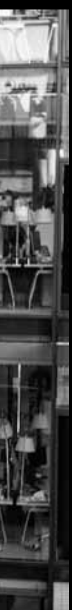
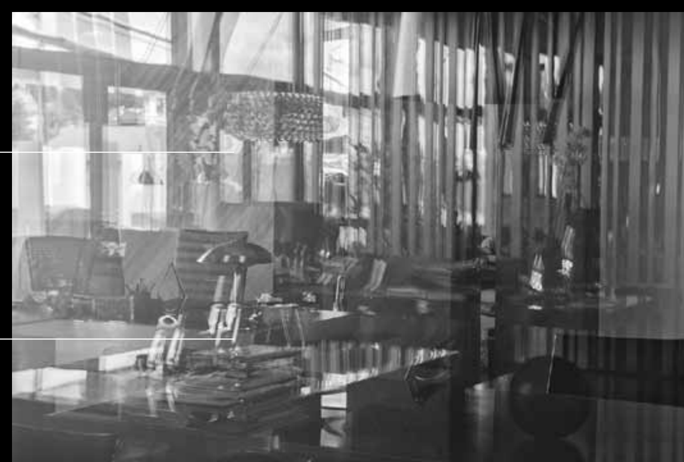
PPF banka Annual Report 2018





PPF Banka

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Chairman's Statement

Dear Shareholders, Clients, Partners and Colleagues,

2018 was the most successful year in the Bank's history. PPF banka made its biggest profit ever, was again the most active dealer on the primary market in Czech government bonds, and successfully completed its core system upgrade.

In 2018, post-tax earnings were CZK 2.2 billion, up by almost 45% on 2017. The main growth driver was the increase in net interest income, reflecting the rising interest rates on the Czech market. In tandem with this, PPF banka remained highly efficient in its financial management and reduced the share of operating costs in operating revenue to 32.2%, down from 40.7% in 2017. Consequently, the net return on equity came to 20.4%. PPF banka paid CZK 487 million in income tax in 2018. The volume of receivables from customers rose by 3.6% to CZK 34.4 billion. Total assets were reported at CZK 235 billion. PPF banka's high profitability in 2018 gave it the opportunity to redeem subordinated bonds of CZK 1.4 billion early and still achieve growth in its overall capital adequacy to 16.3%.

This year, as in the previous year, PPF banka was the most active dealer on the primary and secondary market in Czech government bonds. The Czech Ministry of Finance ranked the Bank top in its overall assessment of primary dealers.

We are making progress in the implementation of an IT strategy that aims to simplify, digitise and speed up customer processes. In 2018, we successfully completed our project to upgrade our core MIDAS system and launched a project of new PPF banka internet banking, which focuses on increasing value for clients and honing the customer experience.

I am pleased that our results have been a factor enabling us to make bolder contributions to the Bank's corporate social responsibility. As in previous years, we channelled some of our profits into education. These education-oriented projects included support for BMŠ PIPAN – a bilingual nursery school for the hearing impaired – and The Kellner Family Foundation.

PPF banka's outstanding financial results and all of its other achievements have strengthened our capital structure and consolidated our status as a trustworthy partner in the financial world. I would like to extend my most heartfelt gratitude for that not only to our shareholders, who provide us with backing and strategic management, but also – and in particular – to all of our employees, who have contributed to PPF banka's results through their day-to-day diligence and professionalism.

Petr Jirásko
Chairman of the Board of Directors

Key Non-consolidated Financial Indicators

(until 2014: under Czech Accounting Standards; as of 2015: under International Financial Reporting Standards (IFRS))

Profit before tax

CZK millions	
2010	804
2011	758
2012	1,144
2013	784
2014	893
2015	1,583
2016	1,473
2017	1,908
2018	2,689

Total assets

CZK millions	
2010	52,361
2011	65,718
2012	76,843
2013	104,818
2014	108,237
2015	103,084
2016	136,625
2017	232,941
2018	235,162

Key Non-consolidated Economic Indicators

under International Financial Reporting Standards (IFRS)

In millions of CZK	2018	2017
Assets		
Cash and balances with central banks	163,539	157,926
Financial assets at fair value through profit or loss (2017: Assets held for trading)	9,605	8,919
Financial assets at fair value through other comprehensive income (2017: Available-for-sale assets)	18,784	28,981
Debt instruments at amortised cost	3,051	–
Receivables from banks	5,131	3,355
Receivables from customers	34,437	33,236
Ownership interests	135	112
Other assets	480	412
Total assets	**235,162**	**232,941**
Equity and liabilities		
Deposits from banks	66,306	38,963
Deposits from customers	132,785	157,384
Debt securities issued	2,583	3,090
Financial liabilities at fair value through profit or loss (2017: Financial liabilities held for trading)	16,180	12,936
Subordinated liabilities	–	1,459
Other liabilities	5,688	8,965
Registered capital	769	769
Other components of equity	10,851	9,375
Total equity and liabilities	**235,162**	**232,941**
Income statement	**2018**	**2017**
Net interest income	3,468	2,457
Net fee and commission income	132	129
Net gain on trading and dividend income	363	625
General administrative expenses	-979	-953
Impairment losses	-68	-177
Other operating profit or loss	-227	-173
Income tax expense	-487	-387
Profit or loss for the year	**2,202**	**1,521**
Key ratios		
Non-performing client loans/total client loans	12.89 %	13.77 %
Total capital ratio	16.26 %	16.22 %
ROAA	1.04 %	0.71 %
ROAE	20.35 %	15.83 %
Assets per employee (in CZK million)	1,000	1,026
Administrative expenses per employee (in CZK million)	4	4
Net profit per employee (in CZK million)	9	7

Company Profile

General information

Company name:	PPF banka a.s.
Legal form:	public limited company (akciová společnost)
Registered office:	Evropská 2690/17, Praha 6, 160 41, Czech Republic
Registration number:	47116129
Court of registration:	Municipal Court in Prague, Section B, File 1834
Date of incorporation:	31 December 1992

Date and method of establishment

PPF banka was established by a deed of incorporation of 3 December 1992, without a share subscription, under the company name of ROYAL BANKA CS, a.s. On 14 December 1994, the general meeting decided to change the Company's name to První městská banka,a.s., which was accompanied by a change in the Company's registered office, and approved a one-off increase in registered capital, including a merger with Společnost pro založení První městské banky, a.s. with effect as of 31 January 1995. On 23 June 2004, the annual general meeting of První městská banka, a.s. decided to change the Company's name to PPF banka a.s. with effect as of 1 September 2004.

Registered capital:	CZK 769 million
Equity:	CZK 11,620 million
Total assets	CZK 235,162 million
Shares:	registered, ordinary, dematerialised shares maintained in the Central Securities Depository Prague

Note: figures valid as at 31 December 2018

Objects of business

PPF banka's business objects comprise all types of banking transactions and the provision of banking and financial services together with related services, on both domestic and international markets. The Bank's services are primarily tailored to Czech clients in the municipal and corporate segments. The Bank specialises in trading on financial and capital markets in accordance with applicable legislation and on the basis of licences granted by the Czech National Bank.

PPF banka is a member of:

— Czech Banking Association;
— Czech Institute of Internal Auditors;
— Union of Banks and Insurance Companies;
— Prague Chamber of Commerce;
— Prague Stock Exchange;
— Chamber for Economic Relations with the CIS;
— Bank Card Association;
— International Swaps and Derivatives Association (ISDA).

Shareholder structure

PPF Financial Holdings B.V.	92.96%
City of Prague	6.73%
Other	0.31%

Precise web address containing the Bank's mandatory disclosures: http://www.ppfbanka.cz/cz/servis-pro-investory-a-analytiky/povinne-uverejnovane-informace/udaje-uverejnovane-ctvrtletne.html

Corporate Governance

Board of Directors

Petr Jirásko
Chairman of the Board of Directors of PPF banka
since 14 October 2013
Chief Executive Officer

Born in 1973, Petr Jirásko graduated from the University of Economics, Prague. During his university studies, he was employed part-time by Budějovický Budvar, Investa Příbram a.s., Credit Lyonnais Bank Praha a.s. and Tabák Kutná Hora. In 1998, he started working full-time for Credit Lyonnais Bank Praha a.s. as an FX dealer. Between 2000 and 2002, he worked at Komerční banka, a.s. as an FX option dealer and later as the head of the Derivatives Desk. He joined PPF Group in 2002. He worked for PPF burzovní společnost (as a bond dealer and chief dealer) until 2004, when he started working for PPF banka a.s. as Managing Director of Financial Markets. In October 2013, he became the Chairman of the Board of Directors and Chief Executive Officer of PPF banka a.s.

Jaroslava Studenovská
Vice-Chairwoman of the Board of Directors
since 9 December 2016 (member of the Board of Directors since 16 April 2012)
Managing Director of Operations

Born in 1968, Jaroslava Studenovská graduated in General Economic Theory from the University of Economics, Prague. Between 1992 and 1998, she worked for Česká spořitelna a.s. in various investment banking positions, her last position being the director of Back Office. Between 1999 and 2001, she worked as director of Back Office at IPB/ČSOB. From 2001 to 2005, she was the director of Back-office Treasury at Raiffeisenbank a.s. She has worked for PPF banka since 2006, initially as a specialist in the Group Treasury Division and from 2007 as the Managing Director of the Operations Division. She became a member of the Board of Directors in 2012, and the Vice-Chairwoman of the Board of Directors in December 2016.

Miroslav Hudec
Member of the Board of Directors
since 1 May 2016
Managing Director of Financial Management

Born in 1966, Miroslav Hudec graduated from the University of Chemistry and Technology in Pardubice, majoring in Industry Economics and Management. He headed the financial departments at Monokrystaly Turnov a.s. and Šroubárna Turnov a.s. Later, he worked for Česká spořitelna as the head of the internal bank and held various positions in the company's Finance Division. Prior to joining PPF banka a.s., he worked as the head of controlling and deputy chief financial officer at Credit Lyonnais bank Praha and held the same position at Credit Agricole bank Praha. He has worked for PPF banka since 1 September 2012, starting out as an adviser to the Chief Executive Officer. He became Managing Director of Financial Management in January 2014 and a member of the Board of Directors in May 2016.

Gabriela Mošovská
Member of the Board of Directors
since 2 November 2016
Managing Director of Risk Management

Born in 1972, Gabriela Mošovská was partly educated in Moscow and then graduated from the University of Economics in Economic Policy. While still a student, she worked as an analyst for Lifox a.s., an investment company, subsequently for the Česká pojišťovna a.s. Group as a senior analyst, and then as a member of the board of directors of Tesla Votice a.s. Between 1998 and 2004, she worked in the Risk Management Division of Raiffeisen Bank Praha a.s., before eventually being appointed head of Corporate Analysis. She obtained her MBA degree from Sheffield Hallam University in the UK in 2005. From 2004, she worked for Raiffeisen International Bank-Holding AG in Vienna, where she held various positions, ultimately being appointed the Deputy Head of Network Credit Management and Team Coordinator CIS until her maternity leave in 2007. From 2008, she worked for Raiffeisen Bank International AG as Director Credit Risk – Construction and Real Estate. She has been the Managing Director of Risk Management at PPF banka a.s. since January 2016. In November 2016, she became a member of the Board of Directors.

Supervisory Board

Igor Kottman

Member of the Board of Directors
since 2 November 2016
Managing Director of Sales

Born in 1965, Igor Kottman graduated from the Faculty of Economics of the University of Economics in Bratislava. He worked for ZOS Zvolen and then at the Ministry of Foreign Affairs of the Slovak Republic. From 1994, he held various positions in Citibank's corporate banking business in the Czech Republic, Slovakia, Uganda and the Russian Federation. From 2009, he worked as Citi Country Officer at the Slovak branch of Citibank Europe plc. He has been the Managing Director of Sales at PPF banka a.s. since January 2016. In November 2016 he became a member of the Board of Directors.

Ladislav Chvátal

Chairman of the Supervisory Board
since 20 August 2015 (member of the Supervisory Board since 29 April 2015)

Born in 1963, Ladislav Chvátal graduated from the University of Economics, Prague, majoring in Automated Control Systems in Economics. He joined PPF Group in 1994. Within PPF Group, he has held a number of key managerial positions. Between 1998 and 2007, he managed Home Credit Group's development and international expansion as its CEO while serving as PPF Group's Executive Director for Retail Banking and Consumer Finance with responsibility for the strategic management of eBanka a.s. and ČP Leasing. Between 2009 and 2014, he was part of PPF Partners' management team. Since 2011, he has been responsible for building and developing the RAV agricultural group in the Russian Federation. He is also chairman of the supervisory board of CETIN.

Petr Lachnit

Vice-Chairman of the Supervisory Board
since 20 August 2015 (member of the Supervisory Board since 29 April 2015)

Born in 1967, Petr Lachnit graduated from the Faculty of Law in 1990 and then worked as an articled clerk until 1993. Having passed his bar examinations, he practised from 1994, specialising in commercial law and securities law. Since 2000, he has served as an arbitrator of the permanent Arbitration Court attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic. Between 1998 and 2002, he served on the Commercial Law Commission of the Government's Legislative Council. Since 1997, he has been a member of the Czech Bar Association's Commercial Law Commission.

Tomáš Kaplan

Member of the Supervisory Board since 29 April 2015

Born in 1972, Tomáš Kaplan graduated from Charles University's Faculty of Law, majoring in Law and Jurisprudence. In 1997, he interned at a law firm in Germany. Since graduation in 1997, he has been engaged in the provision of legal services. In 2001, he passed his bar examinations and is a lawyer registered with the Czech Bar Association. In his legal practice, he focuses on legal relations with real estate, financial law, public procurement law, law in commercial relationships, and insolvency law.

Bohuslav Samec

Member of the Supervisory Board since 16 January 2009

Born in 1959, Bohuslav Samec graduated from a two-semester Monetary Economics and Banking course at the University of Economics, Prague. Between 1985 and 1993, he held managerial positions in the services field. He has worked for PPF Group since 1994, in which time he has held various managerial positions. He has served as a member of the board of directors of PPF burzovní společnost and a member of the supervisory board of Slezan Frýdek-Místek a.s. and Gramofonové závody, a.s. He currently works for Česká pošta in Corporate Governance. He also served as a member of the Supervisory Board of PPF banka a.s. between 2006 and 2008. Since 2009, he has been a member of the Audit Committee of PPF banka a.s.

Lenka Baramová

Member of the Supervisory Board since 7 January 2009

Born in 1965, Lenka Baramová graduated from the University of Economics and joined Komerční banka, a.s. in 1987 (when it was still an SBČS branch). Between 1993 and 1994, she worked in the Credit Risk Department of ABN AMRO Bank N.V. in Prague. Between 1994 and 2000, she worked for Calyon (then known as Credit Lyonnais Bank Praha a.s.), initially in the Corporate Banking Department and then in Corporate Finance. Between 2000 and 2002, she worked for the consultancy firm Celestis Finance s.r.o. Since 2002 she has worked for PPF banka a.s. and is currently a Senior Sales Consultant.

