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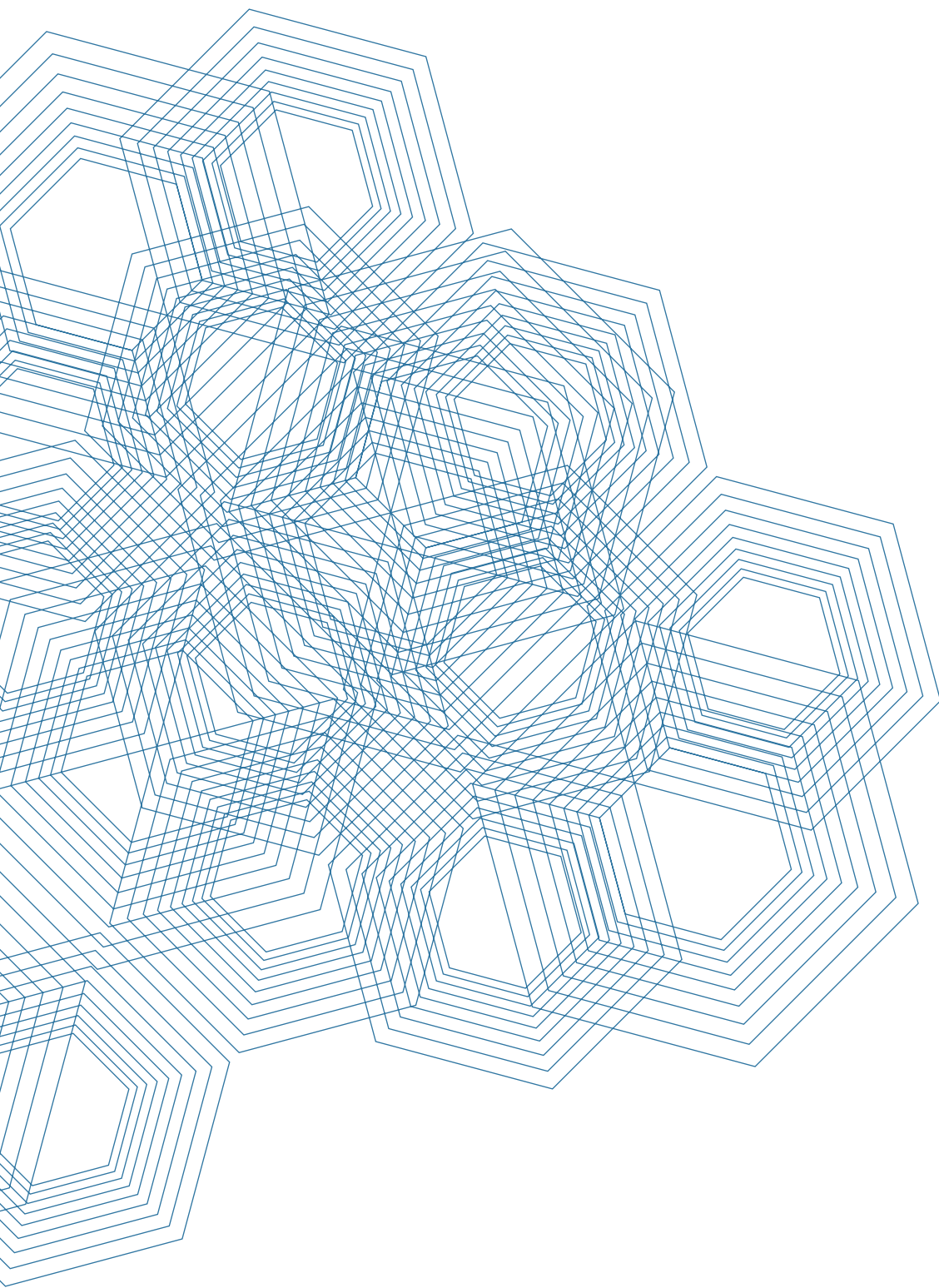


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Selected Financial Indicators

Consolidated IFRS

in TCZK	2012	2011	2010	2009	2008
ANNUAL FIGURES					
Profit before tax	1,192,895	354,661	325,690	338,914	304,336
Tax	(271,997)	(85,427)	(61,912)	(104,848)	(75,456)
Profit from continuing operations	920,898	269,234	263,778	234,066	228,880
Profit from discontinued operations	94,853	–	–	–	–
Profit for the year	1,015,751	269,234	263,778	234,066	228,880
BALANCES AS AT YEAR-END					
Equity	7,416,887	5,235,252	3,505,154	3,275,971	3,041,905
Liabilities to banks	11,248,319	9,110,230	2,754,035	1,542,651	2,303,117
Liabilities to clients	64,032,411	55,023,567	39,266,257	33,379,744	31,819,678
Receivables from banks	6,865,483	9,090,602	6,658,128	9,454,846	3,179,931
Receivables from clients	41,150,044	36,583,861	29,486,549	25,154,679	29,827,032
Assets	88,401,271	72,557,883	47,029,142	39,644,372	38,669,014
FINANCIAL RATIOS					
Return on Equity	16.06%	6.16%	7.78%	7.41%	7.82%
Return on Assets	1.26%	0.45%	0.61%	0.60%	0.64%
Capital adequacy	11.87%	12.08%	11.56%	11.76%	10.1 %
Total equity / total assets	8.39%	7.22%	7.45%	8.26%	7.87%
Average number of employees	499	401	312	264	265
Assets per employee	177,157	180,942	150,734	150,168	145,921
Administrative expense per employee	(2,907)	(2,195)	(2,350)	(2,139)	(1,878)
Profit after tax per employee	1 845	671	845	887	864

in TCZK	2012	2011
REGULATORY CAPITAL		
Core capital (Tier 1)	5,474,084	4,709,116
Share capital	3,858,127	3,358,127
Mandatory reserve funds	109,104	93,882
Other funds from profit distribution	1,855,361	1,568,026
Retained earnings	0	39,438
Accumulated losses	(22,611)	0
Foreign exchange translation differences	7,571	14,827
Minority interest	3,685	3,566
Goodwill	(189,715)	(189,715)
Intangible assets other than goodwill	(147,438)	(179,035)
Supplementary capital (Tier 2)	977,965	1,052,425
Total regulatory capital	6,452,049	5,761,541
CAPITAL REQUIREMENTS		
Credit risk of investment portfolio	3,743,134	3,323,735
Credit risk of trading portfolio	192,453	146,039
General interest risk	117,201	101,490
General equity risk	6,302	5,382
Capital requirement for currency risk	66,412	47,386
Capital requirement commodity risk	21,844	12,167
Capital requirement for operating risk	202,874	179,891
Total capital requirements	4,350,220	3,816,090
Calculation of Capital adequacy ratio	8% x $\frac{6,452,049}{4,350,220}$	8% x $\frac{5,761,541}{3,816,090}$
Capital adequacy ratio	11.87%	12.08%

Foreword

007

Dear Clients, Shareholders, Business Partners and Friends,

As in the previous year, I can start on a positive note, as in 2012 we managed to meet our goals and achieve record results. We are growing. The number of our clients, assets under management and income from fees, as well as profit, are all increasing.

Our long-term goal, set some three years ago, has been to become the leader in issuing lucrative corporate bonds. Last year this goal started being met. We executed ten issues for various firms, placing more than CZK 10 billion. This translates into income from fees for the bank. But we were also successful in trading for our own account.

Regional expansion was another goal achieved. In Brno and Ostrava we opened luxurious modern cafes featuring financial operations.

Thanks to you, our clients, in 2011 we became the Private Bank of the Year in the Czech Republic. In 2012 we were faced by an even more challenging task, namely to defend this leading position. We succeeded, and we value this achievement tremendously.

Our goals for the coming years are no less ambitious – in addition to the existing affluent clients, we want to focus on high-income groups, i.e. people that could be rich in future but are still in the accumulation stage. We will introduce a new savings-cum-investment product for them. We are also preparing a new e-portal that will cover both regular banking services and, for example, investments in securities.

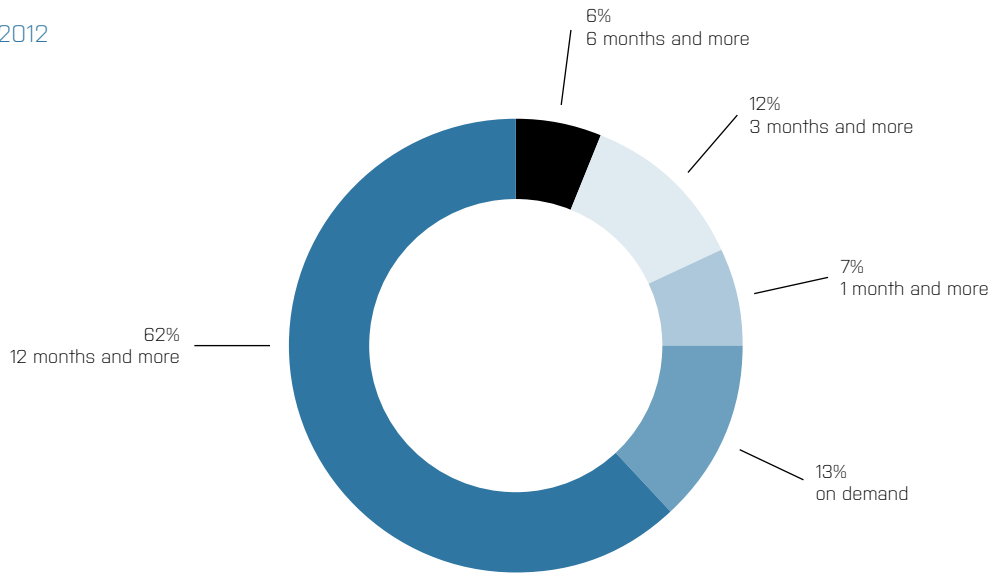


However, achieving top service quality and availability would not be possible without our employees, who total almost 500 following our recruitment efforts. I would like to take this opportunity to thank all of them for their work over the past year, for their commitment, support and for the many ideas that they contribute to help us develop and improve further.

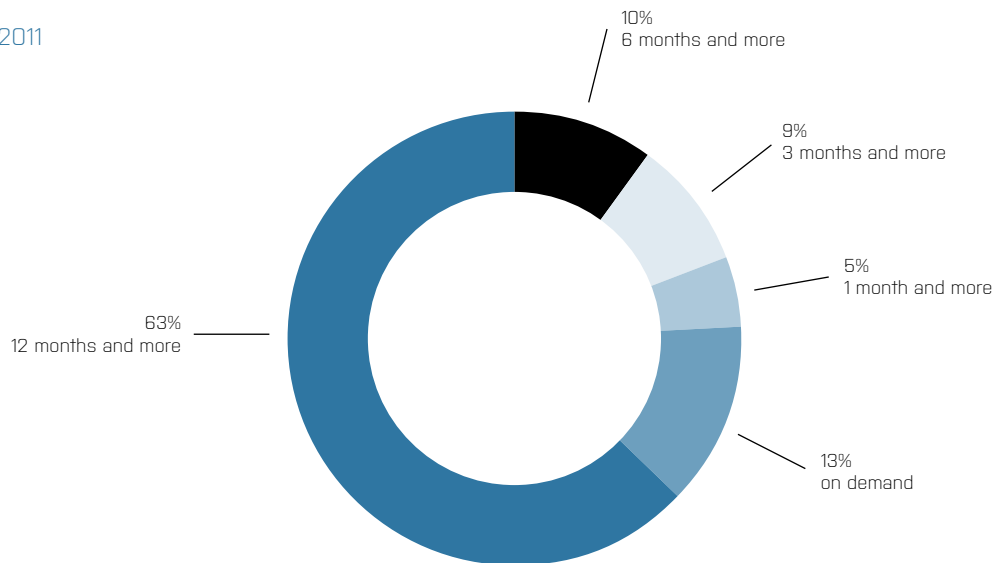
A stylized, handwritten signature in blue ink, consisting of a large, flowing 'S' followed by a smaller 'A' and a long horizontal stroke.

Štěpán Ašer, MBA
Chief Executive Officer of J&T BANKA

DEPOSITS
contractual maturity 2012



DEPOSITS
contractual maturity 2011



Report of the Board of Directors

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RESULTS IN 2012

2012 has been the best year for J&T BANKA thus far in terms of both financial performance and the growth in key balance sheet items. Consolidated net profit exceeded CZK 1 billion, which resulted in a return on equity of 16.1%. The bank's total assets increased by more than one fifth, exceeding CZK 88 billion.

This growth was accompanied by the further strengthening of the bank's capital by its shareholder, and thorough risk management. Capital adequacy was 11.9% at the end of the year. Our liquidity indicators strongly exceed the regulatory limits.

OPERATING PROFIT

Operating profit exceeded CZK 1.6 billion, positively influenced, in particular, by the doubling of operating income.

Profit from trading totalled CZK 726 million. The falling price of Czech and Slovak bonds at the end of 2011 was the main factor behind the bank's loss on trading of CZK 63 million that year. The management's decision not to sell these government bonds before 2011 year-end proved sound, generating, along with the growth in shares in the bank's portfolio, profit from trading of CZK 335 million. We were also very successful in trading foreign currencies and derivatives, despite the strict limits for opening a position. The bank's profit from FX transactions amounted to CZK 383 million.

Net interest income rose by 62%. Interest income grew by 51%, with interest expense increasing by 42%. We exceeded our target for 2012 by only 5%, due to a higher-than-expected increase in deposits.

On the other hand, we managed to diversify our depositor segments and significantly improve the bank's preparedness for various scenarios of economic development and its impact on our clients' response. We are also able to respond very quickly and flexibly, in

terms of liquidity and capital management, to the short- and medium-term financing needs of clients.

In 2012 the bank provided new loans totalling CZK 16.7 billion.

In spite of the significant growth in net interest income and income from trading, we managed to maintain the ratio of net income from fees and commissions to total income at above 15%. Its 84% year-on-year increase was influenced mainly by fees for issue programmes and asset management.

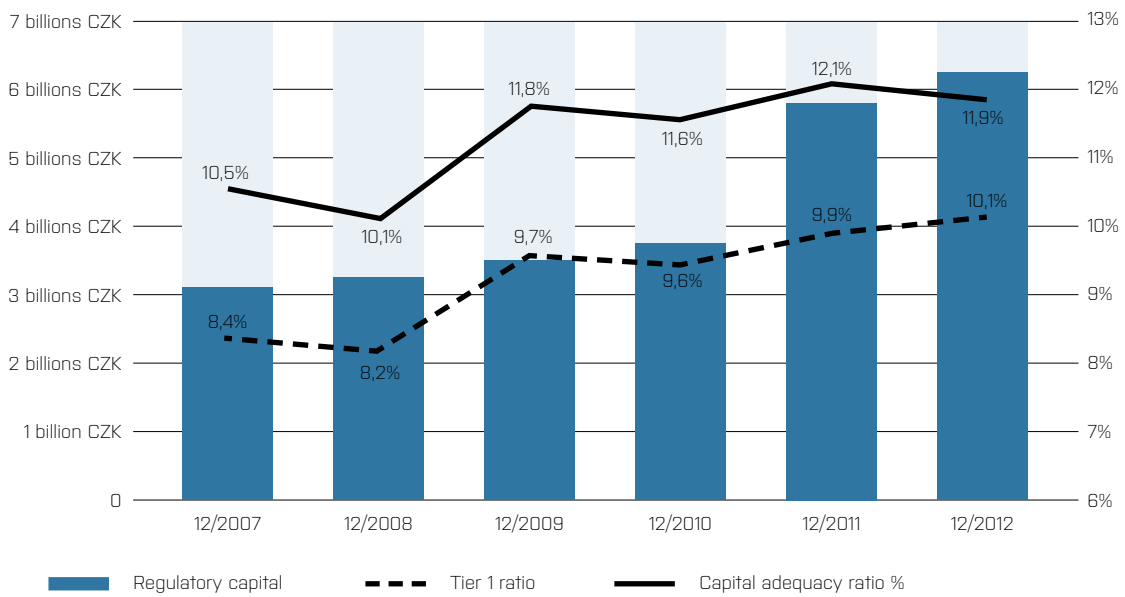
In 2012 issue programmes totalling CZK 10 billion were prepared for the bank's major clients. The bank purchased a portion of these issues for its own investment portfolio. The bank's success is built on trust and sound advice. Consequently, when the bank offers a product to its clients, it itself will invest in it.

Having grown substantially in 2011, assets under management continued to increase in 2012, exceeding CZK 12 billion. The annual volume of trades in equity instruments carried out by the bank for its clients exceeded CZK 35 billion.

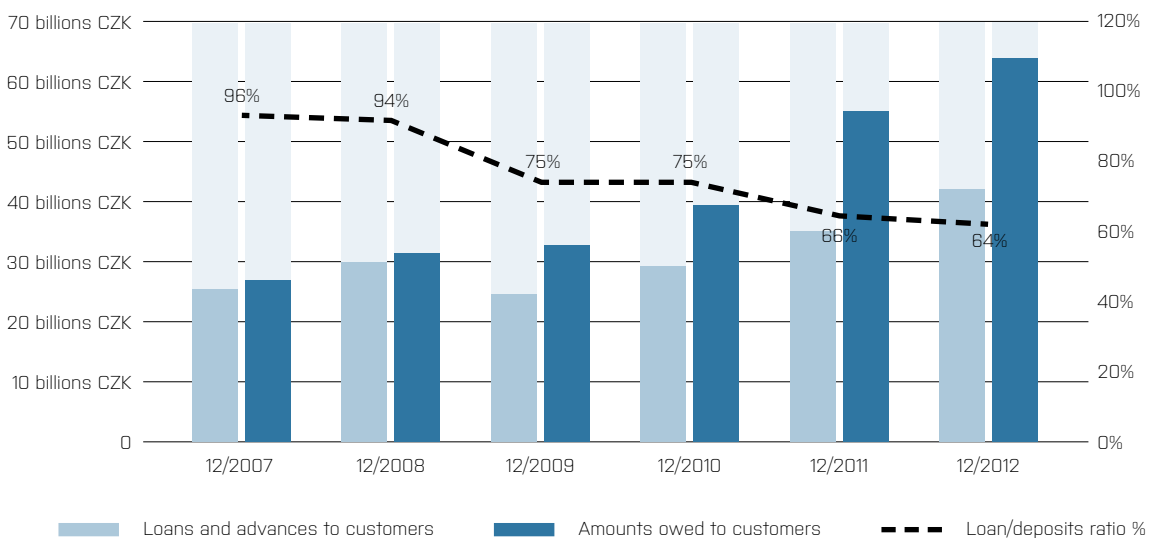
Another positive factor behind the growth in the bank's operating profit was the increase in the performance of its subsidiaries, primarily of J&T IB and Capital Markets, Moscow-based J&T BANK zao, and J&T Investiční společnost.

