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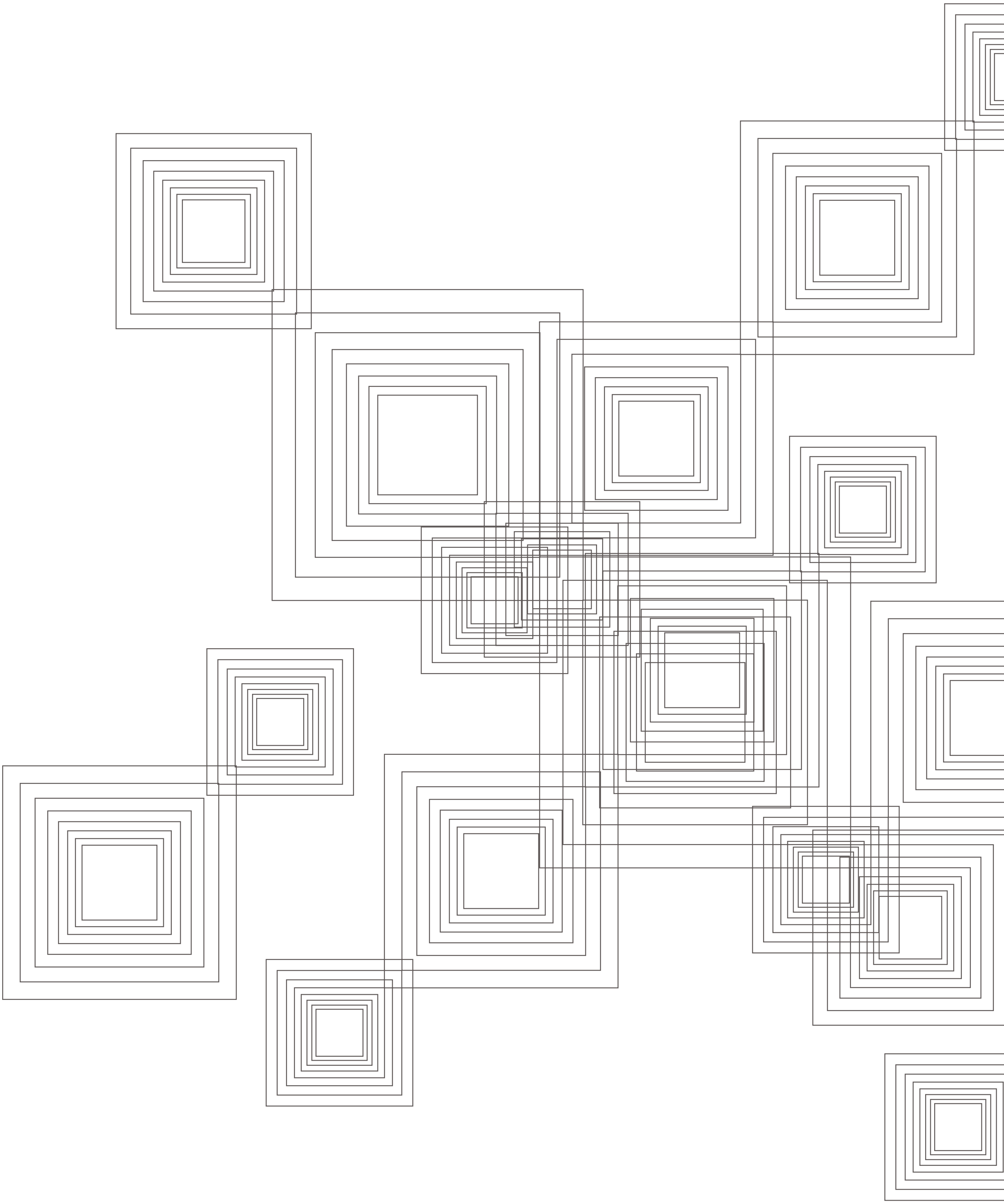
J&T FINANCE GROUP

Annual report 2012



J&T FINANCE GROUP

Annual Report 2012

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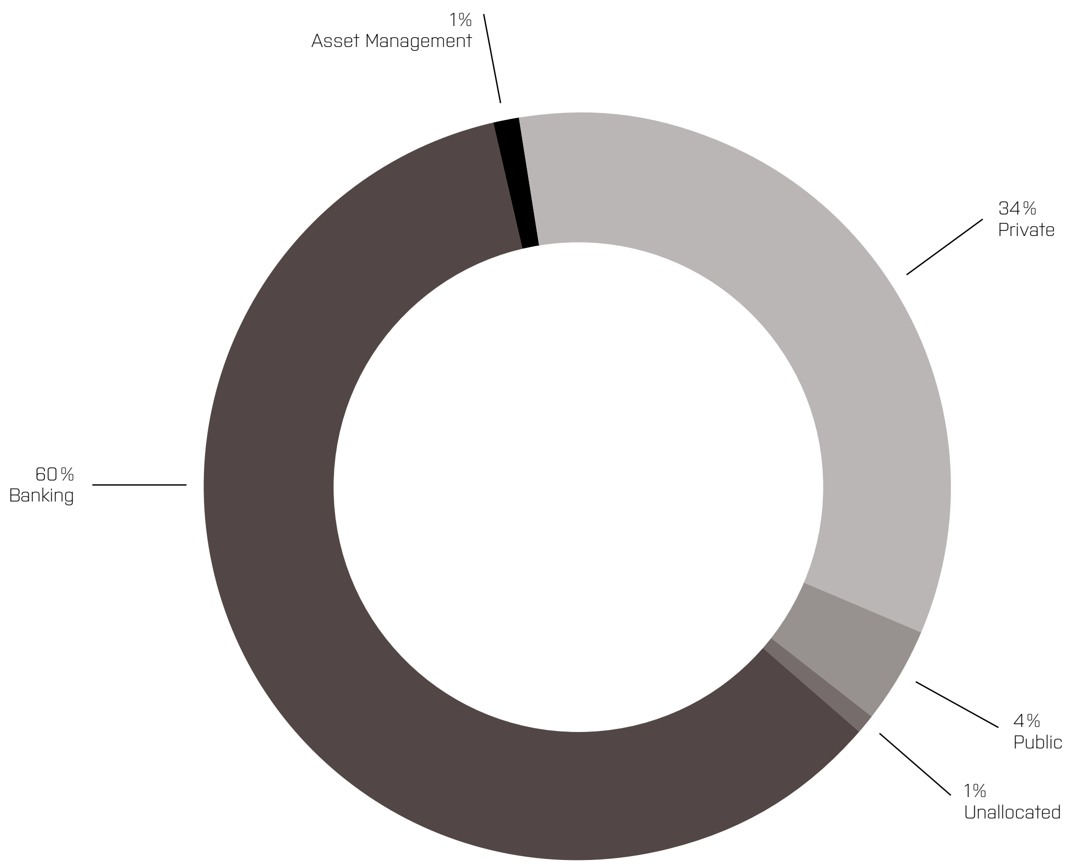
Financial Highlights

Financial Highlights

in millions of EUR	2012	2011	2010	2009	2008
Total assets	5,779	5,030	3,799	4,475	3,457
Equity attributable to equity holders of the parent	733	646	729	663	539
Net interest income (expense)	60	99	42	25	(44)
Net fee and commission income (expense)	20	20	(29)	(16)	(9)
Net operational income (expense)	(14)	(85)	82	12	87
Net profit (loss) attributable to the equity holders of the parent	47	45	85	116	106
SELECTED INDICATORS					
Average number of employees of the Group	788	721	1,055	2,007	9,821
Assets under management	1,176	1,314	1,557	1,204	1,102
Return on Assets (ROA)	0.9%	1.0%	2.1%	3.0%	2.9%
Return on Equity (ROE)	6.9%	6.5%	12.3%	19.2%	20.7%

J&T Group is a strong financial investor operating in the market since 1993. J&T Group specializes in providing a wide range of services in private banking, investment banking, asset management and specialized financing. Total assets of J&T Group amounted to EUR 5.8 billion with equity of EUR 733 million. The Group also manages EUR 1.2 billion for its clients under the Asset management service.

ALLOCATION OF ASSETS INTO SEGMENTS



Board of Directors' Report

STRATEGY AND VISION OF THE GROUP

J&T Group is focused on providing complex services in private banking, asset management for private clients and institutions, investment banking and project funding mainly in the Czech Republic, Slovakia and Russian federation.

J&T Group actively takes positions in a wide range of investment opportunities including very conservative investments in banks, investments in securities and structured investments, such as private equity funds. At consolidated level the J&T Group is supervised by the Czech National Bank and applies strict risk management rules for its investments and financing.

J&T FINANCE GROUP, a. s. is the parent company of the J&T Group, whose operations are divided into three main segments:

- **Banking:** Banking activities of the J&T Group
- **Asset Management:** Asset Management and consultancy services to clients
- **Principal Investments:** Non-banking investments of the J&T Group. These investments differ in the length of investment period and depending on the strategy are divided into three main segments:
  - **Private:** Strategic investments
  - **Public:** Investments in financial markets
  - **Opportunity:** Short-term or medium-term investments

Banking

The J&T Banking segment is strategically focused on clients and transactions requiring a substantial individual approach. Our clients are not only private individuals but also institutions. The Banking segment is currently represented by J&T BANKA, a. s. in the Czech Republic and its branch in the Slovak Republic, and J&T Bank ZAO in Russia.

Key Performance Indicators

in thousands of EUR	31. 12. 2012	31. 12. 2011
Net interest income	41,815	51,246
Net profit	8,984	16,211
Total assets	4,034,169	3,441,604
Equity	281,351	244,518

Credit exposure of banks is diversified among the regions where J&T Group has most experience with the market, i.e. the Czech Republic, Slovak Republic and Russia, whereby the Russian market is gradually gaining significance. The Banking segment uses sophisticated risk and exposure control mechanisms for all risk types and is permanently working on their improvement. Control risk mechanism and all its outputs are strictly monitored by the Czech National Bank.

J&T Group provides its clients with investment banking services in areas of research, sales and trading, equity capital markets and debt capital markets. Since its inception, J&T Group has developed unique know-how in analyzing selected investment opportunities in the CEE region, structuring loan finance (including mezzanine finance), bills of exchange programs, bond transactions and others. Thanks to realized acquisitions and restructurings, J&T Group also has unique experience with corporate finance.

Increase of share capital of J&T Banka

During 2012 the J&T Group supported additional expansion of its bank activities by capital strengthening of its most significant bank institution, J&T BANKA, a. s. (Czech Republic) through increase of its share capital by EUR 19.5 mil.

Poštová banka, a. s. acquisition

From the client segments' position, J&T Group has historically focused its products and services on the upper and middle segment. The middle segment gained importance in recent years due to the launch of the Clear Deal product. J&T Group is permanently expanding its activities in these key segments either through improving of the quality and widening its products range as well as through new acquisitions.

Acquisition of the majority share in Poštová banka, a.s., that was completed on 1 July 2013[1], will improve the quality of services for middle segment and increase the service portfolio by retail services. From the long-term perspective, J&T Group will cover all main market segments for individual clients (from private to retail banking).

J&T Group expects that the expansion of its banking activities through the acquisition of majority share in Poštová banka, a.s. will strengthen its position in the Slovak Republic, provide higher stability for the whole unit as well as for its individual parts and contribute to the growth of market share in individual segments.

Other events

As the interest of investors in the private banking services in Switzerland was declining and the added value of J&T Bank (Switzerland) Ltd. (SUI) for the J&T Group clients was decreasing, the management decided to terminate the activities in Switzerland in 2012. On 19 July 2012, the Swiss Bank has entered liquidation. As at 31 December 2012, the Bank was in liquidation. J&T Group will further focus on the expansion of services of J&T Bank & Trust Barbados.

In 2012, J&T Bank provided to its clients a new unique closed-end fund of qualified investors J&T FVE, which is linked to revenues from photovoltaic power plants.

Asset Management

The J&T Group, with over twenty-years of experience in Asset Management, provides a wide range of services and consulting in this area. Our clients are private individuals, financial institutions and privately-held and state controlled companies. We offer to our clients primarily asset management in own funds, discretionary portfolio management services, as well as administration and custody.

Key Performance Indicators

in thousands of EUR	31. 12. 2012	31. 12. 2011
Assets under management	1,175,713	1,314,233
Fee and commission income	4,900	3,570
Net profit (loss)	623	(21,059)

Asset management is carried out by centers in the Czech Republic and Slovakia and through J&T Bank and Trust in Barbados. Fee and commission income increased compared to prior year by 37.3% (from EUR 3,570 thousand to EUR 4,900 thousand), i.e. even the decision to leave the Swiss market did not significantly influence fee and commission income from asset management services.

Part of Asset management is J&T INVESTIČNÍ SPOLEČNOST, a. s., which manages 10 open-ended mutual funds for public, 5 funds of qualified investors and the company J&T Funds Inc. which manages hedge funds. In 2012, J&T INVESTIČNÍ SPOLEČNOST, a. s. established 3 new funds focused mainly on investments in corporate bonds.

Principal Investments

Depending on the strategy, the segment is divided into three sub-segments – Private, Public and Opportunity. Public investments comprise primarily investments in securities and other publicly traded financial instruments. Private investments represent investments of J&T Group providing the structured financing services common in the private equity world. Opportunity investments include investments with a medium-term investment period. Another important part of the Group's activities

[1] Od tohto dátumu sa Skupina Poštovej banky stala súčasťou konsolidačného celku.

are the acquisition, appreciation and subsequent sale of companies and larger investment entities. As at 31 December 2012, J&T Group had consolidated non-banking investments of EUR 2.42 billion.

Key Performance Indicators

in thousands of EUR	31. 12. 2012	31. 12. 2011
Total assets	2,424,312	2,134,232
Net profit	41,205	45,173

Public

The Public sub-segment comprises primarily a portfolio of publicly traded investments. As at 31 December 2012, it included mainly publicly traded titles of UNIPETROL, a.s., Erste Group Bank AG, Tatry Mountain Resorts, a.s. and Best Hotel Properties, a.s.

Key Performance Indicators

in thousands of EUR	31. 12. 2012	31. 12. 2011
Financial assets	298,638	234,850
Dealing profit	19,809	(31,574)
Net profit	1,047	(46,512)

Private

In the Private sub-segment, the Group acts as a private equity investor in the energy and industrial, real estate, tourism and service sectors. Through the Private sub-segment, J&T Group operates as a strong financial investor using primarily some form of junior, mezzanine or private equity capital. The aim of these investments is to realize superior investment income in the medium to long term. The sub-segment Private brings steady profit in the form of interest margin.

Key Performance Indicators

in thousands of EUR	31. 12. 2012	31. 12. 2011
Total assets	2,281,403	2,015,442
Loans and advances to customers	2,070,107	1,765,044
Net profit	4,158	91,573

Energy

Through the company Energetický a průmyslový holding, a. s. ("EPH"), the J&T Group is an important investor in the energy sector. EPH primarily comprises companies operating in the mining, electricity and heat generation, and electricity and heat distribution sectors. EPH is i.a. the largest heat supplier in the Czech Republic, the second largest Czech producer of electricity and the third largest mining company in Germany. J&T Group acts as a financial investor through two private equity Limited Partnership[2] structures, in which J&T Group is a Limited Partner.

Due to future acquisitions, the shareholders decided to increase the equity of the Company. At the beginning of 2013, EPH finalized historically largest Czech foreign investment – purchase of 49% share in Slovenský plynárenský priemysel, a.s. ("SPP").

Industry and infrastructure

In 2012, industry assets were separated from the EPH energy part. All industrial businesses were divested from EPH to EP Industries, a.s. (EPI), which focuses primarily on investments in industrial assets. J&T Group finances the acquisition of a 40% share in EPI. EPI is currently one of the most significant holdings in Czech Republic comprising 10 companies from energy, infrastructure and automotive sectors.

[2] A Limited Partnership is an investing entity without a legal identity, in which there are General Partners, who are the manager of relevant investments into which the entity (Partnership) is investing, and Limited Partners, who are the financing investors of the entity. The General Partners perform all the decisions regarding the investments of the entity (Partnership) and as such, they control these investments or partial investments. On the other hand, the Limited Partners act as financing investors, and provide funds for the entity which are then employed by the General Partners.

Media

JOJ Media House, a.s. (JOJ Media House) is a significant media holding focused on television broadcasting sector and outdoor advertising. JOJ Media House i.a. also owns the Slovak television channel TV JOJ and a number of companies providing outdoor advertisement in Czech Republic and Slovakia. J&T Group acts as a significant provider of financing.

Real Estate, Tourism, Services and other

J&T Group is a strong investor in the real estate segment; where through the financing of J&T Real Estate Holding, a.s. (J&T REAL ESTATE) participates in significant projects in all main real estate market segments in the Central and Eastern Europe region.

J&T Group also finances the real-estate company CEETA, a. s. (Central and Eastern Europe Trophy Assets), which owns an „A-Class" portfolio of commercial projects in Prague and Bratislava.

J&T Group owns a minority share in publicly traded entities Tatry Mountain Resort, a.s. (17.3% share) and Best Hotel Properties, a.s. (18.3% share).

Tatry Mountain Resort, a.s. (TMR) owns or operates ski resorts in Tatras, aquapark Tatralandia, hotels and catering establishments. In 2012, TMR successfully expanded to the Czech market and in October 2012 successfully completed initial public offering of the company's shares on the main markets of Prague stock-exchange and Warsaw stock-exchange. Best Hotel Properties, a.s. (BHP) is one of the biggest investors in the hotel industry in the CEE region, where it owns luxury hotels in Moscow, Bratislava and in High Tatras and a luxury restaurant in Prague. BHP cooperates with the most prestigious hotel chains. BHP shares are traded on a public market in Bratislava, where they are the most frequently traded shares.

Opportunity

In the Opportunity sub-segment J&T Group invests in projects with a short-term and medium-term investment period. As at 31 December 2012, the J&T Group did not allocate any significant asset into the Opportunity segment.

Financial operations report

In 2012, the J&T Group generated a net profit of EUR 47.5 million, including non-controlling interest, which represents a year-on-year increase of 6.2%. Equity increased by EUR 87 million to EUR 733 million and its return measured using the ROE[3] indicator reached 6.4%. Consolidated assets increased by 14.9% to EUR 5.78 billion. Year-on-year increase of total assets was caused mainly by increase in volume of clients' deposits in the Group's banks (increase by 32%) from EUR 2.34 billion in 2011 to EUR 3.09 billion at the end of the year 2012. Following to the acquisition of Poštová banka, a. s., which was successfully completed on 1 July 2013, total assets of the J&T Group will exceed EUR 8 billion. From the same date Poštová banka, a. s. will start contributing to the profit generation of J&T Group.

In 2012, net profit of J&T BANKA, a. s. reached a record amount of EUR 40.4 million compared to EUR 10.7 million in 2011. This result was primarily achieved by strengthening of the net interest income, which increased by 62% to EUR 73.6 million, increase in fee income, where net fees and commissions income increased by 84% to EUR 19.9 million. Increase of net interest income is primarily linked to the increase in total assets attributable to successful deposit products, most important one being Clear Deal. Increase of net fees and commissions income is associated primarily with the investment banking activities, where J&T IB and Capital Markets, a. s., a subsidiary of J&T BANKA, a. s., arranged a record value of corporate bond issues in the amount exceeding EUR 400 million.