Martin Hýbl

Member of the Supervisory Board since 2 June 2011

Born in 1974, Martin Hýbl graduated from the Faculty of Business and Management of the Silesian University, Karviná, majoring in Business Economics. In 1998, he joined ČP Leasing a.s. and progressively held the positions of financial analyst, head of financial management, chief financial officer and member of the board of directors. Between 2003 and 2005, he worked for PPF Group in various financial management positions. Since 2005, he has been with PPF banka a.s., initially heading the HC Treasury Department and currently the head of Institutional and Corporate Client Banking Services. He is not a member of a governing body of any other companies.

Audit Committee

Jitka Mašátová

Chairwoman of the Audit Committee since 29 April 2013

Born in 1978, Jitka Mašátová graduated from the University of Economics, Prague, where she studied Monetary and Economic Politics at the Faculty of Finance and Accounting. While still studying, she joined the Banking Supervision Section of the Czech National Bank, where she held various positions over the course of four years. Since 2005, she has worked for PPF a.s.'s Group Internal Audit Department. Since 2007, she has been the Head of Group Internal Audit. In 2011, she was a member of the supervisory board of SAZKA sázková kancelář, a.s. Since 2018, she has been a member of the Supervisory Board of PPF banka a.s.

Valdemar Linek

Vice-Chairman of the Audit Committee since 13 April 2010 (member of the Audit Committee since 10 December 2009)

Born in 1971, Valdemar Linek graduated from the University of Economics, Prague, majoring in Corporate Economics and Accounting and Corporate Financial Management. He also completed a postgraduate two-semester course in Internationally Accepted Accounting Standards and is a certified balance sheet accountant and registered assistant auditor. In 1997–2003, he worked for HZ Praha, spol. s r.o. as auditing division director, where he was responsible for audit engagements, economic consulting, due diligence and forensic investigation. Since 1999, he has been a managing director of PRAGUE ACCOUNTING SERVICES s.r.o. (an expert institute in the field of economics), where he is responsible for the preparation of expert opinions on business combinations, accounting, taxes and valuations of assets and companies. Since 2005, he has been a director at PRAGUE TAX SERVICES a.s., where he is responsible for economic, accounting and tax consulting. Since 2003, he has been the board chairman, a director and a partner at NEXIA AP a.s., where he is responsible for forensic engagements and project consultancy contracts. In 2011–2018, he has been a member of the audit committee of Air Bank a.s.

Bohuslav Samec

Member of the Audit Committee since 10 December 2009

Born in 1959, Bohuslav Samec graduated from a two-semester Monetary Economics and Banking course at the University of Economics, Prague. Between 1985 and 1993, he held managerial positions in the services field. He has worked for PPF Group since 1994, in which time he has held various managerial positions. He has served as a member of the board of directors of PPF burzovní společnost and a member of the supervisory board of Slezan Frýdek-Místek a.s. and Gramofonové závody, a.s. He currently works for Česká pošta in Corporate Governance. Since 2009, he has been a member of the Supervisory Board of PPF banka a.s. He also served as a member of the Supervisory Board of PPF banka a.s. between 2006 and 2008.

Senior management

Petr Jirásko
Chief Executive Officer from 14 October 2013

Igor Kottman
Managing Director of Sales since 11 January 2016

Gabriela Mošovská
Managing Director of Risk Management since 1 January 2016

Miroslav Hudec
Managing Director of Financial Management since 1 January 2014

Jaroslava Studenovská
Managing Director of Operations since 1 May 2007

Tomáš Janota
Managing Director of IT from 1 August 2013 to 30 November 2018

Karel Tregler
Managing Director of Financial Markets since 1 January 2014

David Marek
Managing Director of IT since 1 December 2018

Organisational Structure of PPF banka a.s.

as of 31 December 2018

Risk Committee

Supervisory Board

Audit Committee

Board of Directors

003 Compliance Department
004 Internal Audit Department

Chief Executive Officer

010 Office of CEO and HR
030 Concierge Department
040 Legal Department
050 Marketing Communications Unit
090 Project Management Department

200 Financial Management Division
210 Accounting Department
240 Controlling and Reporting Department

300 Financial Markets Division
310 Investment Products and Analysis Department
320 Trading Department
330 Corporate and Municipal Client Sales Department
340 Treasury Department
350 Institutional and Corporate Client Banking Services Department
360 Investment Consulting Department
370 Institutional Client Sales Department
380 Private Banking Department

400 Sales Division
410 Export and Structured Financing Department
420 Transaction Service Department
430 Real Estate Financing Department
460 Corporate Banking Department
470 Public Sector Department

500 IT Division
520 IT Infrastructure Department
530 IT Applications Department
531 IT Helpdesk Unit

600 Operations Division
610 Customer Centre Department
620 Payment Service Management Department
630 Validation and Control Department
640 Payments Department
650 Back Office – Financial Markets
651 Back Office – Money Markets
652 Back Office – Capital Markets
660 Credit Administration Department
670 Custody Department
680 Middle Office
690 Electronic Payment Systems Department

700 Risk Management Division
710 Market Risk Management Department
720 Credit Risk Management Department
730 Restructuring and Recovery Department
750 Monitoring and Drawdown Department
760 Security and Operational Risk Management Department

Board of Directors Report on the Company's Business Activities and Assets

Macroeconomic Developments in the Czech Republic

There was a palpable slowdown in the Czech economy in 2018. While the more sluggish growth came as no surprise, since growth in 2017 had been faster than expected, the results returned by the Czech economy were ultimately a little worse than forecast. Even so, this was hardly a sign of recession. Rather, we are witnessing the overheating economy's return to potential growth. As in 2017, the main growth drivers in 2018 were domestic factors, spearheaded by investment and private consumption. Consumption continued to benefit from the upbeat situation on the labour market, with unemployment at record lows and wages on the rise. The labour market situation has also affected investments because, with the workforce in short supply, companies have been forced into investing more in machinery and equipment. Generally, though, these investments are import-intensive, i.e. they push up imports. By contrast, the slowdown among the Czech Republic's biggest trading partners has hit exports. In 2018, these forces made a negative contribution to net external trade.

On the other hand, there were certain changes in the economy's supply side in 2018. Manufacturing (especially the automotive industry) did not enjoy anywhere near as successful a year in 2018 as it did in 2017. The relative weakness here was set off somewhat by the service sector. Construction was another sector that prospered, experiencing its most successful growth momentum since 2004, despite a slump at the tail end of 2018. The accelerated uptake from EU funds for infrastructure projects unquestionably underpinned the building industry.

Although the economy is clearly slackening, the situation on the labour market remains unchanged. The unemployment rate in 2018 stooped to ever lower record levels, while the numbers of vacancies continued to burgeon on a historically unprecedented scale. According to the Czech Statistical Office's methodology, the unemployment rate sank to 2.1% in the fourth quarter of 2018. In tandem with contracting unemployment, the employment rate continued to rise until it reached 75.4%, the highest level ever recorded in the Czech Republic. Logically, the upshot of this labour market situation is that there is pressure on wage rises, with pay going up at an average year-on-year rate of 6% in 2018.

However, spiralling wages did not generate any significant inflationary pressures. In fact, inflation hardly strayed from the inflation target during 2018. The inflation fluctuations, both below and above the 2% target, can be attributed primarily to traditionally volatile items such as food and energy prices. Consumer prices climbed by 2.2% overall in 2018.

In a situation where the economy was growing, inflation was hovering around the target level, and the Czech crown was relatively weak, the Czech National Bank was able to continue tightening monetary conditions. The speed at which rates were hiked was unprecedented. The base two-week repo rate was put up five times in 2018, rising from 0.5% to 1.75%.

The fiscal situation remains sound. In 2018, the central government budget ended up with a surplus of CZK 2.94 billion, which is CZK 52.9 billion more than the government had originally planned. This result was achieved even though spending was higher than projected. On the income side, receipts from the EU and tax revenues were more than budgeted. This combination of a growing economy and a budget surplus reduced the overall level of debt further, to the extent that it stood at 33.9% of GDP – the lowest since 2009 – in the third quarter.

The decelerating economy was not reflected in banks' lending operations. On the contrary, banks' overall lending, by volume, had risen 7.2% year on year by the end of 2018. Household borrowing, including mortgages, was also up, despite the strict conditions applicable to mortgages and the rising rates. The total amount lent to households at the end of 2018 reported a 7.6% increase. Lending to non-financial corporations also rose (by 5.7% year on year) and, just as in 2017, businesses drew on foreign-currency borrowings as a natural hedge against the appreciation of the Czech crown. Foreign-currency loans went up in volume by 11%, the same figure as in 2017, and now account for 31% of all lending.

The credit portfolio quality remains high. The share of non-performing loans continued along a downward trajectory and stood at 3.2% at the end of 2018, 0.7 percentage points lower than at the end of 2017.

PPF banka's Financial Performance in 2018

PPF banka recorded its best ever result in 2018, reporting a profit after tax of CZK 2,202 million. This was CZK 681 million better than in 2017, which itself was a highly successful year.

Equity increased by almost 15% to CZK 11,620 million. The volume of receivables from customers rose by 4% to CZK 34.4 billion. Total assets nudged up from CZK 233 billion at the end of 2017 to CZK 235 billion at year-end 2018.

Net interest income increased 41% year on year, climbing from CZK 2,457 million in 2017 to CZK 3,468 million in 2018. This enormous CZK 1,011 million rise in net interest income can mainly be attributed to interest income, which grew by CZK 1,412 million, far above the CZK 401 million hike in interest expense. The CNB's repo rate increases made the most significant contribution to the higher interest income. Net fee and commission income remained at the same level in 2018 as in 2017. The net profit on financial operations came to CZK 362 million in 2018. As in the previous year, the securities trading results were excellent.

Total operating income was up 23% on the previous year and, at CZK 3,965 million, had never been higher in the Bank's history.

The almost 3% growth in administrative costs compared to the previous year was mainly occasioned by a planned increase in payroll costs, which was connected to labour market trends, and by a planned expansion in employee numbers. Information technology running costs, rent expenses and other provisions remained at virtually the same level year on year. Tax-deductible donations are included in administrative costs. The excellent profit before tax served as a basis for a 5% rise in such donations.

Loss impairment related to performing and non-performing exposures came to CZK 68 million, with CZK 32 million pertaining to performing exposures according to IFRS methodology.

Other operating costs rose by 28% year on year, mainly driven up by an increased contribution to the Financial Market Guarantee Scheme. That contribution stood at CZK 182 million. The growth on the previous year can be linked to the amount of uninsured liabilities associated with the harnessing of market opportunities.

The 2018 tax expense is CZK 487 million.

At the end of 2018, assets stood at CZK 235 billion. Deposits at the central bank amounted to CZK 164 billion, a year-on-year rise by almost 4%. Customer receivables were CZK 34 billion, up by nearly 4% on 2017. Financial assets measured at fair value through profit or loss rose slightly to almost CZK 10 billion. Financial assets measured at fair value through other comprehensive income decreased to CZK 19 billion. This fall is linked to the fact that the Bank was capitalising on the bond market situation.

Compared to the balance at the beginning of 2018, when the new rules under IFRS9 were applied for the first time, value adjustments to performing exposures rose by a modest CZK 31 million.

The gross value of non-performing exposures, adjusted for volumes covered by EGAP insurance, came to CZK 2.8 billion at the end of the year. The current ratio of non-performing loans, factoring in this consideration, is 7.7%. The unadjusted ratio of non-performing loans slipped by 1% compared to the end of 2017 to 12.9%

The main source of financing remains amounts owed to customers, which totalled CZK 133 billion in 2018. At the end of 2018, the Bank was drawing on total credit facilities of CZK 224 billion, the same as in 2017.

The return on equity was higher than in the previous year.

The capital ratio is above the statutory level.

In 2018, PPF banka continued its charity work and considers corporate social responsibility to be one of its fundamental values.

PPF banka's Business Activities in 2018

PPF banka's activity on the financial markets

PPF banka operates as PPF Group's hub for access to financial markets. The same investment services are also provided to a wide range of our other customers.

Securities

As in previous years, PPF banka was very actively involved as a market maker for Czech government bonds, topping the Czech Ministry of Finance's ranking of primary dealers for 2018 as a whole. This methodology takes into account comprehensive criteria in the initial subscription of government bonds (the primary market) and quoting activity on the secondary market (the MTS Czech Republic electronic trading platform).

Overview of PPF banka's securities trading volumes:

CZK billions	2018	2017	2016
Domestic bonds	140.3	126.7	228.6
Foreign bonds	13.3	21.5	37.4
Total bonds	153.6	148.2	266.0
Domestic equities	0.0	2.5	2.1
Foreign equities	2.4	2.0	6.8
Total equities	2.4	4.5	8.9
Total	**156.0**	**152.7**	**274.9**

The total volume of securities trading rose year on year, especially in the domestic bond segment. By contrast, the decline in the volume of domestic equities traded on the Prague Stock Exchange can be attributed to much lower customer activity and a shift to foreign stock exchanges.

PPF banka organised several bond issues of PPF Group companies that aggregated approximately CZK 8 billion. PPF banka acts as the manager and administrator for these issues.

Foreign exchange and derivative markets

On the foreign exchange market, we maintained high numbers of transactions and a broad product portfolio. There was a slight decline in volume compared to 2017. We ascribe these fluctuations to the base effect, i.e. the exceptionally active market in 2017, which was prompted by the CNB's foreign currency interventions and the termination thereof.

The distribution and timing of PPF banka's transactions are shown in the table below.

CZK billions	2018	2017	2016
FX spot	189.3	244.2	166.7
FX derivatives	328.0	468.8	373.1
Total	**517.3**	**713.0**	**539.8**

As far as interest-rate derivatives are concerned, PPF banka significantly increased its activity on FRA markets and provided liquidity for the market in CZK interest-rate swaps.

CZK billions	2018	2017	2016
IR derivatives	135.5	160.3	45.0

As in the past, in 2018 we again focused on our role as PPF Group's central treasury bank and, in various tasks, engaged in the hedging of risks for Group companies. With these transactions, we act as a counterparty and as the hedge provider or auction organiser (i.e. the hedge coordinator).

Corporate banking and the public sector

In 2018, our corporate banking continued to focus on developing, enhancing and cultivating business relationships with key clients in segments in which we have long specialised. These primarily include manufacturing, energy (both in the Czech Republic and abroad), and wholesale and retail, as well as engineering, food processing, and logging and wood processing. Looking at these segments, in 2018 we made successful acquisitions in wholesale and energy (with links to the agricultural sector in both cases). We also developed activities in the segment of financial institutions, loan providers and leasing companies. We successfully continued to seek out and promote new attractive real estate projects, the share of which has supported our portfolio's growth and stability.

In 2018, PPF banka's export and structured financing activities continued to focus on providing services to clients in the Czech Republic, the Commonwealth of Independent States (CIS), and Central and Eastern Europe. The Bank also provides services to Czech exporters and investors expanding abroad, and helps Czech and foreign investors to finance projects and acquisitions. In 2018, the Bank continued to finance a range of major structured financing transactions in Europe and Asia in support of its clients' development and acquisition activities. In 2018, PPF banka gave significant backing to the expansion of the Home Credit group in Asia and America.