The bank's operating expenses were influenced by its growth, particularly by the increase in the number of clients. The number of clients rose from 1 001 in 2006 to 23 658 at the end of 2012. Last year saw an increase in the number of sales staff. We also hired new employees for the risk management, credit risk management, banking operations, and banking information system departments.

CAPITAL REQUIREMENT



LOANS & DEPOSITS



To some extent, the year-on-year growth in operating expenses was also influenced by the bank's subsidiaries joining its consolidation. Major contributors to the growth in operating demands were an increase in accepted client deposits and the related volume of deposit insurance costs, as well as the newly introduced bank levy in Slovakia. This resulted in expenses increasing by CZK 84 million year-on-year.

The increase in additions to allowances was caused by the restructuring of classified loans. On the other hand, the volume of impaired loans in respect of which the bank establishes specific allowances decreased from CZK 3 735 million to CZK 2 093 million. The ratio of impaired receivables to total loans provided by J&T BANKA decreased from 10% to 6.3% year-on-year, with the corporate client segment reporting 7.36%.

BUSINESS

The increase in total assets was caused by the growth in client deposits, which rose by 16% year-on-year, exceeding CZK 64 billion. Term deposits with longer maturities contributed most to this growth. At the end of 2012 the average maturity of term deposits was 15.3 months, up by 1.3 months compared with 2011. The extension of the maturity of deposits has a positive effect on liquidity, while increasing the volume of interest that the bank pays to its clients. The average interest rate on deposits received by the bank from its clients in the Czech and Slovak banking markets was 3.04% p.a. in 2012, up 0.13 percentage points compared with the previous year's 2.91%.

As part of its loan transactions, the bank primarily focuses on investment loans exceeding CZK 100 million. Because we know our clients, their activities and the value of their assets as potential security, we are able to flexibly respond to their needs, which also contributed to the 12% growth in loans on a consolidated basis, to CZK 41 billion.

The weighted average interest rate on loans provided by J&T BANKA to its clients in 2012 was 7.36%, which is comparable to the previous year's average (7.34%).

Last year saw the consolidation and optimisation of the client portfolio to which we offer asset management services. Still, the number of clients grew by almost 50% year-on-year. The volume of assets under management increased by 17.5%, to CZK 8.8 billion. Return on standard mandates was in the range of 6–8.5%.

Better support and client management

A CRM system was implemented in 2012, enabling the uniform initial recoding of client data (including agreements), automation of the client approval process, transfer and synchronisation of data to production systems and, last but not least, improved sales support. The CRM system also administers the bank's loyalty scheme. The system runs on the MS Dynamics platform.

Opening of branches (regional expansion)

Comfort is a prerequisite for a private bank. That is why we opened two new modern J&T BANKA Cafés – one in Brno (Trinita) and one in Ostrava (Elektra) – which offer clients and non-clients alike not only beautiful and pleasant premises for taking care of any banking transactions but also a venue for meeting business partners, friends or family.

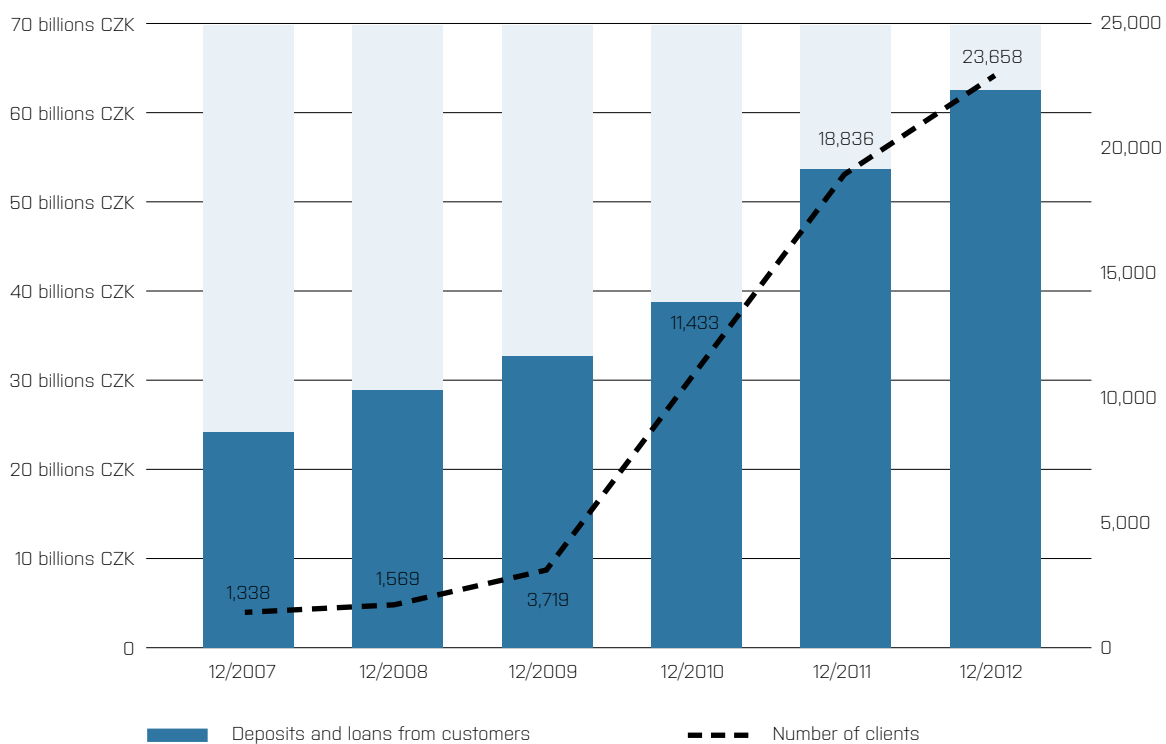
PRODUCTS

In 2012 we expanded our offer for the Clear Deal service in the Czech Republic, as well as for Komfort in Slovakia, and three-month term deposits. We also became a distributor of government savings bonds.

In 2012 we became the largest arranger of issues of corporate bonds traded on the Prague and Bratislava stock exchanges. Last year was also successful in terms of collective investment. We managed to increase not only the volume of assets managed in our funds (by 55%, to

DEPOSITS OF CLIENTS

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CZK 4.3 billion), but also the performance of our products. Equity and bond funds were the most successful, with our J&T BOND and J&T Flexibilní dluhopisový funds occupying top spots in their respective categories when compared to competing funds.

CAPITAL

The primary objective of the bank's capital management is to ensure that the existing risks do not threaten the bank's solvency and that the regulatory limit for capital adequacy is observed. As part of the bank's strategic framework, the Board of Directors set the medium-term capital adequacy target at 10%, which reflects the bank's risk tolerance.

In view of the growth in loan transactions in 2012 as well as the planned further development, the bank increased its capital from both external and internal sources – the bank's shareholders increased capital by CZK 500 million and, as part of the bank's dividend policy, decided that the entire 2011 profit would be retained in the bank's equity.

At the end of the year the bank's regulatory capital on a consolidated basis totalled CZK 6.5 billion, of which almost one billion related to subordinated deposits and bonds.

CORPORATE SOCIAL RESPONSIBILITY

Art cultivates individuals and societies. It connects successful, bold, rich, talented and sometimes temporarily misunderstood personalities. That is the main reason why J&T BANKA has long been supporting the world of art. Consistent with its unique position and vision, it helps elite projects that can highlight the Czech Republic on the cultural map of the world.

PARTNER OF THE J. CHALUPECKÝ AWARD FOR THE SECOND YEAR RUNNING

J&T BANKA's key initiatives in the field of art include acting as the general partner and supporter of the Jindřich Chalupický award, an elite and important project

that has, for over 20 years, been seeking and awarding young talents with great potential to become worldwide icons. In 2011 J&T BANKA became the general partner of the award, and in 2012 it kept this cooperation going, trying to help increase the awareness of modern art in the Czech Republic and Slovakia.

GOALS FOR 2013

After the growth year of 2012, our goal is to stabilise the client base and increase the quality of client services, while increasing the efficiency of the bank's operation. We want to focus primarily on transactions featuring reliable security and an attractive margin so as to ensure a return on the bank's equity of around 10%. Therefore, in spite of the further capital strengthening from the 2012 profit, we do not plan a significant long-term increase in the bank's loan portfolio. We intend to keep it at 10%.

We expect a similar growth in client deposits as well. Likewise, it is the bank's long-term objective to increase the volume of assets under management.

In addition to the existing affluent clients, we want to focus on potential high-income groups this year. We will introduce a new savings-cum-investment product for them. We are also preparing a new e-portal that will cover both regular banking services and, for example, investments in securities.

Increasing the quality of client services is closely linked to not only the quality of information systems but also to employees who are in regular contact with clients.



PATRIK TKÁČ



ŠTĚPÁN AŠER, MBA



IGOR KOVÁČ



ANDREJ ZAŤKO



VLASTIMIL NEŠETŘIL
Authorized signatory

Bank management

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Board of Directors

Patrik Tkáč

Chairman of the board of directors

Štěpán Ašer, MBA

Member of the board of directors

Igor Kováč

Member of the board of directors

Andrej Zaňko

Member of the board of directors

Supervisory Board

Jozef Tkáč

Chairman of the Supervisory Board

Ivan Jakabovič

Member of the Supervisory Board

Dušan Palcr

Member of the Supervisory Board

Jozef Šepetka

Member of the Supervisory Board

Miloslav Čomaj

Member of the Supervisory Board

Eva Šagátová

Member of the Supervisory Board

Miroslav Minařík

Member of the Supervisory Board

Ingrid Láslopová

Member of the Supervisory Board

Organizational structure

J&T BANKA, a. s. Czech Republic

BOARD OF DIRECTORS OF THE BANK		MANAGING DIRECTOR DIVISION	FINANCIAL MARKETS DIVISION	SALES DIVISION
Office of the Chairman of the Board of Directors	Executive Committee	Human Resources Department	Investment Center Section	Private Banking Department
Bank Management Department	Committee for Management of Assets & Liabilities	Credit and Loans Department	Financial Markets Department	Private Banking Section
Internal Audit and Inspection Department	Investment Committee	Marketing Department	Trading on Other Person's Account Section	Back Office PB Section
Safety Department	Credit Committee		Trading on Own Account Section	Premium Banking Department
IT Security Section	Sales Committee		Client Portfolio Management Department	Retail Banking Department
	Steering Committee of the Information System Division		Research Department	Internal Sale of Retail Segment Section
	Committee on Business Continuity		New Issues Department	External Sale of Retail Segment Section
	Security Committee			Branch Brno
				Branch Ostrava

J&T BANKA, a. s. pobočka zahraničnej banky Slovak Republic

HEAD OF THE BRANCH		BANKING ACTIVITIES DIVISION	ADMINISTRATIVE DIVISION	SALES DIVISION
Bank Branch Management Department	Executive Committee	Credit and Loans Department	Legal Department	Sales Management Department
	Credit Committee	Banking Operations Department	Marketing Department	Private Banking Department
	Sales Committee	Client Center Section	Human Resources Department	Back Office PB Section
		Payments Section	Economy Department	Premium Banking Department
		Cards and E-banking Section	Accounting Section	Affluent Banking Department
		Front Office Section	Reporting Section	Comfort Line Section
		Financial Markets Department	Logistics and Services Department	The High Tetras Exposition
		The River Park Business Office	Reception Section	The Košice Exposition
			Transport Section	
			Magnus Department	

DIVISION
Committee
Department
Section

OPERATING DIVISION	INFORMATION SYSTEMS DIVISION	ECONOMY DIVISION	BANKING OPERATIONS AND RISK MANAGEMENT DIVISION	ADMINISTRATIVE DIVISION	SHARED SERVICES DIVISION
Process and Project Management Department	Operation and Development of Banking System Section	Economy Department	Treasury Department	Legal Department	Information Systems Department
Banking Operations and International Banking Department	Support Reporting Section	Accounting Section	Liquidity Management Section	Compliance and AML Department	Information Technology Department
Banking Operations Section	Customer Interface Section	Reporting Section	Risk Management Department		
International Banking Section	Business Information Systems Department	Financial Analysis Department			
Payment Cards Section		Credit Risk Management Department			
Logistics and Services Department					
Reception Section					
Transport Section					
Facility Management Section					
Client Center Department					
Financial Markets Back Office Department					
Financial Markets Back Office Section SR					

SHARED SERVICES DIVISION
Information Technology Department
Intranet Section
IT Projects and Infrastructure Section
IT Operations Section

Report of the Supervisory Board

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The Supervisory Board J&T BANKA, a. s., operated as a nine-member body in 2012.

Mr Ondřej Popelka ceased to be a member of the Supervisory Board on 28 February 2012.

The Supervisory Board performed its activities in accordance with the relevant provisions of the Commercial Code and the bank's Articles of Association. In 2012 the Supervisory Board convened a total of four times at its regular meetings.

At its meetings, the Supervisory Board discussed in particular the regular reports of the bank's Board of Directors on the company's activities and financial situation, as well as all matters arising from relevant legal regulations.

The bank's consolidated financial statements were compiled in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The non-consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as well. The consolidated financial statements were audited by the company's external auditor, KPMG Česká republika Audit, s.r.o. Based on the audit, the auditor expressed an unqualified opinion.

The same audit firm also expressed an unqualified opinion on the non-consolidated financial statements. The full version of the annual report and the auditor's report is available on the CD-ROM enclosed to this annual report.

The Supervisory Board has reviewed the annual financial statements for 2012, including the proposal for the distribution of the 2012 profit, and recommended that the sole shareholder, exercising the powers of the general meeting, approve the financial statements. The Supervisory Board further confirms that the bank's business activities were performed in accordance with applicable legislation and the bank's Articles of Association

Prague, 26 April 2013



Jozef Tkáč
Chairman of the Supervisory Board

Correspondent banks

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Standard Chartered Bank New York

New York, USA
SWIFT: SCBL US 33
Currency: USD

ING Belgium SA/NV

Brussels, Belgium
SWIFT: BBRU BE BB
Currency: EUR

UBS AG

Zurich, Switzerland
SWIFT: UBSW CH ZH 80A
Currency: CHF

Československá obchodní banka, a. s.

Praha, Czech Republic
SWIFT: CEKO CZ PP
Currency: CZK, EUR, USD, HUF, PLN, GBP

ING Bank N. V.

Praha, Czech Republic
SWIFT: INGB CZ PP
Currency: CZK, EUR, CHF, GBP, RUB, USD, HUF, PLN

UniCredit Bank Slovakia, a. s.

Bratislava, Slovak Republic
SWIFT: UNCR SK BX
Currency: EUR

Poštová banka, a. s.

Bratislava, Slovak Republic
SWIFT: POBN SK BA
Currency: EUR

UniCredit Bank Czech Republic, a. s.

Praha, Czech Republic
SWIFT: BACX CZ PP
Currency: CZK, EUR, USD, RUB

J&T BANK zao

Moscow, Russian Federation
SWIFT: TRRY RU MM
Currency: RUB

Declaration

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J&T BANKA, a. s., declares that all information and data presented in this annual report are accurate and that no material facts have been omitted.

Prague, 26 April 2013

A handwritten signature in blue ink, appearing to read 'Patrik Tkáč', with a stylized flourish at the end.

Patrik Tkáč
Chairman of the Board of Directors

Financial part

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

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Consolidated Financial Statements

On the basis of our audit, on 29 March 2013 we issued an auditor's report on the Company's consolidated statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying consolidated financial statements of J&T BANKA, a.s., which comprise the consolidated statement of financial position as of 31 December 2012, 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 the company is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of J&T 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 and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 2012, and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of J&T BANKA, a.s. for the year ended 31 December 2012. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of J&T BANKA, a.s for the year ended 31 December 2012 contains material factual misstatements.

Consolidated Annual report

We have audited the consistency of the consolidated annual report with the audited consolidated financial statements. This consolidated annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the consolidated annual report with the audited consolidated financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the consolidated annual report describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the audited consolidated financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the consolidated annual report is, in all material respects, consistent with the audited consolidated financial statements.