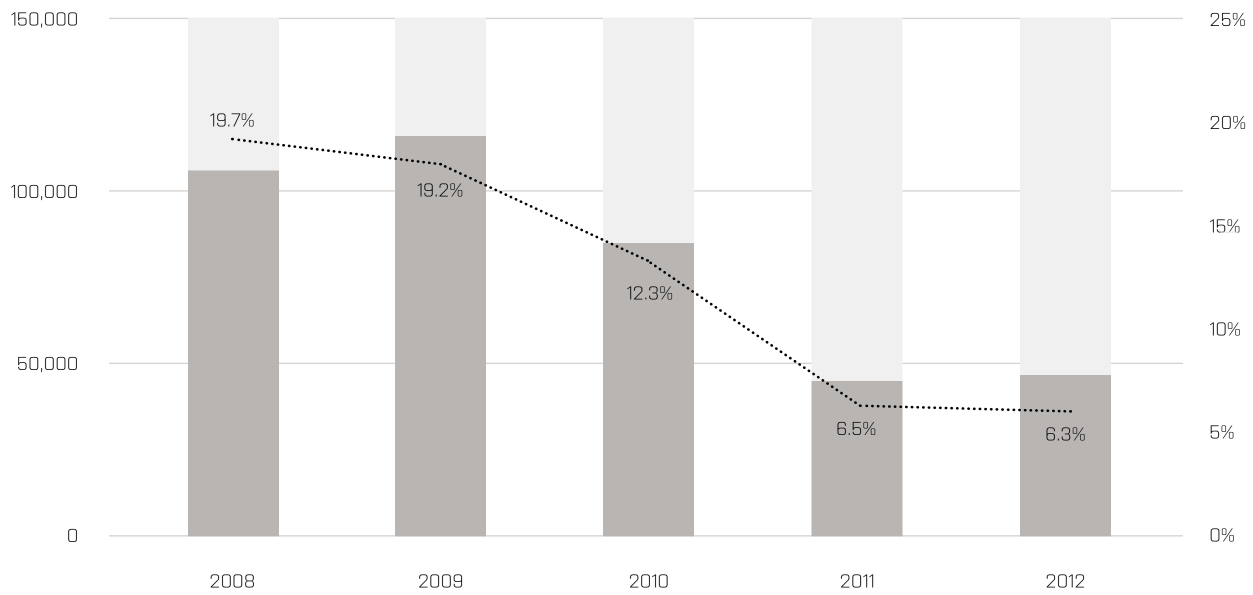
In 2012, J&T Group generated net interest income of EUR 60 million. This result reflects mainly direct influence of financing of the acquisition of majority shareholding in Poštová banka, a. s., when J&T Group paid a non-interest-bearing deposit exceeding EUR 420 million. In 2012 and in the first half of 2013 the J&T Group experienced a temporary shortage in interest income, which will compensated by income generated by Poštová banka Group as from 1 July 2013.

In 2012 J&T Group achieved net trading income of EUR 85.9 million. Most significant part of the net trading income was contributed by the banking segment (EUR +44.5 million), mainly due to successful results from trading with state bonds. Furthermore, prices of the shares portfolio increased and the Bank successfully sold corporate bonds under its management. In addition, income increased due to trading with foreign currencies and derivatives. Income from trading of companies consolidated in Public sub-segment, which includes investment portfolio placed on the public market, achieved EUR 19.8 million, mainly due to following investments and their year-on-year appreciation: Erste Group Bank AG (increase of 69%), Tatry Mountain Resorts, a. s. (4.7%), Unipetrol, a. s. (2.8%) and Best Hotel Properties, a. s. (2%).

In 2012, the J&T Group strengthened its services in Asset Management. After the write-off of goodwill of Barbados bank in prior year, Asset management segment also recorded a profit (EUR 623 thousand). This segment achieved the highest growth in fees and commissions income (increase by 26.5% to EUR 4.4 million). The reasons for the growth are primarily new funds of J&T INVESTIČNÍ SPOLEČNOST, a. s. and development of activities in individual asset management.

[3] Return on Equity

NET PROFIT / ROE
(in millions of EUR)



Supervisory Board Report

The Supervisory Board of J&T FINANCE GROUP, a.s. consisted of three members in 2012. It continuously worked on the fulfillment of the tasks required by the law and the Articles of Association. As a supervisory body, it monitored the performance of the Board of Directors of J&T FINANCE GROUP, a.s., and communicated important messages within the whole J&T Group.

The Supervisory Board monitored the operations and fulfillment of the strategic goals. The Supervisory Board was informed regularly about significant transactions, financial situation and other important matters in the company and its subsidiaries.

The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The individual financial statements were prepared in accordance with the Slovak Act on Accounting and generally applicable Slovak legal regulations.

KPMG Slovensko spol. s r. o. audited the consolidated financial statements prepared in accordance with IFRS and on 31 July 2013 issued their independent auditors' report, the full wording of which is presented on pages 16 and 17 of this Annual Report.

The Supervisory Board reviewed the individual and consolidated financial statements and concluded that the accounting records and evidence were maintained in a manner which is transparent and in compliance with applicable legislation and that the financial statements present fairly the financial position and performance of J&T FINANCE GROUP, a.s. and the entire Group as of 31 December 2012.

The Supervisory Board concurs with the independent auditors' report. Based on these facts the Supervisory Board recommended that the General Meeting approve the consolidated financial statements of J&T FINANCE GROUP, a.s. as of 31 December 201

2 August 2013
Bratislava

Tkáčová

RNDr. Marta Tkáčová

Financial part

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Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of J&T FINANCE GROUP, a.s.

We have audited the accompanying consolidated financial statements of J&T FINANCE GROUP, a.s. and Subsidiary Companies ("the Group"), which comprise the statement of consolidated financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management as represented by the statutory body 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 control as management determines is 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 control. 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.

KPMG

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

31 July 2013
Bratislava, Slovak Republic

Slovenská komora audítorov • SKAU Č.licencie 96 KPMG Slovensko spol. s r.o.

Auditing company:	Responsible auditor:	Responsible audit partner:
KPMG Slovensko spol. s r.o.	Ľuboš Vančo	Marc Derydt
License SKAU No. 96	License SKAU No. 745	

Consolidated income statement for the year ended 31 December 2012

In thousands of EUR	Note	2012	2011
Interest income	6	265,153	236,817
Interest expense	6	(205,107)	(137,670)
Net interest income		**60,046**	**99,147**
Fee and commission income	7	29,654	27,971
Fee and commission expense	7	(9,505)	(8,255)
Net fee and commission income		**20,149**	**19,716**
Net dealing profit (loss)	8	85,922	(32,777)
Other operating income	9	16,160	46,826
Total other income		**102,082**	**14,049**
Personnel expenses	10	(41,414)	(30,306)
Depreciation and amortisation	25, 26	(5,829)	(5,062)
Goodwill impairment	25	–	(6,834)
Impairment of property, plant and equipment and intangible assets	25, 26	(1,654)	(19,303)
Reversal (creation) of impairment losses on loans	20	(7,961)	9,882
Other operating expenses	11	(67,491)	(37,862)
Total expenses		**(124,349)**	**(89,485)**
Profit before tax		**57,928**	**43,427**
Income tax expense	12	(14,174)	(3,340)
Profit for the period from continuing operations		**43,754**	**40,087**
Profit for the period from discontinued operations	17	3,776	–
Profit for the period		**47,530**	**40,087**

Attributable to:

Equity holders of the parent	43,467	44,771
– Profit for the period from continuing operations	3,776	–
– Profit for the period from discontinued operations	47,243	44,771
Non-controlling interests	287	(4,684)
– Profit (loss) for the period from continuing operations	287	(4,684)
Profit for the period	**47,530**	**40,087**

The notes presented on page 28 to page 113 form an integral part of the consolidated financial statements.

An analysis of the income statement by segment is provided in Note 4 – Operating segments.

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

In thousands of EUR	2012	2011
Profit for the period	**47,530**	**40,087**
OTHER COMPREHENSIVE INCOME		
Foreign exchange translation differences	11,862	(14,819)
Net change in fair value of financial assets available for sale	27,391	27,983
Other comprehensive income for the period, net of income tax	**39,253**	**13,164**
Total comprehensive income for the period	**86,783**	**53,251**

Attributable to:

Equity holders of the parent	86,167	58,419
Non-controlling interests	616	(5,168)
Total comprehensive income for the period	**86,783**	**53,251**

Consolidated statement of financial position as at 31 December 2012

In thousands of EUR	Note	2012	2011
ASSETS			
Cash and cash equivalents	13	417,998	405,909
Financial assets at fair value through profit or loss	14	514,489	598,480
Securities available for sale	15	1,032,187	668,103
Financial instruments held to maturity	16	84,495	123,950
Disposal group held for sale	17	63,441	–
Loans and advances to banks	18	154,812	226,175
Loans and advances to customers	19, 20	2,524,157	2,363,404
Loans to "Limited Partnerships"	21	376,443	172,698
Trade receivables and other assets	23	530,384	431,563
Current tax assets		1,686	2,804
Investment property	24	26,476	–
Intangible assets	25	25,402	15,758
Property, plant and equipment	26	26,280	19,613
Deferred tax assets	33	1,196	1,440
Total assets		**5,779,446**	**5,029,897**

In thousands of EUR	Note	2012	2011
LIABILITIES			
Financial liabilities at fair value through profit or loss	14	4,478	13,194
Liabilities associated with assets held for sale	17	27,744	–
Deposits and loans from banks	27	490,777	348,194
Deposits and loans from customers	28	3,927,685	3,422,496
Issued bonds	29	260,311	133,286
Subordinated debt	30	89,613	89,172
Trade payables and other liabilities	31	207,090	320,232
Current tax liability		7,552	1,060
Provisions	32	2,478	38,646
Deferred tax liabilities	33	11,316	799
Total liabilities		**5,029,044**	**4,367,079**

In thousands of EUR	Note	2012	2011
EQUITY			
Share capital		31,540	31,540
Share premium		14,937	14,937
Retained earnings and other reserves		686,804	599,836
Equity attributable to equity holders of the parent	**34**	**733,281**	**646,313**
Non-controlling interests	35	17,121	16,505
Total equity		**750,402**	**662,818**
Total equity and liabilities		**5,779,446**	**5,029,897**

The notes presented on page 28 to page 113 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2012

In thousands of EUR	Note	Share capital	Share premium	Non-distributable reserves
Balance at 1 January 2012		**31,540**	**14,937**	**10,687**
Profit for the period		–	–	–
Other comprehensive income for the period, net of income tax		–	–	–
Foreign exchange translation differences		–	–	–
Net change in fair value of financial assets available for sale		–	–	–
Total comprehensive income for the period		**–**	**–**	**–**
Dividends		–	–	–
Total transaction with owners of the Company, recognised directly in equity		**–**	**–**	**–**
Effect of disposals of subsidiaries	5	–	–	(135)
Transfer to legal reserve fund	34	–	–	1,880
Balance at 31 December 2012		**31,540**	**14,937**	**12,432**

See Note 34 – Shareholders' equity and Note 35 – Non-controlling interests.

Foreign exchange translation reserve	Other reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
16,533	**26,614**	**546,002**	**646,313**	**16,505**	**662,818**
–	–	47,243	**47,243**	287	**47,530**
11,533	27,391	–	**38,924**	329	**39,253**
11,533	–	–	**11,533**	329	**11,862**
–	27,391	–	**27,391**	–	**27,391**
11,533	**27,391**	**47,243**	**86,167**	**616**	**86,783**
–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**
801	–	135	**801**	–	**801**
–	–	(1,880)	**–**	–	**–**
28,867	**54,005**	**591,500**	**733,281**	**17,121**	**750,402**

Consolidated statement of changes in equity for the year ended 31 December 2011

In thousands of EUR	Note	Share capital	Share premium	Non-distributable reserves
Balance at 1 January 2011		**31,540**	**14,937**	**10,314**
Profit for the period		–	–	–
Other comprehensive income for the period, net of income tax		–	–	–
Foreign exchange translation differences		–	–	–
Net change in fair value of financial assets available for sale		–	–	–
Total comprehensive income for the period		**–**	**–**	**–**
Dividends		–	–	–
Total transaction with owners of the Company, recognised directly in equity		**–**	**–**	**–**
Disposal of partial interest in subsidiary while retaining control		–	–	–
Effect of disposals of subsidiaries	5	–	–	(111)
Transfer to legal reserve fund	34			484
Transfer to retained earnings		–	–	–
Balance at 31 December 2011		**31,540**	**14,937**	**10,687**

The notes presented on page 28 to page 113 form an integral part of the consolidated financial statements.

Foreign exchange translation reserve	Other reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
31,728	**1,050**	**639,186**	**728,755**	**21,864**	**750,619**
–	–	44,771	**44,771**	(4,684)	**40,087**
(14,335)	27,983	–	**13,648**	(484)	**13,164**
(14,335)	–	–	**(14,335)**	(484)	**(14,819)**
–	27,983	–	**27,983**	–	**27,983**
(14,335)	**27,983**	**44,771**	**58,419**	**(5,168)**	**53,251**
–	–	(140,000)	**(140,000)**	–	**(140,000)**
–	**–**	**(140,000)**	**(140,000)**	**–**	**(140,000)**
–	–	(1)	**(1)**	1	**–**
(860)	–	111	**(860)**	(192)	**(1,052)**
–	–	(484)	**–**	–	**–**
–	(2,419)	2,419	**–**	–	**–**
16,533	**26,614**	**546,002**	**646,313**	**16,505**	**662,818**

Consolidated cash flow statement for the year ended 31 December 2012

In thousands of EUR	Note	2012	2011
OPERATING ACTIVITIES			
Profit before tax		**57,928**	**43,427**
Adjustments for:			
Depreciation and amortization	25, 26	5,829	5,062
Impairment losses	25, 26	1,654	19,303
Revaluation of financial instruments at fair value		(26,852)	23,902
Loss on disposal of property, plant and equipment, investment property and intangible assets	11	(160)	(231)
Loss (gain) on the disposal of subsidiaries, special purpose entities, joint ventures and associates	9,11	801	(3,823)
Loss on disposal of financial assets		6,343	27,311
Net interest income	6	(60,046)	(99,147)
Dividends income	8	(4,432)	(5,565)
Increase (decrease) in allowance for impairment of loans	20	7,961	(9,882)
Change in impairment of trade receivables and other assets		(383)	30
Change in provisions	32	(29,468)	(159)
Goodwill impairment	25	–	6,834
Unrealised foreign exchange (gains) loss, net		6,912	(20,524)
Operating loss before changes in working capital		**(33,913)**	**(13,462)**
Change in loans and advances to customers and banks		(326,131)	(232,454)
Change in trade receivables and other assets		(315,664)	(250,984)
Change in deposits and loans from banks and customers		723,211	1,111,342
Change in trade payables and other liabilities		91,792	(16,382)
Cash generated from operations		**139,295**	**598,060**
Interest received		254,960	118,906
Interest paid		(130,064)	(102,093)
Income taxes paid		(6,853)	(981)
Cash flows generated from operating activities		**257,338**	**613,892**

In thousands of EUR	Note	2012	2011
INVESTING ACTIVITIES			
Purchase of financial instruments at fair value through profit or loss		(443,570)	(1,350,816)
Proceeds from sale of financial instruments at fair value through profit or loss		511,041	1,242,841
Purchase of financial instruments in available for sale portfolio		(381,675)	(600,090)
Proceeds from sale of financial instruments in available for sale portfolio		86,818	3,454
Purchase of financial instruments in held to maturity portfolio		(487)	(122,328)
Proceeds from financial instruments in held to maturity portfolio		38,871	3
Acquisition of property, plant and equipment, investment property and intangible assets		(5,887)	(11,722)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		266	1,822
Acquisition of subsidiaries and special purpose entities, net of cash acquired	5	(7,261)	29
Net cash (outflow) inflow from disposal of subsidiaries and special purpose entities	5	(21,381)	21,283
Dividends received		4,432	5,565
Cash flows used in investing activities		**(218,833)**	**(809,959)**

In thousands of EUR	Note	2012	2011
FINANCING ACTIVITIES			
Proceeds from issued debt securities	29	120,995	134,360
Payments for buy-back of issued debt securities		(66)	–
Subordinated debt issued	30	76	12,200
Payments of finance lease liabilities		(9,831)	(1,251)
Dividends paid		(140,000)	–
Cash flows generated from (used in) by financing activities		**(28,826)**	**145,309**
Net increase (decrease) in cash and cash equivalents		**9,679**	**(50,758)**
Cash and cash equivalents at beginning of the year		**405,909**	**468,437**
Effect of exchange rate fluctuations on cash held		2,410	(11,770)
Cash and cash equivalents at end of the year	**13**	**417,998**	**405,909**

The cash flow statement above was prepared for continuing operations, as disclosure of cash flows for newly acquired subsidiaries that meet the criteria to be classified as held for sale upon acquisition is not required.

The notes presented on page 28 to page 113 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. CORPORATE INFORMATION

J&T FINANCE GROUP, a.s. (the "Parent Company" or "the Company") is a joint–stock company having its legal seat and domicile at Dvořákovo nábrežie 8, 811 02 Bratislava. The Company was founded on 7 February 1995 and incorporated into the commercial register on 20 March 1995. The shareholder of the Company is a holding company owned by Jozef Tkáč and Ivan Jakabovič, who are the ultimate owners.

The shareholder of the Company as at 31 December 2012 and 31 December 2011 was as follows:

	Interest in share capital in thousands of EUR	Interest in share capital %	Voting rights %
TECHNO PLUS, a.s.	31,540	100	100
Total	**31,540**	**100**	**100**

The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Parent Company and its subsidiaries and special purpose entities (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

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

The members of the Board of Directors were as at 31 December 2012 and 31 December 2011 as follows:
Ing. Jozef Tkáč, chairman
Ing. Ivan Jakabovič, vice chairman
Ing. Patrik Tkáč, vice chairman
Ing. Dušan Palcr, vice chairman
Mgr. Miloš Badida
JUDr. Jarmila Jánošová
Ing. Gabriela Lachoutová

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (IASB), as adopted by the European Union (EU).

The financial statements were approved by the Board of Directors on 31 July 2013.

(b) Basis of preparation

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

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. The accounting policies have been consistently applied by the Group enterprises and are consistent with those used in the previous year.

Financial statements prepared in compliance with International Financial Reporting Standards require various judgements, assumptions, and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and judgements made by management with a significant risk of material adjustment in the next year are discussed in Note 3 - Critical accounting estimates and assumptions.

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

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2012, and have been applied in preparing the Group's financial statements:

Amendments to IAS 12 - Income taxes, (effective for reporting periods beginning on or after 1 January 2012). The amendment introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This new amendments had no impact on the Group's financial statements.

Amendments to IFRS 7 – Financial Instruments: Disclosures, (applicable for reporting periods starting on or after 1 July 2011) will allow users of financial statements to improve their understanding of offsetting transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that offset the assets. The amendments also require additional disclosures if a disproportionate amount of offsetting transactions are undertaken around the end of a reporting period. The amendment does not have any signigicant impact on the consolidated financial statements.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2012, and have not been applied in preparing these financial statements:

Amendments to IAS 19 – Employee Benefits (effective for reporting periods beginning on or after 1 January 2013). The amendments change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The Group is currently assessing the impact of this standard on its financial statements.

Amendments to IAS 1 – Presentation of Financial Statements (effective for reporting periods beginning on or after 1 July 2012). The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. Since the Group presents only items within other comprehensive income that will be reclassified subsequently to profit or loss, this amendment has no impact of the Group's financial statements.

IFRS 9 – Financial Instruments (effective for reporting periods beginning on or after 1 January 2015). IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes new requirements for the classification and measurement of financial liabilities and for derecognition. Key requirement are described below:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition,

an irrevocable election to present all fair value changes from the investment in other comprehensive income. The election is available on an individual share-by-share basis. No amount recognised in other comprehensive income is ever reclassified to profit or loss at a later date.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The management of the Group anticipates that IFRS 9 will be adopted in the Group`s consolidated financial statements for the annual period beginning 1 January 2015. The Group is currently assessing the impact of this standard on its financial statements.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) that are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. Key requirements of these five Standards are described below:
- IFRS 10 – Consolidated Financial Statements replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.
- IFRS 11 – Join Arrangements replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.
- IFRS 12 – Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

Management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2014 as required by EFRAG (European Financial Reporting Advisory Group). The Group is currently assessing the impact of these standards on its financial statements.

In October 2012, amendments to IFRS 10 - Investment Entities (effective for annual reports beginning on or after 1 January 2014, with earlier application permitted) were issued. Since the Group does not meet definition of an investment entity, the amendments will not have any impact on the financial statements of the Group.

IFRS 13 – Fair Value Measurement, (effective for reporting periods beginning on or after 1 January 2013, with earlier application permitted). IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

Management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Improvements to IFRSs issued in 2012 (effective for reporting periods beginning on or after 1 January 2013). Since the improvements are focused on issues such as the first adoption of IFRSs (IFRS 1), interim financial reporting (IAS 34), financial instruments (IAS 32), recognition of spare parts (IAS 16), the adoption will not have any material effect on amounts reported in the consolidated financial statements.