The Czech National Bank was highly active in its interest rate management in 2018. We responded to these activities with more efficient interest-related conditions for payment accounts. We earnestly expanded cooperation with existing clients and, drawing on our long-standing experience, we established new business relations with other prominent entities. The changing banking landscape and the ever increasing demands of our clients serve as inspiration for us as we seek out new opportunities for cooperation across PPF Group. In 2018, we were once again a specialist partner at our clients' work meetings.

Keenly aware of the advancing digitalisation agendas pursued by our clients and the emphasis they place on electronic communications, we have started the process of modernising our internet banking. We are convinced that the new-look internet banking will improve our clients' communication with the Bank and simplify the payment agenda, which will help clients to manage their finances more efficiently.

In all of our business activities in corporate banking and public sector services, we continued to focus primarily on the high standard of cooperation we enjoy with our clients, on the professionalism of our team, and on the high-quality product range, with a view to maintaining our portfolio's high standards. We are proud to provide a professional banking service to eminent clients from the municipal sphere, and this is a major stimulus to engage in further work so that our clients, in return, are proud to be PPF banka customers.

Private banking for individuals

PPF banka's private banking department specialises in serving our most demanding private clients and in providing investment services. We pride ourselves on the quality of our team of experienced private bankers, expert knowledge and ability to listen to our clients. Developments on the financial markets made 2018 an exceptional year for us and our clients, both in terms of the results achieved and the way in which we handled the successful implementation of new regulatory roles. In 2018, we again provided active support in placing PPF Group's investment instruments on the market.

Our long-term strategy is to maintain our individual and professional approach, to foster mutual trust, and to place an emphasis on customer satisfaction. We will continue to nurture these values in the coming years in order to provide our clients with a completely different view of banking services.

Information technology and information system security

In IT and security, 2018 was primarily a year in which we saw the successful implementation of regulatory requirements, the completion of an upgrade for the main banking system, intensive work on projects linked to customer service, and the reinforcement of security mechanisms within the Bank's infrastructure.

The IT strategy included the completion of the main banking system's migration to a new version. This change paved the way for the development and enhancement of automation in transaction processing. In payment services for clients, we completed Project PSD2, which, besides increasing internet banking security and improving internal processes, has introduced customer communication via an automated interface. The next stage in modernising customer service via electronic channels is the Multichannel Project, which was launched in 2018. The main targets of this project are to modernise the look of, and interaction with, internet banking, to roll out mobile apps, and to smoothly expand the payment card service in particular. In mid-2018, we started preparing for the receipt and dispatch of instant domestic payments, due to be introduced in the first half of 2019. The migration to a new modern system for the management of client data and relevant documentation is now coming to a close. Within the Bank's IT infrastructure, we successfully completed the switch of customer workstations to the Windows 10 platform. This migration reaffirmed the efficiency of operating a virtual PC infrastructure. Our project to replace the security perimeter resulted in the implementation of leading technology in the field of network firewalls. At the same time, we made the rules governing internal network communication much more stringent. We fully implemented SWIFT requirements concerning the security of server, network and user infrastructure. The mobile devices of employees with access to banking data are now managed by the MDM group solution.

In our IT processes and internal systems, in 2018 we concentrated primarily on the specifications of requirements for the implementation of a new system to support IT processes, and on identifying platforms suitable for the development of applications supporting a wide range of internal processes. In 2018, we introduced fundamental processes deriving from the General Data Protection Regulation (GDPR).

Besides the projects mentioned above, we also engaged in other lesser-scale IT security activities, including the selection of a new vulnerability scanning tool, the implementation of antivirus programs for Linux servers, and increased supervision of IT administrators.

In 2018, only minor operating and security incidents were recorded. No incidents had a major impact on services provided to customers or endangered the Bank's operations. The Bank ran an anti-phishing campaign in the autumn, during which no victims were identified.

Human resources management strategy

The human resources management strategy focuses on building up a strong corporate culture at PPF banka. This strategy was reflected in all human resources management activities, with most attention being paid to the remuneration and appraisal system in the last year. The remuneration strategy centres on support for the Bank's overall strategy and its business objectives, together with observance of the principle of avoiding unreasonable risk-taking.

In its search for and recruitment of employees, the Bank particularly targets candidates with experience, focusing on professional competence and personality. PPF banka's well-performing teams of experts enable it to achieve long-term excellent results. Undeterred by the prevailing situation on the labour market, the Bank managed to fill its vacancies, especially in the second half of the year. In 2018, PPF banka attended JobChallenge, a job fair, in a bid to raise awareness of the Bank among students.

Employees' education and development centred on their professional training and improvements in their specialist skills. Activities to reinforce managerial competence were launched. Language courses were reintroduced with employees' participation.

The automation of HR processes was another prominent human resources topic. Functions automating payroll agenda processes were implemented. Related human resources processes are planned for automation in the period ahead.

Principles for the remuneration of executives and Supervisory Board members

The remuneration of PPF banka's executives and Supervisory Board members reflects statutory regulatory requirements. The remuneration policy is set by the Board of Directors and approved by the Supervisory Board. It takes into consideration the Bank's business performance and links to potential risks. In accordance with regulatory requirements, compliance with the remuneration policy is reviewed annually by the Internal Audit Department, which reports its findings to the Supervisory Board and the Board of Directors.

Only approved monetary remuneration was paid out in 2018. Remuneration in kind was not provided.

Auditors' fees

Fees paid to the external auditor for services rendered in 2018 amounted to CZK 6 million (2017: CZK 6 million). All external auditors services in 2018 and 2017 are connected with the examination of the financial statements, the annual report, the underlying documentation for consolidation, the condensed interim financial statements, and the MiFID report.

PPF banka a.s.:

In millions of CZK	2018	2017
Audit services	5.8	5.8
Other assurance services	1.5	1.7
Advisory services	1.0	1.8
Total	**8.3**	**9.3**

Subsidiaries of PPF banka a.s.:

In millions of CZK	2018	2017
Audit services	0.5	0.6
Other assurance services	–	–
Advisory services	–	–
Total	**0.5**	**0.6**

Corporate social responsibility

PPF banka traditionally makes its largest donations to THE KELLNER FAMILY FOUNDATION, which supports, among other things, educational projects for talented pupils and students from socially disadvantaged families and children's homes. PPF banka is also involved in the operation of a bilingual nursery for the hearing-impaired.

In the arts, the Bank, along with PPF Group, financially supports the operation of the Jára Cimrman Theatre, which has been entertaining the Czech public for 50 years. Another project we have long supported as part of PPF Group is the Summer Shakespeare Festival, a highlight of Prague's summer culture that continues to attract visitors thanks to the work of the immortal William Shakespeare set against the beautiful backdrop of Prague Castle.

Other information

In 2018 and 2017, the Company incurred no expenditure on research and development or environmental protection.

The Company has no branches abroad.

The company did not obtain any of its own shares.

Risk management methods and objectives

The risk management methods and objectives are described in detail in the Financial Section of the Annual Report on both an individual and consolidated basis.

Subsequent events

The Bank's management is not aware of any events subsequent to the balance sheet date that would require adjustment to the Annual Report.

Proposal for the distribution of profit for 2018

PPF banka made a profit after tax of CZK 2,202,171,136.52.

PPF banka's Board of Directors proposes the following profit distribution:

Appropriation to the social fund	CZK 2,000,000.00
Appropriation to retained earnings	CZK 2,200,171,136.52

Prague, 11 April 2019

Petr Jirásko
Chairman of the Board of Directors
PPF banka a.s.

Miroslav Hudec
Member of the Board of Directors
PPF banka a.s.

Financial Section

Independent Auditor's Report

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
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Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of PPF banka a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PPF banka a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT CZ699001996
ID data box: 8h3gtra

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowances for loans and receivables to customers

Key audit matter

We focused on this matter because of the highly subjective and complex judgements made by the Company's management in determining the necessity for, and then estimating the size of, loss allowances for loans and receivables to customers.

Loss allowances for loans and receivables to customers at CZK 1,337 million as at 31 December 2018 represented an estimate of the expected credit losses (ECL) for loans at the balance sheet date.

The loans and receivables to customers (the "Loans") are assigned to one of three stages in line with IFRS 9 Financial instruments to estimate the loss allowances.

Stage 1 and Stage 2 loans are performing loans. Stage 2 loans are loans where a significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, i.e. credit-impaired loans.

Key inputs, assumptions and judgments relevant for the calculation of loss allowances for Stage 1 and Stage 2 loans comprise:

- definition of default and definition of significant increase in credit risk (SICR)
- probability of default (PD) is estimated by statistical models which are based on external historical data. The estimated PDs incorporate forward looking information (FLI). For certain types of loans, the modelled PDs

How the audit matter was addressed

We performed, among others, the procedures outlined below to address this key audit matter:

Applying our knowledge, experience and market standards in the industry, we critically assessed and challenged the Company's credit and accounting policies and evaluated the processes related to the calculation of expected credit losses in cooperation with our credit risk specialists.

We tested the design, implementation and operating effectiveness of system-based controls over the identification of significant increases in credit risk (SICR) and the identification of credit-impaired loans. The tested controls comprise tests over the calculation of the past due days of loans and the matching of borrowers' repayments to loan instalments and classification of loans into stages. We tested these controls by inquiry in combination with observation, inspection and re-calculation.

We substantively tested the key inputs, assumptions and judgments relevant for the calculation of expected credit loss (ECL) on a selected sample of loans. We critically assessed and evaluated the loan documentation, including the credit analysis of the loan prepared by the credit risk department of the Company, and other information obtained by inquiry of responsible personnel or available publicly to:

- determine whether a significant increase in credit risk occurred or whether the loan was credit-impaired
- assess the net realisable value of collateral

KPMG

Key audit matter	How the audit matter was addressed
are either increased by coefficients set by the Company's management or replaced by PDs obtained from an external study on defaults of foreign debt exposures - exposure at default (EAD) decreased by the net realisable value of collateral - loss given default (LGD) based on regulatory coefficients.	- assess whether appropriate LGD was assigned to the loan - check other characteristics of selected loans relevant for automatic ECL calculation that are set in the system.
PD, LGD and definition of SICR are back-tested by using internal historical data.	We tested the design, implementation and operating effectiveness of the automatic calculation of expected credit losses (ECL) for Stage 1 and Stage 2 loans. We tested the calculation by inquiry in combination with inspection of the ECL summary calculation report and re-calculation.
Loss allowances for all stage 3 loans are determined by estimating the discounted future cash flows. The key judgments and assumptions consist in estimating the amount and timing of future cash repayments including the net realisable value of underlying collateral.	For a sample of Stage 3 loans, we examined the estimated cash flow scenarios as prepared by the credit risk department of the Company. In particular, we challenged the key assumptions in relation to the amount and timing of estimated cash flows. During our assessment we considered also the latest developments in relation to the borrower. Finally, we re-calculated the loss allowances and reconciled them to the ECL summary calculation report. We reconciled the ECL summary calculation report to the accounting records to check their completeness and accuracy. We also evaluated the results of the back-testing of PD, LGD and definition of SICR performed by the Company. We compared the ratios of loss allowances to gross loan receivables per stage and in total against market average ratios and the ratios of selected similar banks in the market. We assessed the adequacy of the presentation and the Companies' disclosures on the loss allowances and credit risk management in the notes to the financial statements.

Other Information

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

The Company has not prepared an annual report as at 31 December 2018, as it includes the respective information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

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

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

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 26 April 2018 and our uninterrupted engagement has lasted for 20 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 11 April 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of PPF banka a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
11 April 2019

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

Jindřich Vašina
Partner
Registration number 2059

Individual Financial Statements

for the year ended 31 December 2018 in accordance with International Financial Reporting Standards (IFRS)

Individual Statement of Comprehensive Income

for the year ended 31 December 2018

In millions of CZK	Note	2018	2017
Interest and similar income	7	4,314	2,902
Interest expense and similar charges	7	(846)	(445)
Net interest and similar income		**3,468**	**2,457**
Dividend income		1	0
Fee and commission income	8	186	183
Fee and commission expense	8	(54)	(54)
Net fee and commission income		**132**	**129**
Net income from financial operations	9	362	625
Other operating income	10	2	6
Operating income		**3,965**	**3,217**
General administrative expenses	11	(979)	(953)
Impairment (loss)/reversal	27	(68)	(177)
Other operating expenses	12	(229)	(179)
Operating expenses		**(1,276)**	**(1,309)**
Profit before income tax		**2,689**	**1,908**
Income tax expense	24	(487)	(387)
Net profit for the year		**2,202**	**1,521**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (AFS financial assets):		–	(152)
Net change in fair value		–	(27)
Net amount transferred to profit or loss		–	(125)
Fair value reserve (debt instruments measured at fair value through other comprehensive income):		(855)	
Net change in fair value		(665)	–
Net amount transferred to profit or loss		(190)	–
Deferred tax		129	29
Items that will not be reclassified to profit or loss			
Fair value reserve (equity instruments designated at fair value through other comprehensive income):			
Net change in fair value		158	–
Other comprehensive income for the period		**(568)**	**(123)**
Total comprehensive income for the period		**1,634**	**1,398**

The notes on pages 8 to 116 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 11 April 2019.