Prague, 26 April 2013

KPMG Česká republika Audit

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

Vladimír Dvořáček
Partner



Jindřich Vašina
Partner, Licence number 2059



Consolidated statement of financial position as at 31 December 2012

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in TCZK	Note	2012	2011
ASSETS			
Cash and balances with central banks	6	6,977,979	1,492,655
Due from financial institutions	7	6,865,483	9,090,602
Positive fair value of derivatives	8	117,652	86,124
Loans and advances to customers	11a	41,150,044	36,583,861
Investment securities at fair value through profit or loss	9a	5,292,124	7,998,413
Investment securities available for sale	9b	23,045,058	13,029,512
Investment securities held to maturity	9c	2,125,122	3,118,639
Disposal groups held for sale	17	1,595,593	–
Current tax asset		7,175	55,882
Property and equipment	13	72,673	58,307
Intangible assets	14	147,438	179,035
Goodwill	14	189,715	189,715
Deferred tax asset	25	–	28,807
Prepayments, accrued income and other assets	16	815,215	646,331
Total Assets		88,401,271	72,557,883

in TCZK	Note	2012	2011
LIABILITIES AND SHAREHOLDER'S EQUITY			
Amounts owed to financial institutions	18	11,248,319	9,110,230
Amounts owed to customers	19	64,032,411	55,023,567
Negative fair value of derivatives	8	81,747	295,779
Subordinated liabilities	20	995,747	1,009,564
Disposal groups held for sale	17	697,789	–
Current tax liability		135,472	10,416
Deferred tax liability	25	140,696	13,100
Accruals, provisions and other liabilities	21	3,652,203	1,859,975
Total Liabilities		80,984,384	67,322,631
Share capital	22	3,858,127	3,358,127
Retained earnings, capital funds and revaluation reserve	22	3,554,575	1,873,419
Total shareholder's equity		7,412,702	5,231,546
Non-controlling interest	23	4,185	3,706
Total equity		7,416,887	5,235,252
Total liabilities, non-controlling interest and shareholders' equity		88,401,271	72,557,883

The accompanying notes, set out on pages 29 to 101, are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2012

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in TCZK	Note	2012	2011
Interest income	26	3,979,506	2,643,489
Interest expense	27	(2,129,481)	(1,500,201)
Net interest income		1,850,025	1,143,288
Fee and commission income	28	676,536	411,245
Fee and commission expense	29	(176,572)	(139,356)
Net fee and commission income		499,964	271,889
Dividends from investment securities available for sale		58,851	66,134
Net trading income	30	725,719	(62,636)
Other operating income	31	79,558	192,927
Operating income		3,214,117	1,611,602
Personnel expenses	32	(751,853)	(364,700)
Other operating expenses	33	(698,812)	(515,310)
Depreciation and amortisation	13, 14	(92,149)	(71,338)
Operating expenses		(1,542,814)	(951,348)
Profit before allowances for loan losses and income taxes		1,671,303	660,254
Provisions from financial activities		7,357	(8,866)
Net change in allowances for loan losses	12	(485,765)	(296,727)
Profit before income tax		1,192,895	354,661
Income tax	24	(271,997)	(85,427)
Profit from continued operation		920,898	269,234
Profit from discontinued operations	17	94,853	-
Profit for the year		1,015,751	269,234
PROFIT ATTRIBUTABLE TO SHAREHOLDER			
Profit from continuing operations		920,458	269,153
Profit from discontinued operations		94,853	-
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTEREST			
Profit from continuing operations		440	-
Profit for the year		1,015,751	269,234
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Revaluation reserve - financial assets available for sale		673,103	(179,419)
Foreign exchange translation differences		(7,258)	14,827
Total comprehensive income for the year		1,681,596	104,642
Attributable to:			
Shareholder		1,680,792	104,612
Non-controlling interests		804	30
Total comprehensive income for the year		1,681,596	104,642

The accompanying notes, set out on pages 29 to 101, are an integral part of these consolidated financial statements. The Board of Directors approved these consolidated financial statements on 29 March 2013. 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 2012

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	Share capital	Retained earnings	Capital funds	Revaluation reserve	Non-controlling interest	Total
Balance at 1 January 2011	1,838,127	1,615,994	85,628	(34,595)	-	3,505,154
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Issue of share capital	1,520,000	-	-	-	-	1,520,000
Profit for the year	-	269,153	-	-	81	269,234
Transfer to legal reserve fund	-	(59,157)	11,018	-	-	(48,139)
Consolidation and FX adjustments	-	50,627	(2,763)	67,513	3,625	119,002
OTHER COMPREHENSIVE INCOME						
Revaluation - financial assets available for sale	-	-	-	(144,825)	-	(144,825)
Foreign exchange differences	-	-	-	14,827	-	14,827
Balance at 1 January 2012	3,358,127	1,876,617	93,883	(97,080)	3,706	5,235,253
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						
Issue of share capital	500,000	-	-	-	-	500,000
Profit for the year	-	1,015,311	-	-	440	1,015,751
Transfer to legal reserve fund	-	(15,296)	15,296	-	-	-
Consolidation and FX adjustments	-	(28,567)	(75)	28,641	-	(1)
OTHER COMPREHENSIVE INCOME						
Revaluation - financial assets available for sale	-	-	-	673,103	-	673,103
Foreign exchange differences	-	-	-	(7,258)	39	(7,219)
Balance at 31 December 2012	3,858,127	2,848,065	109,104	597,406	4,185	7,416,887

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

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

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

On 22 December 2011 the sole shareholder of the Bank, J&T FINANCE, a.s., increased the Bank's share capital by TCZK 500 000 through subscription of new shares.

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

The accompanying notes, set out on pages 29 to 101, are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2012

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in TCZK	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		1,192,895	354,661
Profit after tax from discontinued operations		94,853	–
Adjustments for:			
Depreciation and amortisation	13, 14	92,149	71,338
Allowances for loan losses	12	485,765	296,727
Foreign currency difference from allowances for loan losses	12	(11,337)	9,014
Net loss on sale of intangible and tangible fixed assets		51,037	276,590
Change in other provisions and deferred tax		181,724	20,792
Revaluation - financial assets available for sale		673,103	(144,825)
Profit on disposal of subsidiaries		–	(132,950)
(Increase) / decrease in operating assets:			
Compulsory minimum reserves in central banks		(658,193)	(343,691)
Due from financial institutions		5,282	(210,915)
Loans and advances to customers		(5,040,611)	(7,504,569)
Investment securities held for trading, AFS and FVTPL		(6,315,739)	(18,371,076)
Prepayments, accrued income and other assets		(168,884)	(1,049,323)
Increase / (decrease) in operating liabilities:			
Amounts owed to financial institutions		2,138,089	7,024,351
Amounts owed to customers		9,008,844	16,684,677
Accruals, provisions and other liabilities		1,766,908	1,059,855
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		(245,560)	325,883
Income tax paid		(98,234)	(71,162)
Net cash flows from operating activities		3,152,091	(1,704,623)

in TCZK	Note	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital – subscription of new shares		500,000	1,520,000
Subordinated liabilities		4,486	318,113
Foreign currency difference from subordinated liabilities		(18,303)	18,313
Net cash flows used in financing activities		486,183	1,856,426
CASH FLOWS FROM INVESTING ACTIVITIES			
Held for sale		(897,804)	–
Purchase of intangible and tangible fixed assets		(125,955)	(99,410)
Change in consolidation and FX adjustment		(7,259)	82,064
Change in balance of minority interest		39	3,625
Purchase of intangible assets - Goodwill		–	(189,715)
Effect of acquisition		–	957,487
Effect of disposal		–	(77,627)
Net cash flows from investing activities		(1,030,979)	676,424
Increase in cash and cash equivalents		2,607,295	828,227
Cash and cash equivalents at beginning of period	5, 34	9,316,871	8,488,644
Cash and cash equivalents at end of period	5, 34	11,924,166	9,316,871
Cash flows from operating activities include:			
Interest received		4,148,946	2,491,250
Interest paid		1,556,992	1,672,504
Dividends received		58 851	66 134
Tax paid		98 234	71 162

The accompanying notes, set out on pages 29 to 101, are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31. December 2012

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1. GENERAL INFORMATION

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

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

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

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

The registered office of the Bank is at Pobřežní 14, Prague 8, Czech Republic. The Group (including the Bank and its subsidiaries mentioned in the table below) had on average 499 employees in 2012 (2011: 401). The Group operates in the Czech Republic, Slovakia and Russia.

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

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

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

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

The companies included in the consolidation Group in 2012 are as follows:

in TCZK	Country of incorporation	Share capital	% shareholding	Principal activities
COMPANY				
J&T BANKA, a.s. (parent company)	Czech Republic	3,358,127	–	Banking activities
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	20,000	100	Investment activities
ATLANTIK finanční trhy, a.s.	Czech Republic	141,000	100	Investment activities
J&T IB and Capital Markets, a.s.	Czech Republic	2,000	100	Advisory activities
J&T BANK zao	Russia	244,874	99.125	Banking activities
J&T FVE UPF	Czech Republic	–	100	Collective investment fund
– FVE Napajedla s.r.o.	Czech Republic	200	100	Production and distribution of electricity
– FVE Slušovice s.r.o.	Czech Republic	200	100	
– FVE Němčice s.r.o.	Czech Republic	200	100	

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

Acquisitions and disposals of subsidiaries made in 2012 are further presented in Note 47. Companies are registered in the Czech Republic and Russia.

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

The companies included in the consolidation Group in 2011 are as follows:

in TCZK	Country of incorporation	Share capital	% shareholding	Principal activities
COMPANY				
J&T BANKA, a.s. (parent company)	Czech Republic	3,358,127	–	Banking activities
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	20,000	100	Investment activities
ATLANTIK finanční trhy, a.s.	Czech Republic	141,000	100	Investment activities
J&T IB and Capital Markets, a.s.	Czech Republic	2,000	100	Advisory activities
J&T BANK zao	Russia	244,874	99.125	Banking activities

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

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

Impact of standards that are not yet effective

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

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013) contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The Group's management regards the effect of these amendments to be immaterial.

Amendments to IFRS 10 – Consolidated Financial Statements – The amendment becomes effective for annual periods beginning on or after 1 January 2013. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group is currently assessing the impact of adopting IFRS 10. However, as the impact of adoption depends on the nature of relationships between the Group and other entities at the date of adoption, it is not practical to quantify the effects.

Amendments to IFRS 11 – Joint Arrangements – The amendment becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The Group does not hold any joint arrangements and therefore does not expect this change to have any impact.

Amendments to IFRS 12 – Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted.) IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The Group does not expect the new standard to have a material impact on the financial statements.

Amendments to IFRS 13 – Fair Value measurement – The amendment becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. In the past the Group has used various methodologies to measure fair value, based on guidance within the respective standard and/or industry practice for a given type of financial or non-financial item. This standard will require the Group to review its fair value measurement policies across all asset and liability classes. However, it is not practical to quantify the effect of this review on the financial statements.

Amendments to IAS 1 – Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI). The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

Amendments to IAS 12 – Income Taxes – Recovery of Underlying Assets – The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Further, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012. The Group does not hold any investment property and therefore does not expect this change to have any impact.

Amendments to IAS 19 (2011) – Employee Benefits (Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.) The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amendments are not relevant to the Group's financial statements since the Group does not have any defined benefit plans.

Amendments to IAS 28 – Investments in Associates and Joint Ventures (as revised in 2011). As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however the additional disclosures

required by Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities must also be made.) The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather, they clarify the offsetting criteria to address inconsistencies in their application. The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

(b) Functional and presentation currency

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

3. ACCOUNTING POLICIES

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

(a) Principles of consolidation

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

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

(b) Financial instruments

Classification

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

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

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

Fair value measurement principles

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

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

Gains and losses on subsequent measurement

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

Derecognition

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

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

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

Impairment

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

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

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

Loans and advances to customers and deposits with banks

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

Individually assessed allowances

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

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

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

Collectively assessed allowances

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

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

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

Treasury bills

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

Derivative financial instruments

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

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value, with unrealised gains and losses recognised in the statement of comprehensive income.

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

Hedge accounting – Fair Value Hedge

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

Hedge accounting is discontinued if the derivative 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

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

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.

Subsequent expenditure

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

Goodwill

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

(e) Property and equipment

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

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

Land is not depreciated.

Subsequent expenditure

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

(f) Leasing

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

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

(g) Foreign currency

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

(h) Income and expense recognition

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

(i) Taxation

Taxation is calculated in accordance with the provisions of the relevant legislation based on the profit recognized in

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

(j) Social security and pension schemes

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

(k) Cash and cash equivalents

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

(l) Provisions

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

(m) Offsetting

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

(n) Segment reporting

Segment analysis is based on type of clients and provided services.

The management of the entity is provided with the information that allows to evaluate the performance of individual segments. The Group's reportable segments according IFRS 8 are as follows:

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

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

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

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

(o) Business combinations and purchase price allocations

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

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

in TCZK	Property and equipment	Deferred tax asset / (liability)	Total net balance sheet effect
COMPANIES			
FVE Napajedla	97,205	(18,469)	78,736
FVE Němčice	120,071	(22,814)	97,257
FVE Slušovice	107,011	(20,332)	86,769

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

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

The majority of the result is owned by the Group.

Fair value adjustments resulting from business combinations in 2011 are presented in the following table:

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

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

[p] 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 have been completed within one year from the date of classification.

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

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

These principles supplement the commentary on financial risk management.

Key sources of estimation uncertainty

[Allowances for loan losses](#)

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

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

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

Determining fair values

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

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

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

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

If the fair values had been higher or lower by 10% than management's estimates, the net carrying amount of Level 3 financial instruments would have been estimated to be TCZK 168 500 higher or lower than as disclosed as at 31 December 2012 [2011: TCZK 0].

5. CASH AND CASH EQUIVALENTS

in TCZK	2012	2011
Cash and balances with central bank	309,804,	196,986
Term deposits in central banks up to 3 months (note 6)	4,915,387	,361,205
Loans to central banks - repurchase agreements (note 7)	–	800,034
Loans to banks - repurchase agreements (note 7)	1,889,372	–
Receivables from bank on demand or up to 3 months (note 7)	4,774,661	8,083,835
Effect of acquisitions and disposals (note 47)	34,942	(125,189)
Total	11,924,166	9,316,871

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

6. CASH AND BALANCES WITH CENTRAL BANKS

in TCZK	2012	2011
Balances with central banks (including obligatory minimum reserves)	1,752,788	934,464
Nostro balance	174,588	100,090
Term deposits in central banks up to 3 months	4,915,387	361,205
Total balance with central banks	6,842,763	1,395,759
Cash	135,216	96,896
Total	6,977,979	1,492,655

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

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

7. DUE FROM FINANCIAL INSTITUTIONS

in TCZK	2012	2011
Receivables from banks on demand	2,048,739	3,285,732
Term deposits and loans to 3 month	2,725,922	4,798,103
Term deposits and loans over 3 month	201,450	206,733
Loans to central banks - repurchase agreements	–	800,034,
Loans to banks - repurchase agreements	1,889,372	–
Total	6,865,483	9,090,602

There were no overdue receivables from banks as of 31 December 2012 and 31 December 2011. The weighted average interest rate on deposits and loans with other banks was 1.64% p.a. [2011: 1.65% p.a.].

8. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Derivatives held for trading:

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

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

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

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

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The time structure of the foreign currency forward transactions outstanding as at 31 December 2012 was as follows: 100% maturing within 1 year excluding cross currency swap maturing within 5 years (2011: 100% maturing within 1 year). The time structure of options as at 31 December 2012 was as follows: 100% maturing within 5 years (2011: 100% maturing within 5 years).

The foreign currency structure of these transactions was as follows:

	CZK	EUR	USD	RUB	other
LONG POSITION					
31 December 2012	81%	14%	3%	2%	–
31 December 2011	80%	15%	2%	3%	–

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

	CZK	EUR	USD	RUB	other
SHORT POSITION					
31 December 2012	14%	66%	16%	1%	3%
31 December 2011	15%	61%	22%	1%	1%

(b) Derivatives held for risk management:

Fair value hedging

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

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

The Group did not use fair value hedging in 2011.

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

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

in TCZK	2012 Fair value	2011 Fair value
BONDS		
– domestic	2,753,939	5,462,409
– foreign	2,447,799	2,293,830
SHARES		
– domestic	2,597	30,645
– foreign	87,789	211,529
Total	5,292,124	7,998,413

in TCZK	2012 Fair value	2011 Fair value
BONDS		
– listed	5,201,738	7,756,239
SHARES		
– listed	86,301	235,564
– not listed	4,085	6,610
Total	5,292,124	7,998,413

in TCZK	2012 Fair value	2011 Fair value
BONDS		
– government	1,843,676	4,461,503
– financial institutions	865,886	1,082,450
– corporate	2,492,176	2,212,286
SHARES		
– corporate	74,356	76,567
– financial institutions	16,030	165,607
Total	5,292,124	7,998,413

in TCZK	2012 Fair value	2011 Fair value
BONDS		
– Level 1 – market price	4,058,894	7,756,239
– Level 3 – unobservable inputs	1,142,844	–
SHARES		
– Level 1 – market price	68,846	238,094
– Level 2 – estimated price by market	–	4,080
– Level 3 – unobservable inputs	21,540	–
Total	5,292,124	7,998,413

No movements from level 1 to level 2 occurred in 2012.

The weighted average interest rate on bonds was 5.43% p.a. (2011: 4.64% p.a.).

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

	Shares	Bonds	Total
Balance as at 1 January 2012	–	–	–
Total gains / (losses) recognised in profit or loss	1,608	11,207	12,815
Addition	5,700	302,184	307,884
Disposal	(1,853)	(150,467)	(152,320)
Transfer from Level 1	17,904	942,083	959,987
Effects of movements in foreign exchange	(1,819)	(11,909)	(13,728)
Interest income	–	49,746	49,746
Balance as at 31 December 2012	21,540	1,142,844	1,164,384

During the current year, due to changes in market conditions for certain investment securities, quoted prices in active market were no longer available for these securities. The Group transferred from Level 1 to Level 3 shares amounting to TCZK 17 904 and bonds amounting to TCZK 942 083.

(b) Investment securities available for sale:

in TCZK	2012 Fair value	2011 Fair value
SHARES		
– domestic	659,853	624,308
– foreign	3,266,942	2,671,884
BONDS		
– domestic	12,095,808	9,733,320
– foreign	7,022,455	–
Total	23,045,058	13,029,512

in TCZK	2012 Fair value	2011 Fair value
SHARES		
– listed	2,401,726	2,170,292
– not listed	226,919	1,125,900
BONDS		
– listed	20,026,873	9,733,320
– not listed	389,540	–
Total	23,045,058	13,029,512

in TCZK	2012 Fair value	2011 Fair value
SHARES		
– financial institution	1,559,750	1,139,058
– corporate	2,367,045	2,157,134
BONDS		
– government	16,734,604	9,608,606
– financial institution	422,620	–
– corporate	2,961,039	124,714
Total	23,045,058	13,029,512

in TCZK	2012 Fair value	2011 Fair value
SHARES		
– Level 1 – market price	612,645	3,296,192
– Level 3 – unobservable inputs	2,016,000	–
BONDS		
– Level 1 – market price	18,463,521	9,733,320
– Level 3 – unobservable inputs	1,952,892	–
Total	23,045,058	13,029,512

The weighted average interest rate on bonds was 3.22% p.a. [2011: 2.37% p.a.].

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

	Shares	Bonds	Total
Balance as at 1 January 2012	–	–	–
Total gains / (losses) recognised in profit or loss	57,500	(22,664)	34,836
Addition	349,725	1,945,400	2,295,125
Transfer from Level 1	1,666,779	–	1,666,779
Effects of movements in foreign exchange	(58,004)	3,676	(54,328)
Interest income	–	26,480	26,480
Balance as at 31 December 2012	2,016,000	1,952,892	3,968,892

During the current year, due to changes in market conditions for certain investment securities, quoted prices in active market were no longer available for these securities. The Group transferred shares amounting to TCZK 1 666 779 from Level 1 to Level 3.