Other new International Financial Reporting Standards and Interpretations not yet due

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

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

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

(iii) Jointly controlled entities (joint ventures)

Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

(iv) Special purpose entities ("SPEs")

The Group operates partly through SPEs, in which it does not have any direct or indirect shareholdings. Consolidated special purpose entities are principally those from which the Group will obtain the majority of the economic benefits embodied in or to be realised by those entities.

(v) Consolidation scope

There are 50 companies included in the consolidation as at 31 December 2012 (2011: 42). All fully consolidated companies prepared their annual financial statements at 31 December 2012. The companies are listed in Note 44, and this list is based on the ownership hierarchy.

Although the Group does not own shares in the SPEs, the majority of the economic benefits belong to the Group (refer to accounting policy (c)(iv)).

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains (losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisition method of accounting

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

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

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

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

(viii) Loss of control

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

(ix) Tax effect of inclusion of the consolidated subsidiaries' reserves

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

(x) Unification of accounting principles

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Financial statements of foreign operations

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

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

(iii) Embedded derivatives

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

(e) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are those that the Group holds for trading that is, with 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.

Loans and advances to banks and customers are non-derivative financial assets with fixed and determinable payments, not quoted in an active market, which are not classified as securities available-for-sale or held to maturity or as financial assets at fair value through profit or loss.

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

Available-for-sale financial assets are those non-derivative financial assets that are not designated as fair value through profit or loss, loans and advances to banks and customers or as held to maturity.

(ii) Recognition

Financial assets at fair value through profit or loss and available-for-sale assets are recognised on the date the Group commits to purchase the assets. Regular way purchases and sales of financial assets including held to maturity assets are accounted for on the trade date.

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

(iii) Measurement

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

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and advances to customers, held to maturity instruments, and certain non-quoted equity securities classified as available-for-sale the fair value of which cannot be measured reliably, which are measured at amortised cost. After initial recognition, financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

(iv) Fair value measurement principles

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

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

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value are recognised in the income statement for instruments at fair value through profit or loss and directly in other comprehensive income as a revaluation difference for assets available-for-sale. The cumulative gain or loss of available-for-sale assets previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment when the available-for-sale asset is derecognised. Interest income and expense from available-for-sale securities are recorded in the income statement by applying the effective interest rate method. Refer to Note - 2(e)(vii) for the accounting policy related to accounting for gains and losses on subsequent measurement of hedges

(vi) Derecognition

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

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

Held to maturity instruments and loans and advances to banks and customers are derecognised on the day they are disposed of by the Group.

(vii) Accounting for hedging instruments

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

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

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

In case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss.

(f) Cash and cash equivalents

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

(g) Loans and advances to banks and customers and Loans to "Limited Partnerships"

Loans and advances originated by the Group are classified as originated loans and receivables. Loans and advances are reported net of impairment allowance to reflect the estimated recoverable amounts (refer to accounting policy (j)).

(h) Sale and repurchase agreements

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

(i) Offsetting

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

(j) Impairment

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

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

Loans and advances are presented net of impairment allowances. Allowances for impairment are determined based on the credit standing and performance of the borrower and take into account the value of any collateral or third-party guarantee.

The recoverable amount of the Group's investment in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed upon initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement, then the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

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

(k) Assets held for sale and discontinued operations

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

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

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

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

– represents a separate major line of business or geographical area of operations;
– is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;.or

– is a subsidiary acquired exclusively with a view to re-sale.

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

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

(l) Property, plant and equipment

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

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

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

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

(ii) Leased assets
Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Leased assets are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (j)).

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

(iv) Depreciation

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

Buildings	40 years
Aircraft	
– electronics	3 years
– interior	5 years
– APU	13 years
– airframe	23 years
Equipment	3 – 8 years
Fixtures, fittings and others	3 – 8 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date. The maintenance of the aircraft's engine is covered under an agreement with a third party, whereby the Company pays a determinable amount to the third party. For this reason the residual value of the engine is not lower than the carrying amount at the reporting date and the depreciation expense of the engine is zero.

(m) Intangible assets

(i) Goodwill and intangible assets acquired in a business combination

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

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

(ii) Software and other intangible assets

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

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

(iii) Amortisation

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

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

(n) Investment Property

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

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

(o) Provisions

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

(p) Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of the debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Financial guarantee liabilities are subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities when future payment is considered probable and included in the off-balance sheet when considered to be a possible obligation.

(q) Trade and other payables

Trade and other payables are stated at amortised cost.

(r) Interest income and expense

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

(s) Fee and commission income and expense

Fee and commission income arises on financial services provided by the Group, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services. Assets under management comprising all client assets managed or held for investment purposes by the Group in its own name, but for the account of third parties, are not reported in its consolidated statement of financial position (refer to Note 41 - Assets under management). Commissions received from such business are shown in fee and commission income.

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

(t) Dealing profits, net

Dealing profits, net includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities available-for-sale and at fair value through profit or loss, as well as gains and losses from foreign exchange trading.

(u) Rental income

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

(v) Income tax

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

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(w) Operating and finance lease payments

A finance lease is a lease that transfers substantially all risks and rewards incidental to ownership of an assets. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

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

Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(x) Revenue from goods sold and services rendered

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

(y) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(z) Dividends

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

(aa) Operating segments

Operating segments are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group reports information to the chief operating decision maker about the revenues derived from its products or services (or groups of similar products and services), about the countries in which it earns revenues and holds assets, and about major customers. In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The operating segments regularly reviewed by the chief operating decision maker include Banking, Asset management, and Principal investments. The Banking segment includes Group companies whose activities mainly comprise receiving deposits and providing credit or loans. The major companies in the segment have banking licenses. The Asset management segment comprises Group companies active in the asset management business. The Principal investments segment includes investments which do not fall into either the banking or asset management segments and are held as medium or longer term investments for the Group.

The Principal investments segment is further divided into sub-segments, Public, Private, and Opportunity. The Public sub-segment consists of activities with publicly traded financial instruments. The Private sub-segments include principally investments for strategic purposes with long-term investment horizons. Financing is obtained from standard loan products (senior or mezzanine) or private equity funds or partnerships. The Opportunity sub-segment consists of activities and investments with potential for exits in the medium term.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

3.1. Business combinations and purchase price allocations

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

The valuation analysis is based on historical and prospective information available as 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 analyses are used as well for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

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, 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 (therefore transferred to J&T FVE uzavřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a. s.) and are presented as Disposal group held for sale.

In July 2012, the Group acquired 100% of the shares in TERCES MANAGEMENT LTD with its subsidiary Interznanie OAO, which owns a multifunctional building in the centre of Moscow, Russia. The goodwill arisen on TERCES Group upon the acquisition in amount of EUR 10,977 thousand is attributable mainly to expected economic benefits flowing to the Group due to the synergies gained considering the current operations of the Group Russia.

The goodwill recognised is not expected to be deductible for tax purposes.

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

In thousands of EUR	Property, plant and equipment	Investment property	Deferred tax liability	Total net balance sheet effect
Disposal group held for sale - Photovoltaic power plants	13,458	–	(2,557)	10,901
TERCES Group[1]	–	(4,977)	995	(3,982)

[1] TERCES MANAGEMENT LIMITED and its subsidiary Interznanie OAO

Fair value adjustments resulting from business combinations in 2011:
In May 2011, the Group acquired 100% of shares in ABS PROPERTY LIMITED, the company that leases one aircraft under a finance lease. This aircraft was recognized at fair value in the individual financial statements of the subsidiary and no further asset or liability met the recognition criteria under IFRS 3, for this reason no fair value adjustment was needed as a result of the business combination.

3.2. Goodwill and impairment testing

The Group conducts impairment testing of goodwill arisen in a business combination during the current period and impairment testing of goodwill already recognised in prior years annually. The Group also conducts impairment testing of other intangible assets with indefinite useful lives and of cash-generating units (CGU) where a trigger for impairment testing is identified. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows or on the basis of fair value less costs to sell. In the majority of cases the Group estimated the recoverable amounts of goodwill and the cash generating units based on value in use. Value in use was derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

(i) ATLANTIK and J&T Banka, a.s.

In June 2010 the Group acquired ATLANTIK finanční trhy, a.s. and ATLANTIK Asset Management investiční společnost, a.s. (in 2011 renamed to J&T INVESTIČNÍ SPOLEČNOST, a.s. and merged with J&T ASSET MANAGEMENT, INV. SPOL., a.s.), together "Atlantik", which generated combined goodwill of EUR 7,393 thousand. These two new subsidiaries were each identified as separate cash generating units. The acquisition of Atlantik was strategically linked to the development of the Group's banking and asset management operations in the Czech Republic, and therefore synergies from the acquisition were expected to benefit also the J&T BANKA, a.s. cash generating unit. In allocating the goodwill arisen on acquisition, management estimated the relative amounts of synergies expected to accrue in the future to both of Atlantik finanční trhy, a.s. and J&T BANKA, a.s. based on the expected future development of each business and the anticipated benefits from the acquisition. Goodwill of EUR 466 thousand was allocated to the Atlantik finanční trhy, a.s. cash generating unit and goodwill of EUR 5,923 thousand was allocated to the J&T BANKA, a.s. cash generating unit and the carrying amounts of the associated cash generating units were subject to impairment testing at 31 December 2011 and 31 December 2012.

As at 31 December 2011, the recoverable amount of the J&T BANKA, a.s. cash generating unit, with carrying amount of EUR 213,172 thousand including goodwill, was determined on the basis of value in use. The cash flows were derived from the unit's long term business plan and applied over a specific five-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 2.5%. The other key assumptions were forecast net interest income, loans provided to customers and the cost of capital applied to discount future cash flows. Net interest income and loans provided to customers were forecast based on the strategic direction of the Group and the type of projects expected to be funded in the future. The pre-tax cost of capital applied to the cash flows was 18.5%. There was no impairment loss identified as a result of this impairment test. If the interest income had been lower by 10% from management's estimate, the goodwill would have had to be fully written-off.

As at 31 December 2012, the Group reviewed the allocation of the combined goodwill to the two cash generating units, resulting in EUR 3,773 thousand being allocated to the Atlantik cash generating unit and EUR 2,778 thousand to the J&T BANKA, a.s. cash generating unit. The re-allocation was performed to better reflect the synergies coming from the acquisition of the two Atlantik entities in 2010. Goodwill of both cash generating units was tested for impairment before and after the re-allocation described above and no impairment charge was identified. The recoverable amounts of the two cash generating units were determined on the basis of value in use. The cash flows were derived from the units' long term business plans and applied over a specific ten-year forecast period. The growth rate used to extrapolate cash flows beyond this period was 2,5%. The other key assumptions were assets under management, forecast of fee income, forecast net interest income, loans provided to customers and the cost of capital applied to discount future cash flows. Net interest income and loans provided to customers were forecast based on the strategic direction of the Group and the type of projects expected to be funded in the future. The pre-tax cost of capital applied to the cash flows was 15,7% for both the Atlantik cash generating unit and for the J&T BANKA, a.s. cash generating unit. If the interest and fee income had been lower by 10% from management's estimate, a part of goodwill allocated to the Atlantik cash generating unit in amount of EUR 546 thousand would have been impaired and an impairment loss in respect of goodwill allocated to J&T BANKA, a.s. cash generating unit in amount of EUR 1,831 thousand would have had to be recognised.

(ii) Interznanie OAO

The recoverable amount of the Interznanie cash generating unit, with a carrying amount of EUR 41,388 thousand including goodwill of EUR 10,951 thousand as at 31 December 2012, was determined on the basis of value in use, considering rental income from the rental contracts currently in place. There was no impairment loss identified as a result of this impairment test. Expected future cash flows were discounted using a weighted-average cost of capital ("WACC") of 10.08%. The WACC is the key assumption in the impairment testing. Should the WACC increase by 1%, the value in use would decrease and an impairment loss of EUR 8,728 thousand would have to be recognized.

3.3. Financial instruments

The fair value of financial instruments is determined based on:

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

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

In the vast majority of cases, the fair value of Level 3 investments was estimated using discounted cash flow ("DCF") models, with inputs coming from the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specificities of the industries and countries in which the investments operate and ranged from 6.9% to 13.5% as at 31 December 2012. The key assumptions used in the valuations were the expected cash flows and discount rates.

If the fair values had been higher or lower by 10% from management's estimates, the net carrying amount of financial instruments on Level 3 would have been estimated to be EUR 39,896 thousand higher or lower than as disclosed as at 31 December 2012 (2011: EUR 20,765 thousand). For more information about fair value calculation, see Notes 14 and 15.

If the fair value had been higher or lower by 10% from quoted price, the net carrying amount of financial instruments on Level 1 and Level 2, would have been EUR 114,771 thousand higher or lower than as disclosed as at 31 December 2012 (2011: EUR 105,893 thousand).

4. OPERATING SEGMENTS

4.1. Information about operating segments – Consolidated Income statement for the year ended 31 December 2012

In thousands of EUR	Banking	Asset Management
Interest income	163,771	354
– external	156,290	285
– inter-segment	7,481	69
Interest expense	(121,956)	(85)
Net interest income (expense)	**41,815**	**269**
Fee and commission income	32,172	4,900
– external	24,559	4,898
– inter-segment	7,613	2
Fee and commission expense	(7,267)	(499)
Net fee and commission income (expense)	**24,905**	**4,401**
Net dealing profit (loss)	44,487	76
– external	45,445	76
– inter-segment	(958)	–
Other operating income	6,200	–
– external	5,437	–
– inter-segment	763	–
Personnel expenses	(33,571)	(2,304)
Depreciation and amortisation	(3,624)	(292)
Impairment of property, plant and equipment and intangible assets	(988)	–
Reversal (creation) of impairment losses on loans	(19,131)	–
Other operating expenses	(44,103)	(1,210)
Other operating non-cash expenses	(263)	(62)
Income tax expense	(10,519)	(255)
Segment result	**5,208**	**623**
Profit for the period from discontinued operations	3,776	–
Profit for the period	**8,984**	**623**

Inter-segment prices are determined on the basis of market rates for similar services and financing.

Principal Investments							
Private	Public	Intra–segment eliminations	Total Principal Investments	Unallocated	Total segments	Inter–segment eliminations	J&T Finance Group
156,043	3,112	(14,790)	144,365	65	**308,555**	(43,402)	**265,153**
107,924	613	–	108,537	41	265,153	–	265,153
48,119	2,499	(14,790)	35,828	24	43,402	(43,402)	–
(119,587)	(19,631)	14,790	(124,428)	(2,040)	**(248,509)**	43,402	**(205,107)**
36,456	**(16,519)**	**–**	**19,937**	**(1,975)**	**60,046**	**–**	**60,046**
73	87	–	160	53	**37,285**	(7,631)	**29,654**
57	87		144	53	29,654	–	29,654
16	–	–	16	–	7,631	(7,631)	–
(10,452)	(549)	–	(11,001)	(76)	**(18,843)**	9,338	**(9,505)**
(10,379)	**(462)**	**–**	**(10,841)**	**(23)**	**18,442**	**1,707**	**20,149**
22,205	19,809	–	42,014	(547)	**86,030**	(108)	**85,922**
21,143	17,308	–	38,451	1,950	85,922	–	85,922
1,062	2,501	–	3,563	(2,497)	108	(108)	–
8,046	–	–	8,046	6,139	**20,385**	(4,225)	**16,160**
8,046	–	–	8,046	2,677	16,160	–	16,160
–	–	–	–	3,462	4,225	(4,225)	–
(4,717)	–	–	(4,717)	(822)	**(41,414)**	–	**(41,414)**
–	–	–	–	(1,913)	**(5,829)**	–	**(5,829)**
–	–	–	–	(666)	**(1,654)**	–	**(1,654)**
11,158	–	–	11,158	–	**(7,973)**	12	**(7,961)**
(21,215)	(1,536)	–	(22,751)	(1,545)	**(69,609)**	2,614	**(66,995)**
(73)	2	–	(71)	(100)	**(496)**	–	**(496)**
(1,323)	(247)	–	(1,570)	(1,830)	**(14,174)**	–	**(14,174)**
40,158	**1,047**	**–**	**41,205**	**(3,282)**	**43,754**	**–**	**43,754**
–	–	–	–	–	3,776	–	3,776
40,158	**1,047**	**–**	**41,205**	**(3,282)**	**47,530**	**–**	**47,530**

4.2. Information about operating segments – Consolidated Assets and Liabilities as at 31 December 2012

In thousands of EUR	Banking	Asset Management
Cash and cash equivalents	396,847	40,397
Financial assets at fair value through profit or loss	272,199	9,536
Securities available for sale	890,760	–
Financial instruments held to maturity	84,495	–
Disposal group held for sale	63,441	–
Loans and advances to banks	152,822	396
Loans and advances to customers	1,689,244	1,961
Loans to "Limited Partnerships"	–	–
Trade receivables and other assets	468,798	2,567
Current tax assets	326	–
Investment property	–	–
Goodwill	6,555	992
Other intangible assets	5,028	736
Property, plant and equipment	2,885	185
Deferred tax assets	769	–
Total segment assets	**4,034,169**	**56,770**
Financial liabilities at fair value through profit or loss	3,430	–
Liabilities associated with assets held for sale	27,744	–
Deposits and loans from banks	443,286	–
Deposits and loans from customers	3,075,488	46,921
Issued bonds	–	–
Subordinated debt	39,591	–
Trade payables and other liabilities	149,583	1,615
Current tax liability	5,207	184
Provisions	2,264	13
Deferred tax liabilities	6,225	134
Total segment liabilities	**3,752,818**	**48,867**

Inter-segment prices are determined on the basis of market rates for similar services and financing.

Principal Investments							
Private	Public	Intra-segment eliminations	Total Principal Investments	Unallocated	Total segments	Inter-segment eliminations	J&T Finance Group
14,916	594	–	15,510	2,731	**455,485**	(37,487)	**417,998**
376	238,867	–	239,243	–	**520,978**	(6,489)	**514,489**
139,196	18,415	(16,189)	141,422	5	**1,032,187**	–	**1,032,187**
–	–	–	–	–	**84,495**	–	**84,495**
–	–	–	–	–	**63,441**	–	**63,441**
1,907	–	–	1,907	–	**155,125**	(313)	**154,812**
1,693,664	15,036	(139,540)	1,569,160	649	**3,261,014**	(736,857)	**2,524,157**
376,443	–	–	376,443	–	**376,443**	–	**376,443**
53,590	25,589	–	79,179	14,504	**565,048**	(34,664)	**530,384**
1,300	21	–	1,321	39	**1,686**	–	**1,686**
–	–	–	–	26,476	**26,476**	–	**26,476**
11	116	–	127	11,349	**19,023**	–	**19,023**
–	–	–	–	890	**6,654**	(275)	**6,379**
–	–	–	–	23,210	**26,280**	–	**26,280**
–	–	–	–	427	**1,196**	–	**1,196**
2,281,403	**298,638**	**(155,729)**	**2,424,312**	**80,280**	**6,595,531**	**(816,085)**	**5,779,446**
185	40	–	225	1,462	**5,117**	(639)	**4,478**
–	–	–	–	–	**27,744**	–	**27,744**
25,061	153,356	–	178,417	32,502	**654,205**	(163,428)	**490,777**
1,389,081	106,338	(101,132)	1,394,287	22,443	**4,539,139**	(611,454)	**3,927,685**
282,406	–	(16,189)	266,217	–	**266,217**	(5,906)	**260,311**
50,022	38,408	(38,408)	50,022	–	**89,613**	–	**89,613**
81,945	433	–	82,378	8,172	**241,748**	(34,658)	**207,090**
381	63	–	444	1,717	**7,552**	–	**7,552**
–	–	–	–	201	**2,478**	–	**2,478**
–	–	–	–	4,957	**11,316**	–	**11,316**
1,829,081	**298,638**	**(155,729)**	**1,971,990**	**71,454**	**5,845,129**	**(816,085)**	**5,029,044**

4.3. Information about geographical areas for the year ended 31 December 2012

In thousands of EUR	Slovakia	Czech Republic
Property, plant and equipment	7,983	2,835
Goodwill	1	7,774
Other intangible assets	224	6,090
Deferred tax assets	769	63
Total	**8,977**	**16,762**

The geographical area Other comprises assets primarily from Ireland and Switzerland.

4.4. Information about geographical areas for the year ended 31 December 2012

In thousands of EUR	Slovakia	Czech Republic
Interest income	36,980	69,222
Fee and commission income	4,046	16,771
Dealing profits (losses), net	7,667	1,311
Other operating income	3,026	7,787
Total	**51,719**	**95,091**

The geographical area Other comprises income items primarily from the Netherlands and Barbados.