Signed on behalf of the Board of Directors by:

Ing. Petr Jirásko

Ing. Miroslav Hudec

Individual Statement of Financial Position

as at 31 December 2018

In millions of CZK	Note	31. 12. 2018	31. 12. 2017
Assets			
Cash and balances with the central bank	13	163,539	157,926
Financial assets at fair value through profit or loss	15	9,605	–
Trading assets	14	–	8,919
Financial assets at fair value through other comprehensive income	17	18,784	–
Debt instruments at amortised cost	18	3,051	–
Financial assets available for sale	16	–	28,981
Loans and advances to banks	19	5,131	3,355
Loans and advances to customers	20	34,437	33,236
Investments in subsidiaries	21	135	112
Property, plant and equipment	22	38	36
Intangible assets	23	144	96
Deferred tax assets	24	28	–
Other assets	26	270	280
Total assets		**235,162**	**232,941**
Liabilities			
Deposits from banks	28	66,306	38,963
Deposits from customers	29	132,785	157,384
Debt securities issued	30	2,583	3,090
Financial liabilities at fair value through profit or loss	32	16,180	–
Trading liabilities	31	–	12,936
Income tax liabilities	33	180	114
Deferred tax liabilities	24	–	133
Provisions	35	232	182
Other liabilities	34	5,276	8,536
Subordinated liabilities	36	–	1,459
Total liabilities		**223,542**	**222,797**
Shareholders' equity			
Issued capital	39	769	769
Share premium	39	412	412
Retained earnings		10,392	8,418
Fair value reserve	40	47	545
Total shareholders' equity		**11,620**	**10,144**
Total liabilities and shareholders' equity		**235,162**	**232,941**

Individual Statement of Cash Flows

as at 31 December 2018

In millions of CZK	2018	2017
Cash flows from operating activities		
Profit before income tax	2,689	1,908
Adjustments for:		
Depreciation and amortisation	40	31
Net impairment loss on investment securities	6	–
Net impairment loss on loans and advances	110	177
Net interest income	(3,468)	(2,457)
Revaluation of financial assets and liabilities at fair value through profit or loss	(91)	–
Revaluation of financial assets and liabilities held for trading	–	624
Net gain/loss on securities at fair value through profit or loss	173	–
Net gain/loss on trading assets	–	(335)
Net gain/loss on debt securities issued at fair value through profit or loss	–	(1)
Net gain/loss on the sale of financial assets at fair value through other comprehensive income	(190)	–
Net gain/loss on the sale of available-for-sale securities	–	(123)
Other non-cash adjustments	(267)	(122)
Operating profit before the change in operating assets and liabilities	**(998)**	**(298)**
Changes in:		
Balances with central bank	1,084	(213)
Financial assets at fair value through profit or loss	(686)	–
Trading assets	–	1,068
Debt instruments at amortised cost	200	–
Loans and advances to banks	361	2,528
Loans and advances to customers	(1,471)	(3,634)
Other assets	10	20
Financial liabilities at fair value through profit or loss	3,244	–
Trading liabilities	–	2,390
Deposits from banks	27,343	32,144
Deposits from customers	(24,599)	54,324
Other liabilities and provisions	(3,259)	5,416
	1,229	93,745
Interest received	4,254	2,849
Dividends received	1	–
Interest paid	(913)	(344)
Income taxes paid	(526)	(342)
Net cash from / (used in) operating activities	**4,045**	**95,908**
Cash flow from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(18,625)	–
Acquisition of financial assets available for sale	–	(11,767)
Proceeds from sale of financial assets at fair value through other comprehensive income	25,648	–
Proceeds from sale of financial assets available for sale	–	13,734
Acquisition of property and equipment	(21)	(22)
Acquisition of intangible assets	(69)	(55)
Acquisition of subsidiaries and capital funds increase	(23)	(41)
Net cash from / (used in) investing activities	**6,910**	**1,849**
Cash flow from financing activities		
Proceeds from issue of debt securities	220	554
Repayment of debt securities issued	(818)	(187)
Repayment of subordinated debt	(1,525)	–
Net cash from / (used in) financing activities	**(2 123)**	**367**
Net increase/(decrease) in cash and cash equivalents	8 832	98,124
Cash and cash equivalents at 1 January	156 805	58,679
Effect of exchange rate fluctuations on cash and cash equivalents held	3	2
Cash and cash equivalents at 31 December (see note 45(f))	**165 640**	**156,805**

Individual Statement of Changes in Equity

for the year ended 31 December 2018

In millions of CZK	Issued capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at 31 December 2017	**769**	**412**	**545**	**8,418**	**10,144**
Adjustment on initial application of IFRS 9	–	–	70	(226)	(156)
Balance at 1 January 2018	**769**	**412**	**615**	**8,192**	**9,988**
Total comprehensive income for the period					
Profit for 2018	–	–	–	2,202	2,202
Other liabilities – “Social Fund”	–	–	–	(2)	(2)
Other comprehensive income					
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	(568)	–	(568)
Total	**769**	**412**	**47**	**10,392**	**11,620**
Transactions with owners, contribution and distribution to owners					
Dividends paid	–	–	–	–	–
Balance at 31 December 2018	**769**	**412**	**47**	**10,392**	**11,620**
Balance at 1 January 2017	**769**	**412**	**668**	**6,899**	**8,748**
Total comprehensive income for the period					
Profit for 2017	–	–	–	1,521	1,521
Other liabilities – “Social Fund”	–	–	–	(2)	(2)
Other comprehensive income					
Changes in fair value of available-for-sale financial assets, net of tax	–	–	(123)	–	(123)
Total	**769**	**412**	**545**	**8,418**	**10,144**
Transactions with owners, contribution and distribution to owners					
Dividends paid	–	–	–	–	–
Balance at 31 December 2017	**769**	**412**	**545**	**8,418**	**10,144**

Notes to the Individual Financial Statements

for the year ended 31 December 2018

1. Introduction

PPF banka a.s. (“the Bank”) was established on 31 January 1995 as the successor to the former ROYAL BANKA CS,a.s. (operating on the market from 31 December 1992) by a resolution of the Prague City Council in order to create a strong financial partner for cities and municipalities.

The Bank is registered in the Commercial Register as a joint-stock company, with the following scope of business:

— execution of banking transactions and provision of banking services in the Czech Republic and abroad, to the extent permitted by relevant legislation and the licence granted by the Czech National Bank (CNB). The Bank may acquire an interest in other companies both in the Czech Republic and abroad, including non-financial service companies.

On 23 June 2004, the shareholders of the Bank decided to change the name of První městská banka,a.s. to PPF banka a.s. The change of name to PPF banka a.s. was recorded in the Commercial Register on 1 September 2004.

The ultimate controlling entity of the Bank is PPF Group N.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 33264887.

Registered office of the Bank:
PPF banka a.s.
Evropská 2690/17
160 41 Praha 6
Czech Republic

The Bank has not prepared a separate annual report, because the Bank includes the relevant information in the consolidated annual report.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

3. Significant accounting policies

a) Basis of preparation

The financial statements are presented in Czech Crowns, which is the Bank’s functional currency, rounded to the nearest million. The financial statements are prepared on the historical cost basis, except for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and assets at fair value through other comprehensive income.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements concerning the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that may have a significant effect on the financial statements in the year ended 31 December 2018 is included in the following notes:

— impairment of financial instruments, determining inputs into the ECL measurement model, including incorporation of forward-looking information in note 5;
— sensitivity analysis of loss allowance by relevant categories in note 45(a);
— determination of the fair value of financial instruments with significant unobservable inputs in note 3(a).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 the current and future periods.

Estimates which may have a significant effect on the financial statements in the next year regarding the standards that are not yet effective and are relevant to the financial statements are discussed in Note 4.

Information about judgements made in the application of accounting policies that may have a significant effect on the financial statements is included in the following notes.

— classification of financial instruments, especially assessment of the business model and assessment if contractual cash flows are solely payments of principal and interest from unpaid principal („SPPI“) in note3(c);
— assessment if there has been a significant increase in the credit risk of a financial instrument since initial recognition considering all available and relevant information, including quantitative and qualitative information, analysis based on the historical experience of the bank and forward-looking information in note 5.

The individual financial statements have been prepared on the basis of the going-concern principle. In addition to the individual financial statements, the Bank prepares consolidated financial statements, which include the companies stated in note 21.

b) Foreign currency

i) Functional currency

The individual financial statements are presented in Czech Crowns (CZK), which is the Bank’s functional currency.

ii) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the presentation currency at the foreign exchange rate ruling at the dates that the values were determined.

c) Financial instruments

i) Classification and measurement of financial assets – applicable until 31 December 2017

IAS 39 distinguished between the following principal classification categories of financial assets: financial instruments at fair value through profit or loss, loans and receivables, held-to-maturity assets and available-for-sale financial assets.

Financial instruments at fair value through profit or loss were those acquired or incurred principally for the purpose of selling or repurchasing in the near term or those that were part of a portfolio of identified financial instruments that were managed together and for which there was evidence of a recent actual pattern of short-term profit-taking (financial instruments held for trading), or instruments that were designated upon initial recognition at fair value through profit or loss. These included debt securities, certain purchased loans and derivative contracts that were not designated and effective hedging instruments, and liabilities from short sales of financial instruments. The derivatives in a net receivable position (positive fair value), as well as options purchased, were reported as trading assets. The derivatives in a net payable position (negative fair value), as well as options written, were reported as trading liabilities.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted on an active market, other than:

- those designated upon initial recognition at fair value through profit or loss or available for sale; or
- those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration, which should have been classified as available for sale.

Loans and receivables included loans and advances to banks and customers.

Held-to-maturity assets were financial assets with fixed or determinable payments and fixed maturity that the Bank had the intent and ability to hold to maturity.

Available-for-sale financial assets were financial assets that were not held for trading purposes, designated by the Bank, or held to maturity, nor were they classified as loans and receivables. Available-for-sale financial instruments included debt, equity and other investments.

At initial recognition, financial instruments were measured at fair value increased by transaction costs, except for financial instruments measured at fair value through profit or loss, where the transaction costs were expensed immediately.

All financial instruments that did not have a quoted market price on an active market and whose fair value could not be reliably measured were stated at cost, including transaction costs, less impairment losses.

All financial liabilities that were not at fair value through profit or loss were measured at amortised cost. The loans and receivables and held-to-maturity assets were measured at amortised cost less impairment losses. Amortised cost was calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, were included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

i) Classification and measurement of financial assets – applicable from 1 January 2018

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified under one of these categories on initial recognition.

Business model assessment
The Bank made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the management. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice;
— how the performance of the portfolio is evaluated and reported to the Bank's management;
— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
— how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
— the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

— contingent events that would change the amount and timing of cash flows;
— leverage features;
— prepayment and extension terms;
— terms that limit the Bank's claim to cash flows from specified assets, e.g. non-recourse asset arrangements; and
— features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

POCI assets
IFRS 9 also includes so called POCI assets. POCI assets are purchased or originated financial assets that are credit-impaired on initial recognition.

(ii) Recognition

The Bank recognises financial assets on the day they are transferred to the Bank (settlement date accounting).

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using discounted cash flow techniques or pricing models where all significant inputs are directly or indirectly observable from market data.

Valuation models
The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

— Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
— Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
— Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework
The Bank has an established control framework with respect to the measurement of fair values. This framework includes Risk Management, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

— verification of observable pricing;
— re-performance of model valuations;
— a review and approval process for new models and changes to models;
— calibration and back-testing of models against observed market transactions;
— analysis and investigation of significant daily valuation movements; and
— review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous period.

When third-party information, such as broker quotes or pricing services, is used to measure fair value, Risk Management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

— verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
— understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
— when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
— if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Bank‘s Audit Committee.

iv) Gains and losses on subsequent measurement – applicable until 31 December 2017

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss were recognised directly in profit or loss as “Net income from financial operations”.

Gains and losses arising from a change in the fair value of financial assets available for sale were recognised directly in other comprehensive income and became the equity item “Changes in fair value of available for sale financial assets”.

iv) Gains and losses on subsequent measurement – applicable from 1 January 2018

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss are recognised directly in profit or loss as “Net income from financial operations”.

Gains and losses arising from a change in the fair value of financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income and become the equity item “Changes in fair value of financial assets at FVOCI”

v) Specific financial instruments – applicable until 31 December 2017

Cash and balances with the central bank
Cash and balances with the central bank comprised cash in hand, cash deposited with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank.

Loans and advances to banks and customers
Loans and advances to banks and customers and purchased loans that the Bank has the intent and ability to hold to maturity were classified as loans and receivables.

Loans and advances were reported net of allowances for impairment to reflect the estimated recoverable amounts – see note 3 (g).

Debt securities issued
Own issued debt securities were recognised at amortised cost under “Debt securities issued”. Upon initial recognition, own debt securities were measured at cost, which included direct transaction costs.

Subordinated liabilities
Subordinated liabilities were initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designated liabilities at fair value through profit or loss.

v) Specific financial instruments – applicable from 1 January 2018

Cash and balances with the central bank
Cash and balances with the central bank comprise cash in hand, cash deposited with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank.

Loans and advances to banks and customers
Loans and advances to banks and customers are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, the financial assets are measured at amortised cost in line with IFRS 9. The financial assets are measured at fair value through profit or loss if the contractual terms do not meet the criteria specified above.

Debt securities issued
Own issued debt securities are recognised at amortised cost under “Debt securities issued”. Upon initial recognition, own debt securities are measured at cost, which includes direct transaction costs.

Subordinated liabilities
Subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

vi) Financial Derivatives – applicable until 31 December 2017

For presentation purposes, derivatives were split into

— derivatives held for trading; and
— hedging derivatives.

Derivatives held for trading were those which were not designated as hedging instruments. They were presented in the item “Derivatives held for trading” in the footnotes. All kinds of non-hedging derivatives, without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, were presented in this line item. Hedging derivatives were those which were designated as hedging instruments in hedges fulfilling the conditions of IAS 39. In the footnotes, they were presented in the line item “Hedging derivatives”.

Changes in fair value (the clean price) of derivatives were recognised in the income statement in the line item “Net income from financial operations”.

vi) Financial Derivatives – applicable from 1 January 2018

Financial derivatives with positive fair value are presented as "Financial assets measured at fair value through profit or loss". Financial derivatives with negative fair value are presented as "Financial liabilities measured at fair value through profit or loss".

For presentation purposes, derivatives are split into

— derivatives held for trading; and
— hedging derivatives.

Derivatives held for trading are those which are not designated as hedging instruments. All kinds of non-hedging derivatives, without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, are presented in this line item. Hedging derivatives are those which are designated as hedging instruments in hedges fulfilling the conditions of IFRS 9.

Changes in fair value (the clean price) of derivatives are recognised in the income statement in the line item "Net income from financial operations".

d) Derecognition and contractual modification – applicable until 31 December 2017

A financial asset was derecognised when the contractual rights to the cash flows from the financial asset expired or when the Bank transferred the financial asset, provided that the Bank also transferred substantially all the risks and rewards of ownership of the financial asset. Substantial modification of the contractual cash flows of a financial asset was considered by the Bank to be the expiry of contractual rights to the financial asset.

A financial liability was derecognised when it was extinguished, i.e. when the obligation specified in the contract was discharged or cancelled or expired. Substantial modification of the terms of an existing financial liability was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Available-for-sale assets and trading assets that were sold were derecognised and the corresponding receivables from the buyer were recognised on the date they were transferred (settlement date accounting). The Bank used the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments and loans and receivables were derecognised on the day of maturity or on the day they were transferred by the Bank.

d) Derecognition and contractual modification – applicable from 1 January 2018

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers the financial asset, provided that the Bank also transfers essentially all the risks and rewards of ownership of the financial asset.

Substantial modification of the contractual cash flows of a financial asset is considered by the Bank to be the expiry of contractual rights to the financial asset. The Bank draws on internally defined quantitative and qualitative criteria to assess the significance of a change. If a quantitative or qualitative criterion is not met, this is taken to mean a significant change and the lapse of contractual rights attaching to the original financial asset. If at least one of the qualitative or qualitative criteria is not met, the Bank derecognises the modified financial asset. Where the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset is treated as a new financial asset for the Bank's purposes.

A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. Substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income that are sold are derecognised and the corresponding receivables from the buyer are recognised on the day they are delivered (settlement date accounting).

In the event of the derecognition of investments in equity instruments designated at fair value through other comprehensive income, the Bank does not reclassify cumulative gain or loss from equity to profit or loss. The cumulative gain or loss is transferred within equity.

Debt instruments measured at amortised cost, loans and advances to banks and loans and advances to customers are derecognised on the day of maturity or on the day they are transferred by the Bank.

