, a.s., dated 10 June 2015, based on which J&T BANKA, a.s. negotiated mainly currency derivative transactions, in exchange for adequate consideration.
- Loan agreement up to the amount of EUR 76,000,000, dated 16 December 2015, based on which J&T BANKA, a.s. provided arrangement services and acted as agent in respect of granting of credit line to third parties, in exchange for adequate consideration.
- Forward currency transactions in accordance with the terms and conditions of the Bank.

With Poisťovňa Poštovej banky, a. s.:

- Current account maintenance in accordance with the terms and conditions of the Bank.
- Deposit account maintenance in accordance with the terms and conditions of the Bank.

With Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.:**Contracts in force entered into between related parties based on which performance was provided in 2015:**

- Contract for the provision of banking services, dated 21 May 2014, based on which J & T BANKA, a.s. undertook to provide services pursuant to this contract, in exchange for adequate consideration.
- Deposit account maintenance in accordance with the terms and conditions of the Bank.

With PRVÁ PENZIUNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.:**Contracts in force entered into between related parties:**

- Agent agreement no. 17345, dated 3 December 2008, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Contract for the cooperation, dated 13 July 2009, as further amended, based on which J & T BANKA, a.s. provided the related party with services connected with collective investments in 2015 under the law which is in force in the Czech Republic, in exchange for adequate consideration.
- Contract for the provision of the investment service consisting in acceptance and execution of client's instructions, dated 13 September 2013, as further amended, based on which both parties agreed on cooperation in procuring purchase or sale of units issued by mutual funds managed by PPSS, in exchange for adequate consideration.
- Deposit account maintenance in accordance with the terms and conditions of the Bank.

With J&T SERVICES ČR, a.s. (J&T Management, a.s.):

Contracts in force entered into between related parties:

- Contract for the processing of personal data, dated 6 August 2014, based on which the parties hereto defined rights and obligations when processing personal data under the Contract for the provision of expert support.
- Confidentiality agreement dated 24 February 2015, based on which the parties hereto are obliged to maintain confidentiality.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Contract for the provision of expert support, dated 6 August 2014, based on which J & T SERVICES ČR, a.s. provided payroll and personnel services under this contract in 2015 and J & T BANKA, a.s. undertook to provide adequate consideration for the services.
- Overdraft loan agreement No. CZK 95/KTK/2013, dated 11 December 2013, as further amended, based on which J & T BANKA, a.s. undertook to provide funds (an overdraft loan), and J & T SERVICES ČR, a.s. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.
- Bank guarantee agreement No. Z 09/OAO/2008, dated 21 April 2008, as further amended, based on which, in 2015, J & T BANKA, a.s. issued a bank guarantee to the related party, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.
- Bank guarantee agreement No. Z 08/OAO/2011, dated 30 June 2011, based on which, in 2015, J & T BANKA, a.s. issued a bank guarantee to the related party, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.
- Contract for the sublease of non-residential premises, dated 1 July 2008, as further amended, based on which, in 2015, J&T SERVICES ČR, a.s. provided the Bank with the lease of non-residential premises and fixtures and fittings at Sokolovská 394/17, Praha 8, in exchange for adequate consideration – lease payment.
- Contract for the provision of premises, dated 1 January 2014, based on which, in 2015, J & T SERVICES ČR, a.s. provided the Bank with the lease of non-residential premises in the Prosek Point building complex, in exchange for adequate consideration – lease payment.
- Financial settlement agreement dated 1 January 2009, based on which J & T BANKA, a.s. settles its receivables and liabilities arising in connection with value added tax, as they are members of a single VAT group of which the Bank is the representing member.
- Contract for the provision of services (outsourcing), dated 1 September 2014, as further amended, based on which J & T SERVICES ČR, a.s. provided services consisting in preparation of prudential consolidated financial statements under this