The Group has no revenues from transactions with a single external customer amounting to 10% or more of the Group's revenues in 2012.

	Russian Federation	Other	Total segments	Inter-segment eliminations	J&T Finance Group
	7,353	8,109	26,280	–	26,280
	11,121	127	19,023	–	19,023
	61	4	6,379	–	6,379
	364	–	1,196	–	1,196
	18,899	**8,240**	**52,878**	**–**	**52,878**

	Russian Federation	Cyprus	Liechtenstein	Other	J&T Finance Group
	17,309	101,448	6,997	33,197	265,153
	621	3,579	288	4,349	29,654
	1,980	40,529	–	34,435	85,922
	1,961	1,265	112	2,009	16,160
	21,871	**146,821**	**7,397**	**73,990**	**396,889**

4.5. Information about operating segments – Consolidated Income statement for the year ended 31 December 2011

In thousands of EUR	Banking	Asset Management	Opportunity
Interest income	117,463	393	83
– external	110,891	270	17
– intersegment	6,572	123	66
Interest expense	(66,217)	(120)	–
Net interest income	**51,246**	**273**	**83**
Fee and commission income	30,479	3,570	–
– external	24,072	3,570	–
– intersegment	6,407	–	–
Fee and commission expense	(7,282)	(91)	–
Net fee and commission income	**23,197**	**3,479**	**–**
Net dealing profit (loss)	(4,210)	4	–
– external	(6,600)	4	–
– inter-segment	2,390	–	–
Other operating income	18,275	662	55
– external	17,660	662	55
– intersegment	615	–	–
Personnel expenses	(23,495)	(1,937)	(6)
Depreciation and amortisation	(3,695)	(297)	–
Goodwill impairment	–	–	–
Impairment of property, plant and equipment and intangible assets	(1)	(20,834)	–
Impairment of loans	(12,486)	–	–
Other operating expenses	(27,531)	(2,355)	(6)
Other operating non-cash expenses	(392)	1	–
Income tax expense	(4,697)	(55)	(14)
Segment result – total	**16,211**	**(21,059)**	**112**

Inter-segment prices are determined on the basis of market rates for similar services and financing.

Principal Investments							
Private	Public	Intra-segment eliminations	Total Principal Investments	Unallocated	Total segments	Inter-segment eliminations	J&T Finance Group
141,000	495	(13,881)	127,697	205	**245,758**	(8,941)	**236,817**
125,199	291	–	125,507	149	**236,817**	–	**236,817**
15,801	204	(13,881)	2,190	56	**8,941**	(8,941)	**–**
(71,732)	(21,526)	13,881	(79,377)	(897)	**(146,611)**	8,941	**(137,670)**
69,268	**(21,031)**	**–**	**48,320**	**(692)**	**99,147**	**–**	**99,147**
166	11	–	177	347	**34,573**	(6,602)	**27,971**
148	11	–	159	170	**27,971**	–	**27,971**
18	–	–	18	177	**6,602**	(6,602)	**–**
(6,548)	(1,272)	–	(7,820)	(109)	**(15,302)**	7,047	**(8,255)**
(6,382)	**(1,261)**	**–**	**(7,643)**	**238**	**19,271**	**445**	**19,716**
3,840	(31,574)	178	(27,556)	(948)	**(32,710)**	(67)	**(32,777)**
1,816	(26,990)	–	(25,174)	(1,007)	**(32,777)**	–	**(32,777)**
2,024	(4,584)	178	(2,382)	59	**67**	(67)	**–**
21,327	7,714	(178)	28,918	2,198	**50,053**	(3,227)	**46,826**
20,378	7,314	–	27,747	757	**46,826**	–	**46,826**
949	400	(178)	1,171	1,441	**3,227**	(3,227)	**–**
(4,260)	–	–	(4,266)	(608)	**(30,306)**	–	**(30,306)**
–	–	–	–	(1,070)	**(5,062)**	–	**(5,062)**
(6,834)	–	–	(6,834)	–	**(6,834)**	–	**(6,834)**
–	–	–	–	1,532	**(19,303)**	–	**(19,303)**
21,191	–	–	21,191	–	**8,705**	1,177	**9,882**
(8,247)	(203)	–	(8,456)	(1,106)	**(39,448)**	1,672	**(37,776)**
–	–	–	–	305	**(86)**	–	**(86)**
1,670	(157)	–	1,499	(87)	**(3,340)**	–	**(3,340)**
91,573	**(46,512)**	**–**	**45,173**	**(238)**	**40,087**	**–**	**40,087**

4.6. Information about operating segments – Consolidated Assets and Liabilities as at 31 December 2011

In thousands of EUR	Banking	Asset Management	Opportunity
Cash and cash equivalents	386,004	19,735	–
Financial assets at fair value through profit or loss	383,491	4,820	–
Securities available for sale	495,381	158	–
Financial instruments held to maturity	123,949	2,285	–
Loans and advances to banks	226,175	–	–
Loans and advances to customers	1,433,415	3,162	55
Loans to "Limited Partnerships"	–	–	–
Trade receivables and other assets	374,234	1,579	–
Current tax assets	2,126	40	–
Goodwill	6,390	967	–
Intangible assets	6,883	900	–
Property, plant and equipment	2,439	184	–
Deferred tax assets	1,117	–	–
Total segment assets	**3,441,604**	**33,830**	**55**
Financial liabilities at fair value through profit or loss	11,529	–	–
Deposits and loans from banks	340,074	–	–
Deposits and loans from customers	2,729,198	22,522	–
Issued bonds	–	–	–
Subordinated debt	39,150	–	–
Trade payables and other liabilities	74,293	899	–
Current tax liability	790	–	–
Provisions	1,489	–	–
Deferred tax liabilities	563	166	–
Total segment liabilities	**3,197,086**	**23,587**	**–**

Inter-segment prices are determined on the basis of market rates for similar services and financing.

Principal Investments							
Private	Public	Intra-segment eliminations	Total Principal Investments	Unallocated	Total segments	Inter-segment eliminations	J&T Finance Group
40,014	231	–	40,245	1,700	**447,684**	(41,775)	**405,909**
–	212,774	(104)	212,670	530	**601,511**	(3,031)	**598,480**
153,407	22,076	(2,924)	172,559	5	**668,103**	–	**668,103**
–	–	–	–	–	**126,234**	(2,284)	**123,950**
406	–	–	406	–	**226,581**	(406)	**226,175**
1,592,346	32,471	(145,818)	1,479,054	1,289	**2,916,920**	(553,516)	**2,363,404**
172,698	–	–	172,698	–	**172,698**	–	**172,698**
56,156	4,057	(4,162)	56,051	10,088	**441,952**	(10,389)	**431,563**
405	21	–	426	212	**2,804**	–	**2,804**
10	113	–	123	387	**7,867**	–	**7,867**
–	–	–	–	108	**7,891**	–	**7,891**
–	–	–	–	16,990	**19,613**	–	**19,613**
–	–	–	–	323	**1,440**	–	**1,440**
2,015,442	**271,743**	**(153,008)**	**2,134,232**	**31,632**	**5,641,298**	**(611,401)**	**5,029,897**
1,997	1,064	(104)	2,957	1,155	**15,641**	(2,447)	**13,194**
8,451	122,146	–	130,597	3,796	**474,467**	(126,273)	**348,194**
1,143,472	110,478	(112,366)	1,141,584	887	**3,894,191**	(471,695)	**3,422,496**
136,795	–	(2,924)	133,871	–	**133,871**	(585)	**133,286**
50,021	33,453	(33,452)	50,022	–	**89,172**	–	**89,172**
240,960	4,596	(4,162)	241,394	14,047	**330,633**	(10,401)	**320,232**
264	6	–	270	–	**1,060**	–	**1,060**
37,000	–	–	37,000	157	**38,646**	–	**38,646**
–	–	–	–	70	**799**	–	**799**
1,618,960	**271,743**	**(153,008)**	**1,737,695**	**20,112**	**4,978,480**	**(611,401)**	**4,367,079**

4.7. Information about geographical areas for the year ended 31 December 2011

In thousands of EUR	Slovakia	Czech Republic
Property, plant and equipment	8,833	1,777
Goodwill	1	7,576
Other intangible assets	169	6,660
Deferred tax assets	141	873
Total	**9,144**	**16,886**

4.8. Information about geographical areas for the year ended 31 December 2011

In thousands of EUR	Slovakia	Czech Republic
Interest income	34,219	49,868
Fee and commission income	4,003	11,472
Dealing profits (losses), net	11,315	(7,353)
Other operating income	6,323	10,029
Total	**55,860**	**64,016**

The Group had no revenues from transactions with a single external customer amounting to 10% or more of the Group's revenues in 2011.

	Russian Federation	Other	Total segments	Inter-segment eliminations	J&T Finance Group
	246	8,757	19,613	–	19,613
	167	123	7,867	–	7,867
	56	1,006	7,891	–	7,891
	426	–	1,440	–	1,440
	895	**9,886**	**36,811**	**–**	**36,811**

	Russian Federation	Cyprus	Liechtenstein	Other	J&T Finance Group
	8,405	73,496	13,272	57,557	236,817
	408	3,917	494	7,677	27,971
	(3,872)	679	–	(33,546)	(32,777)
	1,029	10,926	997	17,522	46,826
	5,970	**89,018**	**14,763**	**49,210**	**278,837**

5. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, SPECIAL PURPOSE ENTITIES, JOINT VENTURES AND ASSOCIATES

5.1. Acquisition or establishment of subsidiaries

(a) Acquisition of subsidiaries

31 December 2012

In thousands of EUR	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition (%)
FVE Slušovice s.r.o.	18.1.2012	3,849	3,849	100
FVE Němčice s.r.o.	29.2.2012	1,753	1,753	100
FVE Napajedla s.r.o.	29.2.2012	2,014	2,014	100
J&T Café, s.r.o.	2.2.2012	9	9	100
J&T Sport Team ČR, s.r.o.	26.4.2012	10	10	100
Interznanie OAO	12.7.2012	–	–	100
TERCES MANAGEMENT LTD.	12.7.2012	–	–	100
AGUNAKI ENTERPRISES LIMITED	10.12.2012	1	1	100
Total	**–**	**7,636**	**7,636**	**–**

31 December 2011

In thousands of EUR	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition (%)
ABS PROPERTY LIMITED	18.5.2011	1	1	100
Total	**–**	**1**	**1**	**–**

(b) Establishment of subsidiaries

31 December 2012

	Date of establishment	Group's interest after establishment
J&T Private Investments II B.V.	26.6.2012	100%
J&T FVE uzavřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.	1.8.2012	100%

31 December 2011

	Date of establishment	Group's interest after establishment
J&T GLOBAL MANAGEMENT, s.r.o.	19.7.2011	100%
J&T Global Finance I., B.V.	26.10.2011	100%
J&T Global Finance II., B.V.	26.10.2011	100%

(c) Effect of acquisitions

The acquisitions of new subsidiaries had the following effect on the Group's assets and liabilities (refer also to Note 3.1 - Business combinations and purchase price allocations and to Note 3.2 – Goodwill and impairment testing):

31 December 2012

In thousands of EUR	Photovoltaic power plants[1]	TERCES Group[2]	Other	**Total**
Cash and cash equivalents	–	360	15	**375**
Disposal group held for sale	55,636	–	–	**55,636**
Trade receivables and other assets	–	1,131	1	**1,132**
Investment property	–	26,538	–	**26,538**
Property, plant and equipment	–	7,412	–	**7,412**
Liabilities associated with assets held for sales	(46,225)	–	–	**(46,225)**
Deposits and loans from banks	–	(23,317)	–	**(23,317)**
Deposits and loans from customers	–	(17,001)	–	**(17,001)**
Trade payables, other liabilities and provisions	–	(1,385)	–	**(1,385)**
Deferred tax liability	–	(4,715)	–	**(4,715)**
Net identifiable assets and liabilities	9,411	(10,977)	16	**(1,550)**
Goodwill on acquisition of new subsidiaries	–	10,977	4	**10,981**
Negative goodwill on acquisition of new subisidiaries presented as discontinued operations	(1,795)	–	–	**(1,795)**
Cost of acquisition	7,616	–	20	**7,636**
Consideration paid, satisfied in cash	(7,616)	–	(20)	**(7,636)**
Cash acquired	–	360	15	**375**
Net cash inflow (outflow)	**(7,616)**	**360**	**(5)**	**(7,261)**
Profit (loss) since acquisition date	1,996	(333)	(260)	**1,403**
Profit (loss) of the acquired entity for all of 2012	1,994	7,999	(254)	**9,739**
Revenues of the acquired entity for all of 2012	7,708	12,515	60	**20,283**
Negative goodwill on acquisition of new subsidiary				**1,795**
Foreign exchange differences				**(15)**
Negative goodwill at 31 December 2012				**1,780**

[1] J&T FVE uzavřený podílový fond, FVE Slušovice s.r.o., FVE Němčice s.r.o. and FVE Napajedla s.r.o.
[2] TERCES MANAGEMENT LIMITED and its subsidiary Interznanie OAO

Effect of acquisition in 2011

In thousands of EUR	ABS PROPERTY LIMITED
Cash and cash equivalents	30
Trade receivables and other assets	1,725
Property, plant and equipment	7,877
Deposits and loans from clients	(6,411)
Trade payables and other liabilities	(9,933)
Net identifiable assets and liabilities	(6,712)
Goodwill on acquisition of new subsidiaries	6,713
Cost of acquisition	1
Consideration paid, satisfied in cash	(1)
Cash acquired	30
Net cash inflow	**29**
Loss since acquisition date	(793)
Loss of the acquired entity for all of 2011	(2,359)
Revenues of the acquired entity for all of 2011	1,128

In May 2011, the Group acquired 100% of the shares in ABS PROPERTY LIMITED, with its seat in Ireland. The principal activity of the company is that of leasing an aircraft (under finance lease agreement) and providing transportation services.

5.2. Disposals

(a) Disposals of subsidiaries

31 December 2012

In thousands of EUR	Date of disposal	Sales price	Cash inflow
SUBSIDIARIES			
J&T Bank Switzerland Ltd.	9.10.2012	8,566	–
J&T International Anstalt	21.12.2012	20	–
Total	**–**	**8,586**	**–**

31 December 2011

In thousands of EUR	Date of disposal	Sales price	Cash inflow
SUBSIDIARIES			
INTEGRIS BANK AND TRUST	7.2.2011	–	–
Bea Development, a.s.	27.12.2011	8,692	–
Geodezie Brno, a.s.	1.7.2011	3,554	3,554
	–	12,246	3,554
SPECIAL PURPOSE ENTITIES			
EGNARO INVESTMENTS LIMITED	1.7.2011	–	–
	–	–	–
Total	**–**	**12,246**	**3,554**

(b) Effect of disposals

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

31 December 2012

In thousands of EUR	J&T International Anstalt	J&T Bank Switzerland Ltd.	Total effect
Cash and cash equivalents	14	30,059	30,073
Financial assets at fair value through profit or loss	–	129	129
Financial instruments held to maturity	–	3,953	3,953
Loans and advances to banks	6,011	4,422	10,433
Trade receivables and other assets	3,468	732	4,200
Property, plant and equipment	–	17	17
Financial liabilities at fair value through profit or loss	–	(12)	(12)
Deposits and loans from banks	(7,602)	–	(7,602)
Deposits and loans from customers	–	(23,413)	(23,413)
Trade payables and other liabilities	(1,871)	(630)	(2,501)
Provisions	–	(6,691)	(6,691)
Net assets and liabilities	**20**	**8,566**	**8,586**
Sales price	20	8,566	8,586
Cumulative exchange loss in respect of net assets of the subsidiary reclassified from equity to profit or loss	–	(801)	(801)
Loss on disposal	**–**	**(801)**	**(801)**
Consideration received, satisfied in cash	–	–	–
Cash disposed of	(14)	(30,059)	(30,073)
Net cash outflow	**(14)**	**(30,059)**	**(30,073)**
Cash received from disposals in prior years	–	–	8,692
Total cash outflow	**–**	**–**	**(21,381)**

The Group, as sole shareholder of J&T Bank Switzerland Ltd, decided to terminate its business activities in Switzerland. By a resolution of the Extraordinary General Meeting held on 19 July 2012, the bank entered the process of liquidation. On 9 October 2012 the Swiss Financial Market Supervisory Authority (FINMA), based on a claimed breach of the bank to meet the applicable capital adequacy requirements, decided to force the bank into bankruptcy proceedings. The Group appealed against the bankruptcy declaration and took legal action to obtain compensation for the lossed incurred in relation with the measures taken by FINMA. However as of the banktruptcy declaration, the Group lost control over the bank and therefore derecognised its assets and liabilities.

The amount of EUR 8,566 thousand represents the expected proceeds from the liquidation and was calculated as the bank's net assets at the date of loss of control (see also Note 23 - Trade receivables and other assets).

Effect of acquisition in 2011

In thousands of EUR	Bea Development, a.s.	Geodezie Brno, a.s.	EGNARO INVESTMENTS LIMITED	Total effect
Cash and cash equivalents	766	23	107	896
Loans and advances to customers	–	3,613	2,927	6,540
Trade receivables and other assets	79	5	1	85
Property, plant and equipment	10,060	1	–	10,061
Deposits and loans from banks	(6,562)	–	–	(6,562)
Trade payables and other liabilities	(592)	(23)	(1,586)	(2,201)
Deferred tax liability	(204)	–	–	(204)
Non-controlling interests	–	(120)	(72)	(192)
Net assets and liabilities	**3,547**	**3,499**	**1,377**	**8,423**
Sales price	8,692	3,554	–	12,246
Gain/(loss) on disposal	**5,145**	**55**	**(1,377)**	**3,823**
Consideration received, satisfied in cash	–	3,554	–	3,554
Cash disposed of	(766)	(23)	(107)	(896)
Net cash inflows/(outflows)	**(766)**	**3,531**	**(107)**	**2,658**
Cash received from disposals in prior years	–	–	–	18,625
Total cash inflows	**–**	**–**	**–**	**21,283**

6. NET INTEREST INCOME

In thousands of EUR	2012	2011
INTEREST INCOME		
Loans and advances to banks and customers	206,726	197,770
Repo transactions	10,175	9,979
Bonds and other fixed income securities	36,344	18,515
Bills of exchange	10,540	8,791
Receivables from central banks	788	1,567
Other	580	195
Total interest income	**265,153**	**236,817**
INTEREST EXPENSE		
Deposits and loans from banks and customers	(131,252)	(85,252)
Repo transactions	(2,866)	(4,233)
Bonds and other securities with fixed interest rate	(17,963)	(4,535)
Bills of exchange	(49,074)	(43,005)
Other	(3,952)	(645)
Total interest expense	**(205,107)**	**(137,670)**
Net interest income	**60,046**	**99,147**

The interest income from impaired loans accrued in 2012 was EUR 10,665 thousand (2011: EUR 21,670 thousand). The receivable from the interest income from impaired loans has also been impaired.

Interest income from financial assets that are not at fair value through profit or loss in 2012 was EUR 251,940 thousand (2011: EUR 220,568 thousand).

7. NET FEE AND COMMISSION INCOME

In thousands of EUR	2012	2011
FEE AND COMMISSION INCOME		
Fees on financial instrument operations	8,113	9,492
Fees on bond issue	5,937	2,140
Fees on assets under management	4,862	5,167
Fees on promises and guarantees	4,067	3,733
Fees on custody, administration and depositing of valuables	1,836	1,985
Intermediation fees	1,503	306
Other fees and commission income	3,336	5,148
Total fee and commission income	**29,654**	**27,971**
FEE AND COMMISSION EXPENSE		
Fees on financial instrument operations	(5,246)	(6,041)
Other fees and commission expenses	(4,259)	(2,214)
Total fee and commission expense	**(9,505)**	**(8,255)**
Total net fee and commission income	**20,149**	**19,716**

8. NET DEALING PROFIT (LOSS)

In thousands of EUR	2012	2011
Realised and unrealised gains (losses) on financial instruments at fair value through profit or loss, net	80,091	(38,305)
Realised and unrealised gains (losses) from receivables held for trading	1,399	(37)
Dividend income	4,432	5,565
Total	**85,922**	**(32,777)**

The majority of profits on financial instruments in 2012 arises from the Group's investment in Erste Bank der oesterreichischen Sparkassen AG amounting to EUR 9,537 thousand (in 2011: loss of EUR 15,002 thousand), in Czech government bonds for EUR 5,572 thousand (2011: EUR 0 thousand), in Unipetrol, a.s., for EUR 2,838 thousand (2011: loss of EUR 18,585 thousand), in NOMOS-BANK in amount of EUR 2,821 thousand (2011: loss of EUR 3,039 thousand) and from trading in currency derivatives of EUR 31,138 thousand (2011: loss of EUR 5,508 thousand). There were also gains from financial instruments in Best Hotel Properties, a.s. for EUR 3,325 thousand (2011: EUR 2,072 thousand) and in Tatry mountain resorts, a.s. for EUR 1,144 thousand (2011: EUR 1,941 thousand).