(c) Investment securities held to maturity:

in TCZK	2012 Amortised cost	2011 Amortised cost
BONDS		
– domestic	1,308,486	1,093,189
– foreign	816,636	2,025,450
Total	2,125,122	3,118,639

in TCZK	2012 Amortised cost	2011 Amortised cost
BONDS		
– listed	2,125,122	3,059,708
– not listed	–	58,931
Total	2,125,122	3,118,639

in TCZK	2012 Amortised cost	2011 Amortised cost
BONDS		
– financial institution	1,338,644	1,231,569
– corporate	786,478	1,887,070
Total	2,125,122	3,118,639

The weighted average interest rate on bonds was 6.26% p.a. (2011: 6.31% p.a.).

10. REPURCHASE AND RESALE AGREEMENTS

The Group purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December 2012 and 31 December 2011, assets purchased pursuant to the agreements to resell them were as follows:

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

in TCZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks	783,509	800,034	to 1 Month	800,234
Loans and advances to customers	9,763,955	7,439,480	to 1 Year	7,461,877
Total as at 31 December 2011	10,547,464	8,239,514		8,252,111

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

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

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

As at 31 December 2012, the Group sold assets under repurchase agreements amounting to TCZK 0 [2011: 4 333 110 TCZK].

11. LOANS AND ADVANCES TO CUSTOMERS, CONTINGENT ASSETS

(a) Loans and advances to customers

in TCZK	2012	2011
Loans and advances to customers	41,684,559	36,894,969
Debt securities – bills of exchange	280,087	922,063
Less allowances for loan losses (note 12)	(814,602)	(1,233,171)
Total net loans and advances to customers	41,150,044	36,583,861

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

The amount of non-interest bearing loans as at 31 December 2012 totalled to TCZK 81 431 [2011: TCZK 238 444]. These loans were mostly acquired from the former Podnikatelská banka. Receivables from these loans are fully provisioned.

The weighted average interest rate on loans to customers was 7.55% p.a. (2011: 7.99% p.a.).

Loans provided to clients as at 31 December 2012 include loans amounting to TCZK 12 896 160 (2011: TCZK 12 667 311), the repayment of which is dependent upon the successful realization of the assets acquired using the loans. These assets are pledged in favour of the Group.

"Debt securities - bills of exchange" in portfolio of loans totalled TCZK 280 087 as at 31 December 2012 (2011: TCZK 922 063 recognised in "Investment securities available for sale").

The weighted average interest rate on bills of exchange was 7.94% p.a. (2011: 7.53% p.a.).

In 2011 item "Loans and advances to customers" includes receivables from purchase of company amounting to TCZK 224 580 recognised in "Prepayments, accrued income and other assets"; see Note 16.

(b) Contingent assets

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

12. ALLOWANCES FOR LOAN LOSSES

in TCZK	2012	2011
1 January	1,233,171	900,004
Charge / (reversal) in the year	485,765,	296,727
Use / write-offs	(892,997)	-
Currency difference	(11,337)	9,014
Increase from acquisition	-	27,426
At the end of period	814,602	1,233,171

13. PROPERTY AND EQUIPMENT

The movements during the period were as follows:

in TCZK	Land and buildings	Fixtures, fittings and equipment	Under construction	Total
COST				
1 January 2011	312,205	130,271	1,183	443,659
Additions	9,752	27,956	8,053	45,761
Additions from acquisition	–	19,356	386	19,742
Disposals	(319,037)	(51,333)	(1,161)	(371,531)
Other	144	536	(22)	658
31 December 2011	3,064	126,786	8,439	138,289
ACCUMULATED DEPRECIATION				
1 January 2011	56,593	91,834	–	148,427
Depreciation	7,601	20,737	–	28,338
Depreciation from acquisition	–	11,983	–	11,983
Disposals	(64,083)	(45,009)	–	(109,092)
Other	5	321	–	326
31 December 2011	116	79,866	–	79,982
COST				
1 January 2012	3,064	126,786	8,439	138,289
Additions	12,305	36,252	–	48,557
Additions from acquisition	–	–	–	–
Disposals	–	(18,634)	(1,952)	(20,586)
Other	(78)	(84)	–	(162)
31 December 2012	15,291	144,320	6,487	166,098
ACCUMULATED DEPRECIATION				
1 January 2012	116	79,866	–	79,982
Depreciation	1,282	30,218	–	31,500
Depreciation from acquisition	–	–	–	–
Disposals	(4)	(18,003)	–	(18,007)
Other	(3)	(47)	–	(50)
31 December 2012	1,391	92,034	–	93,425
NET BOOK VALUE				
31 December 2011	2,948	46,920	8,439	58,307
31 December 2012	13,900	52,286	6,487	72,673

Property is insured against theft and natural disaster.

14. INTANGIBLE ASSETS

The movements during the period were as follows:

in TCZK	Software	Establishment expenses	Other intangible assets	Goodwill	Assets under construction	Total
COST						
1 January 2011	180,970	94	–	–	10,049	191,113
Additions	59,075	–	–	–	4,278	63,353
Additions from acquisition	24,980	–	129,505	307,486	–	461,971
Disposals	(1,136)	–	–	–	(13,924)	(15,060)
Other	989	–	–	1,266	–	2,255
31 December 2011	264,878	94	129,505	308,752	403	703,632
ACCUMULATED AMORTISATION						
1 January 2011	138,548	94	–	–	–	138,642
Amortisation	33,530	–	9,470	–	–	43,000
Amortisation from acquisition/write-off	11,915	–	22,706	117,771	–	152,392
Disposals	(1,302)	–	–	–	–	(1,302)
Other	884	–	–	1,266	–	2,150
31 December 2011	183,575	94	32,176	119,037	–	334,882
COST						
1 January 2012	264,878	94	129,505	308,752	403	703,632
Additions	37,265	–	–	–	40,133	77,398
Additions from acquisition	–	–	–	–	–	–
Disposals	(59,262)	–	–	–	(34,568)	(93,830)
Other	(738)	–	–	1,345	–	607
31 December 2012	242,143	94	129,505	310,097	5,968	687,807
ACCUMULATED AMORTISATION						
1 January 2012	183,575	94	32,176	119,037	–	334,882
Amortisation	40,314	–	20,335	–	–	60,649
Amortisation from acquisition	–	–	–	–	–	–
Disposals	(45,564)	–	–	–	–	(45,564)
Other	(658)	–	–	1,345	–	687
31 December 2012	177,667	94	52,511	120,382	–	350,654
NET BOOK VALUE						
31 December 2011	81,303	–	97,329	189,715	403	368,750
31 December 2012	64,476	–	76,994	189,715	5,968	337,153

15. OPERATING LEASES

(a) Leases entered into as lessee

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

in TCZK	2012	2011
Less than one year	88,977	74,318
Between one and five years	306,328	249,762
More than five years	217,268	229,912
Total	612,573	553,992

(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 TCZK	2012	2011
Less than one year	531	1,538
Between one and five years	2,011	6,038
More than five years	1,383	4,152
Total	3,925	11,728

16. PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

in TCZK	2012	2011
Prepayments and accrued income	116,186	38,187
Receivables from customers from securities trading	350,101	245,345
Other trading receivables	263,219	159,684
Other tax assets	115	8,987
Receivables from fees for portfolio management	22,301	13,174
Other receivables	47,661	12,263
Advance payments – guarantee fund	–	14,025
Advance payments – other	23,859	161,354
Allowances for impairment of other assets	(8,227)	(6,688)
Total	815,215	646,331

Other trading receivables in 2012 include reward for the issue of bonds and bills of TCZK 156 769 [2011: TCZK 106 086]. In 2011 the item "Advance payments – other" included an advance for the purchase of a company amounting to TCZK 161 354.

Allowances for impairment of other assets:

in TCZK	2012	2011
1 January	6,688	5,946
Charged / (reversed) in the period	1,539	742
At the end of period	8,227	6,688

17. DISPOSAL GROUPS HELD FOR SALE

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

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

	FVE solar power plants
Cash and balances with central banks	26
Due from financial institutions	145,567
Derivatives held for trading	(29,684)
Loans and advances to customers	1
Property and equipment	1,449,932
Intangible assets	183
Current tax asset	202
Prepayments, accrued income and other assets	29,366
Total	1,595,593

Derivatives held for trading	34,892
Amount owed to financial institutions	579,190
Current tax liability	1,156
Deferred tax liability	61,615
Accruals, provisions and other liabilities	20,936
Total	697,789

The net profit of the disposal group for the year ended 31 December 2012 is as follows:

in TCZK	FVE solar power plants
Interest income	107
Interest expense	(25,215)
Fee and commission expense	(1,617)
Net trading income	(27,391)
Negative goodwill write off	44,705
Other operating income	193,730
Operating income	184,319
Personnel costs	(368)
Other operating expenses	(66,444)
Operating expenses	(66,812)
Profit before income tax	117,507
Income tax	(22,654)
Profit for the year	94,853

18. AMOUNTS OWED TO FINANCIAL INSTITUTIONS

Amounts owed to financial institutions comprise:

in TCZK	2012	2011
Amounts owed to banks	3,751,335	3,395,019
Loans from banks – repurchase agreements	22,308	1,753,248
Amounts owed to central banks	7,474,676	309,446
Loans from central banks – repurchase agreements	–	3,652,517
Total amounts owed to financial institutions	11,248,319	9,110,230

The weighted average interest rate on amounts owed to banks was 1.62% p.a. (2011: 2.37% p.a.).

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

19. AMOUNTS OWED TO CUSTOMERS

Amounts owed to customers comprise:

in TCZK	2012	2011
Current accounts	8,024,265	6,697,953
Term deposits	55,813,884	48,080,222
Depository notes	99,833	91,923
Loans from customers – repurchase agreements	88,629	14,739
Other	5,790	138,730
Total	64,032,411	55,023,567

The weighted average interest rate on amounts owed to customers was 2.34% p.a. (2011: 2.28% p.a.).

20. SUBORDINATED LIABILITIES

Subordinated liabilities at amortised cost:

in TCZK	2012	2011
Issued subordinated bonds	621,635	636,627
Subordinated liabilities – loans from financial institutions	–	302,655
Subordinated liabilities – term deposit from customers	374,112	70,282
Total	995,747	1,009,564

On 28 February 2007, the Bank issued subordinated bonds with a notional amount of TEUR 25 000 maturing in 2022. The interest rate was 4.93% p.a. as at 31 December 2012 (2011: 6.18% p.a.).

Subordinated liabilities – loans from financial institutions were repaid in 2012. The interest rate was 4.95% p.a. as at 31 December 2011.

The subordinated liabilities – term deposit from customers with a maturity up to 2021 bear an interest rate between 6% and 8% p.a.

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

21. ACCRUALS, PROVISIONS AND OTHER LIABILITIES

Accruals and other liabilities:

in TCZK	2012	2011
Trade payables	101,845	56,084
Other liabilities	120,680	92,961
Provisions for untaken holiday	16,560	11,063
Provision for off-balance sheet items	10,480	18,263
Customer loyalty programmes	30,116	6,093
Estimated payables – employee bonuses	–	16,047
Payables to employees	93,064	28,870
Payables related to social costs	10,873	9,390
Payables from securities of clients at trader's disposal	2,922,378	1,517,951
Provisions, accruals and deferred income	298,865	84,503
Other tax liabilities	47,342	18,750
Total	3,652,203	1,859,975

Other liabilities include payables from clearing of TCZK 9 671 (2011: TCZK 25 901) and incoming and outgoing payments from nostro accounts of TCZK 94 509 (2011: TCZK 52 532).

Provisions:

in TCZK	Balance as at 1 January 2012	Additions / Creations	Use	Releas	Foreign exchange difference	Balance as at 31 December 2012
Employee benefits	1,667	3,720	–	–	18	5,405
Provision for untaken holiday	11,063	16,127	(6,308)	(4,240)	(82)	16,560
Provision for off-balance sheet items	18,263	–	–	(7,317)	(466)	10,480
Other current provisions	6,247	38,835	(40)	(14,929)	3	30,116
Total	37,240	58,682	(6,348)	(26,486)	(527)	62,561

22. SHARE CAPITAL, RETAINED EARNINGS AND CAPITAL FUNDS

Share capital is fully paid and consists of:

in TCZK	2012
3 857 126 ordinary shares with a nominal value of CZK 1 000 per share	3,857,126
700 000 ordinary shares with a nominal value of CZK 1.43 per share	1,001
Total share capital	3,358,127

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

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

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

Retained earnings

Retained earnings are distributable to the Group's shareholders and are subject to the shareholders meeting resolution. As at 31 December 2012, retained earnings amounted to TCZK 2 848 065 [2011: TCZK 1 876 617].

Capital funds

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

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

The legal reserve fund amounted to TCZK 109 104 as at 31 December 2012 [2011: TCZK 93 883].

Revaluation reserve

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

The revaluation reserve amounted to TCZK 597 406 as at 31 December 2012 [2011: TCZK [97 080]].

23. NON-CONTROLLING INTEREST

in TCZK	2012	2011
J&T BANK zao	4,185	3,706
Total	4,185	3,706

24. CORPORATE INCOME TAX

Corporate income tax was calculated in accordance with Czech tax regulations at the rate of 19% in 2012 [2011: 19%].

The corporate income tax rate for 2013 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax law. The Slovak income tax rate is 19%. The tax paid by the branch in Slovakia is offset against the income tax for the Bank as a whole paid in the Czech Republic.

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

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

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

in TCZK	2012	2011
Profit before income tax	1,192,895	354,661
Tax non-deductible expenses	496,352	323,545
Non-taxable revenues and tax refund for the last period	(257,684)	(487,375)
Statutory income tax rate	19 %	19 %
Income tax total	(271,997)	(85,427)
Effective tax rate	22.8 %	24.1 %

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.

25. DEFERRED TAX

The Group has the following deferred tax assets and liabilities:

in TCZK	2012	2011
DEFERRED TAX ASSET / (LIABILITY)		
Difference between accounting and tax values of property and equipment	(17,205)	(26,361)
Impairment of other assets	–	118
Estimated payables – employee bonuses	–	680
Unpaid penalty interest	(4,002)	(2,818)
Tax losses	–	1,356
Financial instruments at fair value at through profit or loss	1,252	3,544
Derivatives	(70)	1,078
Available-for-sale financial assets	(115,730)	42,088
Other items	(4,941)	(3,978)
Net deferred tax asset / (liability)	(140,696)	15,707

The deferred tax asset and liability is calculated using the 2012 corporate income tax rate of 19%, for J&T BANK zao 20% and for J&T BANKA Slovak Branch 23% (2011: 19%, 20%).

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

in TCZK	2012	2011
Deferred tax liability, net as at 1 January	15,707	(2,265)
Incoming from business combination	–	(29,200)
Outgoing from sale of company	–	4,814
Deferred tax expense in the period	1,369	8,245
Deferred tax recognized in equity	(157,818)	33,973
Currency difference	46	140
Net deferred tax asset / (liability) as at the end of the period	(140,696)	15,707

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

in TCZK	Asset	Liability	Net
DEFERRED TAX			
J&T BANKA, a.s. (parent company)	–	(121,594)	(121,594)
J&T INVESTIČNÍ SPOLEČNOST, a.s	–	(3,363)	(3,363)
ATLANTIK finanční trhy, a.s.	–	(5,537)	(5,537)
J&T BANK zao	–	(10,202)	(10,202)
Net deferred tax asset / (liability)	–	(140,696)	(140,696)

The following table shows the net deferred tax by company as at 31 December 2011:

in TCZK	Asset	Liability	Net
DEFERRED TAX			
J&T BANKA, a.s. (parent company)	26,158	–	26,158
J&T INVESTIČNÍ SPOLEČNOST, a.s	–	(4,270)	(4,270)
ATLANTIK finanční trhy, a.s.	–	(8,830)	(8,830)
J&T IB and Capital Markets, a.s.	3	–	3
J&T BANK zao	2,646	–	2,646
Net deferred tax asset / (liability)	28,807	(13,100)	15,707

26. INTEREST INCOME

in TCZK	2012	2011
INTEREST INCOME FROM:		
– due from financial institutions	110,548	84,006
– loans and advances to customers	2,597,469	1,814,651
– repo transactions	357,364	342,980
– bonds and other fixed income securities	909,943	401,221
– other operations	4,182	631
Total	3,979,506	2,643,489

Item "Loans and advances to customers" includes commissions for origination of loans of TCZK 29 120 (2011: TCZK 23 125).

Interest income according to classes of assets:

in TCZK	2012	2011
INTEREST INCOME FROM:		
Financial assets at fair value through profit or loss:		
– those held for trading	267,640	252,975
– those designated at initial recognition	75,433	73,822
Investment securities available for sale	423,190	28,469
Investment securities held to maturity	147,716	39,266
Loans and other receivables	3,065,381	2,248,326
– of which: Impaired loans and receivables	166,914	278,158
Other assets	146	631
Total	3,979,506	2,643,489

27. INTEREST EXPENSE

in TCZK	2012	2011
INTEREST EXPENSE ON:		
– amounts owed to financial institutions	(216,910)	(64,610)
– amounts owed to customers	(1,864,053)	(1,374,051)
– repo transactions	(7,609)	(6,251)
– bonds and other fixed income securities	(39,505)	(55,289)
– other operation	(1,404)	–
Total	(2,129,481)	(1,500,201)

Interest expense according to classes of liabilities:

in TCZK	2012	2011
INTEREST EXPENSE ON:		
– financial liabilities at amortised cost	(2,128,076)	(1,500,201)
– financial liabilities at fair value through profit or loss	(1,405)	–
Total	(2,129,481)	(1,500,201)

28. FEE AND COMMISSION INCOME

in TCZK	2012	2011
FEE AND COMMISSION INCOME FROM:		
– securities and derivatives for customers	576,450	334,578
– loan activities	28,575	23,009
– payment transactions	41,465	44,904
– other	30,046	8,754
Total	676,536	411,245

29. FEE AND COMMISSION EXPENSE

in TCZK	2012	2011
FEE AND COMMISSION EXPENSE ON:		
– transactions with securities	(149,332)	(121,731)
– payment transactions	(11,569)	(4,210)
– other	(15,671)	(13,415)
Total	(176,572)	(139,356)

30. NET TRADING INCOME

in TCZK	2012	2011
Realised and unrealised gains / (losses) on securities	335,040	(142,157)
Net gains / (losses) on derivative operations	726,013	(157,940)
Profit from ceded receivables	3,630	644
Net profit / (loss) from foreign currency translation	(342,951)	232,437
Net gains / (losses) on hedging derivative operations	1,998	335
Revenue from dividends	1,989	4,045
Total net trading income / (expense)	725,719	(62,636)

Net trading income comprises of:

in TCZK	2012	2011
Financial assets and liabilities at fair value through profit or loss:		
– those held for trading	966,864	(248,508)
– those designated at initial recognition	53,745	(49,557)
Financial assets available for sale	44,431	2,374
Financial assets held to maturity	–	68
Profit or loss from loans and other receivables	3,276	(93)
Exchange rate differences	(342,597)	233,080
Total	725,719	(62,636)

31. OTHER OPERATING INCOME

in TCZK	2012	2011
Rental income	530	3,558
Profit from disposal of fixed assets	8,164	4,393
Profit from transfer of FI with control and significant influence	–	132,950
Income from advisory services	46,035	22,976
Income from re-invoicing of services	11,288	20,805
Other income	13,541	8,245
Total	79,558	192,927

Other income of TCZK 13 541 in 2012 (2011: TCZK 8 245) includes a large number of sundry items that are not significant on an individual basis.