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- contract in 2015 and J & T BANKA, a.s. undertook to provide adequate consideration.
- Contract for the provision of services (outsourcing), dated 5 January 2015, based on which, in 2015, J & T SERVICES ČR, a.s. provided reporting services and central purchases pursuant to this contract, and J & T BANKA, a.s. undertook to provide adequate consideration.
 - Contract for the provision of services, dated 31 January 2013, based on which, in 2015, J & T SERVICES ČR, a.s. provided legal services pursuant to this contract, and J & T BANKA, a.s. undertook to provide adequate consideration.
 - Contract for the business lease of movable assets, dated 1 July 2013, as further amended, based on which J & T SERVICES ČR, a.s. leased office furniture and equipment to the Bank in 2015, in exchange for adequate consideration.
 - Mandate contract for tax advisory services, dated 3 January 2011, based on which, in 2015, J & T SERVICES ČR, a.s. provided the Bank with tax advisory services, in exchange for adequate consideration.
 - Service contract dated 26 March 2013, as further amended, based on which J & T SERVICES ČR, a.s. provided development and maintenance services in respect of the Quaestor banking information system in 2015 and J & T BANKA, a.s. undertook to provide adequate consideration.
 - Contract for the cooperation in arranging social events, dated 1 January 2014, as further amended, based on which J&T SERVICES ČR, a.s. undertook to provide for cultural and social events for employees under the terms and conditions of this contract, and J & T BANKA, a.s. undertook to provide adequate consideration – proportionate part of the expenses.
 - Contract for the sublease of a motor vehicle, dated 2 January 2014, based on which, in 2015, J&T Services ČR, a.s. leased to the Bank motor vehicles, in exchange for adequate consideration – lease payment.
 - Contract for the sublease of a motor vehicle, dated 23 January 2015, based on which, in 2015, J&T Services ČR, a.s. provided the Bank with the lease of motor vehicles, in exchange for adequate consideration – lease payment.
 - Contract for the provision of services with J & T BANKA, a.s., dated 31 December 2014, based on which, in 2015, J & T SERVICES ČR, a.s. provided logistic, operational and technical management services pursuant to this contract, and J & T BANKA, a.s. undertook to provide adequate consideration.
 - Contract for the provision of services with J & T Banka, a. s. pobočka zahraničnej banky, dated 31 December 2014, based on which, in 2015, J & T SERVICES ČR, a.s. provided logistic, operational and technical management services pursuant to this contract, and J & T BANKA, a.s. undertook to provide adequate consideration.
 - Contract for the assignment of the contract for the supply and maintenance of software, dated 31 December 2015, based on which J&T BANKA, a.s. transferred rights and obligations arising under the contract between J&T BANKA, a.s. and MIBCON from 31 December 2014 to J&T SERVICES ČR, a.s.
 - Contract for the consideration for the assignment of a license, dated 31 December 2015, based on which J&T BANKA, a.s. and J&T SERVICES ČR, a.s. agreed on the amount of the consideration for the assignment of the license.
 - Contract for the consideration for the use of software, dated 31 December 2015, based on which J&T BANKA, a.s. and J&T SERVICES ČR, a.s. agreed on the amount of the consideration for the use of SAP software.
 - Contract for the provision of services, dated 18 December 2014, based on which, in 2015, J & T SERVICES ČR, a.s. provided IT/IS services pursuant to this contract, and J & T BANKA, a.s. undertook to provide adequate consideration.
 - Contract for the sale of movable assets, dated 31 December 2015, based on which, in 2015, J & T SERVICES ČR, s.r.o. sold IT equipment in exchange for adequate consideration.
 - Contract for the sale of movable assets, dated 30 January 2015, based on which, in 2015, J & T SERVICES ČR, s.r.o. sold IT equipment in exchange for adequate consideration.
 - Contract for the sublease of business premises, dated 31 March 2015, based on which, in 2015, J&T BANKA, a.s. provided

J&T SERVICES ČR, a.s. with premises in the Javor building, in exchange for adequate consideration.

- Contract for the delegation of activities and the provision of expert support, dated 1 January 2015, based on which, in 2015, J & T BANKA, a.s. provided risk management, internal audit, compliance and AML services, in exchange for adequate consideration for the services.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a charge card in accordance with the terms and conditions of the Bank.
- Provision of a safety deposit box in accordance with the terms and conditions of the Bank.