Profits on financial instruments also include a gain of EUR 13,126 thousand from the share of the Group as limited partner in the profit realized by the partnerships J&T Partners LP I and J&T Partners LP II (see also Note 15 and Note 21) from the sale of EP Industries, a.s., the company into which the industrial segment of Energetický a průmyslový holding, a.s. was demerged.

The dividend income of the Group mainly consists of dividend income from Best Hotel Properties, a.s. in amount of EUR 1,431 thousand (2011: EUR 1,567 thousand), from Tatry mountain resorts, a.s. in amount of EUR 1,134 thousand (2011: EUR 958 thousand), and from ČEZ, a.s. in amount of EUR 533 thousand (2011: EUR 852 thousand).

9. OTHER OPERATING INCOME

In thousands of EUR	2012	2011
Revenues from services and consulting	6,587	5,072
Income from rendered aircraft operating leases	4,087	522
Rental income from investment property	1,455	–
Other rental income	441	819
Gain on disposal of property, plant and equipment and intangible assets, net	160	231
Exchange rate gains	–	19,119
Gain on disposal of subsidiaries, special purpose entities, joint ventures and associates (Note 5)	–	3,823
Other income	3,430	17,240
Total	**16,160**	**46,826**

An analysis of Other operating income by segment is provided in Note 4 – Operating segments.

10. PERSONNEL EXPENSES

In thousands of EUR	2012	2011
Wages and salaries	32,783	23,930
Compulsory social security contributions	7,600	5,318
Other social expenses	1,031	1,058
Total	**41,414**	**30,306**

The weighted average number of employees during 2012 was 788 (2011: 721), out of which executives represent 100 (2011: 100).

11. OTHER OPERATING EXPENSES

In thousands of EUR	2012	2011
Exchange rate losses	15,319	–
Rent expenses	7,120	5,142
Consulting expenses	5,588	5,054
Advertising expenses	4,654	6,499
Transport and accommodation, travel expenses	4,429	1,242
Mandatory fees by financial institutions	3,616	2,966
Tax on financial transactions	2,580	–
Repairs and maintenance expenses	1,846	1,884
Communication expenses	1,496	1,119
Materials	1,484	2,590
Sponsoring and gifts	1,387	1,841
Handling and operation of aircraft	1,294	749
Contractual penalties	905	46
Loss on the disposal of subsidiaries, special purpose entities, joint ventures and associates (see Note 5)	801	–
Property and other taxes	758	380
Outsourcing	619	967
Change in impairment of receivables and inventories	402	30
Energy	129	77
Training, courses and conferences	117	104
News production expenses	–	478
Other operating expenses	12,947	6,694
Total	**67,491**	**37,862**

Other operating expenses include provisions recorded by J&T Bank Switzerland Ltd in amount EUR 6,632 thousand and related to its expected liquidation costs.

An analysis of Other operating expenses by segment is provided in Note 4 – Operating segments.

12. INCOME TAX

In thousands of EUR	2012	2011
CURRENT TAX EXPENSE		
Current year	(14,284)	(4,614)
Adjustments for prior periods	(81)	2,158
Withheld on interest	(127)	(95)
Total	**(14,492)**	**(2,551)**
DEFERRED TAX INCOME (EXPENSE)		
Origination and reversal of temporary differences	241	(789)
Change in tax rate	77	–
Total	**318**	**(789)**
Total income tax expense from continuing operations	**(14,174)**	**(3,340)**

The corporate income tax rate in Slovakia and Czech Republic for 2012 and 2011 is 19%. As from 1 January 2013 the tax rate in Slovakia is 23%.

(i) Reconciliation of the effective tax rate

In thousands of EUR	2012 %	2012	2011 %	2011
Profit before tax		**57,928**		**43,427**
Income tax at 19% (2011: 19%)	(19.0)	(11,006)	(19.0)	(8,251)
Effect of tax rates in foreign jurisdictions	3.4	1,963	(5.6)	(2,419)
Non-deductible expenses	(33.5)	(19,423)	(43.7)	(18,981)
Non-taxable income	40.4	23,402	51.6	22,392
Tax withheld on interest	(0.2)	(127)	(0.2)	(95)
Recognition of previously unrecognised tax losses	0.9	501	5.0	2,150
Current year losses for which no deferred tax asset was recognised	(10.0)	(5,782)	(2.4)	(1,039)
Change in temporary differences for which no deferred tax asset was recorded	(6.4)	(3,684)	1.7	745
Under (over) provided in prior years tax charges	(0.0)	(18)	5.0	2,158
Total	**(24.5)**	**(14,174)**	**(7.7)**	**(3,340)**

(ii) Income tax recognized in other comprehensive income

	2012			2011		
In thousands of EUR	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Foreign exchange translation differences	11,862	–	11,862	(14,819)	–	(14,819)
Change in fair value of financial assets available for sale	33,796	(6,405)	27,391	25,574	2,409	27,983
Total	**45,658**	**(6,405)**	**39,253**	**10,755**	**2,409**	**13,164**

(iii) Movements in deferred tax balances during the year

31 December 2012

In thousands of EUR	Balance at 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive incom	Acquired in the business combinations (see Note 5)	Foreign exchange translation differences	Balance at 31 December 2012
Property, plant and equipment	(125)	(94)	–	–	(1)	(220)
Intangible assets	(1,177)	557	–	–	(25)	(645)
Investment properties	–	(72)	–	(4,715)	12	(4,775)
Impairment of trade receivables and other assets	5	–	–	–	–	5
Securities available for sale	2,612	–	(6,405)	–	66	(3,727)
Unpaid interest, net	(109)	(811)	–	–	(4)	(924)
Financial assets at fair value through profit or loss	(842)	36	–	–	(18)	(824)
Loans and borrowings	(42)	290	–	–	(2)	246
Embedded derivatives	42	(47)	–	–	2	(3)
Tax losses	392	40	–	–	14	446
Other temporary differences	(115)	419	–	–	(3)	301
Total	**641**	**318**	**(6,405)**	**(4,715)**	**41**	**(10,120)**

31 December 2011

In thousands of EUR	Balance at 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive incom	Acquired in the business combinations (see Note 5)	Foreign exchange translation differences	Balance at 31 December 2011
Property, plant and equipment	(291)	(46)	–	204	8	(125)
Intangible assets	(1,373)	178	–	–	18	(1,177)
Impairment of trade receivables and other assets	5	–	–	–	–	5
Securities available for sale	324	–	2,409	–	(121)	2,612
Unpaid interest, net	(23)	(91)	–	–	5	(109)
Financial assets at fair value through profit or loss	6	(892)	–	–	44	(842)
Loans and borrowings	(106)	60	–	–	4	(42)
Embedded derivatives	6	37	–	–	(1)	42
Tax losses	361	40	–	–	(9)	392
Other temporary differences	(45)	(75)	–	–	5	(115)
Total	**(1,136)**	**(789)**	**2,409**	**204**	**(47)**	**641**

See also Note 33 - Deferred tax assets and liabilities.

13. CASH AND CASH EQUIVALENTS

In thousands of EUR	2012	2011
CASH AND CASH EQUIVALENTS AT AMORTISED COST		
Cash on hand	5,394	4,449
Current accounts with banks	101,844	165,272
Current accounts with central banks	6,932	4,722
Loans and advances to central banks	195,460	45,025
Loans and advances to other banks	108,368	186,441
Total cash and cash equivalents	**417,998**	**405,909**

Term deposits with original maturity up to three months are classified as cash equivalents.

The weighted average interest rate on loans and advances to banks was 0.94% as at 31 December 2012 (2011: 1.61%).

14. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

14.1. Financial assets at fair value through profit or loss

In thousands of EUR	2012	2011
NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Bonds	164,948	271,557
Shares	173,460	150,644
Other financial assets	3,214	8,129
Total trading portfolio	**341,622**	**430,330**
Bonds	37,147	34,260
Shares	130,666	132,051
Other financial assets	331	311
Total investing portfolio	**168,144**	**166,622**
Total	**509,766**	**596,952**
DERIVATIVES		
Forward currency contracts	4,234	1,378
Option contracts for commodity purchase	219	127
Interest rate swaps (IRS)	270	23
	4,723	**1,528**
Total	**514,489**	**598,480**

The trading portfolio as at 31 December 2012 mainly includes shares of Unipetrol, a.s. for EUR 124,014 thousand (2011: EUR 119,030 thousand). The majority of the financial assets at fair value through profit or loss presented in the investing portfolio comprise shares of Best Hotel Properties, a.s. for EUR 75,985 thousand (2011: EUR 75,440 thousand) and shares of Tatry mountain resorts, a.s. for EUR 52,432 thousand (2011: EUR 50,576 thousand).

Shares of Unipetrol, a.s. in amount of EUR 28,854 thousand (2011: EUR 39,785 thousand) have been pledged as security for bank loans as at 31 December 2012.

Income from debt and other fixed-rate instruments is recognised in interest income. At 31 December 2012 the weighted average interest rate on bonds was 7.34% (2011: 7.59%).

(i) Fair value measurement of financial assets at fair value through profit or loss

In thousands of EUR	2012	2011
FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Level 1 – quoted market prices	370,254	587,647
Level 2 – derived from quoted prices	3,032	9,305
Level 3 – calculated using valuation techniques	136,480	–
Total	**509,766**	**596,952**
FAIR VALUE OF DERIVATIVES		
Level 1 – quoted market prices	291	162
Level 2 – derived from quoted prices	4,432	1,366
Total	**4,723**	**1,528**
Total financial assets at fair value through profit or loss	**514,489**	**598,480**

(ii) Detail of fair value measurement in Level 3

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

In thousands of EUR	Equity instruments	Bonds	Total
Balance at January 2012	–	–	–
Total gains and losses recognised in profit or loss	2,311	(126)	2,185
Transfer from level 1	124,484	–	124,484
Additions	–	7,950	7,950
Interest income less interest received	–	152	152
Effect of movements in foreign exchange	1,622	87	1,709
Balance at 31 December 2012	**128,417**	**8,063**	**136,480**

14.2. Financial liabilities at fair value through profit or loss

In thousands of EUR	2012	2011
NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Other financial liabilities at fair value	179	36
Total	**179**	**36**
DERIVATIVES		
Forward currency contracts	718	11,274
Cross currency swaps	2,077	210
Option contracts for share purchases	1,478	1,588
Derivatives for commodity purchase	26	31
Interest rate derivatives	–	55
	4,299	**13,158**
Total	**4,478**	**13,194**

(i) Fair value measurement of financial liabilities at fair value through profit or loss

In thousands of EUR	2012	2011
FAIR VALUE OF NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Level 1 – quoted market prices	179	36
Total	**179**	**36**
FAIR VALUE OF DERIVATIVES		
Level 1 – quoted market prices	6	11,899
Level 2 – derived from quoted prices	4,293	1,259
Total	**4,299**	**13,158**
Total financial liabilities at fair value through profit or loss	**4,478**	**13,194**

15. SECURITIES AVAILABLE FOR SALE

In thousands of EUR	2012	2011
SECURITIES AVAILABLE FOR SALE AT FAIR VALUE		
Equity instruments	209,201	187,735
Allotment certificates (mutual funds)	51,614	43,816
Bonds	771,372	401,513
Bills of exchange	–	35,039
Total	**1,032,187**	**668,103**

At 31 December 2012 EUR 40,860 thousand (2011: EUR 31,687 thousand) of securities available for sale are expected to be recovered more than 12 months after the reporting date.

(i) Fair value measurement of available-for-sale financial assets

In thousands of EUR	2012	2011
Level 1 – quoted market prices	769,698	416,613
Level 2 – derived from quoted prices	6	43,842
Level 3 – calculated using valuation techniques	262,483	207,648
Total securities available for sale at fair value	**1,032,187**	**668,103**

Securities available-for-sale comprise primarily bonds and shares as at 31 December 2012.

Bonds as at 31 December 2012 mainly comprise Czech government bonds in amount of EUR 401,496 thousand (2011: EUR 372,614 thousand). The weighted average interest rate of bonds was 3.29% (2011: 2.77%). The maturity of the bonds is between 2014 and 2023. Bonds with maturity in 2023 are in amount of EUR 197,133 thousand (2011: EUR 179,077 thousand).

Equity instruments at fair value as at 31 December 2012 comprise primarily shares of J&T Partners LP I and J&T Partners LP II of EUR 37,796 thousand (2011: EUR 36,864 thousand), shares of GIM Limited of EUR 100,000 thousand (2011: EUR 100,000 thousand), Poštová banka, a.s. of EUR 31,617 thousand (2011: EUR 19,194 thousand) and ČEZ, a.s. of EUR 8,922 thousand (2011: EUR 10,059 thousand).

Equity instruments also include investment of the Group in TV JOJ L.P. in amount of EUR 1,400 thousand. The limited partnership was established in December 2012 and holds a non-quoted equity participation as limited partner in JOJ Media House, a.s.

(ii) Detail of fair value measurement in Level 3

The following tables show a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

In thousands of EUR	Equity instruments	Bonds	Bills of exchange	Total
Balance at 1 January 2012	167,699	4,909	35,040	207,648
Total gains and losses recognised in other comprehensive income	2,289	(902)	–	1,387
Additions	27,263	77,460	–	104,723
Disposals	(11,634)	(4,882)	(35,040)	(51,556)
Interest income less paid interests	–	1,054	–	1,054
Effect of movements in foreign exchange	(892)	119	–	(773)
Balance at 31 December 2012	**184,725**	**77,758**	**–**	**262,483**

In thousands of EUR	Equity instruments	Bonds	Bills of exchange	Total
Balance at 1 January 2011	11,976	4,909	19,181	36,066
Total gains and losses recognised in other comprehensive income	38,251	–	–	38,251
Transfer from category at cost	399	–	–	399
Additions	120,130	–	35,220	155,350
Disposals	–	–	(18,537)	(18,537)
Interest income less interest received	–	–	514	514
Effect of movements in foreign exchange	(3,057)	–	(1,338)	(4,395)
Balance at 31 December 2011	**167,699**	**4,909**	**35,040**	**207,648**

During 2011, available-for-sale equity instruments with a carrying amount of EUR 399 thousand were transferred from the category at cost to the category at fair value on Level 3. These equity instruments comprise investments of the Group in the holding entities, J&T Partners LP I (Cyprus) and J&T Partners LP II (Cyprus), which hold non-quoted, equity participations as limited partners in Energetický a průmyslový holding, a.s. (Czech Republic).

The fair value of these investments was reliably determined for the first time as at 31 December 2011, resulting in a fair value of the available-for-sale equity instruments of EUR 36,864 thousand.

16. FINANCIAL INSTRUMENTS HELD TO MATURITY

In thousands of EUR	2012	2011
Bonds at amortised cost	84,495	123,950
Total	**84,495**	**123,950**

Financial instruments held to maturity as at 31 December 2012 comprise bonds listed on stock exchanges: MOL Hungarian Oil and Gas in amount of EUR 31,237 thousand (2011: EUR 30,786 thousand), Home Credit & Finance Bank LLC in amount of EUR 20,949 thousand (2011: EUR 21,451 thousand), Gaz Capital S.A. of EUR 16,100 thousand (2011: EUR 26,806 thousand) and NOMOS-BANK of EUR 16,209 thousand (2011: EUR 24,023 thousand).

17. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the year 2012, the Group acquired three subsidiaries that own photovoltaic power plants, exclusively with a view to sale (for more information about acquisitions refer to Notes 3 and 5).

In thousands of EUR	Photovoltaic power plants	Other assets	Total
Disposal group held for sale	57,954	5,487	63,441
Liabilities associated with assets held for sale	27,744	–	27,744
Net amount of disposal group held for sale	**30,210**	**5,487**	**35,697**
Profit from discontinued operations	**3,776**	**–**	**3,776**

18. LOANS AND ADVANCES TO BANKS

In thousands of EUR	2012	2011
Obligatory minimum reserves deposited in central banks	69,691	36,232
Other loans and advances to banks	83,528	8,017
Term deposits	1,593	181,926
Total	**154,812**	**226,175**

At 31 December 2012 EUR 57,641 thousand (2011: EUR 100,237 thousand) of loans to banks are expected to be recovered more than 12 months after the reporting date.

The weighted average interest rate of loans to banks as at 31 December 2012 was 0.97% (2011: 6.3%).

Balances with central banks represent the obligatory minimum reserves maintained by J&T BANKA, a.s. and J&T Bank ZAO under regulations of the relevant regulatory authorities. The obligatory minimum reserve for J&T BANKA, a.s. is calculated as 2% of primary deposits with a maturity of less than two years. These obligatory minimum reserves are interest earning. The obligatory minimum reserve for J&T Bank ZAO is calculated as 5.5% of nonresidents' deposits (including banks) and 4.0% of residents' deposits (excluding banks) minus average balances of deposits and accrued interest multiplied by 0.6. In the case of J&T Bank ZAO, the obligatory minimum reserve is not bearing any interest.

19. LOANS AND ADVANCES TO CUSTOMERS

In thousands of EUR	2012	2011
Loans and advances to customers	2,562,409	2,427,997
Less allowance for impairment of loans	(38,252)	(64,593)
Net loans and advances to customers	**2,524,157**	**2,363,404**

At 31 December 2012 EUR 1,148,337 thousand (2011: EUR 1,290,325 thousand) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

Loans and advances to customers include 360 significant loans and advances, which represent 99.93% of total loans and advances to customers (2011: 304 representing 99.95%).

Loans and advances to customers include a loan of EUR 105,930 thousand including accrued interest, granted to Energetický a průmyslový holding, a.s. (2011: nil). In 2012 the Group had loans to four other customers with an aggregated balance of EUR 337,357 thousand (2011: EUR 366,312 thousand).

In 2012 the Group entered into financing arrangement with Energetický a průmyslový holding, a.s. (EPH), based on which a loan of EUR 100 million, repayable by 31 March 2016 at the latest, was granted. The loan principal may be converted by issuance of new shares into EPH equity (combination of Share capital and Share premium) at the discretion of either EPH (as a debtor) or the lender. The conversion option varies depending on particular loan and whether the convertor is the lender or borrower. The utmost conversion date is 31 March 2016.

This financing arrangement contains embedded options to swap the outstanding amount of loan principal into EPH shares, under pre-defined conditions. Management believes that the fair value of the option cannot be reasonably measured due to the fact that it is impossible to reliably determine the time value of the embedded option, which is expected to represent a significant portion of the overall option's fair value. As a consequence, the embedded derivative is measured at cost, which is zero.

Provisions for loans and advances to customers are determined and recorded based on the financial position and expected cash flows of the debtor, taking into account the value of collateral as well as guarantees from third parties. Most loans provided to customers relate to financing of projects and, as such, the repayment is dependent on realisation of the assets acquired by the customers financed by these loans as part of the projects. The assets are, in many cases, pledged in favour of the Group. Management believes that these receivables will be repaid in full.

The amount of non-interest bearing loans as at 31 December 2012 totaled EUR 3,238 thousand (2011: EUR 9,247 thousand). These loans are mostly from the former Podnikateľská banka, the clients of which are now in bankruptcy proceedings. Receivables from these loans are fully provided for.

The weighted average interest rate of loans to customers as at 31 December 2012 was 7.83% (2011: 7.83%).