In the event of the modification of a financial instrument not measured at fair value through profit or loss that does not result in derecognition, the Bank recalculates the gross carrying amount of the financial asset (amortised cost of the financial liability) as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's (financial liability's) original effective interest rate and recognises the modification gain or loss in profit or loss.

e) Repurchase transactions

The Bank enters into purchases (sales) of financial assets under agreements to resell (repurchase) identical financial assets at a certain date in the future at a fixed price. Financial assets purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Financial assets sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in "Interest and similar income" or "Interest expense and similar charges".

f) Offsetting

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

g) Impairment – applicable until 31 December 2017

Financial assets were reviewed at each balance sheet date to determine whether there was objective evidence of impairment. If any such indication existed, the asset's recoverable amount was estimated and impairment of assets was recognised.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be linked objectively to an event occurring after the write-down, then the write-down or provision was reversed through the statement of comprehensive income.

Loans and advances and held-to-maturity investments
Loans and advances were presented net of specific and portfolio provisions for uncollectibility. Specific provisions were established against the carrying amount of loans and advances that were identified as being impaired based on regular reviews of the outstanding balances to reduce these loans and advances to their recoverable amounts. The provisions were calculated as the difference between the carrying amount of a loan and the present value of the estimated future cash flows from the loan, including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate.

The Bank did not recognise provisions on a portfolio basis.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may have been limited or no longer fully relevant to current circumstances. This may have been the case when a borrower was in financial difficulties and there was little available historical data relating to similar borrowers. In such cases, the Bank used its experience and judgement to estimate the amount of any impairment loss. The Bank mainly used the financial statements of the client and the Bank's own analysis as the basis for assessment of the loan's collectability.

Increases in the provision account were recognised in the statement of comprehensive income. When a loan was known to be uncollectible, all the necessary legal procedures had been completed, and the final loss had been determined, the loan was written off directly to the statement of comprehensive income.

g) Impairment – applicable from 1 January 2018

The Bank assesses impairment loss on financial assets based on the forward-looking "expected credit loss" model in line with IFRS 9. The model assumptions and estimates are described in detail in note 5(i).

If the expected credit loss increases in the period, the amount of the corresponding impairment loss on the financial asset is recognised in the statement of comprehensive income line item "Impairment loss".

If the expected credit loss decreases in the subsequent period, the amount of the corresponding impairment loss reversal is recognised in the statement of comprehensive income line item "Impairment reversal".

When a financial asset is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the financial asset is written off directly to the statement of comprehensive income.

Loans and advances to banks, loans and advances to customers, debt instruments measured at amortised cost
Loans and advances to banks, loans and advances to customers and debt instruments measured at amortised cost are presented net of any loss allowance.

Financial assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income are presented at fair value, and the loss allowance for the expected credit loss is recognised in the equity line item "Fair value reserve".

Financial guarantees, loan commitments and letters of credit
Financial guarantees, loan commitments and letters of credit are presented at fair value, and the loss allowance for the expected credit loss is recognised in the statement of financial position line item “Provisions”.

h) Net interest and similar income

Interest income and expenses are recognised in the statement of comprehensive income as they accrue, using the effective yield of the asset or the applicable floating rate. Interest income and expenses include 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. Interest income also includes up-front and commitment fees, which are subject to the effective interest rate calculation and are amortised over the life of the loan.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset except for POCI financial assets and financial assets that have subsequently become credit-impaired financial assets.

For POCI financial assets, the Bank applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. For financial assets that have subsequently become credit-impaired financial assets, the Bank applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

i) Net fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate, and are therefore included in “Interest and similar income” or “Interest expense and similar charges”.

Other fee and commission income arises from financial services provided by the Bank including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions.

Fee and commission income is recognised when the corresponding service is provided.

Other fee and commission expenses relate mainly to transaction and service fees, account maintenance and brokerage fees which are expensed as the services are received.

j) Penalty fees

Penalty fees that have not been claimed or that have been waived are excluded from profit or loss.

k) Net income from financial operations

Net income from financial operations includes gains and losses arising from disposals of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income except for equity instruments designated at fair value through other comprehensive income. Net income from financial operations also includes gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss. This item also includes foreign exchange gains and losses.

l) Dividend income

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	10–30 years
Other	1–5 years

Leasehold improvements are depreciated over the leasing period or over their lifetime, whichever period is the shorter.

Low value tangible assets with a purchase price of less than TCZK 40 and an estimated useful life shorter than 1 year are recognised as expenses in the period in which they are purchased.

n) Intangible assets

Software and other intangible assets
Software and other intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets.

o) Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time.

Provisions are recognised when:

— there is a legal or constructive obligation as a result of past events;
— it is probable, and the probability exceeds 50%, that an outflow of resources will be required to settle the obligation;
— a reliable estimate of the amount of the obligation can be made.

p) Income taxes

The income tax base is calculated from the current year profit. Expenses considered non-taxable expenses are added and income considered non-taxable income is deducted. The income tax base is modified by tax allowances and tax benefits.

Deferred income tax arises from temporary differences between the accounting values of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated using the tax rates applicable in the periods in which the timing difference is expected to reverse. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

q) Financial guarantees

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

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee.

4. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Bank's financial statements

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2018, and have not been applied in the preparation of these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations.

IFRS 16: *Leases* (effective for annual periods beginning on or after 1 January 2019) supersedes IAS 17 Leases and related interpretations.

The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

— leases with a lease term of 12 months or less and containing no purchase options, and
— leases where the underlying asset has a low value ("small-ticket" leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Bank assessed the new standard to have no major impact on its financial statements.

Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019)

These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, one concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including "negative compensation". Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The Bank assessed the new amendments to the standard to have no major impact on its financial statements.

Amendments to IFRS 10 and IAS 28: *Sale or contribution of assets between an investor and its associate or joint venture* (the European Commission decided to defer the endorsement indefinitely)

The Amendments clarify that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

— a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
— a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Bank assessed the new amendments to the standards to have no major impact on its financial statements.

IFRIC 23: *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Bank assessed the new standard to have no major impact on its financial statements.

Amendments to IAS 28: (effective for annual periods beginning on or after 1 January 2019)

The Amendments clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

The Bank assessed the new amendments to the standard to have no major impact on its financial statements.

Annual Improvements to IFRS 2015–2017 Cycle: (effective for annual periods beginning on or after 1 January 2019). These annual improvements are not yet endorsed by the EU.

Annual Improvements to IFRS 2015–2017 Cycle contains four amendments to standards. The main changes were to:

— clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
— clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
— clarify that the entity should always account for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognised past transactions or events that generated distributable profits; and
— clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset until essentially all the activities necessary to prepare that asset for its intended use or sale are complete as borrowings made specifically for the purpose of obtaining a qualifying asset should not apply to a borrowing originally made specifically to obtain a qualifying asset if that asset is ready for its intended use or sale.

The Bank assessed the annual improvements to have no major impact on its financial statements.

Amendments to IAS 19: *Employee Benefits* (effective for annual periods beginning on or after 1 January 2019). These amendments are not yet endorsed by the EU.

The Amendments require the entity to use current and updated assumptions when a change to a plan, and an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Bank assessed the new amendments to the standard to have no major impact on its financial statements.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements
The Bank makes estimates and assumptions concerning future economic developments. The resulting accounting estimates will, by definition, seldom be equal to the actual results. The estimates and assumptions that carry the most significant risk of a material adjustment being required to the carrying amounts of assets and liabilities in the next financial year are discussed below.

i) Impairment of financial assets – applicable until 31 December 2017

The Bank assessed impairment loss on financial assets based on an "incurred loss" model in line with IAS 39.

The Bank assessed at each balance sheet date whether there was objective evidence that any loan or receivable, or any group of loans and receivables, was impaired. A loan or receivable was impaired if there was objective evidence of impairment as a result of one or more events that occurred after their initial recognition and that loss event (or events) had an impact on the estimated future cash flows from the loan or receivable, or from the group of loans and receivables, that could be reliably estimated.

The Bank classified the loans to individual customers into several classes, in which respect the significant ones were all loans to corporate customers.

The Bank first assessed whether objective evidence of impairment existed individually for any loan or receivable that was individually significant. In the event of individually significant financial assets where no individual objective evidence of impairment was identified, collective evaluation of impairment was performed.

Objective evidence that a loan or receivable, or a group of loans and receivables, was impaired included observable data that came to the attention of the Bank about the following loss events:

— significant financial difficulty of the debtor;
— a breach of contract, such as default in the payment of interest or principal payments;
— the disappearance of an active market for that financial asset due to financial difficulties of the debtor;
— deterioration of the borrower's competitive position;
— cash flow difficulties;
— breach of loan covenants;
— initiation of bankruptcy proceedings.

A collective component of the total impairment (loss "incurred but not reported" or IBNR) was not established for corporate customers due to the high fragmentation of the portfolio and thus unavailability of sufficient and reliable statistical information on default history. Due to the small number of corporate exposures, the timely identification of impairment loss took place with a subsequent shift to the Work-out Committee.

Future cash flows from loans and receivables were estimated on the basis of contractual cash flows and historical loss experience for loans and receivables with similar credit risk characteristics. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of current conditions that had not affected the period on which the historical loss experience was based and to remove the effects of conditions in the historical period that did not exist currently. The methodology and assumptions used to estimate future cash flows were reviewed regularly and back-tested, if possible, by the Bank to reduce any differences between loss estimates and actual loss experience.

i) Impairment of financial assets – applicable from 1 January 2018

The Bank assesses impairment loss on financial assets based on a forward-looking "expected credit loss" ("ECL") model in line with IFRS 9.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Financial assets for which the provision is reported at the level of 12-month expected credit losses are referred to as stage 1 financial assets. Financial assets are classified under stage 1 if they are assigned a low credit risk or if their credit risk has not significantly increased since the initial recognition.

Financial assets for which the provision is reported at the level of lifelong expected credit losses are referred to as stage 2 financial assets. Financial assets are reclassified under stage 2 if their credit risk has significantly increased since initial recognition and they are not currently assigned a low credit risk.

Financial assets in default are classified as stage 3 financial assets.

Measurement of expected credit losses
ECLs are a probability-weighted estimate of credit losses and are measured as follows:

— financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
— financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
— undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn and the cash flows that the Bank expects to receive from this commitment; and
— financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Definition of default
Under IFRS 9, the Bank considers a financial asset to be in default when there is available information that:

— the borrower is unlikely to pay its credit obligations to the Bank in full, without realising collateral; or
— the borrower is more than 90 days past due on the respective significant credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank mainly considers the following indicators:

— approval of the forced restructuring of the receivable, with the effect of a reduction in the borrower's financial liabilities;
— active insolvency proceedings against the borrower in the insolvency register;
— the removal of the borrower's licence for activity for which licensing is required;
— the declaration of a moratorium on payments to international creditors (valid only for Sovereigns);
— the initiation of steps by the Bank to activate guarantees provided by guarantors for the borrower's commitments;
— a performing exposure with relief in the probationary period is more than 30 days past due during the probationary period;
— the borrower is unlikely (according to an assessment by the Bank) to fully repay liabilities to the Bank, the parent company or subsidiaries without the realisation of collateral;
— loss of the borrower's regular income intended for the repayment of liabilities to the Bank;
— there are reasonable concerns about the borrower's future ability to generate stable and sufficient cash flows;
— a significant increase in the borrower's level of debt, or a reasonable expectation of such an increase;
— breach of covenants laid down in the contract with the borrower;
— a significant delay in the borrower's payments to other creditors is recorded in the Central Credit Register (or in another credit register);
— a crisis in the borrower's sector, accompanied by the borrower's weak position in that sector;
— the disappearance of an active market for a financial asset because of the borrower's financial difficulties;
— the default of another member in an economically linked group;
— a borrower facing financial difficulties receives material financial assistance (for more than 12 months) from the parent company, shareholders or another member of an economically linked group in order to meet liabilities, unless this is financial assistance pre-planned or expected during the lending approval procedure.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades
The Bank allocates each exposure a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Each exposure is allocated a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades are primary inputs in the determination of the probability of default (PD) development for exposures.

Determining whether credit risk has increased significantly
Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting – based on availability and complexity – of the Bank's historical experience, expert credit assessment and forward-looking information.

The criteria may vary by portfolio and include a backstop based on delinquency in accordance with IFRS 9. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset becomes more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

— the credit risk grade as at the reporting date; with
— the credit risk grade that was estimated on initial recognition of the exposure.

The Bank deems the credit risk of a particular exposure to have increased significantly since initial recognition if the credit risk grade at the reporting date is determined to have increased – since initial recognition – by two notches or more.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identification of the date of initial recognition of the instrument.

The Bank monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Inputs in the measurement of ECLs
The key inputs in the measurement of ECLs are – in general – the following variables:

— probability of default (PD);
— loss given default (LGD); and
— exposure at default (EAD).

These parameters are – separately or collectively – derived from statistical models created on the basis of available market data. Models created on the basis of available market data are periodically back-tested on internal historical data. Failure probability estimates are estimates at a certain date that are calculated on the basis of statistical rating models and assessed using the rating tools established for different categories of counterparties and exposures.

The migration of a counterparty or exposure between rating classes results in a change in the estimate of the associated PD.

Loss given default (LGD) is the amount of probable loss in the event of a default. For stage 1 and 2 exposures, the Bank uses external comparative information to assess LGD parameters. For stage 3 exposures, the Bank uses the difference between the gross carrying amount of an asset and the present value of estimated future cash flows to measure expected credit losses.

EAD represents the exposure in the event of default. The Bank derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is the gross carrying amount at default reduced by the net realisable value of collateral received.

Forward-looking information
Under IFRS 9, the Bank incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – as part of the measurement of ECLs. The external information used may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

On the strength of data availability and resource credibility, the Bank uses historical data analysis to estimate the relationships between macroeconomic variables and probabilities of default that are used to measure expected credit losses.

6. Changes in accounting policies

There were no changes in accounting policies during the period from 1 January 2018 to 31 December 2018, except for those disclosed below.

The Bank has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies that have a significant impact on financial statements and notes to the financial statements.

i) Classification

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. Under IAS 39 all fair value changes of financial liabilities designated as at FVTPL were recognised in profit or loss.

ii) Impairment

From 1 January 2018, the Bank assesses impairment loss on financial assets based on the forward-looking "expected credit loss" model in line with IFRS 9 which replaced the "incurred loss" model applicable under IAS 39. The model is described in detail in note 5(i).

iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 were applied retrospectively. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 were recognised in retained earnings in the amount of MCZK 226 as at 1 January 2018.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "Financial Instruments: Disclosures". Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures presented in the notes to the financial statements for the year ended 31 December 2017.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 significant accounting policies and critical accounting estimates and judgements applied in the current period are described in detail in notes 3 and 5. IAS 39 significant accounting policies and critical accounting estimates and judgements applied in the prior period are described in detail in notes 3 and 5.

Impact of transition to IFRS 9 on items of equity

The following table summarises the impact of the transition to IFRS 9 on the opening balance of retained earnings and fair value reserve as at 1 January 2018. There was no impact on other components of equity.