32. PERSONNEL EXPENSES

in TCZK	2012	2011
Wages and salaries	506,988	239,082
Directors' and Supervisory Board members' remuneration	72,391	30,751
Social costs	149,011	78,939
Creation of provisions for untaken holiday	7,069	1,700
Other social costs	16,394	14,228
Total personnel expenses	751,853	364,700
Average number of employees during the year	499	401

There were 18 members of the Group's Board of Directors at 31 December 2012 (2011: 19).

33. OTHER OPERATING EXPENSES

in TCZK	2012	2011
Rent expense	(104,305)	(46,933)
Contributions to Deposit Insurance Fund	(88,616)	(66,147)
Taxes and fees	(69,469)	(2,218)
OPERATING COSTS:		
Repairs and maintenance – other	(3,695)	(9,932)
Advisory services	(8,855)	(7,780)
Communication fees	(13,819)	(15,699)
Consumption of material	(19,750)	(22,679)
Marketing and representation	(124,380)	(159,614)
Audit, legal and tax consulting	(41,717)	(28,605)
Travel costs	(19,112)	(16,311)
Repairs and maintenance - IS, IT	(25,307)	(20,957)
Services related to rent	(26,665)	(17,246)
Other operating costs	(154,122)	(101,189)
Total	(698,812)	(515,310)

Other operating costs of TCZK 154 122 in 2012 [2011: TCZK 101 189] include re-invoiced expenses of TCZK 11 288 [2011: TCZK 20 778] and a large number of sundry items that are not significant on an individual basis.

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

34. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE STATEMENT OF FINANCIAL POSITION

in TCZK	Cash and balances with central bank	Term deposits in central banks up to 3 months	Loans to central banks - repurchase agreements	Loans to banks - repurchase agreements	Receivables from bank on demand or up to 3 months	Net cash inflow / outflow (Effect from acquisition and disposal)	Total
31 December 2010	101,365	1,729,152	4,700,169	–	1,957,958	–	8,488,644
Change in 2011	95,621	(1,367,947)	(3,900,135)	–	6,125,877	(125,189)	828,227
31 December 2011	196,986	361,205	800,034	–	8,083,835	(125,189)	9,316,871
Change in 2012	112,818	4,554,182	(800,034)	1,889,372	(3,309,174)	160,131	2,607,295
31 December 2012	309,804	4,915,387	–	1,889,372	4,774,661	34,942	11,924,166

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

35. FINANCIAL COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies comprise:

in TCZK	2012	2011
Granted guarantees	1,716,947	793,915
Unused credit lines	2,970,958	1,490,249
Securities held on behalf of clients	12,401,470	9,184,009
Total	17,089,375	11,468,173

36. SEGMENT REPORTING

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

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

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

(a) Business segments

The Group comprises the following main business segments:

- Financial markets – Includes the trading and corporate finance activities
- Corporate Banking – Includes loans, deposits and other transactions and balances with corporate customer
- Private Banking – Includes loans, deposits and other transactions and balances with private banking and premium

banking customers

- Retail Banking – Includes loans, deposits and other transactions and balances with retail customers
- Overhead / ALCO – Includes balance sheet items of strategic importance that are managed by the Asset and Liability Committee

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

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

The most important items are:

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

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

Consolidated statement of financial position as at 31 December 2012:

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

Consolidated statement of financial position as at 31 December 2011:

	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Cash in hand and balances with central banks	88	–	–	–	1,492,567	1,492,655
Investment securities	7,214,965	–	–	–	17,017,723	24,232,688
Due from financial institutions	805,837	–	–	–	8,284,765	9,090,602
Loans and advances to customers	8,165,009	24,403,257	3,308,259	474,738	232,598	36,583,861
Current tax assets	–	–	–	–	55,882	55,882
Deferred tax assets	–	–	–	–	28,807	28,807
Prepayments, accrued income and other assets	247,285	–	–	–	826,103	1,073,388
Total Assets	16,433,184	24,403,257	3,308,259	474,738	27,938,445	72,557,883
Negative fair value of derivatives	295,779	–	–	–	–	295,779
Amounts owed to banks	132,799	–	–	–	8,977,431	9,110,230
Amounts owed to customers	7,480	29,685,778	8,462,027	15,837,738	1,030,544	55,023,567
Subordinated liabilities	–	1,009,564	–	–	–	1,009,564
Current tax liabilities	–	–	–	–	10,416	10,416
Deferred tax liabilities	–	–	–	–	13,100	13,100
Accruals, provisions and other liabilities	1,544,601	–	–	–	315,374	1,859,975
Shareholder's equity	–	–	–	–	5,235,252	5,235,252
Total Liabilities and Equity	1,980,659	30,695,342	8,462,027	15,837,738	15,582,117	72,557,883

Consolidated statement of comprehensive income for the period ended 31 December 2012:

in TCZK	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Net interest income	111,656	946,265	283,490	228,936	279,678	1,850,025
Fee and commission income	590,523	76,564	4,547	4,902	–	676,536
Fee and commission expense	(133,376)	(38,474)	(35)	(4,687)	–	(176,572)
Dividends from financial assets	–	–	–	–	58,851	58,851
Net trading income / (expense)	726,124	–	–	–	(405)	725,719
Other operating income	(30,387)	–	–	–	109,945	79,558
Operating profit						3,214,117
Personnel expenses	(107,042)	(57,622)	(86,401)	(21,316)	(479,472)	(751,853)
Other operating expenses	(68,724)	(21,282)	(32,070)	(25,733)	(551,003)	(698,812)
Depreciation	(28,482)	(1,532)	(619)	(132)	(61,384)	(92,149)
Profit before allowances						1,671,303
Provisions from financial activities	40	–	–	–	7,317	7,357
Net change in allowances for loan losses	(212)	(485,553)	–	–	–	(485,765)
Profit before income tax						1,192,895
Income tax	(225,356)	(66,065)	(38,584)	(42,470)	100,478	(271,997)
Profit from continuing operations						920,898
Profit from discontinued operations						94,853
Profit for the year						1,015,751

Consolidated statement of comprehensive income for the year ended 31 December 2011:

	Financial markets	Corporate banking	Private banking	Retail banking	Overhead / ALCO	Total
Net interest in	103,413	620,854	176,947	212,713	29,361	1,143,288
Fee and commission income	323,161	82,422	3,584	5,936	(3,858)	411,245
Fee and commission expense	(108,477)	(29,169)	(210)	(2,078)	578	(139,356)
Dividends from financial assets	2,230	–	–	–	63,904	66,134
Net trading income / (expense)	(62,670)	–	–	–	34	(62,636)
Other operating income	(884)	–	–	–	193,811	192,927
Operating profit						1,611,602
Personnel expenses	(84,974)	(28,400)	(49,721)	(12,267)	(189,338)	(364,700)
Other operating expenses	(56,493)	(10,542)	(25,699)	(20,621)	(401,955)	(515,310)
Depreciation	(14,915)	(930)	(500)	(107)	(54,886)	(71,338)
Profit before allowances						660,254
Provisions from financial activities	(20)	–	–	–	(8,847)	(8,866)
Net change in allowances for loan losses	(1,274)	(295,453)	–	–	–	(296,727)
Profit before income tax						354,661
Income tax	(14,681)	(81,749)	(21,780)	(38,332)	71,115	(85,427)
Profit from continuing operations						269,234
Profit from discontinued operations						–
Profit for the year						269,234

(b) Geographical segments

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

Consolidated statement of financial position as at 31 December 2012:

in TCZK	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Cash in hand and balances with central banks	5,182,653	1,590,189	–	205,137	–	6,977,979
Due from financial institutions	1,119,111	3,606,712	367,613	1,772,047	–	6,865,483
Investment securities	16,862,680	9,891,793	3,016,465	809,018	–	30,579,956
Loans and advances to customers	8,921,239	10,018,441	20,478,105	1,732,259	–	41,150,044
Current tax assets	–	–	–	–	7,175	7,175
Deferred tax assets	–	–	–	–	–	–
Prepayments, accrued income and other assets	–	–	–	–	1,225,041	1,225,041
Disposal groups held for sale	1,595,593	–	–	–	–	1,595,593
Total Assets	33,681,276	25,107,135	23,862,183	4,518,461	1,232,216	88,401,271

in TCZK	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Negative fair value of derivatives	5,120	3,576	72,834	217	–	81,747
Amounts owed to banks	3,161,216	7,100,499	74,980	911,624	–	11,248,319
Amounts owed to customers	42,494,368	17,168,472	1,654,564	2,715,007	–	64,032,411
Subordinated liabilities	69,969	304,142	629,792	(8,156)	–	995,747
Current tax liabilities	–	–	–	–	135,472	135,472
Deferred tax liabilities	–	–	–	–	140,696	140,696
Accruals, provisions and other liabilities	–	–	–	–	3,652,203	3,652,203
Disposal groups held for sale	697,789	–	–	–	–	697,789
Shareholder's equity	–	–	–	–	7,416,887	7,416,887
Total Liabilities and Equity	46,428,462	24,576,689	2,432,170	3,618,692	11,345,258	88,401,271

Consolidated statement of financial position as at 31 December 2011:

in TCZK	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Cash in hand and balances with central banks	730,456	684,553	–	77,646	–	1,492,655
Investment securities	16,955,349	2,316,406	2,394,021	2,566,912	–	24,232,688
Due from financial institutions	3,609,940	2,436,709	951,929	2,092,024	–	9,090,602
Loans and advances to customers	11,393,676	9,234,462	15,018,351	937,372	–	36,583,861
Current tax assets	–	–	–	–	55,882	55,882
Deferred tax assets	–	–	–	–	28,807	28,807
Prepayments, accrued income and other assets	–	–	–	–	1,073,387	1,073,387
Total Assets	32,689,421	14,672,130	18,364,301	5,673,954	1,158,077	72,557,883

in TCZK	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Negative fair value of derivatives	84,545	18,179	29,690	163,365	–	295,779
Amounts owed to banks	7,986,991	1,456	–	1,121,783	–	9,110,230
Amounts owed to customers	35,944,592	14,897,995	2,704,388	1,476,592	–	55,023,567
Subordinated liabilities	70,282	302,654	636,628	–	–	1,009,564
Current tax liabilities	–	–	–	–	10,416	10,416
Deferred tax liabilities	–	–	–	–	13,100	13,100
Accruals, provisions and other liabilities	–	–	–	–	1,859,975	1,859,975
Shareholder's equity	–	–	–	–	5,235,252	5,235,252
Total Liabilities and Equity	44,086,410	15,220,284	3,370,706	2,761,740	7,118,743	72,557,883

Consolidated statement of comprehensive income for the year ended 31 December 2012:

in TCZK	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Interest income	1,405,129	757,177	1,367,833	449,367	–	3,979,506
Interest expense	(1,346,593)	(580,079)	(50,418)	(152,391)	–	(2,129,481)
Net interest income	58,536	177,098	1,317,415	296,976	–	1,850,025
Fee and commission income	420,353	45,987	191,241	18,956	–	676,536
Fee and commission expense	(156,619)	(15,018)	(515)	(4,420)	–	(176,572)
Dividends from assets AFS	21,842	33,362	3,177	470	–	58,851
Dividends from assets FVTPL	–	–	–	–	–	–
Net trading income / (expense)	(576,618)	166,429	1,090,110	45,798	–	725,719
Other operating income	–	–	–	–	79,558	79,558
Operating profit						3,214,117
Personnel expenses	–	–	–	–	(751,853)	(751,853)
Other operating expenses	–	–	–	–	(698,812)	(698,812)
Depreciation	–	–	–	–	(92,149)	(92,149)
Profit before allowances for loan losses and income taxes						1,671,303
Provisions from financial activities	–	–	–	–	7,357	7,357
Net change in allowances for loan losses	–	–	–	–	(485,765)	(485,765)
Profit before income tax						1,192,895
Income tax	–	–	–	–	(271,997)	(271,997)
Profit from continuing operations						920,898
Profit from discontinued operations						94,853
Profit for the year						1,015,751

Consolidated statement of comprehensive income for the year ended 31 December 2011:

in TCZK	Czech Republic	Slovak Republic	Other European Union	Rest of the world	Unallocated	Total
Interest income	1,032,512	661,716	878,102	71,159	–	2,643,489
Interest expense	(969,962)	(445,378)	(66,987)	(17,874)	–	(1,500,201)
Net interest income	62,550	216,338	811,115	53,285	–	1,143,288
Fee and commission income	175,958	23,771	206,426	5,090	–	411,245
Fee and commission expense	(122,696)	(10,856)	(3,566)	(2,238)	–	(139,356)
Dividends from assets AFS	34,950	–	–	–	–	34,950
Dividends from assets FVTPL	31,184	–	–	–	–	31,184
Net trading income / (expense)	427,473	(14,746)	(359,414)	(115,949)	–	(62,636)
Other operating income	–	–	–	–	192,927	192,927
Operating profit						1,611,602
Personnel expenses	–	–	–	–	(364,700)	(364,700)
Other operating expenses	–	–	–	–	(515,310)	(515,310)
Depreciation	–	–	–	–	(71,338)	(71,338)
Profit before allowances for loan losses and income taxes						660,254
Provisions from financial activities					(8,866)	(8,866)
Net change in allowances for loan losses	–	–	–	–	(296,727)	(296,727)
Profit before income tax						354,661
Income tax	–	–	–	–	(85,427)	(85,427)
Profit for the year						269,234

37. RELATED PARTIES - GENERAL

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

The companies disclosed as general related parties are connected through:

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

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

(I) Parent and Subsidiaries

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

(a) Receivables

in TCZK	2012	2011
KPRHT 3, s.r.o.	191,047	40,811
ABS Property Limited	174,735	–
J&T Private Equity B.V.	49,805	94,171
J&T Management, a.s.	39,002	3,165
J&T FINANCE, a.s.	3,627	9
J&T Global Finance I., B.V.	3,000	56,225
J&T SECURITIES MANAGEMENT LIMITED	96	13,755
J&T Bank Switzerland Ltd.	–	30,244
Others	4,272	8,169
Total	465,584	246,549

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

2012 / Companies included in the group "Others":

Jakabovič, Ivan Ing., Tatry mountain resorts, a.s., Tkáč, Jozef Ing., J&T Cafe, s.r.o., J&T FINANCE GROUP, a.s., J&T MINORITIES PORTFOLIO LIMITED, J&T GLOBAL MANAGEMENT, s.r.o., J&T FINANCIAL INVESTMENTS LIMITED, J&T Concierge, s.r.o.

2011 / Companies included in the group "Others":

J&T FINANCE GROUP, a.s., Equity Holding, a.s., J&T Concierge, s.r.o., Jakabovič, Ivan Ing., J&T FINANCIAL INVESTMENTS LIMITED, J&T Global Finance II., B.V., J&T FINANCE GROUP, a.s., organizační složka, Tkáč, Jozef Ing., J&T INTEGRIS GROUP LIMITED, První zpravodajská a.s., J&T GLOBAL SERVICES LIMITED, TECHNO PLUS, a.s., J&T Concierge SR, s.r.o., J&T International Anstalt.