20. IMPAIRMENT OF LOANS

In thousands of EUR	2012	2011
Balance at 1 January	64,593	72,799
Creation	28,586	23,879
Release	(20,625)	(33,761)
Use	(35,515)	(472)
Differences due to foreign currency translation	1,246	2,148
Changes due to outgoing entities	(33)	–
Balance at 31 December	**38,252**	**64,593**

21. LOANS TO "LIMITED PARTNERSHIPS"

Loans to "Limited Partnerships" includes two loans of EUR 211,239 thousand and EUR 165,204 thousand, including accrued interest, granted to J&T Partners LP I and J&T Partners LP II (2011: EUR 88,592 thousand and EUR 84,106 thousand), which hold participations in Energetický a průmyslový holding, a.s. (Czech Republic).

At 31 December 2012, EUR 376,443 thousand (2011: EUR 172,698 thousand) of loans are expected to be recovered more than 12 months after the reporting date.

22. REPURCHASE AND RESALE AGREEMENTS

22.1. Repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price, plus interest at a predetermined rate. At 31 December 2011 and 2010, total assets sold under repurchase agreement were as follows:

31 December 2012

In thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
LOANS AND ADVANCES FROM CUSTOMERS			
– maturity up to 1 month	14,151	11,516	11,519
– maturity 1-6 months	8,291	6,600	6,704
– maturity 6-12 months	8,303	5,651	5,899
LOANS AND ADVANCES FROM BANKS			
– maturity up to 1 month	29,339	20,961	20,972
Total	**60,084**	**44,728**	**45,094**

31 December 2011

In thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
LOANS AND ADVANCES FROM CUSTOMERS			
– maturity up to 1 month	10,001	7,183	7,190
– maturity 1-6 months	10,767	8,377	8,515
– maturity 6-12 months	7,687	5,164	5,838
LOANS AND ADVANCES FROM BANKS			
– maturity up to 1 month	226,395	205,312	205,463
– maturity 1-6 months	5,457	4,318	4,371
Total	**260,307**	**230,354**	**231,377**

22.2. Reverse repurchase agreements

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). Reverse repurchases are entered into as a facility to provide funds to customers. At 31 December 2012 and 2011, total assets purchased subject to agreements to resell them were as follows:

31 December 2012

In thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
LOANS AND ADVANCES TO CUSTOMERS			
– maturity up to 1 month	271,067	199,573	200,021
– maturity 1-6 months	2,170	1,744	1,761
LOANS AND ADVANCES TO BANKS AND CASH AND CASH EQUIVALENTS			
– maturity up to 1 month	61	60	60
– maturity 1-6 months	81,275	75,061	75,124
Total	**354,573**	**276,438**	**276,966**

31 December 2011

In thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
LOANS AND ADVANCES TO CUSTOMERS			
– maturity up to 1 month	221,808	158,304	158,585
– maturity 1-6 months	28,802	24,146	24,209
LOANS AND ADVANCES TO BANKS AND CASH AND CASH EQUIVALENTS			
– maturity up to 1 month	30,384	31,025	31,032
Total	**280,994**	**213,475**	**213,826**

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

23. TRADE RECEIVABLES AND OTHER ASSETS

In thousands of EUR	2012	2011
Purchased receivables	17,153	29,102
– brutto	17,153	29,647
– allowance	–	(545)
Receivables from sale of subsidiaries	20	12,132
Expected proceeds from liquidation	8,566	–
Securities settlement balances	13,920	9,546
Trade receivables	24,000	8,931
– brutto	24,370	9,290
– allowance	(370)	(359)
Other tax receivables	646	607
Other receivables	31,290	21,482
Total receivables presented under risk management (see Note 39)	**95,595**	**81,800**
Advance payments	429,999	347,210
Prepayments	4,694	2,490
Inventories	96	63
Total non-financial receivables and other assets	**434,789**	**349,763**
Total	**530,384**	**431,563**

At 31 December 2012, EUR 5,438 thousand (2011: EUR 16,006 thousand) of trade receivables and other assets are expected to be recovered more than 12 months after the reporting date.

Advance payments include EUR 422,236 thousand (2011: EUR 338,600 thousand) relating to the Group's planned acquisition of Poštová banka, a.s. in 2012 (refer to Note 43 – Subsequent events).

24. INVESTMENT PROPERTY

In thousands of EUR	2012
Balance at 1 January	–
Acquisition through business combination	26,538
Change in fair value	–
Effect of movement in foreign exchange	(62)
Balance at 31 December	**26,476**

The Group acquired investment property in 2012 through the acquisition of Interznanie OAO (refer to Note 3.1 - Business combinations and purchase price allocations and Note 5.1 – Acquisition of subsidiaries).

Investment property is insured in full as at 31 December 2012.

25. INTANGIBLE ASSETS

In thousands of EUR	Goodwill	Customer relationships	Software	Other intangible assets	Total
COST					
Balance at 1 January 2011	13,788	45,028	9,471	2,173	70,460
Additions	–	–	2,142	198	2,340
Acquisitions through business combinations	6,713	–	–	–	6,713
Disposals	–	–	(591)	(2,009)	(2,600)
Effect of movements in foreign exchange	333	1,144	(291)	3	1,189
Balance at 31 December 2011	**20,834**	**46,172**	**10,731**	**365**	**78,102**
Balance at 1 January 2012	20,834	46,172	10,731	365	78,102
Additions	–	–	1,535	313	1,848
Acquisitions through business combinations	10,981	–	–	–	10,981
Disposals	(1,006)	(3,506)	(165)	(333)	(5,010)
Effect of movements in foreign exchange	204	(587)	233	4	(146)
Balance at 31 December 2012	**31,013**	**42,079**	**12,334**	**349**	**85,775**
AMORTIZATION AND IMPAIRMENT LOSSES					
Balance at 1 January 2011	(5,693)	(17,891)	(6,681)	(1,406)	(31,671)
Amortization charge for the year	–	(876)	(1,743)	(2)	(2,621)
Impairment	(6,834)	(20,834)	–	31	(27,637)
Disposals	–	–	598	1,310	1,908
Effect of movements in foreign exchange	(440)	(2,087)	190	14	(2,323)
Balance at 31 December 2011	**(12,967)**	**(41,688)**	**(7,636)**	**(53)**	**(62,344)**
Balance at 1 January 2012	(12,967)	(41,688)	(7,636)	(53)	(62,344)
Amortization charge for the year	–	(833)	(1,666)	(2)	(2,501)
Impairment	–	(697)	–	(291)	(988)
Disposals	1,006	3,506	154	289	4,955
Effect of movements in foreign exchange	(29)	689	(155)	–	505
Balance at 31 December 2012	**(11,990)**	**(39,023)**	**(9,303)**	**(57)**	**(60,373)**
CARRYING AMOUNT					
At 1 January 2011	8,095	27,137	2,790	767	38,789
At 31 December 2011	**7,867**	**4,484**	**3,095**	**312**	**15,758**
At 1 January 2012	7,867	4,484	3,095	312	15,758
At 31 December 2012	**19,023**	**3,056**	**3,031**	**292**	**25,402**

Assets under development and borrowing costs

As at 31 December 2012 the cost of intangible assets under development (included in Other intangible assets) was EUR 285 thousand (2011: EUR 16 thousand).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2011: nil).

26. PROPERTY, PLANT AND EQUIPMENT

In thousands of EUR	Land and buildings	Aircraft and related flight equipment	Fixtures, fittings and equipment	Total
COST				
Balance at 1 January 2011	13,500	–	14,936	28,436
Additions	6,159	–	3,789	9,948
Acquisitions through business combinations	–	7,877	–	7,877
Disposals	(12,464)	–	(8,287)	(20,751)
Effect of movements in foreign exchange	(398)	750	(10)	342
Balance at 31 December 2011	**6,797**	**8,627**	**10,428**	**25,852**
Balance at 1 January 2012	6,797	8,627	10,428	25,852
Additions	566	934	2,143	3,643
Acquisitions through business combinations	6,635	–	777	7,412
Disposals	–	–	(1,696)	(1,696)
Disposals of subsidiaries	–	–	(877)	(877)
Transfers	179	–	(179)	–
Effect of movements in foreign exchange	(12)	(191)	121	(82)
Balance at 31 December 2012	**14,165**	**9,370**	**10,717**	**34,252**
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 January 2011	(2,377)	–	(11,549)	(13,926)
Depreciation charge for the year	(407)	(259)	(1,775)	(2,441)
Impairment	–	–	1,500	1,500
Disposals	2,497	–	6,113	8,610
Effect of movements in foreign exchange	87	(19)	(50)	18
Balance at 31 December 2011	**(200)**	**(278)**	**(5,761)**	**(6,239)**
Balance at 1 January 2012	(200)	(278)	(5,761)	(6,239)
Depreciation charge for the year	(303)	(557)	(2,468)	(3,328)
Impairment	–	(666)	–	(666)
Disposals	–	–	1,437	1,437
Disposals of subsidiaries	–	–	860	860
Effect of movements in foreign exchange	(2)	37	(71)	(36)
Balance at 31 December 2012	**(505)**	**(1,464)**	**(6,003)**	**(7,972)**
CARRYING AMOUNT				
At 1 January 2011	11,123	–	3,387	14,510
At 31 December 2011	**6,597**	**8,349**	**4,667**	**19,613**
At 1 January 2012	6,597	8,349	4,667	19,613
At 31 December 2012	**13,660**	**7,906**	**4,714**	**26,280**

Assets under construction and borrowing costs

As at 31 December 2012 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 308 thousand (2011: EUR 312 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2011: nil).

Idle assets

At 31 December 2012 the Group had no material idle assets (2011: nil).

Security

At 31 December 2012 property, plant and equipment with a carrying value of EUR 6,619 thousand is subject to pledges securing bank loans (2011: EUR 8,349 thousand).

Insurance of property, plant and equipment

As at 31 December 2012 the insured amount of the Group's property, plant and equipment totals EUR 48,475 thousand (2011: EUR 43,763 thousand).

Finance lease

The Group leased one aircraft under a finance lease agreement, the net carrying amount of the leased aircraft was EUR 8,349 thousand as at 31 December 2011. In 2012 the finance lease ended and the ownership of the aircraft was passed to the Group.

Finance lease liabilities payable as at 31 December 2011:

In thousands of EUR	Payments	Interest	Principal
Less than one year	9,903	141	9,762
Total	**9,903**	**141**	**9,762**

27. DEPOSITS AND LOANS FROM BANKS

In thousands of EUR	2012	2011
Term deposit from banks	122,506	113,237
Received loans from repurchase agreements	20,961	209,630
Other received loans	347,310	25,327
Total	**490,777**	**348,194**

At 31 December 2012 EUR 311,412 thousand (2011: nil) of deposits and loans from banks are expected to be settled more than 12 months after the reporting date.

The weighted average interest rate of deposits and loans from banks as at 31 December 2012 was 2.32% (2011: 2.43%).

For more information about repurchase agreements see Note 22.

28. DEPOSITS AND LOANS FROM CUSTOMERS

In thousands of EUR	2012	2011
DEPOSIT AND LOANS FROM CUSTOMERS		
Term and escrow deposits	2,224,246	1,867,159
Received loans from repurchase agreements	23,767	20,724
Other received loans	959,969	866,442
	3,207,982	**2,754,325**
ISSUED DEBT SECURITIES AT AMORTISED COST		
Issued bills of exchange	716,449	665,030
Other liabilities from issued debt securities	3,254	3,141
	719,703	**668,171**
Total	**3,927,685**	**3,422,496**

At 31 December 2012 EUR 705,026 thousand (2011: EUR 514,957 thousand) of deposits and loans from customers are expected to be settled more than 12 months after the reporting date.

The weighted average interest rate of deposits and loans from customers as at 31 December 2012 was 4.23% (2011: 3.96%).

For more information about repurchase agreements see Note 22.

29. ISSUED BONDS

In thousands of EUR	Original currency	Interest rate	Maturity date	2012	2011
Bonds listed on Prague Stock Exchange	CZK	6.4%	30.11.2014	159,712	133,286
Bonds listed on Bratislava Stock Exchange	EUR	6.4%	6.2.2015	100,599	–
Total				**260,311**	**133,286**

In November 2011 the Group issued 1,000 pieces of bonds with a nominal value of CZK 3,000 thousand per piece, that are listed and traded on the Prague Stock Exchange. By the end of 2011 an additional 170 pieces and in February 2012 another 330 pieces of CZK denominated bonds were issued.

In February 2012 the Group issued 1,000 pieces of bonds with a nominal value of EUR 100 thousand per piece, which were formally accepted by the Bratislava Stock Exchange in March 2012 and are traded on the regulated market.

The interest from both issues is paid regularly twice a year.

30. SUBORDINATED DEBT

In thousands of EUR	2012	2011
Subordinated debt at amortised cost	89,613	89,172

In 2012 and 2011 subordinated debt includes floating rate subordinated notes issued by J&T BANKA, a.s. (initial amount of EUR 25 million) with maturity in 2022, subordinated term deposits (initial amount of EUR 2 million) with maturity in 2020, floating rate subordinated notes issued by J&T FINANCE GROUP, a.s. (initial amount of EUR 50 million) with maturity in 2022 and fixed interest rate subordinated deposit (initial amount of EUR 12 million) with maturity in 2021.

Floating rate subordinated notes are based on 3 month EURIBOR. The weighted average interest rate on the subordinated debt as at 31 December 2012 was 5.35% (2011: 5.4%).

31. TRADE PAYABLES AND OTHER LIABILITIES

In thousands of EUR	2012	2011
Trade payables	78,933	67,038
Securities settlement balances	8,168	4,510
Payables to clients from securities trading	80,991	50,555
Employee benefits	4,218	1,440
Uninvoiced supplies	7,080	1,455
Liabilities arising from acquisitions of subsidiaries and SPEs	2,286	2,286
Dividends payable (see Note 34)	–	140,000
Other liabilities	21,012	21,932
Total payables presented under risk management (see Note 39)	**202,688**	**289,216**
Advance payments received	1,343	29,327
Deferred income	3,059	1,689
Total non-financial payables and other liabilities	**4,402**	**31,016**
Total	**207,090**	**320,232**

At 31 December 2012 EUR 394 thousand (2011: EUR 1,787 thousand) of trade payables and other liabilities are expected to be paid more than 12 months after the reporting date.

32. PROVISIONS

In thousands of EUR	Total
Balance at 1 January 2011	38,803
Provisions recorded during the period	1,251
Provisions used during the period	(741)
Provisions reversed during the period	(669)
Foreign exchange loss	2
Balance at 31 December 2011	**38,646**
Balance at 1 January 2012	38,646
Additions through business combinations	17
Provisions recorded during the period	9,017
Provisions used during the period	(37,392)
Provisions reversed during the period	(1,093)
Decrease from outgoing entities	(6,691)
Foreign exchange gain	(26)
Balance at 31 December 2012	**2,478**

Provisions include provisions for untaken holiday of EUR 846 thousand (2011: EUR 696 thousand), warranty provision of EUR 417 thousand (2011: EUR 708 thousand) and provision for employee benefit programme of EUR 1,215 thousand (2011: nil). A provision of EUR 37,000 thousand related to the settlement of profit shares from the sale of discontinued operations in previous years was used in 2012.

33. DEFERRED TAX ASSETS AND LIABILITIES

33.1. Unrecognised deferred tax assets

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

In thousands of EUR	2012	2011
Tax losses carried forward	39,277	16,588

An estimation of the expiry of unrecognized tax losses is as follows:

In thousands of EUR	2013	2014	2015	2016	After 2016
Tax losses	1,693	1,688	1,688	1,735	32,473

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

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

33.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

In thousands of EUR	Assets 2012	Liabilities 2012	Assets 2011	Liabilities 2011
Property, plant and equipment	17	237	12	137
Intangible assets	20	665	17	1,194
Impairment of trade receivables and other assets	5	–	5	–
Securities available for sale	906	4,633	2,612	–
Unpaid interest, net	–	924	–	109
Financial assets at fair value through profit or loss	50	874	137	979
Loans and borrowings	766	520	142	184
Embedded derivatives	–	3	42	–
Investment property	–	4,775	–	–
Tax losses	446	–	392	–
Other temporary differences	332	31	22	137
	2,542	12,662	3,381	2,740
Netting*	(1,346)	(1,346)	(1,941)	(1,941)
Total	**1,196**	**11,316**	**1,440**	**799**

* Netting – gross deferred tax assets and liabilities were netted for each individual subsidiary of the Group when applicable.

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

34. SHAREHOLDERS' EQUITY

(i) Share capital and share premium

The authorised, issued and fully paid share capital as at 31 December 2012 and 2011 consisted of 19,000 ordinary shares with a par value of EUR 1.66 thousand each.

The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders. The sole shareholder of the Group is TECHNO PLUS, a.s. Payment of dividends in amount of EUR 140,000 thousand was approved by the sole shareholder on 15 June 2011 and dividends were paid in three tranches in May 2012.

31 December 2012

	Number of shares	Ownership %	Voting rights %
TECHNO PLUS, a.s.	19,000	100	100
Total	**19,000**	**100**	**100**

(ii) Non-distributable reserves

Non-distributable reserves consist of a legal reserve of EUR 12,432 thousand (2011: EUR 10,687 thousand). This amount includes the legal reserve fund of the parent company and post-acquisition increases in subsidiaries' legal reserves. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations.

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

In the Czech Republic creation of a legal reserve fund is required at a minimum of 20% of net profit (annually), however up to a maximum of 10% of the registered share capital in the first year. In the following years at a minimum of 5% of net profit (annually) and up to a minimum of 20% of the registered share capital.

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

(iii) Translation reserve

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

(iv) Other reserves

The other reserves comprise changes in the fair value of financial instruments available-for-sale.

35. NON-CONTROLLING INTERESTS

In thousands of EUR	2012	2011
EQUITY HOLDING a.s.	17,738	16,820
BAYSHORE MERCHANT SERVICES INC.	479	539
STOMARLI HOLDINGS LIMITED	(722)	(518)
Other	(374)	(336)
Total	**17,121**	**16,505**

36. FAIR VALUE INFORMATION

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

In thousands of EUR	Carrying amount 2012	Carrying amount 2011	Fair value 2012	Fair value 2011
FINANCIAL ASSETS				
Cash and cash equivalents	417,998	405,909	418,754	403,458
Financial instruments held to maturity	84,495	123,950	85,831	116,835
Loans and advances to banks	154,812	226,175	154,966	231,546
Loans and advances to customers	2,524,157	2,363,404	2,523,301	2,336,371
Loans to "Limited Partnerships"	376,443	172,698	376,443	172,698
Trade receivables and other financial assets under risk management	97,281	84,604	97,281	84,604
FINANCIAL LIABILITIES				
Deposits and loans from banks	490,777	348,194	501,557	347,915
Deposits and loans from clients	3,927,685	3,422,496	3,923,380	3,500,115
Issued bonds	260,311	133,286	263,826	155,205
Subordinated debt	89,613	89,172	91,986	124,479
Trade payables and other financial liabilities under risk management	210,240	290,276	210,240	290,276

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

Bank and customer deposits: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the statement of financial position date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities.

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

Financial instruments held to maturity: Fair value is calculated based on discounted expected future principal and interest cash flows. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of financial instruments held to maturity reflect changes in credit status since they were acquired and changes in interest rates in the case of fixed rate instruments.

37. FINANCIAL COMMITMENTS AND CONTINGENCIES

In thousands of EUR	2012	2011
Accepted and endorsed bills of exchange	73,268	50,542
Guarantees given	326,237	306,040
Pledged assets	457,637	179,696
Loan commitments	255,005	306,899
Total	**1,112,147**	**843,177**

The carrying value of pledged assets that are used as collateral for loan financing is EUR 457,637 thousand (2011: EUR 179,696 thousand). Guarantees given mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties in amount of EUR 326,237 thousand (2011: EUR 306,040 thousand). These guarantees are disclosed in the table above at the amount of the possible obligation in the future. The maximum amount payable for guarantees given by the Group as at 31 December 2012 is EUR 330,794 thousand (2011: EUR 315,821 thousand). Loan commitments relate to loan facilities granted by the banks of the Group.

On 18 May 2010 the Group announced a minimum guaranteed return on TATRY MOUNTAIN RESORTS, a.s. (TMR) shares listed on the Bratislava Stock Exchange of 6% per annum. The guaranteed return is through repurchasing shares of maximum value of EUR 20 million each year during the following three years. Based on the current development in market prices of the shares together with expected payments of dividends, the Group did not anticipate an outflow of economic resources from this guarantee as at 31 December 2012. The guarantee expired on 3 June 2013.