MCZK	
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	545
Reclassification of debt instruments from AFS to AC	26
Recognition of expected credit losses for debt instruments at FVOCI	44
Opening balance under IFRS 9 (1 January 2018)	615
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	8,418
Recognition of expected credit losses under IFRS 9	(226)
Opening balance under IFRS 9 (1 January 2018)	8,192

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets in accordance with IAS 39 as at 31 December 2017 and IFRS 9 as at 1 January 2018 are compared as follows:

MCZK	Note	Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39 as at 31. 12. 2017	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets					
Cash and balances with the central bank	13	Loans and receivables	Financial assets at amortised cost	157,926	157,926
Loans and advances to banks	19	Loans and receivables	Financial assets at amortised cost	3,355	3,355
Loans and advances to customers	20	Loans and receivables	Financial assets at amortised cost	33,236	33,085
Positive fair value of derivatives	14/15	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	3,760	3,760
Debt and equity instruments held for trading	14/15	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	5,159	5,159
Debt and equity instruments not classified as held for trading	16/17	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	25,753	25,753
Bills of exchange	16/18	Available-for-sale financial assets	Financial assets at amortised cost	3,228	3,251
Other financial assets *	26	Loans and receivables	Financial assets at amortised cost	238	233

* Other financial assets are presented in Statement of Financial Positions as part of the line item “Other assets”.

Neither the classification nor the measurement of financial liabilities was affected by the adoption of IFRS 9 as at 1 January 2018.

Reconciliation of carrying amounts of financial assets from measurement categories under IAS 39 to measurement categories under IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and an analysis of their cash flow characteristics.

Please refer to note 3(c) (i) for more detailed information regarding the new measurement and classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

MCZK	Carrying amount under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets at amortised cost				
Cash and balances with the central bank				
Closing balance under IAS 39	157,926	–	–	–
Opening balance under IFRS 9	–	–	–	157,926
Debt instruments at amortised cost		–	–	–
Closing balance under IAS 39	–	–	–	–
Addition: reclassification from AFS (IAS 39)	–	3,228		
Remeasurement: reclassification between measurement categories	–	–	26	–
Remeasurement: ECL allowance	–	–	(3)	–
Opening balance under IFRS 9	–	–		3,251
Loans and advances to banks				
Closing balance under IAS 39	3,355	–	–	–
Opening balance under IFRS 9	–	–	–	3,355
Loans and advances to customers				
Closing balance under IAS 39	33,236	–	–	–
Remeasurement: ECL allowance	–	–	(151)	–
Opening balance under IFRS 9	–	–	–	33,085
Other financial assets				
Closing balance under IAS 39	238	–	–	–
Remeasurement: ECL allowance	–	–	(5)	–
Opening balance under IFRS 9	–	–	–	233
Total financial assets at amortised cost	**194,755**	**3,228**	**(133)**	**197,850**

MCZK	Carrying amount under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
Closing balance under IAS 39	28,981	–	–	–
Subtraction: reclassification to FVOCI (IFRS 9)	–	(25,753)	–	
Subtraction: reclassification to AC (IFRS 9)	–	(3,228)	–	–
Opening balance under IFRS 9	–	–	–	–
FVOCI – debt instruments				
Closing balance under IAS 39	–	–	–	–
Addition: reclassification from AFS (IAS 39)	–	25,701	–	–
Opening balance under IFRS 9	–	–	–	25,701
FVOCI – equity instruments				
Closing balance under IAS 39	–	–	–	–
Addition: reclassification from AFS (IAS 39)	–	52	–	–
Opening balance under IFRS 9	–	–	–	52
Total financial assets at fair value through other comprehensive income	**28,981**	**(3,228)**	**–**	**25,753**

MCZK	Carrying amount under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets at fair value through profit or loss				
Closing balance under IAS 39	8,919	–	–	–
Opening balance under IFRS 9	–	–	–	8,919
Total financial assets at fair value through profit or loss	**8,919**	**–**	**–**	**8,919**

For financial assets that have been reclassified to the amortised cost category due to the adoption of IFRS 9, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognised in other comprehensive income if these financial assets had not been reclassified as part of the transition to IFRS 9:

In millions of CZK	
Debt instruments reclassified from AFS to AC	
Fair value as at 31 December 2018	1,035
Fair value gain/(loss) that would have been recognised in OCI during the year if the financial asset had not been reclassified	(11)

Debt instruments reclassified from AFS to AC amounting to MCZK 2,257 as at 31 December 2017 matured in 2018.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 "incurred loss" model to the new impairment allowance measured in accordance with the IFRS 9 "expected credit loss" model as at 1 January 2018:

MCZK	Loss allowance under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Loss allowance under IFRS 9 as at 1. 1. 2018
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Debt instruments	–	–	(3)	(3)
Loans and advances to customers	(1,067)	–	(151)	(1,218)
Other financial assets	–	–	(5)	(5)
Subtotal	(1,067)	–	(159)	(1,226)
Available-for-sale financial instruments (IAS 39)/ Financial assets at FVOCI (IFRS 9)				
Debt instruments	–	–	(44)	(44)
Subtotal	–	–	(44)	(44)
Loan commitments and financial guarantees				
Loan commitments	–	–	(21)	(21)
Financial guarantees	(54)	–	(2)	(56)
Subtotal	(54)	–	(23)	(77)
Total	**(1,121)**	**–**	**(226)**	**(1,347)**

7. Net interest income and similar income

MCZK	2018	2017
Interest and similar income		
Cash and balances with the central bank	1,365	242
Loans and advances to banks	58	105
Loans and advances to customers	2,014	1,746
Of which:		
Unpaid interest income from impaired loans	34	49
Unpaid interest income from loans with forbearance	10	40
Debt securities	877	809
	4,314	**2,902**
Interest expense and similar charges		
Deposits from banks	13	73
Deposits from customers	(568)	(194)
Debt securities issued and short sales	(244)	(232)
Subordinated liabilities	(47)	(92)
	(846)	**(445)**
Net interest income and similar income	**3,468**	**2,457**

The Bank did not waive any interest on late payment during the years 2018 and 2017.

8. Net fee and commission income

MCZK	2018	2017
Fee and commission income		
Transaction fee with clients	87	95
Fees from guarantees provided	19	16
Fees from administration of shares/bonds issue	20	25
Transaction fee with banks	3	4
Other	57	43
	186	**183**
Fee and commission expense		
Transaction fee with other counterparties	(34)	(41)
Transaction fee with banks	(20)	(13)
	(54)	**(54)**
Net fee and commission income	**132**	**129**

9. Net income from financial operations

MCZK	2018	2017
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	469	–
Of which:		
Net profit/(loss) from derivatives	54	–
Trading securities	415	–
Net gains/(losses) on financial assets and financial liabilities held for trading	–	(1,271)
Of which:		
Net profit/(loss) from derivatives	–	(1,377)
Trading securities	–	106
Net realised gains/(losses) on financial assets at fair value through other comprehensive income	190	–
Of which:		
Debt instruments	190	–
Net gains/(losses) on financial liabilities at amortised cost	(18)	–
Of which:		
Debt instruments	(18)	
Net profit/(loss) from available-for-sale securities	–	125
Foreign exchange gains and losses	(279)	1,771
	362	**625**

10. Other operating income

Other operating income comprises income from re-invoicing and other similar income.

11. General administrative expenses

MCZK	2018	2017
Personnel expenses		
Wages and salaries	(244)	(238)
Social expenses	(85)	(70)
Liability insurance, pension insurance	(3)	(3)
Remuneration paid to key management personnel*	(50)	(40)
	(382)	(351)
Other general operating expenses		
Gifts	(200)	(190)
Consultancy services	(136)	(134)
Other	(261)	(278)
	(597)	(602)
	(979)	**(953)**

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2018 and 2017 was as follows:

	2018	2017
Board of Directors	5	5
Supervisory Board **	6	6
Executives	2	2
Employees **	235	225

* Remuneration paid to key management personnel includes remuneration paid to the Board of Directors, Supervisory Board and executives.
** Two employees are also members of the Supervisory Board and are therefore included in both the number of employees and the members of the Supervisory Board.

12. Other operating expenses

MCZK	2018	2017
Payment to Resolution Fund	(181)	(145)
Depreciation of fixed assets	(40)	(31)
Payment to Deposit Insurance Fund	(1)	(1)
Payment to Guarantee Fund	(2)	(2)
Net loss on sale investment in subsidiary	(5)	–
	(229)	**(179)**

The basis for the calculation of the payment to the Guarantee Fund for 2018 amounted to MCZK 74 (2017: MCZK 78).

13. Cash and balances with the Central bank

MCZK	31. 12. 2018	31. 12. 2017
Cash on hand	41	34
Balances with the central bank	891	1 975
Term deposits with the central bank	–	2 000
Reverse repo with the central bank	162,607	153,917
Loss allowance	–	–
Net cash and balances with the central bank	**163,539**	**157,926**

At 31 December 2018 cash and balances with the central bank included balances with the central bank amounting to MCZK 891 (31. 12. 2017: MCZK 1,975) representing the obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserves is measured using the monthly average of daily closing balances. These funds are not available for the Bank's daily business.

The technical parameters of the reverse repo operation with the central bank are as follows: maturity of two weeks, interest rate set by CNB for two-week repo operations (the "2W repo rate").

14. Trading assets

All financial assets at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2018	31. 12. 2017
Bonds and notes issued by:		
Government	–	4,679
Corporate	–	480
Positive fair value of derivatives:		
Interest rate contracts	–	1,696
Currency contracts	–	2,064
Of which:		
Listed instruments	–	5,059
Unlisted instruments	–	3,860
	–	**8,919**

15. Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are classified as measured at fair value through profit or loss in accordance with IFRS 9. All financial assets listed below are held within the held-for-trading business model.

MCZK	31. 12. 2018	31. 12. 2017
Bonds and notes issued by:		
Government	4,357	–
Corporate	1,364	–
Positive fair value of derivatives:		
Interest rate contracts	2,514	–
Currency contracts	1,370	–
Of which:		
Listed instruments	5,780	–
Unlisted instruments	3,825	–
	9,605	**–**

Interest income from trading assets and financial assets at fair value through profit or loss is recognised in interest and similar income. The fair value of unlisted instruments was estimated using discounted cash-flow techniques.

16. Financial assets available for sale

MCZK	31. 12. 2018	31. 12. 2017
Bonds and notes issued by:		
Government	–	11,496
Corporate bonds	–	14,206
Corporate bills of exchange	–	3,227
Shares and other equity instruments issued by:		
Other issuers	–	52
Of which:		
Listed instruments	–	23,134
Unlisted instruments	–	5,847
	–	**28,981**

Interest income from financial assets available for sale is recognised in interest and similar income. The fair value of unlisted bonds and notes available for sale was estimated using discounted cash-flow techniques.

17. Financial assets at fair value through other comprehensive income

MCZK	31. 12. 2018	31. 12. 2017
Debt instruments at fair value through other comprehensive income		
Bonds issued by:		
Government	6,125	–
Corporate bonds	11,912	–
Equity instruments at fair value through other comprehensive income		
Shares and other equity instruments issued by:		
Other issuers	747	–
Of which:		
Listed instruments	15,251	–
Unlisted instruments	3,533	–
	18,784	**–**

Debt instruments at fair value through other comprehensive income were classified under this category on the basis of the Bank's business model for managing the financial assets.

Interest income from debt instruments at fair value through other comprehensive income is recognised in interest and similar income.

The fair value of unlisted bonds was estimated using discounted cash-flow techniques.

The loss allowance for expected credit loss on debt instruments at fair value through other comprehensive income was MCZK 54 as at 31 December 2018. The loss allowance for expected credit loss is presented in the equity line item "Fair value reserve".

A credit risk analysis and a detailed overview of impairment loss on debt instruments at fair value through other comprehensive income are disclosed in note 45 (a).

The Bank designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term.

MCZK	31. 12. 2018
Best Hotel Properties (ISIN: SK1120005105)	196
Swift S.C. (ISIN: BE0016790090)	1
Aphelium Real Estate (ISIN: MT7000022984)	550
Total	**747**

None of these investments was disposed of during the year ended 31 December 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments. The result of the change in fair value on these investments was profit of MCZK 145 in 2018. The Bank did not recognise any dividends related to these instruments in 2018.

18. Debt instruments at amortised cost

MCZK	31. 12. 2018	31. 12. 2017
Bills of exchange:	3,053	–
Corporate bills of exchange	3,053	–
Loss allowance	(2)	–
Net debt instruments at amortised cost	**3,051**	**–**

A credit risk analysis and a detailed overview of impairment loss on debt instruments at amortised cost are disclosed in note 45 (a).

19. Loans and advances to banks

MCZK	31. 12. 2018	31. 12. 2017
Loans to banks	131	182
Money market transactions	142	449
Cash collateral	1,867	1,870
Other (nostro / current account balances)	2,992	854
Loss allowance	(1)	–
Net loans and advances to banks	**5,131**	**3,355**

A credit risk analysis and a detailed overview of impairment loss on loans and advances are disclosed in note 45 (a).

20. Loans and advances to customers

MCZK	31. 12. 2018	31. 12. 2017
Total loans and advances to customers	35,774	34,303
Loss allowance	(1,337)	(1,067)
Net loans and advances to customers	**34,437**	**33,236**

A credit risk analysis and a detailed overview of impairment loss on loans and advances are disclosed in note 45 (a).

Specific allowances for impairment loss on loans and advances to customers:

MCZK	2018	2017
As at 31 December 2017	1,067	–
Adjustment on initial application of IFRS 9	151	–
As at 1 January	1,218	1,037
(Gains)/Losses from change in loss allowance recognised in the statement of comprehensive income	109	69
Exchange difference	10	(39)
	119	30
As at 31 December	**1,337**	**1,067**

21. Investments in subsidiaries

The Bank controls the following subsidiaries:

	Principal place of business	31. 12. 2018 Share (%)	31. 12. 2017 Share (%)	31. 12. 2018 MCZK	31. 12. 2017 MCZK
Ruconfin B.V.	RU	100%	100%	51	51
PPF Financial Consulting s.r.o.	CZ	0%	100%	–	5
USconfin 1 DAC	US	100%	0%	3	–
PPF Co3 B.V.	ID, IN, PH	100%	100%	81	56
Investment in subsidiaries				**135**	**112**

The Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation in 2012. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

The Bank also purchased PPF Financial Consulting, s.r.o. in 2012 for the purpose of entering the segment of municipal client consultations. The Bank sold the company in 2018.

In 2016 Bank purchased 100% of the shares of PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia.

In 2018 the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States.

The Bank held no interest participation with significant influence as at 31 December 2018 and 31 December 2017.