(b) Payables

in TCZK	2012	2011
J&T Bank & Trust Inc.	674,704	-
J&T Private Equity B.V.	414,512	1,029,499
Best Hotel Properties, a. s.	84,851	-
Baltschug, LLC	43,852	-
Tatry mountain resorts, a.s.	27,545	-
Jakabovič, Ivan Ing.	24,837	22,107
J&T FINANCE GROUP, a.s.	17,843	18,594
Hotel Kadashevskaya, LLC	15,816	-
J&T Management, a.s.	15,464	7,011
J&T GLOBAL MANAGEMENT, s.r.o.	9,781	107
J&T GLOBAL SERVICES LIMITED	5,274	4,152
J&T FINANCE, LLC	1,514	6,189
J&T Bank Switzerland Ltd.	-	325,677
J&T Bank Switzerland Ltd. - clients	-	42,786
JTG Services Anstalt	-	7,214
Others	24,709	13,173
Total	1,360,702	1,476,509

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

2012 / Companies included in the group "Others":

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

2011 / Companies included in the group "Others":

J&T Global Finance I., B.V., J&T International Anstalt, J&T Investment Pool - I - SKK, a.s., ABS Property Limited, J&T Concierge, s.r.o., J&T FINANCE, a.s., KHASOMIA LIMITED, J&T Investment Pool - I - CZK, a.s., J&T SECURITIES MANAGEMENT LIMITED, J&T FINANCE GROUP, a.s., organizační složka, J&T INTEGRIS GROUP LIMITED, J&T Concierge SR, s.r.o., Tkáč, Jozef Ing., RIGOBERTO INVESTMENTS LIMITED, J&T FINANCIAL INVESTMENTS LIMITED, J&T Capital Management Anstalt, KPRHT 3, s.r.o., TECHNO PLUS, a.s., První zpravodajská a.s., J&T BFL Anstalt, Equity Holding, a.s., KOTRAB ENTERPRISES LIMITED, J&T Private Investments B.V., J&T Global Finance II., B.V., J&T Securities, s.r.o., J&T MINORITIES PORTFOLIO LIMITED

(c) Income and expenses

In TCZK	Income 2012	Income 2011	Expenses 2012	Expenses 2011
J&T Private Equity B.V.	101,941	110,634	62,666	60,784
J&T SECURITIES MANAGEMENT LIMITED	91,736	56,488	94,326	40,329
J&T Global Finance II., B.V.	41,311	316	1	-
J&T Global Finance I., B.V.	11,147	45,929	-	6
ABS Property Limited	6,651	130	1	35
Tatry mountain resorts, a.s. [JASNÁ]	5,461	-	682	-
Best Hotel Properties, a. s. [SPIRA, a.s.]	4,277	-	14,040	-
J&T FINANCIAL INVESTMENTS LIMITED	3,647	27,045	2,049	26,605
Interznanie OAO	3,369	-	10,775	-
J&T FINANCE, a.s.	847	9,007	4	254
J&T Bank Switzerland, Ltd.	375	3,951	3,550	8,383
J&T Concierge, s.r.o.	372	546	3,340	6,213
J&T Management, a.s.	268	571	24,554	20,102
J&T FINANCE GROUP, a.s.	197	4,585	24,881	29,538
Baltschug, LLC	13	-	7,835	-
J&T International Anstalt	5	-	1	-
Bea Development, a.s.	-	5	-	35,587
Others	5,689	3,079	11,510	1,388
Total	277,306	262,286	260,215	229,224

2012 / Companies included in the group "Others":

KPRHT 3, s.r.o., J&T Bank & Trust Inc., J&T MINORITIES PORTFOLIO LIMITED, J&T FINANCE, LLC, J&T GLOBAL MANAGEMENT, s.r.o., JTG Services Anstalt, DIAMOND HOTELS SLOVAKIA, s.r.o., Hotel Kadashevskaya, LLC, J&T Cafe, s.r.o., Jakobovič, Ivan Ing., J&T GLOBAL SERVICES LIMITED, První zpravodajská a.s., Tkáč, Jozef Ing., J&T Private Investments B.V., TECHNO PLUS, a.s., RIGOBERTO INVESTMENTS LIMITED, TERCES MANAGEMENT LIMITED, J&T Concierge SR, s.r.o., KHASOMIA LIMITED, Tatry mountain resorts services, a.s., J&T Capital Management Anstalt, J&T INTEGRIS GROUP LIMITED, WITTILY INVESTMENT LIMITED, ZION SPA, s.r.o., Bresco Financing S.à.r.l., Equity Holding, a.s., J&T Sport Team ČR, s.r.o., IBERTAX, a.s., GRANDHOTEL PRAHA a.s., J&T BFL Anstalt, J&T Investment Pool - I - CZK, a.s., J&T Investment Pool - I - SKK, a.s., J&T Securities, s.r.o., BRUBESCO LIMITED, MELIDA, a.s., Tatry mountain resorts, a.s., BHP Tatry, s.r.o.

2011 / Companies included in the group "Others":

KPRHT 3, s.r.o., J&T FINANCE GROUP, a.s., organizační složka, J&T IB and Capital Markets, a.s., První zpravodajská a.s., KHASOMIA LIMITED, JTG Services Anstalt, Tkáč, Jozef Ing., J&T GLOBAL SERVICES LIMITED, Equity Holding, a.s., J&T Investment Pool - I - CZK, a.s., J&T BFL Anstalt, J&T Concierge SR, s.r.o., Jakobovič, Ivan Ing., TECHNO PLUS, a.s., RIGOBERTO INVESTMENTS LIMITED, J&T International Anstalt, J&T Private Investments B.V., J&T INTEGRIS GROUP LIMITED, J&T MINORITIES PORTFOLIO LIMITED, J&T Investment Pool - I - SKK, a.s., KOTRAB ENTERPRISES LIMITED, J&T Securities, s.r.o., J&T GLOBAL MANAGEMENT, s.r.o., J&T Bank Switzerland Ltd. "Klienti", J&T Capital Management Anstalt, J&T Global Finance II., B.V., Geodezie Brno, a.s.

(d) Loan commitments

in TCZK	2012	2011
J&T Management, a.s.	8,303	–
Jakabovič, Ivan Ing.	6,105	5,825
Others	5,222	4,481
Total	19,630	10,306

2012 / Companies included in the group "Others":
J&T Concierge, s.r.o., Tkáč, Jozef Ing., J&T Cafe, s.r.o.

2011 / Companies included in the group "Others":
Tkáč, Jozef Ing., J&T Concierge, s.r.o.

(e) Guarantees and collateral

in TCZK	2012	2011
GRANTED GUARANTEES		
J&T Management, a.s.	6,340	6,507
DIAMOND HOTELS SLOVAKIA, s.r.o.	6,285	–
Others	2,389	2,912
Total	15,014	9,419

2012 / Companies included in the group "Others":
Jakabovič, Ivan Ing., Tkáč, Jozef Ing., Tatry mountain resorts, a.s.

2011 / Companies included in the group "Others":
Jakabovič, Ivan Ing., První zpravodajská a.s., Tkáč, Jozef Ing.

in TCZK	2012	2011
RECEIVED GUARANTEES		
KPRHT 3, s.r.o.	165,144	–
J&T FINANCE GROUP, a.s.	25,140	25,800
DIAMOND HOTELS SLOVAKIA, s.r.o.	6,285	–
J&T Global Finance I., B.V.	–	15,080
Tatry mountain resorts, a.s.	1,006	–
Total	197,575	40,880

in TCZK	2012	2011
RECEIVED COLLATERAL		
J&T FINANCE GROUP, a.s.	1,901,461	–
J&T Global Finance I., B.V.	99,528	–
J&T Global Finance II., B.V.	48,989	–
KPRHT 3, a.s.	–	12,167
Total	2,049,978	12,167

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

2012	2011
AGUNAKI ENTERPRISES LIMITED	BAYSHORE MERCHANT SERVICES INC.,
BAYSHORE MERCHANT SERVICES INC.	BRUBESCO LIMITED
DANILLA EQUITY LIMITED	DANILLA EQUITY LIMITED
J&T Advisors (Canada) Inc.	IBI FUND ADVISORY S.A.
J&T Funds Inc.	INTEGRIS FUNDS LIMITED
	J&T Capital, Sociedad Anonima de Capital Variable
	J&T Advisors (Canada) Inc.
	J&T Bank & Trust (Barbados) Corporation

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

in TCZK	2012	2011
Provided loans	25,442	23,050

Loans to employees of the Group as at 31 December 2012 amounted to TCZK 154 576 (2011: TCZK 18 424). The loans provided to the Board of Directors and Supervisory Board were provided under standard market conditions.

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

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

in TCZK	2012	2011
Receivables	2,504,889	811,387
Payables	2,168,942	573,804
Income	79,746	205,827
Expenses	28,403	123,263
Loan commitments	16,533	18,532
Received guarantees	450,841	–
Granted guarantees	3,665	16,624
Collateral received	471,377	691,708

38. RELATED PARTIES – ENTITIES WITH A SPECIAL RELATIONSHIP

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

Summary of transactions is listed below:

in TCZK	2012	2011
Receivables	3,297,314	51,305
Payables	650,976	3,443
Income	123,444	73,563
Expenses	94	10,121
Collateral received	–	51,037

39. RISK MANAGEMENT

The strategy, main goals and processes

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

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

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

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

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

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

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

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

in TCZK	2012	2011
Non-financial organisations	35,616,105	32,327,190
Financial organisations	2,632,914	1,720,430
Insurance	34,400	–
Households	2,842,066	2,424,016
Other	24,559	112,225
Total	41,150,044	36,583,861

(b) Concentration of loans to customers by industry:

in TCZK	2012	2011
Financial activities	19,114,184	16,009,742
Real estate activities	10,538,846	12,900,104
Manufacturing	3,688,892	1,757,710
Other	1,714,829	1,589,652
Wholesale and retail trade	1,881,794	855,005
Transporting and storage	1,400,244	1,061,733
Construction	748,767	168,019
Private households and employed persons	265,936	690,962
Advertising and market research	228,498	322,650
Production and distribution of electricity, gas and heat	1,564,539	1,105,261
Accommodation and food service activities	3,515	2,650
Mining and quarrying, agriculture	–	120,373
Total	41,150,044	36,583,861

(c) Concentration of loans to customers by location:

in TCZK	2012	2011
Cyprus	17,561,555	14,059,788
Slovakia	10,018,440	9,151,515
Czech Republic	8,921,240	11,476,622
Great Britain	2,209,560	893,274
Russia	1,730,739	937,344
Netherlands	349,999	8,019
Ireland	208,244	57,209
Malta	148,746	-
Others	1,521	90
Total	41,150,044	36,583,861

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

in TCZK	2012	2011
Slovakia	18,109,529	16,443,091
Czech Republic	17,782,618	15,444,727
Russia	1,640,116	969,670
USA	1,011,295	1,428,519
Great Britain	790,083	359,531
Austria	516,107	880,597
Monaco	321,629	-
Bermuda	295,802	310,343
Luxemburg	173,686	75,457
Cyprus	114,644	22,511
Netherlands	87,771	8,672
Ukraine	-	200,088
Other	306,764	440,655
Total	41,150,044	36,583,861

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.

(e) Credit risk associated with financial assets

in TCZK	Loans to banks	Repurchase agreements – financial institution	Loans and advances to customers	Repurchase agreements – customers
AS AT 31 DECEMBER 2012				
Impaired financial assets at amortised cost individually assessed:				
Gross amount	–	–	2,092,934	–
Impairment	–	–	(784,755)	–
Carrying amount	–	–	1,308,179	–
Impaired financial assets at amortised cost collectively assessed:				
Gross amount	–	–	1,732,868	–
Impairment	–	–	(29,847)	–
Carrying amount	–	–	1,703,021	–
Financial assets not impaired:	4,976,111	1,889,372	31,110,266	6,807,127
Past due not impaired:	–	–	221,451	–
– to maturity date	–	–	154,473	–
– up to 1 month	–	–	66,151	–
– 1 month to 6 months	–	–	368	–
– 6 months to 12 months	–	–	149	–
– more than 12 months	–	–	310	–
Total Financial assets not impaired	4,976,111	1,889,372	31,331,717	6,807,127
TOTAL	4,976,111	1,889,372	34,342,917	6,807,127
Financial assets not impaired with a sign of impairment:				
Gross amount	–	–	3,755,670	–

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

in TCZK	Loans to banks	Repurchase agreements – financial institution	Loans and advances to customers	Repurchase agreements – customers
AS AT 31 DECEMBER 2011				
Impaired financial assets at amortised cost individually assessed:				
Gross amount	–	–	3,735,199	–
Impairment	–	–	(1,205,257)	–
Carrying amount	–	–	2,529,942	–
Impaired financial assets at amortised cost collectively assessed:				
Gross amount	–	–	965,258	–
Impairment	–	–	(27,914)	–
Carrying amount	–	–	937,344	–
Financial assets not impaired:				
Neither past due nor impaired:	8,290,268	800,033	25,630,218	7,439,480
Past due not impaired:	–	–	46,878	–
– to maturity date	–	–	29,688	–
– up to 1 month	–	–	330	–
– 1 month to 6 months	–	–	10	–
– 6 months to 12 months	–	–	–	–
– more than 12 months	–	–	16,850	–
Total Financial assets not impaired	8,290,268	800,033	25,677,096	7,439,480
Total	8,290,268	800,033	29,144,382	7,439,480
Financial assets not impaired with a sign of impairment:				
Gross amount	–	–	2,721,893	–

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

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

[f] Collateral and credit enhancements for financial assets

in TCZK	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
Neither past due nor impaired:	33,411,702	49,023,027	29,502,292	38,342,633
Guarantees	3,128,486	4,364,327	2,768,017	2,768,017
Acceptances of bills of exchange	1,136,832	9,532,310	877,626	6,962,608
Real Estate	7,350,542	9,480,406	8,285,187	10,934,529
Cash pledges	2,151,360	2,156,058	562,931	564,682
Pledges – securities	5,968,278	8,280,596	3,888,214	3,490,359
Other – pledges	2,760,436	4,293,562	2,549,631	3,045,580
Securities received under reverse repo transaction	10,915,768	10,915,768	10,570,686	10,576,858

in TCZK	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
Past due but not impaired:	891,461	927,401	47,309	47,309
Guarantees	–	–	–	–
Acceptances of bills of exchange	3,752	4,272	–	–
Real Estate	869,404	904,824	47,244	47,244
Cash pledges	7,542	7,542	–	–
Pledges – securities	944	944	–	–
Other – pledges	9,819	9,819	65	65
Securities received under reverse repo transaction	–	–	–	–

in TCZK	2012 Carrying value	2012 Fair value	2011 Carrying value	2011 Fair value
Impaired:	1,473,646	1,925,857	915,570	894,634
Guarantees	93,221	93,221	–	–
Acceptances of bills of exchange	–	–	27,367	35,302
Mortgages	1,134,513	1,579,954	800,514	800,514
Cash pledges	–	–	46,961	46,961
Pledges – securities	316	316	–	–
Other – pledges	17,126	23,896	40,728	11,857
Securities received under reverse repo transaction	228,470	228,470	–	–

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

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

(g) Carrying value of financial assets that were renegotiated

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

(h) Credit risk processes

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

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

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

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

(i) Credit risk monitoring

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

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

(i) Credit risk measurement

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

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

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

The decrease in fair value at the end of the corresponding year:

in TCZK	2012	2011
POKLES REÁLNÉ HODNOTY K DANÉMU DATU:		
Decrease of the trading portfolio value due to a rating migration by one credit class (in the Standard & Poor's scale)	47,828	52,082

(k) Risk management of customer trades

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

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

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

As of 31 December 2012, the Group recorded customer trades totalling TCZK 426 008 (2011: TCZK 0) 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 2012:

Table shows the liquidity risk based on contractual maturity dates.

in TCZK	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	No maturity determined
ASSETS							
Cash and balance with the central bank	6,977,979	6,977,989	5,257,262	–	–	–	934 046
Due from financial institution	6,865,483	7,857,996	6,178,027	146,902	1,291,621	241,446	–
Investment securities (without derivatives)	30,462,304	35,021,435	854,793	3,060,169	18,383,830	8,705,462	3,538,366
Loans and advances to customers	41,150,044	48,115,580	13,663,357	10,577,595	17,168,633	6,642,861	28,065
Total	85,455,810	97,973,000	25,953,439	13,784,666	36,884,084	15,589,769	5,801,043
OFF BALANCE							
Granted promises	2,970,958	3,023,946	2,072,150	578,969	319,839	–	–
Granted other guarantees	1,716,947	–	252,648	439,955	971,357	–	52,988

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

Amounts owed to customers include depository notes of TCZK 99 833 [2011: TCZK 91 923] distributed according to their maturity (Note 19).

Expected liquidity

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

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

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

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 2011:

Table shows the liquidity risk based on contractual maturity dates.

in TCZK	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	Bez specifikace
ASSETS							
Cash and balance with the central bank	1,492,655	1,492,658	558,612	–	–	–	934,046
Due from financial institution	9,090,602	9,198,246	8,886,994	8,307	44,134	258,811	–
Investment securities (without derivatives)	24,146,564	25,751,009	73,936	2,587,773	12,489,354	7,061,580	3,538,366
Loans and advances to customers	6,583,861	43,239,663	15,095,994	6,935,634	15,946,502	5,233,468	28,065
Total	71,313,682	79,681,576	24,615,536	9,531,714	28,479,990	12,553,859	4,500,477
OFF BALANCE							
Granted promises	1,490,249	1,490,249	865,592	288,707	205,566	130,384	–
Granted other guarantees	793,915	793,915	178,302	472,689	110,609	–	32,315

in TCZK	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	Bez specifikace
LIABILITIES							
Amounts owed to banks	9,110,230	(9,134,775)	(8,505,083)	(629,692)	–	–	–
Amounts owed to customers	55,023,567	(56,397,210)	(26,920,092)	(20,864,381)	(8,610,512)	(2,225)	–
Issued subordinated liabilities	1,009,564	(1,614,032)	(32,518)	(3,743)	–	(1,577,771)	–
Total	65,143,361	(67,146,017)	(35,457,693)	(21,497,816)	(8,610,512)	(1,579,996)	–

Expected liquidity

in TCZK	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 month	Over 3 month & up to 1 year	1 to 5 years	>5 years	Bez specifikace
Loans and advances to customers	36,583,861	42,068,138	14,707,320	6,472,810	16,614,969	5,244,974	28,065

In 2011 the figures of the Bank's branch were omitted in calculating gross nominal Inflow / (outflow) in the liquidity risk table in the lines "Loans and advances to customers" and "Amounts owed to customers". These figures were included and adjusted in the calculation for 2011 in the IFRS notes as at 31 December 2012.

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

in TCZK	Carrying amount	Gross nominal inflow / outflow	Up to 3 months	Up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL ASSETS					
Currency derivatives					
– outflow	–	(18,999,569)	(17,542,126)	(1,457,443)	–
– inflow	112,149	19,106,040	17,649,037	1,457,003	–
Share options					
– outflow	–	–	–	–	–
– inflow	–	–	–	–	–
Commodity options					
– outflow	–	–	–	–	–
– inflow	5,503	5,503	2,260	–	3,243
Total	117,652	111,974	109,171	(440)	3,243

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

b) Liquidity risk of derivatives as of 31 December 2011:

in TCZK	Carrying amount	Gross nominal inflow / outflow	Up to 3 months	Up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL ASSETS					
Currency derivatives					
- outflow	-	(2,924,210)	(1,019,151)	(1,905,059)	-
- inflow	82,262	3,006,866	1,038,639	1,963,399	4,828
Interest rate derivatives					
- outflow	-	(60,726)	(60,726)	-	-
- inflow	586	61,313	61,313	-	-
Commodity options					
- outflow	-	-	-	-	-
- inflow	3,276	3,276	-	-	3,276
Total	86,124	86,519	20,075	58,340	8,104

in TCZK	Carrying amount	Gross nominal inflow / outflow	Up to 3 months	Up to 1 year	1 year to 5 years
DERIVATIVE FINANCIAL LIABILITIES					
Currency derivatives	-	-	-	-	-
- outflow	(292,910)	(16,570,595)	(15,794,612)	(773,928)	(2,055)
- inflow	-	16,273,903	15,546,998	726,905	-
Interest rate derivatives	-	-	-	-	-
- outflow	(1,424)	(57,736)	(57,736)	-	-
- inflow	-	56,312	56,312	-	-
Share options	-	-	-	-	-
- outflow	(637)	(637)	-	-	(637)
- inflow	-	-	-	-	-
Commodity options	-	-	-	-	-
- outflow	(808)	(808)	-	-	(808)
- inflow	-	-	-	-	-
Total	(295,779)	(299,561)	(249,038)	(47,023)	(3,500)

42. MARKET RISK

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

Market risk of the trading portfolio includes:

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

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

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

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

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

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

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

in TCZK	2012	2011
VaR market risk overall	16,638	70,233
VaR interest rate risk (general risk)	14,907	77,847
VaR FX risk	14,544	22,122
VaR stock risk	4,578	4,838
VaR commodity risk	3,697	607

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

in TCZK	2012	2011
CHANGE IN THE FAIR VALUE OF THE TRADING PORTFOLIO DUE TO HISTORIC SHOCK SCENARIO		
Short-term scenario	14,783	64,993
Medium-term scenario	19,263	64,993
Long-term scenario	28,313	96,538

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

Details on interest rate risk are presented in note 43.