With J&T SERVICES SR, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Mandate contract for payroll and personnel services, dated 26 October 2012, as further amended, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with personnel and payroll services, in exchange for adequate consideration.
- Overdraft loan agreement No. EUR 15/KTK_SR/2014, dated 31 December 2014, based on which J & T BANKA, a.s. undertook to provide funds (an overdraft loan) to the related party, and J&T Services SR, s.r.o. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.
- Contract for the rent of motor vehicles, dated 2 January 2013, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with rent of motor vehicles, in exchange for the payment of the rental price.
- Contract for the provision of services, dated 2 January 2013, as further amended, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with operational and logistic services specified in the supplement of this contract, in exchange for adequate consideration.
- Agreement on the determination of remuneration for the provision of the services beyond the common framework, dated 30 December 2015, relating to the Contract for the provision of services from 2 January 2013, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with services pursuant to this contract, in exchange for adequate consideration.
- Contract for the provision of IS/IT services (outsourcing), dated 28 December 2012, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with IT/IS services pursuant to this contract, in exchange for adequate consideration.
- Brokerage contract dated 3 April 2013, based on which, in 2015, J&T SERVICES SR, s.r.o. brokered banking products pursuant to this contract, in exchange for adequate consideration.
- Contract for the sale of movable assets, dated 19 October 2015, based on which J&T SERVICES SR, s.r.o. sold a mobile phone to the Bank, in exchange for adequate consideration.
- Contract for the delegation of activities and the provision of expert support, dated 1 January 2015, based on which, in 2015, J & T BANKA, a.s. provided risk management and internal audit services, in exchange for adequate consideration for the services.
- Mandate contract for payroll and personnel services, dated 31 December 2014, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with personnel and payroll services, in exchange for adequate consideration.
- Contract for the rent of a motor vehicle, dated 2 January 2013, as further amended, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with rent of motor vehicles, in exchange for the payment of the rental price.
- Contract for the provision of services, dated 2 January 2013, as further amended, based on which, in 2015, J&T SERVICES SR, s.r.o. provided the Bank with operational and logistic services specified in the supplement of this contract, in exchange for adequate consideration.

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- Agreement on the cooperation in providing the J&T Family and Friends with banking services and in participating in the Magnus loyalty scheme, dated 27 December 2011, based on which, in 2015, J & T BANKA, a.s. provided the related party with an advantageous package of services and participation rights on the loyalty scheme MAGNUS as an instrument of social policy, in exchange for adequate consideration.
 - Current account maintenance in accordance with the terms and conditions of the Bank.
 - Issue of a charge card in accordance with the terms and conditions of the Bank.

With J&T FINANCE, LLC:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Loan agreement No. RUB 20/OAQ/2014, dated 28 March 2014, based on which J & T BANKA, a.s. undertook to provide funds (a loan), and J&T FINANCE, LLC undertook to repay the loan and pay interest in accordance with the agreed terms and conditions.
- Brokerage contract No. 01-01/14, dated 17 January 2014, based on which J&T FINANCE, LLC mediated opportunities to conclude a contract with potential clients, in exchange for adequate consideration. A Protocol of provided services relates to this contract.
- Contract for the provision of services, dated 25 February 2015, based on which J&T FINANCE, LLC provided services related to the intention to increase participation in the share capital of J&T Bank, a.o., in exchange for adequate consideration.

With Hotel Kadashevskaya, LLC:

Contracts in force entered into between related parties:

- Bank guarantee agreement No. Z 49/OAQ/2014, dated 19 November 2014, based on which, in 2015, J & T BANKA, a.s. issued a bank guarantee to the related party, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.
- Bank guarantee agreement No. Z 50/OAQ/2014, dated 19 November 2014, based on which, in 2015, J & T BANKA, a.s. issued a bank guarantee to the related party, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.

With KHASOMIA LIMITED:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Concierge, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Overdraft loan agreement No. CZK 23/KTK/2010, dated 9 June 2010, as further amended, based on which J & T BANKA, a.s. undertook to provide funds (an overdraft loan) to the related party, and J&T Concierge, s.r.o. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.
- Overdraft loan agreement No. USD 100/KTK/2013, dated 30 December 2013, based on which J & T BANKA, a.s. undertook to provide funds (an overdraft loan) to the related party, and J&T Concierge, s.r.o. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.

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- Overdraft loan agreement No. EUR 99/KTK/2013, dated 30 December 2013, based on which J & T BANKA, a.s. undertook to provide funds (an overdraft loan) to the related party, and J&T Concierge, s.r.o. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.
 - Financial settlement agreement dated 3 January 2012, based on which J & T BANKA, a.s. settles its receivables and liabilities arising in connection with value added tax, as they are members of a single VAT group of which the Bank is the representing member.
 - Cooperation agreement dated 31 August 2011, based on which, in 2015, J&T Concierge, s.r.o. provided J & T BANKA, a.s., a related party, with services pursuant to this contract relating to the provision of concierge services to payment card holders, in exchange for adequate consideration.
 - Contract for the provision of services, dated 3 January 2013, as further amended, based on which, in 2015, J&T Concierge, s.r.o. provided mainly marketing services, in exchange for adequate consideration.
 - Contract for the provision of services, dated 1 August 2014, as further amended, based on which, in 2015, J&T Concierge, s.r.o. provided mainly marketing services, in exchange for adequate consideration.
 - Current account maintenance in accordance with the terms and conditions of the Bank.
 - Issue of a charge card in accordance with the terms and conditions of the Bank.