38. OPERATING LEASES

38.1. Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of EUR	2012	2011
Less than one year	5,558	4,511
Between one and five years	15,110	16,491
More than five years	8,819	14,802
Total	**29,487**	**35,804**

The Group leases a number of cars and administration space under operating leases. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. During the year ended 31 December 2012, EUR 6,003 thousand was recognized as an expense in the income statement in respect of operating leases for continuing operations (2011: EUR 5,142 thousand).

38.2. Leases as lessor

The Group leases out its property under operating leases. Non-cancellable operating lease rentals are receivable as follows:

In thousands of EUR	2012	2011
Less than one year	908	85
Between one and five years	426	234
More than five years	27	161
Total	**1,361**	**480**

During the year ended 31 December 2012, EUR 5,826 thousand was recognized as rental income from continuing operations (2011: EUR 1,341 thousand).

39. RISK MANAGEMENT POLICIES AND DISCLOSURES

The Group has exposure to the following risks:
– credit risk,
– liquidity risk,
– market risk
– operation risks

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

39.1. Credit risk

The Group's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 37 - Financial commitments and contingencies). Most loans and advances are to banks, companies in the financial and real estate sector, and various manufacturing companies.

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

The assessment of credit risk in respect of a counter-party or an issued debt is based on the Group's internal rating system, covering both external credit assessments by the S&P, Moody's or Fitch rating agency, and the Group's internal scoring system.

The scoring system of the Group has seven degrees. It is based on a standardised point evaluation of relevant criteria, which describe the financial position of a contractual party and its ability 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. The internal rating is determined using the credit scale of S&P.

Credit risk in the banking entities of the Group is managed based on credit analysis and the Internal Rating Based (IRB) methodology.

(i) Concentration of credit risk by sector

As at 31 December 2012

In thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Total
ASSETS						
Cash and cash equivalents	–	–	412,604	–	5,394	**417,998**
Financial assets at fair value through profit or loss	372,137	73,304	68,838	210	–	**514,489**
Securities available for sale	296,145	625,606	110,436	–	–	**1,032,187**
Financial instruments held to maturity	31,270	–	53,225	–	–	**84,495**
Loans and advances to banks	–	–	154,812	–	–	**154,812**
Loans and advances to customers	2,304,975	–	101,268	115,570	2,344	**2,524,157**
Loans to "Limited Partnerships"	376,443	–	–	–	–	**376,443**
Trade receivables and other financial assets under risk management	76,244	2,598	17,422	940	77	**97,281**
Total	**3,457,214**	**701,508**	**918,605**	**116,720**	**7,815**	**5,201,862**
LIABILITIES (FOR INFORMATIONAL PURPOSES)						
Financial liabilities at fair value through profit or loss	1,565	–	2,546	352	15	**4,478**
Deposits and loans from banks	–	–	490,777	–	–	**490,777**
Deposits and loans from customers	1,959,673	179,142	69,030	1,508,548	211,292	**3,927,685**
Issued bonds	35,611	1,559	159,211	63,091	839	**260,311**
Subordinated debt	59,115	–	27,717	539	2,242	**89,613**
Trade payables and other financial liabilities under risk management	69,508	11,547	25,181	102,797	1,207	**210,240**
Total	**2,125,472**	**192,248**	**774,462**	**1,675,327**	**215,595**	**4,983,104**

As at 31 December 2011

In thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Total
ASSETS						
Cash and cash equivalents	–	–	401,461	–	4,448	**405,909**
Financial assets at fair value through profit or loss	352,653	173,013	72,691	123	–	**598,480**
Securities available for sale	230,951	372,614	63,579	–	959	**668,103**
Financial instruments held to maturity	76,402	1,051	46,497	–	–	**123,950**
Loans and advances to banks	–	–	226,175	–	–	**226,175**
Loans and advances to customers	2,226,877	–	41,038	95,447	42	**2,363,404**
Loans to "Limited Partnerships"	172,698	–	–	–	–	**172,698**
Trade receivables and other financial assets under risk management	71,078	3,470	9,344	328	384	**84,604**
Total	**3,130,659**	**550,148**	**860,785**	**95,898**	**5,833**	**4,643,323**
LIABILITIES (FOR INFORMATIONAL PURPOSES)						
Financial liabilities at fair value through profit or loss	2,673	–	9,452	1,069	–	**13,194**
Deposits and loans from banks	–	–	348,194	–	–	**348,194**
Deposits and loans from customers	1,841,759	172,478	27,299	1,138,490	242,470	**3,422,496**
Issued bonds	–	–	133,286	–	–	**133,286**
Subordinated debt	47,020	–	39,426	526	2,200	**89,172**
Trade payables and other liabilities, current tax liability	66,534	4,091	145,048	73,084	1,519	**290,276**
Total	**1,957,986**	**176,569**	**702,705**	**1,213,169**	**246,189**	**4,296,618**

(ii) Concentration of credit risk by location

As at 31 December 2012

In thousands of EUR	Slovakia	Czech Republic	Cyprus	Liechtenstein	Other	Total
ASSETS						
Cash and cash equivalents	118,620	188,883	325	–	110,170	**417,998**
Financial assets at fair value through profit or loss	156,083	226,322	6,154	–	125,930	**514,489**
Securities available for sale	332,873	516,974	40,571	–	141,769	**1,032,187**
Financial instruments held to maturity	–	52,025	–	–	32,470	**84,495**
Loans and advances to banks	88,728	64,415	–	–	1,669	**154,812**
Loans and advances to customers	472,094	463,084	1,135,715	75,255	378,009	**2,524,157**
Loans to "Limited Partnerships"	–	–	376,443	–	–	**376,443**
Trade receivables and other financial assets under risk management	5,543	23,768	26,847	9,634	31,489	**97,281**
Total	**1,173,941**	**1,535,471**	**1,586,055**	**84,889**	**821,506**	**5,201,862**

In thousands of EUR	Slovakia	Czech Republic	Cyprus	Liechtenstein	Other	Total
LIABILITIES (FOR INFORMATIONAL PURPOSES)						
Financial liabilities at fair value through profit or loss	1,602	343	58	–	2,475	**4,478**
Deposits and loans from banks	313,428	139,856	–	–	37,493	**490,777**
Deposits and loans from customers	1,059,133	2,061,131	334,956	214,076	258,389	**3,927,685**
Issued bonds	100,599	159,712	–	–	–	**260,311**
Subordinated debt	12,093	2,782	–	–	74,738	**89,613**
Trade payables and other financial liabilities under risk management	27,804	114,166	49,321	2,826	16,123	**210,240**
Total	**1,514,659**	**2,477,990**	**384,335**	**216,902**	**389,218**	**4,983,104**

As at 31 December 2011

In thousands of EUR	Slovakia	Czech Republic	Cyprus	Liechtenstein	Other	Total
ASSETS						
Cash and cash equivalents	102,050	143,090	303	8	160,458	**405,909**
Financial assets at fair value through profit or loss	127,517	333,598	5,461	–	131,904	**598,480**
Securities available for sale	67,231	444,960	40,216	–	115,696	**668,103**
Financial instruments held to maturity	–	45,406	–	–	78,544	**123,950**
Loans and advances to banks	199,371	26,804	–	–	–	**226,175**
Loans and advances to customers	429,549	498,758	891,596	196,828	346,673	**2,363,404**
Loans to "Limited Partnerships"	–	–	172,698	–	–	**172,698**
Trade receivables and other assets, current tax assets	6,991	15,743	17,020	7,787	37,063	**84,604**
Total	**932,709**	**1,508,359**	**1,127,294**	**204,623**	**870,338**	**4,643,323**
LIABILITIES (FOR INFORMATIONAL PURPOSES)						
Financial liabilities at fair value through profit or loss	2,362	3,315	10	–	7,507	**13,194**
Deposits and loans from banks	8,177	309,729	–	–	30,288	**348,194**
Deposits and loans from customers	930,269	1,725,490	337,416	197,621	231,700	**3,422,496**
Issued bonds	–	133,286	–	–	–	**133,286**
Subordinated debt	11,737	2,725	–	–	74,710	**89,172**
Trade payables and other liabilities, current tax liability	153,144	80,945	36,659	1,962	17,566	**290,276**
Total	**1,105,689**	**2,255,490**	**374,085**	**199,583**	**361,771**	**4,296,618**

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

Securities available for sale in the location Other include as at 31 December 2012 and 2011 an investment of EUR 100,000 thousand in an investment holding company incorporated in Jersey, Channel Islands. In addition, Loans and advances to customers in the location Other primarily relates to companies incorporated in the British Virgin Islands and the Russian Federation.

(iii) Credit risk – impairment of financial assets

As at 31 December 2012

In thousands of EUR	Not yet due	Overdue < 30 days	Overdue 31 – 180 days	Overdue 181 – 365 days	Overdue > 365 days	Total
FINANCIAL INSTRUMENTS HELD TO MATURITY						
Gross amount	84,495	–	–	–	–	**84,495**
Allowance for impairment	–	–	–	–	–	**–**
Net carrying amount	**84,495**	**–**	**–**	**–**	**–**	**84,495**
LOANS AND ADVANCES TO BANKS						
Gross amount	154,812	–	–	–	–	**154,812**
Allowance for impairment	–	–	–	–	–	**–**
Net carrying amount	**154,812**	**–**	**–**	**–**	**–**	**154,812**
LOANS AND ADVANCES TO CUSTOMERS						
Gross amount	2,540,400	2,755	2,560	5,321	11,373	**2,562,409**
Allowance for impairment	(25,545)	–	(1,299)	(2,908)	(8,500)	**(38,252)**
Net carrying amount	**2,514,855**	**2,755**	**1,261**	**2,413**	**2,873**	**2,524,157**
LOANS TO "LIMITED PARTNERSHIPS"						
Gross amount	376,443	–	–	–	–	**376,443**
Allowance for impairment	–	–	–	–	–	**–**
Net carrying amount	**376,443**	**–**	**–**	**–**	**–**	**376,443**
TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS UNDER RISK MANAGEMENT						
Gross amount	87,556	1,141	272	294	8,388	**97,651**
Allowance for bad debts	(21)	–	–	–	(349)	**(370)**
Net carrying amount	**87,535**	**1,141**	**272**	**294**	**8,039**	**97,281**

As at 31 December 2011

In thousands of EUR	Not yet due	Overdue < 30 days	Overdue 31 – 180 days	Overdue 181 – 365 days	Overdue > 365 days	Total
FINANCIAL INSTRUMENTS HELD TO MATURITY						
Gross amount	123,950	–	–	–	–	**123,950**
Allowance for impairment	–	–	–	–	–	**–**
Net carrying amount	**123,950**	**–**	**–**	**–**	**–**	**123,950**
LOANS AND ADVANCES TO BANKS						
Gross amount	226,175	–	–	–	–	**226,175**
Allowance for impairment	–	–	–	–	–	**–**
Net carrying amount	**226,175**	**–**	**–**	**–**	**–**	**226,175**
LOANS AND ADVANCES TO CUSTOMERS						
Gross amount	2,390,138	15	16,642	8,202	13,000	**2,427,997**
Allowance for impairment	(50,359)	–	(149)	(1,273)	(12,812)	**(64,593)**
Net carrying amount	**2,339,779**	**15**	**16,493**	**6,929**	**188**	**2,363,404**
LOANS TO "LIMITED PARTNERSHIPS"						
Gross amount	172,698	–	–	–	–	**172,698**
Allowance for impairment	–	–	–	–	–	**–**
Net carrying amount	**172,698**	**–**	**–**	**–**	**–**	**172,698**
TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS UNDER RISK MANAGEMENT						
Gross amount	75,905	177	323	459	8,644	**85,508**
Allowance for bad debts	(231)	–	–	–	(673)	**(904)**
Net carrying amount	**75,674**	**177**	**323**	**459**	**7,971**	**84,604**

(iv) Credit risk – collaterals

The Group holds collateral against loans and advances to customers mainly in the form of pledges, securities and acceptances of bills of exchange.

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

In thousands of EUR	2012	2011
Securities	737,735	551,664
Real estate	475,823	485,749
Bills of exchange	572,120	442,271
Cash deposits	65,789	21,776
Other	172,070	112,403
Total	**2,023,537**	**1,613,863**

39.2. Liquidity risk

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

Various methods of managing liquidity risks are used by individual companies in the Group, including individual monitoring of large deposits. The Group's management focuses on methods used by financial institutions, that is, diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category. The amounts disclosed are the contractual undiscounted cash flows and therefore may not agree with the carrying amounts in the statement of financial position.

(i) Contractual maturities of financial assets and liabilities, including estimated interest payments
As at 31 December 2012

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
NON-DERIVATIVE FINANCIAL ASSETS							
Cash and cash equivalents	417,998	418,090	418,090	–	–	–	–
Financial assets at fair value through profit or loss	509,766	541,000	31,438	50,785	140,332	11,114	307,331
Securities available for sale	1,032,187	1,170,793	6,394	54,163	514,242	335,179	260,815
Financial instruments held to maturity	84,495	95,904	1,862	18,172	75,870	–	–
Loans and advances to banks	154,812	163,007	26,812	6,822	51,355	9,600	68,418
Loans and advances to customers	2,524,157	2,890,133	565,946	896,689	1,130,291	294,697	2,510
Loans to "Limited Partnerships"	376,443	376,443	–	–	–	–	376,443
Trade receivables and other financial assets under risk management	97,281	96,208	47,605	17,756	14,549	–	16,298
Total	**5,197,139**	**5,751,578**	**1,098,147**	**1,044,387**	**1,926,639**	**650,590**	**1,031,815**

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
DERIVATIVE FINANCIAL ASSETS							
Forward exchange contracts							
– outflow	–	(656,308)	(655,512)	(796)	–	–	–
– inflow	4,234	660,453	659,581	872	–	–	–
Other derivatives							
– outflow	–	(82,325)	(82,325)	–	–	–	–
– inflow	489	84,572	84,443	–	129	–	–
Total	**4,723**	**6,392**	**6,187**	**76**	**129**	**–**	**–**

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
NON-DERIVATIVE FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss	179	(179)	(179)	–	–	–	–
Deposits and loans from banks	490,777	(518,989)	(135,179)	(48,840)	(308,080)	(26,890)	–
Deposits and loans from customers	3,927,685	(4,091,685)	(1,757,003)	(1,529,466)	(798,559)	(6,657)	–
Issued bonds	260,311	(292,963)	(3,201)	(13,319)	(276,443)	–	–
Subordinated debt	89,613	(142,546)	(1,045)	(3,099)	(20,461)	(117,941)	–
Trade payables and other financial liabilities under risk management	210,240	(208,875)	(188,969)	(5,960)	(170)	(46)	(13,730)
Total	**4,978,805**	**(5,255,237)**	**(2,085,576)**	**(1,600,684)**	**(1,403,713)**	**(151,534)**	**(13,730)**
Accepted and endorsed bills of exchange	73,268	(73,268)	(8,283)	(62,869)	–	(2,116)	–
Guarantees given	326,237	(330,795)	(330,795)	–	–	–	–
Loan commitments	255,005	(255,005)	(99,603)	(97,988)	(57,412)	(2)	–
	654,510	(659,068)	(438,681)	(160,857)	(57,412)	(2,118)	–
Total	**5,633,315**	**(5,914,305)**	**(2,524,257)**	**(1,761,541)**	**(1,461,125)**	**(153,652)**	**(13,730)**

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts							
– outflow	(2,795)	(354,636)	(154,505)	(180)	(199,951)	–	–
– inflow	–	352,574	153,746	148	198,680	–	–
Other derivatives							
– outflow	(1,504)	(25,151)	(2)	(1,111)	(24,038)	–	–
– inflow	–	23,552	–	1,095	22,457	–	–
Total	**(4,299)**	**(3,661)**	**(761)**	**(48)**	**(2,852)**	**–**	**–**

The liquidity gap up to one year comes essentially from Deposits and loans from customers, which are expected to be prolonged as shown by historical evidence.

As at 31 December 2011

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
NON-DERIVATIVE FINANCIAL ASSETS							
Cash and cash equivalents	405,909	405,924	405,924	–	–	–	–
Financial assets at fair value through profit or loss	596,952	636,651	3,238	59,500	215,524	68,426	289,963
Securities available for sale	668,103	698,119	5,430	35,562	240,427	185,149	231,551
Financial instruments held to maturity	123,950	128,023	–	36,173	71,565	20,285	–
Loans and advances to banks	226,175	243,480	123	93,211	103,894	10,036	36,216
Loans and advances to customers	2,363,404	2,765,934	607,085	522,932	1,375,229	260,688	–
Loans to "Limited Partnerships"	172,698	172,698	–	–	–	–	172,698
Trade receivables and other financial assets under risk management	84,604	84,096	53,927	9,509	9,549	–	11,111
Total	**4,641,795**	**5,134,925**	**1,075,727**	**756,887**	**2,016,188**	**544,584**	**741,539**

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
DERIVATIVE FINANCIAL ASSETS							
Forward exchange contracts							
– outflow	–	(40,207)	(21,751)	(9,627)	(8,829)	–	–
– inflow	1,225	41,287	22,378	10,080	8,829	–	–
Other derivatives							
– outflow		(54,466)	(44,098)	(6,866)	(3,502)	–	–
– inflow	303	76,101	65,654	6,945	3,502	–	–
Total	**1,528**	**22,715**	**22,183**	**532**	**–**	**–**	**–**

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
NON-DERIVATIVE FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss	36	(36)	(36)	–	–	–	–
Deposits and loans from banks	348,194	(349,294)	(320,767)	(28,527)	–	–	–
Deposits and loans from customers	3,422,496	(3,851,086)	(1,464,804)	(1,412,247)	(953,136)	(86)	(20,813)
Issued bonds	133,286	(158,017)	–	(8,488)	(149,529)	–	–
Subordinated debt	89,172	(161,157)	(1,888)	(2,761)	(17,008)	(139,500)	–
Trade payables and other financial liabilities under risk management	290,276	(289,506)	(268,796)	(14,315)	(1,655)	(28)	(4,712)
Total	**4,283,460**	**(4,809,096)**	**(2,056,291)**	**(1,466,338)**	**(1,121,328)**	**(139,614)**	**(25,525)**
Accepted and endorsed bills of exchange	50,542	(50,542)	(3,937)	(39,151)	(7,454)	–	–
Guarantees given	306,040	(315,821)	(315,821)	–	–	–	–
Loan commitments	306,899	(306,899)	(44,567)	(32,241)	(196,550)	(33,541)	–
	663,481	(673,262)	(364,325)	(71,392)	(204,004)	(33,541)	–
Total	**4,946,941**	**(5,482,358)**	**(2,420,616)**	**(1,537,730)**	**(1,325,332)**	**(173,155)**	**(25,525)**

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
DERIVATIVE FINANCIAL LIABILITIES							
Forward exchange contracts							
– outflow	(11,274)	(641,805)	(611,797)	(30,008)	–	–	–
– inflow	–	630,385	602,196	28,189	–	–	–
Other derivatives							
– outflow	(1,884)	(349,780)	(86,034)	(20,034)	(243,712)	–	–
– inflow	–	349,276	87,173	19,925	242,178	–	–
Total	**(13,158)**	**(11,924)**	**(8,462)**	**(1,928)**	**(1,534)**	**–**	**–**

39.3. Market risk

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

The Group separates its exposure to market risk between the trading and non-trading portfolios. Trading portfolios include positions arising from market making and position taking, together with financial assets and liabilities that are managed on a fair value basis.

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

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

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

In thousands of EUR	2012	2011
VaR market risk overall	5,931	18,629

(i) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non interest-bearing are grouped together in the "maturity undefined" category.