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:

(% Tier 1 + Tier 2)	2012	2011
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	17.04	5.68

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

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 2012 was as follows:

in TCZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS					
Cash in hand and balances with central banks	6,810,724	–	–	167,255	6,977,979
Due from financial institutions	6,865,474	–	–	9	6,865,483
Investment securities	14,546,245	9,879,220	1,627,232	4,527,259	30,579,956
Loans and advances to customers	32,683,125	5,057,881	3,151,878	257,160	41,150,044
Tangible and intangible assets, goodwill	–	–	–	409,826	409,826
Current tax assets	–	–	–	7,175	7,175
Deferred tax assets	–	–	–	–	–
Prepayments, accrued income and other assets	–	–	–	815,215	815,215
Disposal groups held for sale	–	–	–	1,595,593	1,595,593
Total assets	60,905,568	14,937,101	4,779,110	7,779,492	88,401,271
LIABILITIES					
Negative fair value of derivatives	79,155	546	–	2,046	81,747
Amounts owed to banks	3,948,111	7,299,033	–	1,175	11,248,319
Amounts owed to customers	45,706,065	17,632,649	18,320	675,377	64,032,411
Subordinated liabilities	626,547	–	369,200	–	995,747
Current tax liabilities	–	–	–	135,472	135,472
Deferred tax liability	–	–	–	140,696	140,696
Accruals, provisions and other liabilities	–	–	–	3,652,203	3,652,203
Disposal groups held for sale	–	–	–	697,789	697,789
Share capital	–	–	–	3,858,127	3,858,127
Retained earnings, translation reserve and treasury shares	–	–	–	3,558,760	3,558,760
Total liabilities and equity	50,359,878	24,932,228	387,520	12,721,645	88,401,271
Net interest rate risk position	10,545,690	(9,995,127)	4,391,590	(4,942,153)	–
Cumulative interest rate risk	10,545,690	550,563	4,942,153	–	–

Amounts owed to customers include depository notes of TCZK 99 833 [2011: TCZK 91 923] distributed according their maturity (Note 19).

Interest rate risk exposure as at 31 December 2011 was as follows:

in TCZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS					
Cash in hand and balances with central banks	1,359,091	–	–	133,564	1,492,655
Investment securities	13,592,588	4,176,310	1,408,827	5,054,963	24,232,688
Due from financial institutions	8,884,202	–	206,400	–	9,090,602
Loans and advances to customers	31,909,121	3,237,302	1,304,694	132,744	36,583,861
Tangible and intangible assets	–	–	–	427,057	427,057
Current tax assets	–	–	–	55,882	55,882
Deferred tax	–	–	–	28,807	28,807
Prepayments, accrued income and other assets	–	–	–	646,331	646,331
Total assets	55,745,002	7,413,612	2,919,921	6,479,348	72,557,883
LIABILITIES					
Negative fair value of derivatives used for trading	292,288	3,349	142	–	295,779
Amounts owed to banks	9,110,128	–	–	102	9,110,230
Amounts owed to customers	46,308,414	8,100,762	–	614,391	55,023,567
Subordinated liabilities	640,364	–	369,200	–	1,009,564
Current tax liabilities	–	–	–	10,416	10,416
Deferred tax liability	–	–	–	13,100	13,100
Accruals, provisions and other liabilities	312,104	–	–	1,547,870	1,859,975
Share capital	–	–	–	3,358,127	3,358,127
Retained earnings, translation reserve and treasury shares	–	–	–	1,877,125	1,877,125
Total liabilities and equity	56,663,298	8,104,111	369,342	7,421,132	72,557,883
Net interest rate risk position	[918,296]	[690,499]	2,550,579	[941,784]	–
Cumulative interest rate risk	[918,296]	[1,608,795]	941,784	–	–

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 2012, the exposure to foreign exchange risk translated into TCZK was as follows:

in TCZK	CZK	USD	EUR	Other	Total
ASSETS					
Cash and balances with the central bank	5,157,120	7,043	1,606,075	207,741	6,977,979
Due from financial institutions	282,455	1,785,050	4,437,902	360,076	6,865,483
Investment securities	14,275,163	1,675,302	14,124,390	505,101	30,579,956
Loans and advances to customers	10,392,904	3,280,307	25,107,367	2,369,466	41,150,044
Current tax assets	6,866	–	–	309	7,175
Deferred tax assets	–	–	–	–	–
Prepayments, accrued income and other assets	739,573	113,936	295,523	76,009	1,225,041
Disposal groups held for sale	1,595,593	–	–	–	1,595,593
Total	32,449,674	6,861,638	45,571,257	3,518,702	88,401,271
LIABILITIES					
Amounts owed to banks	2,170,228	1,229,875	7,470,735	377,481	11,248,319
Amounts owed to customers	41,263,351	967,030	19,865,119	1,946,911	64,032,411
Subordinated liabilities	374,112	–	621,635	–	995,747
Current tax liabilities	111,672	–	23,800	–	135,472
Deferred tax liabilities	149,824	–	(19,330)	10,202	140,696
Other liabilities and equity	8,726,825	572,034	1,709,709	142,269	11,150,837
Disposal groups held for sale	697,789	–	–	–	697,789
Total	53,493,801	2,758,939	29,671,668	2,476,863	88,401,271
Long position off-balance sheet:					
– items from derivative transactions	23,886,987	772,697	4,030,457	745,936	29,436,077
– items from spot transactions with share instruments	61,649	–	19,180	425	81,254
Short position off-balance sheet:					
– items from derivative transactions	3,698,048	4,624,782	19,746,862	1,317,520	29,387,212
– items from spot transactions with share instruments	422,351	–	77,745	–	500,096
Open position asset / (liability)	(1,215,890)	250,614	124,619	470,680	(369,977)

As at 31 December 2011, the exposure to foreign exchange risk translated into TCZK was as follows:

in TCZK	CZK	USD	EUR	Other	Total
ASSETS					
Cash and balances with the central bank	717,410	5,925	689,442	79,878	1,492,655
Due from financial institutions	5,149,461	2,319,534	1,302,655	318,952	9,090,602
Investment securities	15,055,777	1,975,705	6,189,635	1,011,571	24,232,688
Loans and advances to customers	15,098,222	1,589,380	18,736,638	1,159,621	36,583,861
Current tax assets	55,882	–	–	–	55,882
Deferred tax assets	22,519	–	3,642	2,647	28,807
Prepayments, accrued income and other assets	778,124	141,300	93,471	60,492	1,073,388
Total	36,877,395	6,031,844	27,015,483	2,633,161	72,557,883
LIABILITIES					
Amounts owed to banks	6,397,602	1,621,265	220,928	870,435	9,110,230
Amounts owed to customers	37,092,381	285,096	16,379,095	1,266,995	55,023,567
Issued subordinated bonds	372,937	–	636,627	–	1,009,564
Current tax liabilities	2,924	–	7,406	86	10,416
Deferred tax liabilities	13,100	–	–	–	13,100
Accruals, provisions, other liabilities and equity	6,547,738	258,483	537,762	47,024	7,383,601
Total	50,426,682	2,164,844	17,781,818	2,184,539	72,557,883
Long position off-balance sheet:					
– items from derivative transactions	15,917,218	430,912	3,074,867	639,892	20,062,889
– items from spot transactions with share instruments	92,958	31	10,645	–	103,634
Short position off-balance sheet:					
– items from derivative transactions	3,052,102	4,328,729	12,452,365	444,175	20,277,371
– items from spot transactions with share instruments	90,189	10,647	2,848	–	103,684
Otevřená pozice aktivní/(pasivní)	[681,402]	[41,433]	[136,036]	644,339	[214,532]

45. CAPITAL ADEQUACY AND CAPITAL MANAGEMENT

in TCZK	2012	2011
REGULATORY CAPITAL		
Core capital (Tier 1)	5,474,084	4,709,116
Supplementary capital (Tier 2)	977,965	1,052,425
Total regulatory capital after deductible items	6,452,049	5,761,541

in TCZK	2012	2011
CAPITAL REQUIREMENTS		
Credit risk of investment portfolio	3,743,134	3,323,735
Credit risk of trading portfolio	192,453	146,039
General interest risk	117,201	101,490
General equity risk	6,302	5,382
Capital requirement for currency risk	66,412	47,386
Capital requirement for commodity risk	21,844	12,167
Capital requirement for operating risk	202,874	179,891
Total capital requirements	4,350,220	3,816,090

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

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

Tier 2 capital comprises subordinated liabilities approved by Czech National Bank amounting to TEUR 24 215 (TCZK 608 765; 2011: TCZK 624 747) and TCZK 369 200 (2011: TCZK 369 200).

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

in TCZK	2012	2011
Calculation of Capital adequacy ratio	8% x $\frac{6,452,049}{4,350,220}$	8% x $\frac{5,761,541}{3,816,090}$
Capital adequacy ratio	11.87%	12.08%

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

The key goal of capital management of the Group is to ensure that the risks faced do not threaten the solvency of the Group and capital adequacy regulatory limit compliance. In addition, within the strategic framework of the Group the board stipulated the value 10% (11% for the end of the year) for mid-term capital adequacy goal as a reflection of the risk appetite of the Group.

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

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

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

46. FAIR VALUES

Estimation of fair values

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

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

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

in TCZK	2012 Estimated fair value	2012 Carrying value	2011 Estimated fair value	2011 Carrying value
FINANCIAL ASSETS				
Cash and balances with central banks	6,977,768	6,977,979	1,492,515	1,492,655,.
Due from financial institutions	6,888,525	6,865,483	9,018,511	9,090,602
Loans and advances to customers	42,998,203	41,150,044	36,584,792	36,583,861
Investment securities	30,495,918	30,462,304	23,971,735	24,146,564
Positive fair value of derivatives	117,652	117,652	86,124	86,124
FINANCIAL LIABILITIES				
Amounts owed to banks	11,257,115	11,248,319	8,481,294	9,110,230
Amounts owed to customers	63,998,049	64,032,411	55,598,887	55,023,567
Negative fair value of derivatives	81,747	81,747	295,779	295,779
Issued subordinated bonds	1,085,311,	995,747	1,025,954	1,009,564

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

47. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

47.1. ACQUISITION OR ESTABLISHMENT OF SUBSIDIARIES

a) Acquisitions 2012

in TCZK	Date of acquisition	Cost	Cash outflow	Contribution to capital
NEW SUBSIDIARIES				
FVE Slušovice s.r.o.	18.1.2012	50,167	50,167	–
FVE Němčice s.r.o.	29.2.2012	43,652	43,652	–
FVE Napajedla s.r.o.	29.2.2012	95,829	95,829	–
Total		189,638	189,638	–

Acquisitions 2011

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

b) Establishment of subsidiaries 2012

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

In 2011, no subsidiaries were established.

c) Effect of acquisitions

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

in TCZK	2012
Disposal group held for sale	1,385,340
Liabilities associated with disposal group held for sale	1,150,997
Cost of acquisition	189,638
Consideration paid, satisfied in cash	(189,638)
Net cash outflow	(189,638)
Profit since acquisition date	50,978

Profit for 2012 from the acquired companies is not known because the companies use a different financial year. Due to purchases in the period between January and February, we expect that the result for this period is immaterial.

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

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

47.2. DISPOSALS OF SUBSIDIARIES

a) Disposals of subsidiaries

The Bank did not sell any of the subsidiary in 2012.

In 2011, J&T BANKA, a.s. sold its share in Bea Development, a.s.

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

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

b) Effect of disposals

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

in TCZK	2012
Net cash inflow	224,580

The Bank received of 224 580 TCZK for the sale of Bea Development in year 2012.

in TCZK	2011
Cash and balances with central banks	19,807
Property and equipment	265,748
Intangible assets	10
Prepayments, accrued income and other assets	2,036
Amounts owed to financial institutions	(169,587)
Amounts owed to customers	(293)
Current tax liabilities	(93)
Deferred tax liability	(5,277)
Accruals, provisions and other liabilities	(14,917)
Sales price	224,580
Gain / (loss) on disposal	132,950
Cash disposed of	(19,807)
Net cash outflow	(19,807)

48. SUBSEQUENT EVENTS

In 2012, the Bank announced its intention to acquire a 36.357% stake in Poštová Banka, a.s. The Bank's parent company, J&T Finance, a.s., will acquire 46.052%. As a result, the J&T Group will acquire a majority interest of 88.055% in Poštová Banka, a.s. The transaction was approved by the National Bank of Slovakia but approval from the Antitrust Office is still pending. The acquisition is expected to be completed in the first half of 2013.

On 8 February 2013, the Bank acquired a 99% stake in TERCES MANAGEMENT LTD, a company registered in Cyprus. As a result of this acquisition, the Bank obtained a 100% stake in, and full control of, Interznanie OAO, a company registered in Russia.

Report on relations between related parties

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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").

1.1 The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2012 to 31 December 2012, J&T BANKA, a.s. was directly controlled by the following persons and entities:

J&T FINANCE, a.s.

ID# 27592502, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic

1.2 The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2012 to 31 December 2012, J&T BANKA, a.s. was indirectly controlled by the following persons and entities:

Ing. Ivan Jakobovič

Birth ID# 721008/6246, residing at Bratislava, Donnerova 15, postcode 841 05, Slovakia, who, along with Ing. Jozef Tkáč [see below], controls TECHNO PLUS, a.s.

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 [see below]

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 TECHNO PLUS, a.s.

TECHNO PLUS, a.s.

ID# 31385419, with its registered office at Bratislava, Lamačská cesta 3, postcode 841 04, Slovakia, which controls J&T FINANCE GROUP, a.s.

BRUBESCO LIMITED

ID# HE294153, with its registered office at SAVVIDES CENTER, 59-61, Akropoleos Avenue, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by TECHNO PLUS, a.s. along with DANILLA EQUITY LIMITED.

Bresco Financing S.à.l.

B169116, residing at 18, avenue Marie-Thérèse, L-2132, Luxembourg, controlled by BRUBESCO LIMITED. **From 23 May 2012.**

J&T FINANCE GROUP, a.s.

ID# 31391087, with its registered office at Dvořákovo nábrežie 8, Bratislava, postcode 811 02, Slovakia, controlled by TECHNO PLUS, a.s.

2.1 The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2012 to 31 December 2012, J&T BANKA, a.s. was controlled by the same entities as the following other controlled entities, through J&T FINANCE GROUP, a.s.:

J&T Private Equity B.V.

ID# 34157775, with its registered office at 1017SG Amsterdam, Weteringschans 26, the Netherlands, controlled by J&T FINANCE GROUP, a.s.

J&T International Anstalt

ID# FL00020857848, with its registered office at Industriestrasse 105/A, 9491 Ruggell, Liechtenstein, controlled by J&T Private Equity B.V. **Till 21 December 2012.**

J&T Investment Pool - I - CZK, a.s.

ID# 26714493, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T FINANCE GROUP, a.s.

J&T Investment Pool - I - SKK, a.s.

IČ: 3588016, with its registered office at Bratislava, Lamačská cesta 3, postcode 841 04, Slovakia, controlled by J&T FINANCE GROUP, a.s.

J&T Capital Management Anstalt

ID# FL00021166286, with its registered office at Industriestrasse 105/A, Ruggell, Liechtenstein, controlled by J&T Investment Pool - I - CZK, a.s. and J&T Investment Pool - I - SKK, a.s.

J&T FINANCIAL INVESTMENTS LTD.

ID# HE99801, with its registered office at SAVVIDES CENTER, 59-61, Akropoleos Avenue, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T Private Equity B.V.

J&T Private Investments B.V. (formerly Ingramm International, N.V.)

ID# 24323401, with its registered office at 1017SG Amsterdam, Weteringschans 26, the Netherlands, controlled by J&T Private Equity B.V.

J&T Private Investments II B.V.

ID# 0055573150, with its registered office at Weteringschans 26, 1017SG, Amsterdam, the Netherlands, controlled by J&T FINANCE GROUP, a.s.

První zpravodajská, a.s.

ID# 27204090, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T FINANCE GROUP, 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, a.s.

J&T GLOBAL SERVICES LIMITED

ID# HE131634, with its registered office at Klimentos Street, 41-43, Klimentos Tower, 2nd floor, Flat/Office 21, postcode 1061, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s.

JTG Services Anstalt

ID# FLO0023085917, with its registered office at Industriestrasse 26, 9491 Ruggell, Liechtenstein, controlled by J&T GLOBAL SERVICES LIMITED

J&T FINANCE, LLC

ID# 1067746577, with its registered office at Rosolimo 17, Moscow, Russia, controlled by J&T FINANCE GROUP, a.s.

TERCES MANAGEMENT LTD

ID# HE201003, with its registered office at Akropoleos 59-61, 1st floor, Off 102, 2012, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s. **From 12 July 2012.**

Interznanie OAO

ID# with its registered office at Kadashevskaya embankment 26, 113035 Moscow, Russia, controlled by TERCES MANAGEMENT LTD. **From 12 July 2012.**

J&T Sport Team ČR, s.r.o.