With PBI, a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Agent agreement dated 18 December 2015, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.
- Contract for the sale of 34% share in Poštová banka, a.s., dated 25 February 2015, as further amended, based on which J&T BANKA, a.s. undertook to sell the shares and transfer the ownership, in exchange for adequate consideration.
- Agreement on the original purchase price adjustment, dated 20 December 2015, based on which the related parties agreed on the purchase price of 34% share in Poštová banka, a.s.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Integris Group Ltd.:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Bank & Trust Inc.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Agent agreement for the brokerage of purchase and sale of investment instruments, dated 13 August 2012, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a charge card in accordance with the terms and conditions of the Bank.
- Forward currency transactions in accordance with the terms and conditions of the Bank.

With J&T MINORITIES PORTFOLIO LTD:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Agent agreement No. 19181 for the brokerage of purchase and sale of securities, dated 20 August 2010, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.
- Contract for the provision of banking services, dated 5 February 2015, based on which J & T BANKA, a.s. undertook to provide services pursuant to this contract, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With Equity Holding, a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Agent agreement No. 17599, dated 15 December 2008, based on which, in 2015, J & T BANKA, a.s. provided the related party with stock brokerage services based on the arm's length principle, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With ABS PROPERTY LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Loan agreement No. USD 61/OAQ/2012, dated 30 August 2012, as further amended, based on which J&T BANKA, a.s. undertook to provide funds (a loan), and ABS PROPERTY LIMITED undertook to repay the loan and pay interest in accordance with the agreed terms and conditions.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Global Finance I., B.V.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Agent agreement dated 18 September 2014, based on which, in 2015, J & T BANKA, a.s. provided the related party with investment services based on the arm's length principle, in exchange for adequate consideration. The contract was terminated by notice dated 11 September 2015.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Global Finance II., B.V.:

Contracts in force entered into between related parties:

- Administration contract dated 12 January 2012, along with the Special arrangement to this contract, based on which J & T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Administration contract dated 12 January 2012, along with the Special arrangement to this contract, based on which, in 2015, J & T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration.
- Agent agreement dated 23 December 2014, based on which, in 2015, J & T BANKA, a.s. provided the related party with investment services based on the arm's length principle, in exchange for adequate consideration. The contract was terminated by notice dated 11 September 2015.
- Contract for the provision of banking services, dated 23 April 2014, based on which J & T BANKA, a.s. undertook to provide services pursuant to this contract, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Global Finance III., s.r.o.:

Contracts in force entered into between related parties:

- Bond placement agreement dated 13 May 2013, along with the Special arrangement to this agreement, based on which J & T BANKA, a.s. arranged a bond issue, in exchange for adequate consideration. .

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Administration contract dated 21 June 2013, along with the Special arrangement to this contract, based on which, in 2015, J & T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Global Finance IV., B.V.:

Contracts in force entered into between related parties:

- Bond placement agreement dated 26 August 2014, along with the Special arrangement to this agreement, based on which J & T BANKA, a.s. arranged a bond issue, in exchange for adequate consideration.

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Administration contract dated 26 August 2014, along with the Special arrangement to this contract, based on which, in 2015, J & T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration.
- Agent agreement dated 29 December 2014, based on which, in 2015, J & T BANKA, a.s. provided the related party with investment services based on the arm's length principle, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Global Finance V., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2015:

- Administration contract dated 27 November 2014, along with the Special arrangement to this contract, based on which, in 2015, J & T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration.
- Bond placement agreement dated 27 November 2014, along with the Special arrangement to this agreement, based on which J & T BANKA, a.s. arranged a bond issue in 2015, in exchange for adequate consideration.
- Contract for the provision of banking services, dated 20 August 2014, based on which J & T BANKA, a.s. undertook to provide services pursuant to this contract, in exchange for adequate consideration.
- General agent agreement for the purchase or sale of financial instruments, dated 10 December 2014, based on which, in 2015, J & T BANKA, a.s. provided services pursuant to the contract, in exchange for adequate consideration.
- Agent agreement dated 21 August 2015, based on which, in 2015, J & T BANKA, a.s. provided the related party with investment services based on the arm's length principle, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

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.