22. Property, plant and equipment

MCZK	Low value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not in use yet	Total
Cost						
At 1 January 2017	5	16	16	101	–	138
Additions	–	1	1	16	5	23
Disposals	(2)	(4)	(5)	(22)	–	(33)
At 31 December 2017	3	13	12	95	5	128
At 1 January 2018	3	13	12	95	5	128
Additions	1	–	6	17	3	27
Disposals	(1)	(6)	(3)	(24)	(5)	(39)
At 31 December 2018	3	7	15	88	3	116
Depreciation						
At 1 January 2017	3	2	16	88	–	109
Additions	–	4	–	10	–	14
Disposals	–	(4)	(5)	(22)	–	(31)
At 31 December 2017	3	2	11	76	–	92
At 1 January 2018	3	2	11	76	–	92
Additions	–	5	1	13	–	19
Disposals	–	(6)	(3)	(24)	–	(33)
At 31 December 2018	3	1	9	65	–	78
Net book value						
At 31 December 2017	0	11	1	19	5	36
At 31 December 2018	0	6	6	23	3	38

23. Intangible assets

MCZK	Software	Total
Cost		
At 1 January 2017	353	353
Additions	71	71
Disposals	(16)	(16)
At 31 December 2017	408	408
At 1 January 2018	408	408
Additions	69	69
Disposals	–	–
At 31 December 2018	477	477
Amortisation		
At 1 January 2017	296	296
Additions	16	16
Disposals	–	–
At 31 December 2017	312	312
At 1 January 2018	312	312
Additions	21	21
Disposals	–	–
At 31 December 2018	333	333
Net book value		
At 31 December 2017	96	96
At 31 December 2018	144	144

24. Deferred tax liability/asset and income tax

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes the Bank uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2018 and 2017 the tax rate in the Czech Republic was 19%).

The recognised deferred tax assets and liabilities consist of the following items:

MCZK	31. 12. 2018	31. 12. 2017
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	21	18
Deferred tax asset from financial assets at fair value through other comprehensive income	1	–
Deferred tax asset from loans and advances to customers	6	–
Deferred tax assets	**28**	**18**
Deferred tax liabilities		
Deferred tax liability from financial assets available for sale	–	(128)
Deferred tax liability from loans and advances to customers	–	(23)
Deferred tax liabilities	**–**	**(151)**
Net deferred tax assets (liabilities)	**28**	**(133)**

The amount of deferred tax relating to changes at the tax rate applicable for the deferred tax calculation is MCZK 0 (2017: MCZK 0). There was no unrecognised item related to deferred tax.

At 31 December 2018 the Bank recorded receivables from customers of penalty interest not yet collected of MCZK 122 (31. 12. 2017: MCZK 119), where the relevant income is not taxable. Due to the application of IFRS 9 the Bank created a loss allowance for performing receivables in the amount of MCZK 151 from 1 January 2018, which is a temporary difference. Therefore, the Bank created a deferred tax asset of MCZK 6 (31.12.2017: deferred tax liability of MCZK 23), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2017 in the amount of MCZK 29 was included in the Bank's equity through an adjustment to the "Fair value reserve".

A change in deferred tax from financial assets at fair value through other comprehensive income disclosed as at 31 December 2018 in the amount of MCZK 129 was included in the Bank's equity through an adjustment to the "Fair value reserve".

Taxes on income consist of current tax on income calculated based on the results reported for tax purposes and the change in deferred taxes.

MCZK	2018	2017
Income tax – current	(507)	(384)
Income tax – related to prior years	(12)	(5)
Income tax – deferred	32	2
Income tax expense	**(487)**	**(387)**

Effective tax rate calculation::

MCZK	2018 Tax basis	2018 Tax	2017 Tax basis	2017 Tax
Tax rate		**19.0%**		**19.0%**
Profit from operations (before taxation)	2,689		1,908	
Computed taxation using applicable tax rate		511		363
Tax non-deductible expenses	576	109	528	100
Non-taxable income	(340)	(65)	(236)	(45)
Other items	(189)	(36)	(153)	(29)
Income tax (expense)/income – current		**(519)**		**(389)**
Effective tax rate		**19.3%**		**20.4%**

25. Operating leasing

Non-cancellable operating lease rentals are payable as follows:

MCZK	2018	2017
Less than one year	33	33
Between one and five years	127	4
More than five years	2	3
Total	**162**	**40**

The Bank leases branch and office premises under operating leases. The leases typically include an option to renew the lease after that date. The operating leasing expense was MCZK 38 in 2018 (2017: MCZK 40).

26. Other assets

MCZK	31. 12. 2018	31. 12. 2017
Clearing with securities market	17	54
Prepaid expenses and accrued revenues	34	29
Cash collateral to payment cards	165	156
Other	58	41
Loss allowance	(4)	–
	270	**280**

27. Impairment losses

MCZK	2018	2017
(Gains)/Losses from change in loss allowance:		
Loans and advances to banks	1	
Financial assets at amortised cost	(1)	–
Financial assets at fair value through other comprehensive income	8	–
Loans and advances to customers	109	69
Other assets	(1)	
Write-offs – loans and advances to customers	–	58
(Gains)/Losses from change in provisions – off-balance sheet assets	(48)	50
	68	**177**

28. Deposits from banks

MCZK	31. 12. 2018	31. 12. 2017
Deposits from banks	65,664	38,531
Other (loro account balances)	642	432
	66,306	**38,963**

29. Deposits from customers

MCZK	31. 12. 2018	31. 12. 2017
Payable on demand		
Corporate customers:		
Financial services	119	554
Non-financial institutions	16,607	9,982
Insurance institutions	–	71
Non-profit organisations	39	300
Individuals – entrepreneurs	112	203
Public sector	15,340	40,309
Resident individuals	1,916	1,187
Non-residents:		
Corporate	17,509	32,085
Individuals	2,227	1,621
Total payable on demand	**53,869**	**86,312**
Term deposits		
Corporate customers:		
Financial services	32,348	39,272
Non-financial institutions	10,266	8,733
Insurance institutions	18,300	6,792
Non-profit organisations	19	83
Individuals – entrepreneurs	30	–
Public sector	13,595	13,019
Resident individuals	98	34
Non-residents:		
Corporate	4,255	2,277
Individuals	5	862
Total term deposits	78,916	71,072
	132,785	**157,384**

Interest is recognised in the item Interest expense and similar charges.

30. Debt securities issued

MCZK	31. 12. 2018	31. 12. 2017
Financial institutions	2,187	2,797
Non-financial institutions	392	260
Public sector	–	29
Resident individuals	4	4
	2,583	**3,090**

MCZK	Interest	Maturity	31. 12. 2018	31. 12. 2017
Investment certificates	fixed	2020–2022	2,188	2,797
Issued notes	fixed	2019	395	293
			2,583	**3,090**

The Bank has not had any defaults of principal or interest or other breaches with respect to its debt securities issued during the years ended 31 December 2018 and 2017.

31. Trading liabilities

All financial liabilities at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2018	31. 12. 2017
Negative fair value of derivatives:		
Interest rate contracts	–	1,495
Currency contracts	–	1,950
Liabilities from short sales of securities	–	9,491
	–	**12,936**

32. Financial liabilities at fair value through profit or loss

All financial liabilities at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2018	31. 12. 2017
Negative fair value of derivatives:		
Interest rate contracts	2,100	–
Currency contracts	1,587	–
Liabilities from short sales of securities	12,493	–
	16,180	**–**

33. Income tax liabilities

As of 31 December 2018 a tax liability of MCZK 507 (31.12.2017: MCZK 384) is offset against income tax advances totalling MCZK 323 (31. 12. 2017: MCZK 266) and tax paid abroad amounting to MCZK 4 (31. 12. 2017: MCZK 4).

34. Other liabilities

MCZK	31. 12. 2018	31. 12. 2017
Blocked accounts	4,791	7,756
Liabilities from clearing	225	520
Payables to suppliers	154	170
Other liabilities to employees	19	17
Accrued expenses and deferred income	16	17
Social and health insurance	7	6
Liabilities from securities transactions	2	2
Other payables	62	48
	5,276	**8,536**

Blocked accounts mainly consist of collateral deposits for derivatives totalling MCZK 3,960 (31.12.2017: MCZK 5,790).

35. Provisions

The development of provisions is disclosed in the following table:

MCZK	Provisions for guarantees provided	Legal provisions	Other provisions	Total
As at 31 December 2017	**54**	**118**	**10**	**182**
Adjustment on initial application of IFRS 9	23	–	–	23
Provisions at 1 January 2018	77	118	10	205
Creation	52	66	9	127
Use	–	–	–	–
Release	(100)	–	–	(100)
Effect on profit for the year	(48)	66	9	27
Provisions at 31 December 2018	**29**	**184**	**19**	**232**
Provisions at 1 January 2017	**4**	**48**	**–**	**52**
Creation	56	70	10	136
Use	–	–	–	–
Release	(6)	–	–	(6)
Effect on profit for the year	50	70	10	130
Provisions at 31 December 2017	**54**	**118**	**10**	**182**

Provisions for the provided guarantees recorded are created to cover losses arising on off-balance sheet exposures according to the accounting policy described in note 3 (o).

The creation of legal provisions is mainly an ancillary action by the insolvency trustee that relates to an alleged ineffective legal action by the debtor towards the Bank and litigation concerning the enforcement of a bank guarantee that has been provided.

36. Subordinated liabilities

The terms and conditions of the subordinated liabilities are as follows.

MCZK	31. 12. 2018	31. 12. 2017
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%	–	1,459
	–	**1,459**

The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated debt during the years ended 31 December 2018 and 2017.

The subordinated debt was repaid in full in 2018.

37. Repurchase and resale agreements

The Bank purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers.

Assets purchased subject to agreements to resell them were as follows:

MCZK	Carrying amounts of receivables	Fair value of assets held as collateral
Loans and advances at 31 December 2018:		
to banks (CNB included)	162,607	161,329
to clients	390	689
Loans and advances at 31 December 2017:		
to banks (CNB included)	153,917	151,544
to clients	–	–

The Bank 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. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

MCZK	Carrying amounts of liabilities	Fair value of assets given as collateral
Deposits at 31 December 2018:		
to banks	65,574	71,248
to clients	44,832	43,880
Deposits at 31 December 2017:		
to banks	37,799	41,697
to clients	45,390	44,444

38. Offsetting financial instruments

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2018

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral received	Non-cash financial collateral received	
Derivatives held for trading	2,986	2,986	3,941	–	–
Reverse repurchase agreements	162,997	162,997	–	162,018	979
Total	**165,983**	**165,983**	**3,941**	**162,018**	**979**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2018

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral provided	Non-cash financial collateral provided	
Derivatives held for trading	2 232	2,232	1,682	–	550
Repurchase agreements	110 406	110,406	–	115 128	–
Total	**112,638**	**112,638**	**1,682**	**115,128**	**550**

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2017

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral received	Non-cash financial collateral received	
Derivatives held for trading	374	374	4,513	–	–
Reverse repurchase agreements	153,917	153,917	–	151,544	2,373
Total	**154,291**	**154,291**	**4,513**	**151,544**	**2,373**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2017

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral provided	Non-cash financial collateral provided	
Derivatives held for trading	121	121	906	–	–
Repurchase agreements	83,189	83,189	–	86,141	–
Total	**83,310**	**83,310**	**906**	**86,141**	**–**

The Bank uses repurchase agreements and master netting agreements as a means of reducing the credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

Repurchase agreements are primarily financing transactions. They are structured as the sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in the hands of the lender as collateral in case the borrower defaults in any obligations. Offsetting effects from repurchase agreements are disclosed in the column Non-cash financial collateral received/pledged. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction, the value is capped at the level of the carrying amount. The remaining position may be secured by cash collateral.

Cash and non-cash financial collateral involved in these transactions is restricted from use by the transferor during the time of the pledge.

39. Issued capital

	Number of shares	Nominal value CZK	Registered capital MCZK
As at 31 December 2018:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2017:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2018 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings B.V.	Netherlands	554,711	715	92.96%
Hlavní město Praha	Czech Republic	19,882	52	6.73%
Other (less than 1%)		1,800	2	0.31%
		576,393	**769**	**100.00%**

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Bank as at 31 December 2018 or 31 December 2017.

The Bank has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares. All shares of the Bank were fully paid. The share premium amounts to MCZK 412 (31 December 2017: MCZK 412).

40. Nature and purpose of reserves

Fair value reserve

Until 31 December 2017 the fair value reserve comprised the cumulative net change in the fair value of available-for-sale financial assets, until the assets were derecognised or impaired.

From 1 January 2018 the fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income and a loss allowance for expected credit losses on debt instruments at fair value through other comprehensive income, until the assets are derecognised.

41. Dividends paid

No dividends were paid by the Bank in 2018 and 2017.

42. Proposed allocation of net profit for the year

The Bank proposes to allocate its profit as follows

MCZK	Net profit for the year
Net profit for the year 2018	2,202
Proposed allocation of profit for 2018:	
Transfer to social funds	(2)
Transfer to retained earnings	(2,200)
	–

The Social Fund is part of other liabilities.

43. Off-balance sheet items

a) Commitments and contingent liabilities

Guarantees and credit commitments are subject to the same procedures within the standard lending process, in terms of credit risk monitoring and regulation of the Bank's credit activity.

MCZK	31. 12. 2018	31. 12. 2017
Guarantees issued	1,596	1,706
Undrawn credit commitments	5,323	7,948
Letters of credit	34	31
	6,953	**9,685**

The total outstanding contractual commitments to extend the credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

(b) Off-balance sheet financial instruments

MCZK	Notional value		Fair value	
	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017
Derivatives				
Interest rate swaps	177,816	134,216	304	101
Interest rate forwards	–	44,100	–	3
Foreign exchange derivatives	–	–	(218)	103
Purchase	263,925	259,783	–	–
Sale	264,157	259,759	–	–
Options	–	2,523	–	9
Other derivatives	–	–	110	99
Purchase	1,368	470	–	–
Sale	1,373	465	–	–
	–	**–**	**196**	**315**

Other derivatives consist of futures (2017: futures).

c) Residual maturity of derivatives

This table presents the notional amounts of all types of derivatives according to their residual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2018						
Interest rate swaps	3,531	20,406	58,872	95,007	–	177,816
Interest rate forwards	–	–	–	–	–	0
FX derivatives (purchase)	78,045	127,478	58,634	–	–	264,157
FX derivatives (sale)	77,958	127,399	58,568	–	–	263,925
Options				–	–	0
Other derivatives (purchase)	1,368	–	–	–	–	1,368
Other derivatives (sale)	1,373	–	–	–	–	1,373
As at 31 December 2017						
Interest rate swaps	901	13,360	60,034	59,921	–	134,216
Interest rate forwards	–	44,100	–	–	–	44,100
FX derivatives (purchase)	70,041	59,036	130,706	–	–	259,783
FX derivatives (sale)	70,043	59,077	130,639	–	–	259,759
Options	1,191	1,132	200	–	–	2,523
Other derivatives (purchase)	470	–	–	–	–	470
Other derivatives (sale)	465	–	–	–	–	465

44. Fair value disclosures

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
As at 31 December 2018					
Financial assets					
Cash and balances with the central bank	–	163,539	–	163,539	163,539
Loans and advances to banks	–	5,131	–	5,131	5,131
Loans and advances to customers	–	–	34,262	34,262	34,437
Debt instruments at amortised cost	–	–	3,038	3,038	3,051
Financial liabilities					
Deposits from banks	–	66,306	–	66,306	66,306
Deposits from customers	–	132,785	–	132,785	132,785
Debt securities issued	–	2,549	–	2,549	2,583

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
As at 31 December 2017					
Financial assets					
Cash and balances with the central bank	–	157,926	–	157,926	157,926
Loans and advances to banks	–	3,355	–	3,355	3,355
Loans and advances to customers	–	–	33,099	33,099	33,236
Financial liabilities					
Deposits from banks	–	38,963	–	38,963	38,963
Deposits from customers	–	157,384	–	157,384	157,384
Debt securities issued	–	2,906	–	2,906	3,090
Subordinated liabilities	–	1,499	–	1,499	1,459

The major methods and assumptions used in estimating the fair values of financial instruments shown in the table are summarised below.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics, such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and balances with the central bank
For cash and cash equivalent assets, the carrying value is deemed to be equal to the fair value.