ID# 24215163, with its registered office at Pobřežní 297/14, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP, a.s. **From 26 April 2012.**

J&T SECURITIES MANAGEMENT LTD.

ID# HE260821, with its registered office at SAVVIDES CENTER, 59-61, Akropoleos Avenue, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s.

J&T MINORITIES PORTFOLIO LTD

ID# HE260754, with its registered office at SAWVIDES CENTER, 59-61, Akropoleos Avenue, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s.

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

AGUNAKI ENTERPRISES LIMITED

ID# HE301655, with its registered office at Kyriakou Matsi 16, Eagle Star, Agioi Omologites, 1082 Nicosia, Cyprus, controlled by J&T MINORITIES PORTFOLIO LTD. **From 10 December 2012.**

KOTRAB ENTERPRISES LIMITED

ID# HE251765, with its registered office at Akropoleos, 59-61, SAWVIDES CENTER, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s.

KHASOMIA LIMITED

ID# HE238546, with its registered office at Akropoleos, 59-61, SAWVIDES CENTRE, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s.

RIGOBERTO INVESTMENTS LIMITED

ID# HE234362, with its registered office at Akropoleos, 59-61, SAWVIDES CENTER, 1st floor, Flat/Office 102, postcode 2012, Nicosia, Cyprus, controlled by J&T FINANCE GROUP, a.s.

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 FINANCE GROUP, a.s.

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 FINANCE GROUP, a.s.

J&T GLOBAL MANAGEMENT, s.r.o.

ID# 46293329, with its registered office at Dvořákovo nábřežie 8, Bratislava, post code 811 02, Slovakia, controlled by J&T FINANCE GROUP, a.s.

2.2 The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2012 to 31 December 2012 J&T BANKA, a.s. was controlled by the same entities as the following other controlled entities, through J&T FINANCE, a.s.:

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, a.s.

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, a.s.

J&T Concierge SR, s. r. o.

ID# 43905323, with its registered office at Bratislava, Dvořákovo nábrežie 10, postcode 811 02, Slovakia, controlled by J&T FINANCE, a.s.

J&T Cafe, s.r.o.

ID# 24165409, with its registered office at Praha 8, Pobřežní 297/14, postcode 186 00, Czech Republic, controlled by J&T FINANCE, a.s.

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, a.s.

J&T BFL Anstalt

IČ: FLO0022538043, with its registered office at Industriestrasse 26, 9491 Ruggell, Liechtenstein, controlled by J&T Integris Group Ltd.

Bayshore Merchant Services Inc.

With its registered office at TMF Place, Road Town, Tortola, British Virgin Islands, controlled by J&T Integris Group Ltd.

J&T Bank & Trust Barbados

With its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados, controlled by Bayshore Merchant Services Inc.

J&T Funds Inc. (INTEGRIS FUNDS LIMITED)

With its registered office at Walkers House, Mary Street, George Town, Grand Cayman, Cayman Islands, controlled by Bayshore Merchant Services Inc.

J&T Advisors (Canada) Inc.

ID# 7602871, with its registered office at Suite 5700, 100 King St. W., Toronto, Ontario, postcode M5X 1C7, Canada, controlled by Bayshore Merchant Services Inc.

J and T Capital, Sociedad Anonima de Capital Variable

With its registered office at Explanada 905-A, Lomas de Chapultepec, postcode 11000, Ciudad de Mexico, Mexico, controlled by Bayshore Merchant Services Inc.

Transactions with related parties in 2012:**With J&T FINANCE, a.s.:**

- Contract for the custody of securities, dated 15 January 2006, based on which J&T BANKA, a.s. provided the related party with the custody of securities in 2012 in exchange for adequate consideration.
- Agent agreement dated 15 December 2008, based on which J&T BANKA, a.s. provided the related party in 2012 with stock brokerage services based on the arm's length principle in exchange for adequate consideration.
- 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.
- Contract for the provision of advisory services dated 19 July 2012, based on which, in 2012, J&T BANKA, a.s. provided the related party with advisory 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. Ivan Jakabovič:

- Agent agreement No. 17726 on the brokerage of purchase and sale of securities, dated 13 March 2009, based on which, in 2012, 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.
- 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 Ing. Jozef Tkáč:

- 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 TECHNO PLUS, a.s.:

- Agent agreement No. 17630 dated 12 December 2008, based on which, in 2012, 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 BRUBESCO LIMITED:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With Bresco Financing S.à.l.:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T FINANCE GROUP, a.s.:

- Cost splitting agreement dated 19 December 2011, based on which the companies mutually covered 50% of the cost of the audit of group reporting packages in 2012, in exchange for adequate consideration.
- Guarantee provision agreement dated 15 December 2005, based on which, in 2012, J&T FINANCE GROUP, a.s. provided a guarantee as to a minimum amount of revenue generated by a client's portfolio, in exchange for adequate consideration.
- Guarantee provision agreement dated 21 August 2006, based on which, in 2012, J&T FINANCE GROUP, a.s. 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 2012, J&T FINANCE GROUP, a.s. 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 provision of data services dated 1 January 2007, based on which, in 2012, J&T FINANCE GROUP, a.s. provided the Bank with relevant performance pursuant to this contract, in exchange for adequate consideration.
- Contract for the business lease of movable assets dated 1 January 2008, as further amended, based on which J&T FINANCE GROUP, a.s. leased IT equipment to the Bank in 2012 in exchange for adequate consideration.
- Contract for the business lease of movable assets dated 22 September 2010, as further amended, based on which J&T FINANCE GROUP, a.s. leased equipment to the Bank in 2012 in exchange for adequate consideration.
- General contract for the custody of securities certificates, dated 1 April 2008, as further amended, based on which J&T BANKA, a.s. provided the related party with the custody of securities in 2012 in exchange for adequate consideration.
- General contract for the provision of banking services, dated 22 November 2012, based on which J&T BANKA, a.s. leased a safe deposit box to the related party in 2012 in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a payment card in accordance with the terms and conditions of the Bank.

With J&T Private Equity B.V.:

- General contract for the conclusion and settlement of foreign currency transactions, dated 1 November 2001, based on which, in 2012, J&T BANKA, a.s. provided the related party with forward currency transactions based on the arm's length principle. Neither the Bank nor any other related party suffered any loss or damage as a result of this contract.
- General contract for the provision of individual loans, dated 8 November 2005, based on which, in 2012, J&T BANKA, a.s. provided the related party with funds (loans), based on concluded Confirmations.
- Contract on providing of Guarantee dated 2 January 2006, based on which, in 2012, J&T Private Equity B.V. provided a guarantee to selected clients of the bank, in exchange for adequate consideration.

- Agent agreement No. 17279 on the brokerage of purchase and sale of securities, dated 10 March 2009, based on which, in 2012, 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.
- Brokerage contract dated 7 December 2009, based on which, in 2012, J&T BANKA, a.s. provided the related party with relevant performance pursuant to this contract, in exchange for adequate consideration.
- Agreement on investment cooperation dated 28 December 2009, based on which, in 2012, J&T BANKA, a.s. provided the related party with relevant performance pursuant to this contract, in exchange for adequate consideration.
- Agreement on the cooperation in a note programme, dated 20 July 2009, as further amended, based on which, in 2012, J&T BANKA, a.s. provided the related party with services pursuant to this agreement in connection with the issue of the promissory notes of J&T Private Equity, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Maintenance of a term deposit in accordance with the terms and conditions of the Bank.

With J&T International Anstalt:

- Agent agreement No. 17874 on the brokerage of purchase and sale of securities, dated 10 March 2009, based on which, in 2012, 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 J&T Investment Pool - I - CZK, a.s.:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Investment Pool - I - SKK, a.s.:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Capital Management Anstalt:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T FINANCIAL INVESTMENTS LTD.:

- General contract for the conclusion and settlement of foreign currency transactions, dated 23 January 2007, as further amended, based on which, in 2012, J&T BANKA, a.s. provided the related party with forward currency transactions based on the arm's length principle. Neither the Bank nor any other related party suffered any loss or damage as a result of this contract.
- Agent agreement No. 17615 dated 21 December 2008, based on which, in 2012, 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 J&T Private Investments B.V. [formerly Ingramm International, N.V.]:

- Agent agreement No. 17621 on the brokerage of purchase and sale of securities, dated 5 May 2009, based on which, in 2012, 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 J&T Private Investments II. B.V.

- Current account maintenance in accordance with the terms and conditions of the Bank.

With První zpravodajská, a.s.:

- Bank guarantee agreement Z 34/OAO/2007, dated 5 December 2007, as further amended, based on which J&T BANKA, a.s. issued a bank guarantee to the related party in 2012, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a payment card in accordance with the terms and conditions of the Bank.

With J&T Management, a.s.:

- Mandate contract for payroll administration, dated 31 March 2011, as further amended, based on which J&T Management, a.s. provided the Bank with payroll administration services in 2012, in exchange for adequate consideration.
- Bank guarantee agreement No. Z 09/OAO/2008, dated 21 April 2008, based on which J&T BANKA, a.s. issued a bank guarantee to the related party in 2012, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.
- Lease contract for the sublease of non-residential premises, dated 1 July 2008, based on which, in 2012, J&T Management, a.s. leased to the Bank non-residential premises and fixtures and fittings at Sokolovská 394/17, Praha 8, in exchange for adequate consideration.
- Bank guarantee agreement No. Z 08/OAO/2011, dated 30 June 2011, based on which J&T BANKA, a.s. issued a bank guarantee to the related party in 2012, in exchange for adequate consideration. Neither the Bank nor any other party suffered any loss or damage as a result of this agreement.
- Brokerage contract dated 12 August 2011, based on which J&T Management, a.s. brokered the conclusion of interbank transactions, in exchange for adequate consideration.
- Overdraft loan agreement No. CZK 82/KTK/2012, dated 10 December 2012, based on which J&T BANKA, a.s. undertook to provide funds (an overdraft loan), and J&T Management, a.s. undertook to repay the loan and pay interest and other fees in accordance with the agreed terms and conditions.
- Contract for the provision of services (outsourcing), dated 28 June 2012, based on which, in 2012, J&T Management, a.s. provided consolidation services under this contract, and J&T BANKA, a.s. undertook to provide adequate consideration.
- Licence transfer agreement dated 1 July 2012, based on which J&T BANKA, a.s. transferred licences to intangible assets, in connection with the provision of consolidation services.
- Brokerage contract dated 1 March 2012, based on which, in 2012, J&T Management, a.s. provided services leading to the conclusion of agreements on the subscription of bonds between J&T BANKA, a.s. and third parties, in exchange for adequate consideration.

- Agreement on cooperation in providing the J&T Family and Friends banking services and in participating in the Magnus loyalty scheme, dated 30 April 2012, based on which J&T BANKA, a.s. undertook to provide the related party with services under this agreement, in exchange for adequate consideration.
- Contract for the sale and purchase of movable assets, dated 1 July 2012, based on which J&T BANKA a.s. sold IT equipment and fixtures and fittings, in exchange for the payment of the purchase price.
- Current account maintenance in accordance with the terms and conditions of the Bank
- Issue of a payment card in accordance with the terms and conditions of the Bank

With J&T GLOBAL SERVICES LIMITED:

- Mandate contract dated 22 April 2004, based on which, in 2012, J&T Global Services Limited provided the Bank with services involving the identification of the mandator's clients and related tasks, in exchange for adequate consideration.
- Agent agreement dated 22 December 2008, concluded under the new European MiFID directive and the amended Capital Markets Act. This agreement supersedes the "Agent agreement dated 23 January 2006", based on which, in 2012, 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 JTG Services Anstalt:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With TERCES MANAGEMENT LTD:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Sport Team ČR, s.r.o.:

- Agent agreement dated 5 November 2012, based on which the related party undertook to arrange a matter relating to the provision of a gift under this agreement, and J&T BANKA, a.s. undertook to provide adequate consideration.
- Agent agreements dated 5 November 2012, based on which the related parties agreed to promote the name and brand specified in the agreements, and J&T BANKA, a.s. undertook to provide adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T SECURITIES MANAGEMENT LTD.:

- Mandate contract dated 21 October 2010, based on which, in 2012, J&T BANKA, a.s. brokered repo loans for the related party, in exchange for adequate consideration.
- General contract for the maintenance of financial instruments, dated 1 November 2010, based on which J&T BANKA, a.s. provided the related party with relevant performance pursuant to this contract, in exchange for adequate consideration.
- Agent agreement No. 19338 on the brokerage of purchase and sale of securities, dated 31 January 2011, based on which, in 2012, 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 J&T MINORITIES PORTFOLIO LTD.:

- Agent agreement No. 19181 on the brokerage of purchase and sale of securities, dated 20 August 2010, based on which, in 2012, 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 Equity Holding, a.s.:

- Agent agreement No. 17599 dated 15 December 2008, based on which, in 2012, 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:

- Loan agreement No. USD 61/OAO/2012, dated 30 August 2012, as further amended, based on which J&T BANKA, a.s. undertakes to provide funds (a loan), and ABS PROPERTY LIMITED undertakes 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 AGUNAKI ENTERPRISES LIMITED:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With KOTRAB ENTERPRISES LIMITED:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With KHASOMIA LIMITED:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With RIGOBERTO INVESTMENTS LIMITED:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Global Finance I., B.V.:

- Administration contract dated 16 November 2011, based on which 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 II., B.V.:

- Bond placement agreement dated 12 January 2012, as further amended, based on which J&T BANKA, a.s. arranged a bond issue, in exchange for adequate consideration.
- Administration contract dated 12 January 2012, based on which 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 MANAGEMENT, s.r.o.:

- Contract for the sale and purchase of movable assets, dated 17 December 2012, based on which J&T BANKA a.s. sold equipment, in exchange for the payment of the purchase price.
- Mandate contract for payroll and personnel services, dated 26 October 2012, based on which, in 2012, J&T GLOBAL MANAGEMENT, s.r.o. provided the Bank with personnel and payroll services, in exchange for adequate consideration.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of a payment card in accordance with the terms and conditions of the Bank

With J&T Bank Switzerland Ltd. in liquidation (formerly IBI Bank AG):

- Contract for the custody of securities, dated 14 June 2006, based on which J&T BANKA, a.s. provided the related party with the custody of securities in 2012, in exchange for adequate consideration.
- Agent agreement No. 18387 on the brokerage of purchase and sale of securities, dated 9 July 2009, based on which, in 2012, 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 dated 25 March 2011, based on which J&T BANKA submitted selected securities for management and J&T Bank Switzerland provided management of these assets, in exchange for adequate consideration.
- Letter on the termination of the "Contract dated 25 March 2011", dated 30 June 2012.
- Risk management agreement dated 1 July 2008, based on which, in 2012, J&T BANKA, a.s. provided the related party with services under this agreement, in exchange for adequate consideration.
- Letter on the termination of the "Risk management agreement dated 1 July 2008", dated 13 September 2012.
- Current account maintenance in accordance with the terms and conditions of the Bank.
- Maintenance of a term deposit in accordance with the terms and conditions of the Bank.

With J&T Concierge, s.r.o.:

- 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.
- Cooperation agreement dated 31 August 2011, based on which, in 2012, J&T Concierge, s.r.o. provided J&T BANKA, a.s., a related party, with services thereunder relating to the provision of concierge services to payment card holders, in exchange for adequate consideration.
- Cooperation agreement dated 1 June 2011, based on which the related parties agreed on the provision of the Benefit for clients of J&T BANKA, a.s., in exchange for adequate consideration.
- Agreement on cooperation in providing the J&T Family and Friends banking services and in participating in the Magnus loyalty scheme, dated 30 April 2012, based on which J&T BANKA, a.s. undertook to provide the related party with services under this agreement, in exchange for adequate consideration.
- Contract for the provision of services, dated 3 January 2012, based on which, in 2012, J&T Concierge, s.r.o. provided mainly marketing services, in exchange for adequate consideration.
- 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.

- Current account maintenance in accordance with the terms and conditions of the Bank.
- Issue of payment cards in accordance with the terms and conditions of the Bank.

With J&T Concierge SR, s. r. o.:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Cafe, s.r.o.:

- Overdraft loan agreement No. CZK 15/KTK/2012, dated 11 April 2012, as further amended, based on which J&T BANKA, a.s undertook to provide funds (an overdraft loan), and J&T Cafe, 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. CZK 65/KTK/2012, dated 3 October 2012, based on which J&T BANKA, a.s undertook to provide funds (an overdraft loan), and J&T Cafe, 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 operation of a cafe, dated 30 March 2012, based on which, in 2012, J&T BANKA, a.s. undertook to provide non-residential premises at the Brno office, as specified in this agreement, for use by the related party, in exchange for the provision of restaurant services to clients.
- Contract for the operation of a cafe, dated 31 March 2012, based on which, in 2012, J&T BANKA, a.s. undertook to provide non-residential premises at the Ostrava office, as specified in this agreement, for use by the related party, in exchange for the provision of restaurant services to clients.
- 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 BFL Anstalt:

- Current account maintenance in accordance with the terms and conditions of the Bank.

With J&T Bank & Trust Inc.:

- Agent agreement on the brokerage of purchase and sale of investment instruments, dated 13 August 2012, based on which, in 2012, 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.
- Forward currency transactions in accordance with the terms and conditions of the Bank.

3. No loss or damage was caused to the Bank or any other related party as a result of the above contracts and other relations between related parties.

During the accounting period, no other legal acts, measures, services or compensations were made or effected in the interest or at the initiative of the controlling entity and/or entities controlled by the controlling entity.

4. We declare that we have included in the Report on relations between related parties of J&T BANKA, a.s., prepared in accordance with Section 66a (9) of the Commercial Code for the period from 1 January 2012 to 31 December 2012, all:

- contracts between related parties,
- services and compensations provided to related parties,
- other legal acts effected in the interest of related parties,
- measures adopted or carried out in the interest or at the initiative of related parties

that were known as at the date of signing of this Report.

The Board of Directors of J&T BANKA, a.s. further declares that no loss or damage was caused to J&T BANKA, a.s. in any way by the actions of the controlling entity or an entity controlled by the same entity and that J&T BANKA, a.s. neither incurred any loss or damage nor gained any pecuniary benefit based on the contracts and other relations with related parties.

Board of Directors
J&T BANKA, a.s.

J&T BANKA, a.s.

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