The controlled entity incurred no loss from the relations mentioned above under 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.

The Bank provides related parties with standard banking services and the other relationships are concluded primarily to optimise the services used/provided and to utilise the synergies of related parties. As a result, the Bank is able to make its operations more effective and to provide its clients with comprehensive banking services and asset management, and to effect transactions in financial and capital markets also for retail clients. All transactions between the controlled entity and the Bank, or between the entities controlled by the same controlling entity and the Bank, were effected based on the arm's length principle.

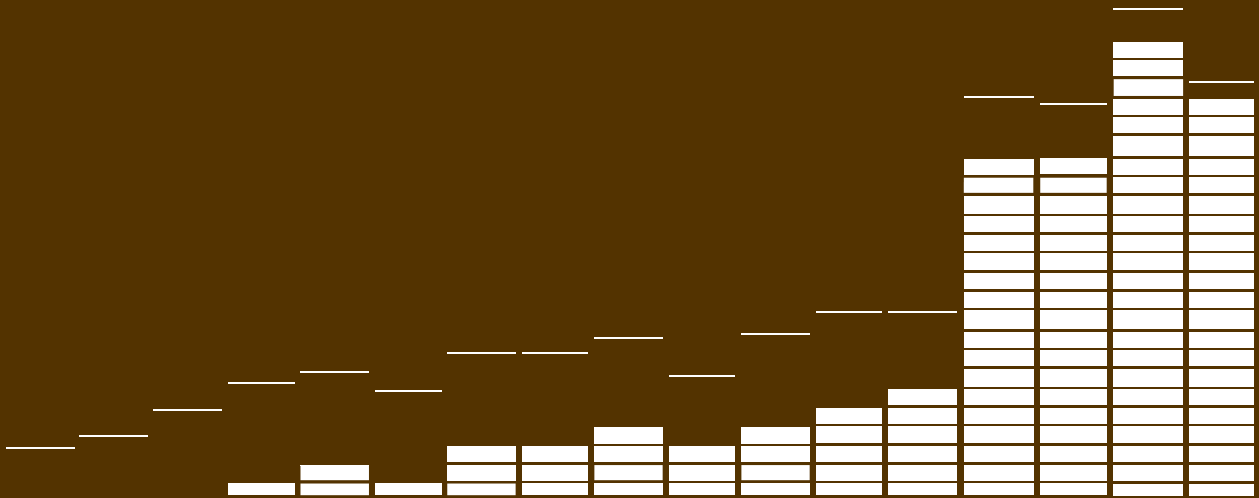
The Bank has no advantages or disadvantages from and faces no other additional risks in respect of the above relations.

VI. WE DECLARE THAT WE HAVE INCLUDED ALL INFORMATION KNOWN AS OF THE DATE OF THE SIGNATURE IN THE REPORT ON RELATIONS BETWEEN RELATED PARTIES OF J & T BANKA, A.S., PREPARED IN ACCORDANCE WITH SECTION 82 OF THE ACT ON BUSINESS CORPORATIONS FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015.

Board of Directors
J & T BANKA, a.s.

THANKS TO GRADATION.

We support music while getting inspired by it.



Information about securities, rights and obligations of holders

Information on securities

In 2015, the Czech National Bank approved and J & T BANKA, a.s., ID: 47115378, registered office Prague 8, Pobřežní 297/14, postcode 186 00, registered in the Commercial Register maintained by the Metropolitan Court in Prague, Part B, entry 1731 (the "Bank" or the "Issuer") issued subordinated unsecured yield certificates without any maturity date with a yield of 9% p.a., in the nominal value of CZK 100,0000, ISIN CZ0003704413 and subordinated unsecured yield certificates without any maturity date with a yield of 9% p.a., in the nominal value of EUR 5,000, ISIN CZ0003704421 (the "Certificates").

In 2014, the Bank issued Certificates with a yield of 10% p.a. in the nominal value of CZK 100,000, ISIN CZ0003704249.

Certificates are unnamed securities issued in the Czech Republic in accordance with Czech legal regulations. Certificates are hybrid financial instruments combining characteristics of equity and debt securities and are issued as book-entry registered shares.

Provided that conditions are met under Article 52 (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Certificates can be included to Additional Tier 1 instruments of the Bank.

Certificates are traded at the Prague Stock Exchange, a.s. A volume of issued Certificates amounted to CZK 1,742 million at 31 December 2015 (in 2014: CZK 899 million).