The VaR statistics for trading portfolio is as follows:

In thousands of EUR	2012	2011
VaR interest rate risk	3,213	3,221

A summary of the Group´s interest rate gap position as per the carrying amounts is as follows:
As at 31 December 2012

In thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity	Total
ASSETS						
Cash and cash equivalents	412,603	–	–	–	5,395	417,998
Financial assets at fair value through profit or loss	22,253	73,982	80,317	7,063	330,874	514,489
Securities available for sale	–	472,489	288,582	10,301	260,815	1,032,187
Financial instruments held to maturity	–	16,622	20,539	47,334	–	84,495
Loans and advances to banks	5,718	147,822	–	–	1,272	154,812
Loans and advances to customers	302,629	1,492,174	573,907	139,284	16,163	2,524,157
Loans to "Limited Partnerships"	–	–	–	–	376,443	376,443
Trade receivables and other financial assets under risk management	8,269	–	–	–	89,012	97,281
Total	**751,472**	**2,203,089**	**963,345**	**203,982**	**1,079,974**	**5,201,862**
LIABILITIES						
Financial liabilities at fair value through profit or loss	–	2,771	22	–	1,685	4,478
Deposits and loans from banks	44,516	155,882	290,332	–	47	490,777
Deposits and loans from customers	882,760	2,079,310	936,799	2,844	25,972	3,927,685
Issued bonds	–	904	259,407	–	–	260,311
Subordinated debt	50,022	24,911	–	14,680	–	89,613
Trade payables and other financial liabilities under risk management	–	3,041	–	–	207,199	210,240
Total	**977,298**	**2,266,819**	**1,486,560**	**17,524**	**234,903**	**4,983,104**

As at 31 December 2011

In thousands of EUR	Up to 1 year	1 year to 5 years	Over 5 years	Undefined maturity	Total
ASSETS					
Cash and cash equivalents	400,039	–	–	5,870	405,909
Financial assets at fair value through profit or loss	158,569	54,697	34,135	351,079	598,480
Securities available for sale	364,883	71,669	–	231,551	668,103
Financial instruments held to maturity	36,397	67,055	20,498	–	123,950
Loans and advances to banks	125,937	92,234	8,004	–	226,175
Loans and advances to customers	1,500,878	807,181	50,570	4,775	2,363,404
Loans to "Limited Partnerships"	–	–	–	172,698	172,698
Trade receivables and other assets, current tax assets	–	–	–	84,604	84,604
Total	**2,586,703**	**1,092,836**	**113,207**	**850,577**	**4,643,323**
LIABILITIES					
Financial liabilities at fair value through profit or loss	11,149	76	–	1,969	13,194
Deposits and loans from banks	348,194	–	–	–	348,194
Deposits and loans from customers	2,816,042	551,087	–	55,367	3,422,496
Issued bonds	–	133,286	–	–	133,286
Subordinated debt	74,855	–	14,317	–	89,172
Trade payables and other liabilities, current tax liability	24,129	1,270	–	264,877	290,276
Total	**3,274,369**	**685,719**	**14,317**	**322,213**	**4,296,618**

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

In thousands of EUR	Impact on profit or loss 2012	Impact on profit or loss 2011	Impact on other comprehensive income 2012	Impact on other comprehensive income 2011
decrease in interest rates by 100 bp	(12,391)	2,851	8,596	3,202
increase in interest rates by 100 bp	12,391	(2,851)	(8,596)	(3,202)

In thousands of EUR	Total impact on equity 2012	Total impact on equity 2011
decrease in interest rates by 100 bp	(3,795)	6,053
increase in interest rates by 100 bp	3,795	(6,053)

(ii) Foreign exchange risk

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

As at 31 December 2012

In thousands of EUR	EUR	CZK	USD	RUB	Other	Total
ASSETS						
Cash and cash equivalents	155,178	153,514	77,368	13,944	17,994	417,998
Financial assets at fair value through profit or loss	167,495	281,894	46,155	16,478	2,467	514,489
Securities available for sale	487,819	533,099	7,689	–	3,580	1,032,187
Financial instruments held to maturity	47,337	–	37,158	–	–	84,495
Loans and advances to banks	88,728	64,415	397	1,272	–	154,812
Loans and advances to customers	1,744,359	581,256	103,997	67,562	26,983	2,524,157
Loans to "Limited Partnerships"	–	376,443	–	–	–	376,443
Trade receivables and other financial assets under risk management	49,274	36,115	8,016	1,310	2,566	97,281
Total	**2,740,190**	**2,026,736**	**280,780**	**100,566**	**53,590**	**5,201,862**
Off balance sheet assets	650,551	1,137,375	27,414	31,547	5,887	1,852,774
LIABILITIES						
Financial liabilities at fair value through profit or loss	1,521	2,937	20	–	–	4,478
Deposits and loans from banks	313,462	96,590	65,766	14,959	–	490,777
Deposits and loans from customers	1,548,641	2,212,498	77,814	74,575	14,157	3,927,685
Issued bonds	100,599	159,712	–	–	–	260,311
Subordinated debt	74,738	14,875	–	–	–	89,613
Trade payables and other financial liabilities under risk management	115,612	67,118	24,697	532	2,281	210,240
Total	**2,154,573**	**2,553,730**	**168,297**	**90,066**	**16,438**	**4,983,104**
Off balance sheet liabilities	1,169,459	378,469	205,131	18,309	47,993	1,819,361

As at 31 December 2011

In thousands of EUR	EUR	CZK	USD	RUB	Other	Total
ASSETS						
Cash and cash equivalents	61,075	201,309	112,775	6,033	24,717	405,909
Financial assets at fair value through profit or loss	127,662	382,040	47,988	35,785	5,005	598,480
Securities available for sale	225,386	435,333	3,352	598	3,434	668,103
Financial instruments held to maturity	77,215	–	45,474	–	1,261	123,950
Loans and advances to banks	199,372	26,803	–	–	–	226,175
Loans and advances to customers	1,505,717	730,564	79,855	34,418	12,850	2,363,404
Loans to "Limited Partnerships"	–	172,698	–	–	–	172,698
Trade receivables and other financial assets under risk management	56,572	18,926	5,705	38	3,363	84,604
Total	**2,252,999**	**1,967,673**	**295,149**	**76,872**	**50,630**	**4,643,323**
Off balance sheet assets	646,889	853,547	58,311	29,560	8,993	1,597,300
LIABILITIES						
Financial liabilities at fair value through profit or loss	1,736	11,285	115	55	3	13,194
Deposits and loans from banks	8,150	247,769	61,985	29,872	418	348,194
Deposits and loans from customers	1,429,750	1,893,187	36,771	47,820	14,968	3,422,496
Issued bonds	–	133,286	–	–	–	133,286
Subordinated debt	74,710	14,462	–	–	–	89,172
Trade payables and other financial liabilities under risk management	218,623	50,035	19,442	442	1,734	290,276
Total	**1,732,969**	**2,350,024**	**118,313**	**78,189**	**17,123**	**4,296,618**
Off balance sheet liabilities	907,987	340,034	185,617	6,771	12,726	1,453,135

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

The VaR statistic is as follows:

In thousands of EUR	2012	2011
VaR foreign exchange risk	4,852	13,880

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

The impact on profit or loss represents a strengthening or weakening of foreign currencies compared to local functional currencies of the Group entities. The impact on other comprehensive income represents the risk of change in values of assets and liabilities of subsidiaries with a functional currency different from the Group's functional currency.

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

In thousands of EUR	Impact on profit or loss 2012	Impact on profit or loss 2011	Impact on other comprehensive income 2012	Impact on other comprehensive income 2011
CZK	3,002	2,646	(8,857)	(6,310)
EUR	(10,347)	(7,090)	–	–
RUB	12	(5)	(160)	(162)
USD	(1,101)	(1,813)	151	46

In thousands of EUR	Total impact on equity 2012	Total impact on equity 2011
CZK	(5,855)	(3,664)
EUR	(10,347)	(7,090)
RUB	(148)	(167)
USD	(950)	(1,767)

(iii) Equity price risk

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

The VaR statistics is as follows:

In thousands of EUR	2012	2011
VaR stock risk	4,243	7,814

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below.

A 100 bp increase in the price of securities available-for-sale would have had a positive effect on other comprehensive income as set out below.

A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

In thousands of EUR	Impact on profit or loss 2012	Impact on profit or loss 2011	Impact on other comprehensive income 2012	Impact on other comprehensive income 2011
Level 1 – quoted market prices	1,757	2,734	761	200
Level 2 – derived from quoted prices	–	93	–	438
Level 3 – calculated using valuation techniques	1,284	–	1,847	1,677
Total	**3,041**	**2,827**	**2,608**	**2,315**

In thousands of EUR	Total impact on equity 2012	Total impact on equity 2011
Level 1 – quoted market prices	2,518	2,934
Level 2 – derived from quoted prices	–	531
Level 3 – calculated using valuation techniques	3,131	1,677
Total	**5,649**	**5,142**

39.4. Operational risk

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

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

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

- Requirements for the reconciliation and monitoring of transactions.
- Identification of operational risk within the framework of each subsidiary's control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- Reporting of operational risk events by entering the corresponding information into the Regulated Consolidated Group's database of operational risk events (see Note 39.5 Capital management section regarding the definition of the Regulated Consolidated Group).
- This overview of the Group's operational risk events allows the Group to specify the direction of the steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

39.5. Capital management

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

Consolidated capital adequacy is calculated in accordance with regulation of the Central Bank of the Czech Republic Decree No. 123/2007 Coll.

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

– Tier 1 capital, which includes ordinary share capital, share premium, retained earnings (profit of current year is excluded), translation reserve and non-controlling interests after deduction of goodwill and intangible assets.
– Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Act on Banks No. 21/1992 and Decree No. 123/2007 Coll. (Regulation of the Central Bank of the Czech Republic). According to this regulation, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP, a.s. (see Note 1-Corporate information) is defined as the RCG. Different consolidation rules are applicable for RCG's purposes – only companies which have the status of financial institutions as defined by Czech legislation are fully consolidated.

In thousands of EUR	2012	2011
REGULATORY CAPITAL		
Core capital (Tier 1)	938,095	854,825
Supplementary capital (Tier 2)	38,901	38,544
Total regulatory capital	**976,996**	**893,369**
CAPITAL REQUIREMENTS		
Credit risk of investment portfolio	385,893	344,109
Operational risk (BIA)	16,074	12,560
General interest risk	10,359	8,778
General equity risk	552	1,738
Capital requirement for currency risk	112,410	37,463
Capital requirement for commodity risk	869	472
Credit risk of trading portfolio	124,190	48,451
Total amount of capital requirements	**526,157**	**405,120**

The regulatory capital is calculated as the sum of the 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 debt approved by the Czech National Bank in an amount of EUR 38,901 thousand. The deductible items include intangible assets at net book value.

In thousands of EUR	2012	2011
Calculation of Capital adequacy ratio	$8\ \% \times \frac{976,996}{526,157}$	$8\ \% \times \frac{893,369}{405,120}$
Capital adequacy ratio	**14.85%**	**17.64%**

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%.

40. FIDUCIARY TRANSACTIONS

Fiduciary placements represent funds customers have instructed the Group to place in other banks. The Group is not liable to the customer for any default by the other bank, nor do creditors of the Group have a claim on the assets placed.

In 2011 fiduciary transactions performed by J&T Bank Switzerland Ltd., that was disposed in 2012, amounted to CHF 55,311 thousand (EUR 45,501 thousand).

The Group also acts in its own name as trustee or in fiduciary capacities for the account of third parties. The assets managed in such capacities are not reported on the statement of financial position unless they are invested with the Group. The Group earns commission and fee income from such transactions and assets. These activities potentially expose the Group to liability risks in cases of gross negligence with regard to non-compliance with its fiduciary and contractual duties. The Group has policies and processes in place to manage these risks.

41. ASSETS UNDER MANAGEMENT

In thousands of EUR	2012	2011
Assets in own-managed funds	173,344	99,616
Assets with discretionary mandates	164,373	184,178
Other assets under management	837,996	1,030,439
Total assets under management (including double counting)	**1,175,713**	**1,314,233**
Of which double counting	20,456	13,291

(a) Calculation method

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

(b) Assets in own-managed funds

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

(c) Assets with discretionary mandates

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

(d) Other assets under management

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

(e) Double counting

This item comprises fund units from own-managed funds, which are disclosed also in client portfolios with discretionary mandates or in other assets under management.

42. RELATED PARTIES

Identity of related parties

The Group has, or had, a related party relationship with its parent company, ultimate parent and the owners of the ultimate parent and other parties, as identified in the following table, either at 31 December 2012 or during the year:

(1) Ultimate shareholders and companies they control
(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates
(3) Associates
(4) Joint ventures in which the Group is a venturer
(5) Key management personnel of the Company or parent of the Company and companies they control

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

The summary of transactions with related parties during 2012 and 2011 is as follows:

In thousands of EUR	Accounts receivable 2012	Accounts payable 2012	Accounts receivable 2011	Accounts payable 2011
Ultimate shareholders and companies they control	168	2,076	1,675	143,475
Associates	–	–	–	4,661
Other key management personnel of the entity or its parent and companies they control	403,397	127,015	280,609	88,218
Total	**403,565**	**129,091**	**282,284**	**236,354**

There was no provision for doubtful debts due from the "Ultimate shareholders and companies they control" as at 31 December 2012 (2011: EUR 545 thousand).

The summary of transactions with related parties during 2012 and 2011 is as follows:

In thousands of EUR	Revenues 2012	Expenses 2012	Revenues 2011	Expenses 2011
Ultimate shareholders and companies they control	173	71	106	112
Associates	–	–	–	114
Other key management personnel of the entity or its parent and companies they control	27,044	4,925	30,275	9,011
Total	**27,217**	**4,996**	**30,381**	**9,237**

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

In thousands of EUR	Guarantees received 2012	Guarantees provided 2012	Guarantees received 2011	Guarantees provided 2011
Ultimate shareholders and companies they control	212,966	55	190,463	55
Key management personnel of the entity or its parent and companies they control	19,693	213	–	3,645
Total	**232,659**	**268**	**190,463**	**3,700**

Transactions with directors and key management

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

In thousands of EUR	2012	2011
Remuneration	686	421
Loans	1,625	1,031

Of the loans to directors and key management, new loans of EUR 602 thousand were granted during 2012 and EUR 9 thousand was repaid.

43. SUBSEQUENT EVENTS

On 16 January 2013 the Group acquired a 10% interest in Bayshore Merchant Services Inc. and became thus the sole owner.

On 19 March 2013 the Group established a subsidiary J&T Global Finance III, s. r. o. with its seat in the Slovak Republic.

On 20 March 2013 the Group established together with Profireal Group a new joint venture PGJT B.V., the holding Company that on 5 July 2013 established PROFI CREDIT ooo, a new subsidiary in Russia, Petrohrad, which will provide financing to individuals.

On 17 May 2012, the Group, through its subsidiaries J&T FINANCE, a.s. and J&T BANKA, a.s., entered with ISTROKAPITAL SE into an agreement by which the Group acquired an 82.41% interest in Poštová banka, a.s. and its subsidiaries, additional to the 5.65% interest already held by the Group, for a consideration of EUR 453,284 thousand. In relation with this acquisition, the Group paid an advance payament of EUR 422,236 thousand to ISTROKAPITAL SE (see Note 23).

The acquisition was at the time subject to approval by the National Bank of Slovakia and the Slovak Anti-Monopoly Office. In 2013, the Group obtained the necessary regulatory approvals and acquired 82.41% of Poštová banka, a.s. on 1 July 2013.

The purchase price allocation required under IFRS 3 was in progress at the date of issuance of these financial statements.

In February 2013 the ultimate shareholders of J&T FINANCE GROUP, a.s. and ISTROKAPITAL SE have agreed to strenghten the mutual cooperation through capital increase of the Group. ISTROKAPITAL SE shall acquire by this increase 24% of share capital of J&T FINANCE GROUP, a.s., shares of current ultimate shareholders would equal 38% each.

The transaction is subject to approval by the regulatory authorities in Slovakia and Czech Republic, and by Slovak Anti-Monopoly Office.

44. GROUP ENTITIES

The list of the Group entities as at 31 December 2012 is set out below:

Company name	Country of incorporation	2012 Consolidated %	2012 Ownership interest	2012 Consolidation method	2011 Consolidated %	2011 Ownership interest
J&T FINANCE GROUP, a.s.	Slovakia			parent company		
J&T FINANCE, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Bank ZAO[1]	Russia	100.00	direct	Full	100.00	direct
J&T FVE uzavřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a. s.	Czech Republic	100.00	direct	Full	–	–
FVE Slušovice s.r.o.	Czech Republic	100.00	direct	Full	–	–
FVE Němčice s.r.o.	Czech Republic	100.00	direct	Full	–	–
FVE Napajedla s.r.o.	Czech Republic	100.00	direct	Full	–	–
J&T Bank Switzerland Ltd	Switzerland	–	–	Full	100.00	direct
J&T Integris Group LTD	Cyprus	100.00	direct	Full	100.00	direct
J&T BFL Anstalt	Lichtenstein	100.00	direct	Full	100.00	direct
LCE Company Limited	Cyprus	95.00	SPE	Full	95.00	SPE
NEEVAS INVESTMENT LIMITED	Cyprus	95.00	SPE	Full	95.00	SPE
STOMARLI HOLDINGS LIMITED	Cyprus	95.00	SPE	Full	95.00	SPE
Bayshore Merchant Services Inc	British Virgin Islands	90.00	direct	Full	90.00	direct
J&T Funds Inc. (INTEGRIS FUNDS LIMITED)	Cayman Islands	100.00	direct	Full	100.00	direct
J&T Bank and Trust Inc.	Barbados	100.00	direct	Full	100.00	direct

→

Company name	Country of incorporation	2012 Consolidated %	2012 Ownership interest	2012 Consolidation method	2011 Consolidated %	2011 Ownership interest
J and T Capital, Sociedad Anonima de Capital Variable	Mexico	100.00	direct	Full	100.00	direct
J&T Advisors (Canada) Inc.	Canada	100.00	direct	Full	100.00	direct
J&T Concierge, s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Concierge SR, s. r. o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Cafe, s.r.o.	Czech Republic	100.00	direct	Full	–	–
První zpravodajská a.s.	Czech Republic	100.00	direct	Full	100.00	direct
KHASOMIA LIMITED	Cyprus	100.00	direct	Full	100.00	direct
RIGOBERTO INVESTMENTS LIMITED	Cyprus	100.00	direct	Full	100.00	direct
KOTRAB ENTERPRISES LIMITED	Cyprus	100.00	direct	Full	100.00	direct
J&T Private Equity B.V.	Netherlands	100.00	direct	Full	100.00	direct
J&T FINANCIAL INVESTMENTS Ltd.	Cyprus	100.00	direct	Full	100.00	direct
J&T International Anstalt	Lichtenstein	–	–	Full	100.00	direct
J&T Private Investments B.V. (Ingramm International, N.V.)	Netherlands	100.00	direct	Full	100.00	direct
J&T Management, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct
J&T GLOBAL SERVICES LIMITED	Cyprus	100.00	direct	Full	100.00	direct
JTG Services Anstalt	Lichtenstein	100.00	direct	Full	100.00	direct
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Equity Holding, a.s.	Czech Republic	62.64	direct	Full	62.64	direct
ABS PROPERTY LIMITED	Ireland	100.00	direct	Full	100.00	direct
J&T Investment Pool - I - CZK, a.s.	Czech Republic	10.20	direct	Full	17.40	direct
J&T Investment Pool - I - SKK, a.s.	Slovakia	29.11	direct	Full	26.22	direct
J&T Capital Management Anstalt[2]	Lichtenstein	100.00	direct	Full	100.00	direct
AGUNAKI ENTERPRISES LIMITED	Cyprus	100.00	direct	Full	–	–
J&T SECURITIES MANAGEMENT LIMITED	Cyprus	100.00	direct	Full	100.00	direct
J&T GLOBAL MANAGEMENT, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance I., B.V.	Netherlands	100.00	direct	Full	100.00	direct
J&T Global Finance II., B.V.	Netherlands	100.00	direct	Full	100.00	direct
J&T Sport Team ČR, s.r.o.	Czech Republic	100.00	direct	Full	–	–
J&T Private Investments II B.V.	Netherlands	100.00	direct	Full	–	–
TERCES MANAGEMENT LIMITED[3]	Cyprus	100.00	direct	Full	–	–
Interznanie OAO	Russia	100.00	direct	Full	–	–

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

[1] The Group owns a 99.13% share in J&T Bank ZAO through the subsidiary J&T BANKA, a.s. and another 0.87% share through J&T FINANCE GROUP, a.s.
[2] J&T Investment Pool - I - CZK, a.s. and J&T Investment Pool - I - SKK, a.s. each own 50% in J&T Capital Management Anstalt
[3] The Group owns a 99% share in TERCES MANAGEMENT LIMITED through J&T FINANCE GROUP, a.s. and another 1% share through the subsidiary J&T Finance, LLC.

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