As at 31 December 2015, neither the Certificates nor the Bank had a valid rating.

Data on the number of shares, their nominal value and the Issuer's shareholder structure are given in the financial statements. The Issuer's persons with managing powers do not own any shares, options or comparable investment instruments whose value relates to shares or similar securities representing an ownership interest in the Issuer.

Rights and obligations of shareholders and certificate holders

Certificates are not bonds as defined by Act No. 190/2004 Coll., the Bonds Act as amended. Holders of the Certificates are not the Bank's shareholders and are not entitled to dividend payments.

Holders of the Certificates have no ownership interest in the Bank's equity and their Certificates do not entitle them to exercise any direct or indirect voting rights. As approved by the Czech National Bank, the Bank is not subject to obligations stipulated in Section 118 (5) (a) through (j) of Act No. 256/2004 Coll., the Act on Business Activities on the Capital Market as amended. Other rights and obligations are defined in issuing terms and conditions.

Rights and obligations of shareholders are governed by provisions of Act No. 90/2012 Coll., the Business Corporations Act. As the Bank has the sole shareholder, the general meeting is not held and its powers are exercised by the sole shareholder.

Rights and obligations of the sole shareholders are identical to the powers of the general meeting, the position of which is defined in the Bank's Articles of Association. Other information on the performance of the sole shareholder, resp. the powers of the general meeting, is given in the chapter Corporate Governance and Data on the Issuer.

Corporate Governance and data on the issuer

Corporate Governance and the Code

The Issuer's financial performance depends upon maintaining a good reputation in the media, among clients, counterparties, shareholders, investors or regulatory bodies. Although the Issuer has won many awards for quality of its services and the volume of deposits has more than doubled since the beginning of 2011, the potential loss of its good reputation might have an adverse impact on obtaining new deposits, outflow of deposits, availability of external financing, an increase in income and acquiring capital, i.e. on the Issuer's business and financial performance and its ability to disburse yields and meet obligations arising from the Certificates.

The Issuer's internal governance level is to a considerable extent in compliance with the Corporate Governance Code based on the OECD's principles of 2004 (the "Code"). The Issuer meets most principal provisions of the Code that is available on the web sites of the Czech Ministry of Finance (<http://www.mfcr.cz/cs/archiv/transformacni-institute/agenda-byvaleho-fnm/sprava-majetku/kodex-spravy-a-rizeni-spolecnosti-corpor/kodex-spravy-a-rizeni-spolecnosti-zaloze-14620>).

The Issuer has not obligatorily adopted the corporate governance code; it has, however, issued internal rules defining in detail the area of the corporate governance following the Issuer's Articles of Association, in particular the Bank's organization order. In addition, the Issuer observes provisions of the Business Corporations Act, the Act on Banks and other relevant legal regulations concerning corporate governance. The above mentioned binding corporate governance code has not been voluntarily adopted because in addition to the simple shareholder structure the Issuer considers the existing regulation of the corporate governance fully adequate and functional.

In order to minimize risks and injury to its good reputation, the Issuer internally avoids such risks by its organization and management. Employees act in compliance with the Issuer's ethical code and other internal rules. The Issuer also actively communicates with the media, clients, counterparties, shareholders, investors and regulators.

As an investment firm, the Issuer is obliged to pay an annual contribution to the Guarantee Fund in the amount of 2% of the volume of income from fees and commissions for provided investment services under Act No. 256/2004 Coll., the Act on Business Activities on the Capital Market. In 2015, the contribution amounted to CZK 8.8 million (2014: CZK 7.7 million).

Information about internal control principles and procedures relating to the financial reporting process

The Issuer, to ensure that the accounts give a true and fair view of the state of affairs and financial statements are prepared in a due manner, uses various tools to appropriately recognize individual transactions and to subsequently present them in the financial statements of the Issuer and its Group. Key tools include in particular maximum automation of recurring transactions, procedures and processes within appropriate systems and applications, regular monitoring and testing of these systems and setting of access rights to individual systems and applications. In addition to periodical reviews of the general ledger, the Issuer also applies a system of allocating responsibility and reconciliation of accounts in terms of individual analytical account balances. Each general ledger account has its administrator who has to provide regularly, or on demand, information on the particular analytical account (balance, reconciliation to primary data, breakdown to individual amounts, etc.). The compliance of applied accounting policies with, in particular, International Financial Reporting Standards and the setting of accounting controls fall within the responsibility of the Issuer's Finance Department that also lays down rules and methodology for the compilation of consolidated financial statements and examines the correctness of background materials used for the compilation of consolidated financial statements.

Information about applied accounting policies, valuation techniques and rules for establishing adjustments is disclosed in the Notes to the financial statements of this annual report.

The accuracy of information presented in the Issuer's financial statements is confirmed by the auditor's opinion. The annual report includes audited financial results of the Issuer and its Group.

In 2015, the Issuer and the Group spent financial means for audit and other services in a volume as follows:

In thousands of CZK	2015 Paid by the Issuer	2014 Paid by the Issuer	2015 Paid by other companies in the Group	2014 Paid by other companies in the Group
Audit services	17,635	13,949	4,731	2,308
Other services	–	2,406	–	–
Total	17,635	16,365	4,731	2,308

Powers of the General Meeting

The Issuer of the Certificate has only a sole shareholder, the general meetings do not take place, and the powers of the general meeting are exercised by that sole shareholder whose decisions have to be in writing and delivered to the company. The shareholder's decisions must be in the form of a notarial deed on legal actions in cases when a notarial deed is made on the decisions of the general meeting. Delivery to the company is made in writing for the attention of any member of the Board of Directors or to the address of the company's registered office recorded in the Commercial Register.

The powers of the general meeting also include decisions on a change in the Articles of Association, an amount of registered capital and the authorization of the Board of Directors to increase registered capital, election and removal of members of the Supervisory Board, the approval of regular, extraordinary or consolidated financial statements and, in cases when their preparation is stipulated by another legal regulation, of interim financial statements. The general meeting also decides on the distribution of profit and other own resources or the settlement of a loss, it gives instructions to the Board of Directors and approves principles of the Board of Directors' activity unless they are contrary to legal regulations. The general meeting can particularly prohibit certain legal actions to any Board member if it is in the interest of the company.

The powers of the general meeting (resp. the sole shareholder) are regulated in the Issuer's valid Articles and Association and respective legal regulations, in particular Act No. 90/2012 Coll., the Business Corporations Act.

Remuneration policy

The Bank has not established any special committee for its remuneration policy. Therefore, such policy is approved by the Supervisory Board based on the Board of Directors' recommendation and the fulfilment of objectives set in advance. The Supervisory Board holds four sessions a year and discusses remuneration matters at each session. In 2015, the Bank did not use services of an external advisor.

The performance of employees principally influences only their variable remuneration component not the fixed component

which is not changed. The fixed remuneration component includes salaries and benefits. The Bank provides annual and extraordinary bonuses as a variable remuneration component to which no claim can be applied. Its amount depends on the particular employee's performance and activity of the respective section and the Bank's financial results. In case of extraordinary bonuses, the Bank takes usually only the performance of the employee or a respective team into consideration.

Criteria for the evaluation and motivation include financial and non-financial figures that are to monitor quality and development of the Bank's services and abilities of an employee. They also include figures of the internal and external quality and development. The criteria further comprise profitability, acquisition activity, market potential, observance of internal rules, limits, contractual documentation quality and internal communication quality, complaints of clients, quality of services and rate of project fulfilment. Remuneration is conditioned in particular by the rate of performance of the above criteria in combination with the Bank's real financial situation. Annual bonuses are not paid in particular if a) the volume of net assets decreases year on year without an increase in own resources by shareholders and without the dividend payment, b) the operational profit decreases by more than 15% or c) the ROE is less than 300 bps above the annual reference rate valid at the beginning of the accounting period. An amount of the variable remuneration component may not exceed 100% of the fixed component of the total remuneration.

The variable remuneration component of employees having a significant influence on the Bank's overall risk profile and of employees whose working tasks include trading activity does not have to be allocated, may be reduced or deferred provided that after the allocation of a variable remuneration component to employees at lower management levels, the disbursement of bonuses to senior officials would mean a lower than planned economic or operational result of the Bank. The variable remuneration component will not be paid at all provided that its disbursement results in the Bank's limited ability to strengthen its capital (if relevant), in case of the Bank's unfavourable financial situation or in case of termination of employment.

The process of allocating annual bonuses is launched by the Board of Directors' decision on the maximum amount earmarked for the department, resp. section concerned (the bonus pool). The real volume of bonuses to be disbursed is reduced based on the rate of fulfilment of key criteria which have to be met for at least 70%. The total volume of annual bonuses is distributed in time for employees having a significant influence on the Bank's overall risk profile as follows: 50% of the amount is immediately paid, 25% are paid next year and 25% are paid two years after the allocation (the deferred variable remuneration component).

In 2015, remuneration for top managers totalled CZK 143 million and the amount was divided among 51 recipients. CZK 84 million comprised the fixed remuneration component and CZK 59 million comprised the variable remuneration component. Deferred remunerations not paid yet, although they have already been allocated, amounted to CZK 27 million. Deferred remunerations allocated in previous years were paid in the amount of CZK 17 million in 2015. Those bonuses have not been decreased in any manner as a result of adjustments based on performance. A bonus of CZK 1 million was paid in connection with newly created employment relationships. In 2015, no redundancy payments were paid or awarded and no bonus exceeding EUR 1 million was paid to anybody.

The Bank and its subsidiaries do not contribute to the supplementary pension insurance or other similar performance. The Bank declares that the members of its administrative, management, and supervisory bodies or of those of subsidiaries have no special advantages connected with the termination of activity.

In 2015, the Bank paid no bonuses to the members of the Bank's Supervisory Board connected with the performance of their office.

Real estate, machinery and equipment

As at 31 December 2015, the Issuer's total tangible assets amounted to CZK 48 million (as at 31 December 2014: CZK 51 million). As at 31 December 2015, total tangible assets and investment property of the Issuer's Group amounted to CZK 700 million (as 31 December 2014: CZK 702 million).

The single largest item of the Group's assets is formed by a building in the Russian Federation owned by the subsidiary, Interznanie. The building consists of administrative premises and a hotel. The Issuer itself does not own any real property. It has hired premises for its registered office at Pobřežní 297/14, Prague 8 until 2021 and the OASIS building at Sokolovská 394/17, Prague 8 until 2019.

The Issuer invests in the development of intangible assets from time to time, in particular in the development of its banking system, an internet portal and data services.

The Issuer confirms that it is not aware of any environmental impacts that might be caused by the Issuer's use of tangible fixed assets.

Issuer's dividend policy and significant litigations

The Issuer has not approved any specific long-term dividend policy. In every accounting period, any dividend payment is subject to an assessment of the Issuer's possibilities and needs and the Issuer also takes interests of Certificate owners into consideration.

Any payment of dividends is approved by the Issuer's sole shareholder or the general meeting, if the Issuer has more shareholders, based on the proposal of the Issuer's Board of Directors. The Issuer's management expects that the full audited profit amount for 2015 will be transferred to retained earnings and part of profit for 2015 will be transferred to a special fund for the payment of yields from the Certificates.

At the date of preparation of the annual report, legal proceedings are held regarding the action of SPGroup, a.s. for the surrender of shares in the total amount of CZK 314 million. The action was dismissed by courts of both first and second instance and the matter was referred back to the court of first instance due to procedural reasons. The Issuer considers the action unsubstantiated. In addition, proceedings are held regarding the action of Radoslav Hajduch, trustee in bankruptcy of the insolvent company, DEVIN BANKA, a.s. being in bankruptcy, for the payment of CZK 340 million with accessions and CZK 70 million with accessions. After several hearings, the action was dismissed. The plaintiff filed the appellate review. The Issuer believes that the plaintiff's chances of succeeding with this second appellate review are low.

As at the date of preparation of this annual report, the Issuer is not a party to any other ongoing or pending legal or arbitration proceedings and has not been a party to any other such proceedings in the last 12 months.

Significant contracts

The Issuer's significant transactions made after 31 December 2015 are disclosed in the Notes to the financial statements. Contracts entered into between the Group members are given in a separate part of the annual report, the Report on relations.

In the period preceding the release of the annual report, neither the Issuer nor any other member of the Issuer's group entered into contracts beyond the ordinary course of business which might be considered material. No member of the Group entered into a contract containing any provisions under which any member of the Group has any obligation or claim significant for the Group.

The Issuer confirms that it is not aware of any conflict of interest between obligations of the members of the Board of Directors or the Supervisory Board towards the Issuer and between their private interests and other obligations. The Issuer also confirms that it is not aware of any agreements with the major shareholders, clients, suppliers or other entities under which a member of the Board of Directors or Supervisory Board is appointed as a member of administrative, management and supervisory bodies or a top management member. The Issuer further confirms that it is not aware of any restrictions agreed with any member of the Board of Directors or Supervisory Board on the treatment of their interests in the Issuer's securities for a certain period of time.

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