Loans and advances to banks
Loans and advances with banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Loans and advances to customers
Loans and advances are net of specific and other provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at current market rates to determine the fair value. For loans and advances that will mature or be renewed within twelve months, the fair value was deemed to be equal to the carrying value.

Debt instruments at amortised cost
Debt instruments at amortised cost are net of specific and other provisions for impairment. The estimated fair value of debt instruments at amortised cost represents the discounted amount of the estimated future cash flows expected to be received.

Deposits from banks
Deposits from banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Deposits from customers
The estimated fair value of current and deposit accounts without a stated maturity was deemed to be equal to the carrying value.

All fixed rate term deposits are renewed regularly; thus the fair value is deemed to be equal to the carrying value.

Debt securities issued
For issued debt securities, the fair value is calculated based on market inputs.

Subordinated liabilities
The estimated fair value of subordinated liabilities represents the discounted amount of the future cash flows expected to be paid.

The following table analyses financial assets and liabilities recognised at fair value based on the quality of entry data used for valuation. The fair value levels are defined in note 3 (c) (iii):

MCZK	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	5,664	57	–	5,721
Derivatives held for trading	115	3,769	–	3,884
Financial assets at fair value through other comprehensive income	15,251	3,533	–	18,784
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	8,033	4,460	–	12,493
Derivatives held for trading	–	3,687	–	3,687

MCZK	Level 1	Level 2	Level 3	Total
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	4,960	198	–	5,158
Derivatives held for trading	99	3,662	–	3,761
Available-for-sale securities	23,134	5,795	52	28,981
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	9,491	–	–	9,491
Derivatives held for trading	–	3,445	–	3,445

The following table states the transfers of financial assets recognised at fair value to and from Level 3:

MCZK	Financial assets at fair value through other comprehensive income	Total
Balance as at 1 January 2018	**52**	**52**
Profit and loss from revaluation	–	–
In profit or loss	–	–
In other comprehensive income	–	–
Purchases	–	–
Sales	–	–
Transfers into Level 3	–	–
Transfers out of Level 3	(52)	(52)
Transfers between portfolios	–	–
Balance as at 31 December 2018	**–**	**–**

MCZK	AFS securities	Total
Balance as at 1 January 2017	**55**	**55**
Profit and loss from revaluation	–	–
In profit or loss	–	–
In other comprehensive income	(3)	(3)
Purchases	–	–
Sales	–	–
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Transfers between portfolios	–	–
Balance as at 31 December 2017	**52**	**52**

Based on observable inputs, a change in the fair value calculation for the financial instruments in Level 3 occurred in 2018. The financial assets were measured at acquisition cost in 2017.

45. Risk management disclosure

This section provides details of the Bank's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Bank is exposed are:

(a) credit risk;
(b) liquidity risk;
(c) market risk;
(d) operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

a) Credit risk

The Bank is exposed to credit risks in relation to its business activities. Credit risks are managed at the individual business case, client and the entire portfolio level. The Credit Risk Management department, part of the Risk Management division, is primarily responsible for the management of credit risks. The Credit Risk Management department is independent of the Sales division in terms of organisation and reports directly to the member of the Board of Directors in charge of the Risk Management division.

The Bank's risk management strategy, risk appetite and other internal standards define the general principles, objectives and methods of its credit risk management. In its internal norms, the Bank also defines competences for the approval of credit exposures and for the Credit Committee.

Managing credit risk at individual level
At the individual client level, credit risk is managed by assessing and evaluating such risk through credit analysis and the determination of a client's creditworthiness. To assess a client's risk and credit status, the Bank applies a comprehensive set of tools, models and methods, which make up the Bank's rating scheme. When determining the creditworthiness of individual clients, the Bank assesses financial and non-financial aspects as well as its economic position. An entity's creditworthiness is defined as its ability and will to meet its short-term and long-term liabilities. The aim of the analysis is to prevent any losses the Bank may incur as a result of the client's failure. In practice, this means estimating the risk arising from the ability to meet short-term and long-term liabilities and assessing the long-term financial stability of the client.

When determining creditworthiness, the Bank also specifies the likelihood of a client's default and what the expected loss relating to the Bank's potential engagement in respect to the client may be. An internal rating is assigned to each client constituting a credit risk to the Bank, i.e. representing an exposure in both the investment and the trading portfolios. The exposures evaluated include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 ratings (A1–A4, B1–B6, C1–C4). Clients with default receivables must always be assigned one of the C2–C4 grades. The Bank has plotted this internal scale to reflect the rating scales of prominent external rating agencies. Below is a table showing the indicative pairing of the risk level with external ratings.

	External rating
Very low risk	AAA–AA
Low to fair risk	A–BBB
Medium risk	BB–B
High risk	CCC–CC
Default	C and lower

Credit risk management at the portfolio level
This credit risk management level primarily comprises credit portfolio reporting, including analyses and monitoring of trends in individual credit portfolios. The Bank closely monitors its overall credit risk exposure and thus considers all its balance sheet and off-balance sheet exposures. The Bank regularly monitors its credit exposure in individual industries, segments, countries and economically connected groups of debtors. The Bank regularly measures the credit portfolio concentration risk and, where necessary, sets concentration limits for individual segments, countries and economically connected groups of debtors.

Classification of receivables, assessment of impairment losses – applicable until 31 December 2017
The Bank assessed the impairment of the carrying amount for all loan receivables with debtors in default.

To determine the impairment loss, the Bank applied the method of discounting estimated future cash flows. The loss was determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate was the effective interest rate ascertained upon the establishment of the receivable or on the last date the modification of the contractual cash flow or interest income was made. The Bank wrote off a receivable when it did not expect any income from the receivable or from received collateral related to such receivable.

Classification of receivables, assessment of impairment losses – applicable from 1 January 2018
The Bank classifies receivables into the following categories:

— performing receivables (without the default of the debtor)
— non-performing receivables (debtor in default)

The Bank assesses the impairment loss on performing receivables at an amount equal to the 12-month expected credit losses (stage 1 under IFRS9) or to the lifetime expected credit losses (stage 2 under IFRS9).

The Bank assesses the impairment loss on non-performing receivables at an amount equal to the lifetime expected credit losses (stage 3 under IFRS). To determine the impairment loss, the Bank applies the method of discounting estimated future cash flows. The loss is determined as the difference between the asset's gross carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate is the effective interest rate ascertained upon the establishment of the receivable or on the last date the modification of the contractual cash flow or interest income was made. The Bank writes off a receivable when it does not expect any income from the receivable or from received collateral related to such receivable.

Set out below is an analysis of the gross and net (of allowances for impairment) carrying amounts (or fair value where applicable) of financial assets individually impaired by internal rating system grades and classification of the asset as at year end. The amounts represent the Bank's maximum exposure to credit risk.

The tables analysing changes in provisions between 1 January 2018 and 31 December 2018 in the respective categories present the development of provisions and reserves during the year. These were affected by various factors during the year, such as:

— a change in the stage of a financial asset (see below – an increase or decrease in a provision/reserve within the scope of a transfer, as reported in the values of a provision/reserve corresponding to the appropriate stage);
— the emergence of new assets (i.e. the recognition of a new provision/reserve reported at the stage under which a financial asset was classified at the end of the accounting period);
— the derecognition or write-off of financial assets (i.e. the derecognition of the corresponding provision/reserve);
— a change in the PD/EAD/LGD of an individual financial asset (i.e. an increase or decrease in the provision/reserve);
— a change in the calculation methodology, a modification of the cash flows of financial assets, or a change in the exchange rates of financial assets (and provisions/reserves) in foreign currencies during 2018.

Financial assets at fair value through other comprehensive income (excluding equity instruments designated at fair value through other comprehensive income)

MCZK	31. 12. 2018
	Fair value
Debt instruments	18,037
Total	**18,037**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	5,775	–	–	–	5,775
Low to fair risk	7,310	–	–	–	7,310
Medium risk	4,419	533	–	–	4,952
High risk	–	–	–	–	–
Default	–	–	–	–	–
Fair value	**17,504**	**533**	**–**	**–**	**18,037**
Loss allowance	(41)	(13)	–	–	(54)

The loss allowance for the expected credit loss on debt instruments at fair value through other comprehensive income is presented in the equity line item “Fair value reserve”.

Set out below is an analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1. 1. 2018	34	10	–	–	44
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	6	–	–	6
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	7	–	–	–	7
Changes in PD/LGD/EADs, unwind of discount	11	–	–	–	11
Derecognition of financial asset	(12)	(4)	–	–	(16)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	1	1	–	–	2
Net change in 2018	**7**	**3**	**–**	**–**	**10**
Loss allowance as at 31. 12. 2018	41	13	–	–	54

Debt instruments at amortised cost

MCZK	31. 12. 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
Bills of exchange	3,053	(2)	3,051
Total	**3,053**	**(2)**	**3,051**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	–	–	–	–	–
Medium risk	3,053	–	–	–	3,053
High risk	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**3,053**	**–**	**–**	**–**	**3,053**
Loss allowance	(2)	–	–	–	(2)
Net carrying amount	**3,051**	**–**	**–**	**–**	**3,051**

Set out below is the analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1. 1. 2018	3	–	–	–	3
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	3	–	–	–	3
Changes in PD/LGD/EADs, unwind of discount	(1)	–	–	–	(1)
Derecognition of financial asset	(3)	–	–	–	(3)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	–
Net change in 2018	**(1)**	**–**	**–**	**–**	**(1)**
Loss allowance as at 31. 12. 2018	2	–	–	–	2

Financial assets available for sale (excluding equity instruments)

MCZK	31. 12. 2017
	Fair value
Debt instruments	25,702
Bills of exchange	3,227
Total	**28,929**

Balances with the central bank and loans and advances to banks

MCZK	31. 12. 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
Balances and term deposits with the central bank	891	–	891
Reverse repo with the central bank	162,607	–	162,607
Loans and advances to banks	5,132	(1)	5,131
Total	**168,630**	**(1)**	**168,629**

	31. 12. 2017		
MCZK	Gross carrying amount	Loss allowance	Net carrying amount
Balances and term deposits with the central bank	3,975	–	3,975
Reverse repo with the central bank	153,917	–	153,917
Loans and advances to banks	3,355	–	3,355
Total	**161,247**	**–**	**161,247**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	166,521	–	–	–	166,521
Low to fair risk	1,741	–	–	–	1,741
Medium risk	284	84	–	–	368
High risk	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**168,546**	**84**	**–**	**–**	**168,630**
Loss allowance	–	(1)	–	–	(1)
Net carrying amount	**168,546**	**83**	**–**	**–**	**168,629**

The Bank did not report any interest accrued to individually impaired loans and advances to banks as at 31 December 2018 and 2017.

Set out below is an analysis of changes in loss allowances by relevant categories:

Loans and advances to customers (individually impaired)

MCZK	31. 12. 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	35,774	(1,337)	34,437
Total	**35,774**	**(1,337)**	**34,437**

MCZK	31. 12. 2017		
	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	34,303	(1,067)	33,236
Total	**34,303**	**(1,067)**	**33,236**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	326	–	–	–	326
Medium risk	29,299	974	–	–	30,273
High risk	563	–	–	–	563
Default	–	–	4,612	–	4,612
Gross carrying amount	**30,188**	**974**	**4,612**	**–**	**35,774**
Loss allowance	(167)	(9)	(1,161)	–	(1,337)
Net carrying amount	**30,021**	**965**	**3,451**	**–**	**34,437**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2018	139	12	1,067		1,218
Transfers between stages:					
Transfer to stage 1					
Transfer to stage 2	(1)	2			1
Transfer to stage 3	(1)		6		5
New financial assets originated or purchased	99	3			102
Changes in PD/LGD/EADs, unwind of discount	(6)	(2)	108		100
Derecognition of financial asset	(64)	(6)	(29)		(99)
Write-offs					
Changes to methodologies					
Modification of contractual cash flows of financial assets					
FX differences and other changes	1	–	9		10
Net change in 2018	**28**	**(3)**	**94**		**119**
Loss allowance as at 31.12.2018	167	9	1,161	–	1,337

Interest accrued to credit-impaired loans and advances to customers was reported in the amount of MCZK 182 as at 31 December 2018 (31. 12. 2017: MCZK 160).

Loans and advances to customers

MCZK	2018	2017
Gross	–	33,303
Not impaired	–	30,736
Due	–	30,519
Past due 1– 0 days	–	215
Past due 91–360 days	–	–
Past due more than 360 days	–	2
Impaired	–	3,567
Allowances for impairment	–	(1,067)
Total	**–**	**33,236**

MCZK	2018	2017
Gross	35,774	–
Performing	31,162	–
Due	30,956	–
Past due 1–90 days	206	–
Past due 91–360 days	–	–
Past due more than 360 days	–	–
Non–performing	4,612	–
Allowances for impairment	(1,337)	–
Total	**34,437**	**–**

Loan commitments

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	10	–	–	–	10
Medium risk	5,291	2	–	–	5,293
High risk	20	–	–	–	20
Default	–	–	–	–	–
Gross amount	5,321	2	–	–	5,323
Loss allowance	(14)	–	–	–	(14)

Financial guarantees, letters of credit

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	–	–	–	–	–
Medium risk	1,355	256	–	–	1,611
High risk	–	–	–	–	–
Default	–	–	19	–	19
Gross amount	**1,355**	**256**	**19**	**–**	**1,630**
Loss allowance	(8)	(1)	(6)	–	(15)

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1.1.2018	22	2	53	–	77
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	1	–	–	–	1
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	17	2		–	19
Changes in PD/LGD/EADs, unwind of discount	(8)	(1)	3	–	(6)
Derecognition of financial asset	(10)	(2)	(50)	–	(62)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	
Net change in 2018	**–**	**(1)**	**(47)**	**–**	**(48)**
Loss allowance as at 31.12.2018	22	1	6	–	29

Credit risk analysis of financial assets as at 31. 12. 2017 (under IAS 39)

MCZK	Very low risk	Low to fair risk	Medium risk	High risk	Default	Loss allowance	Net amount
Financial assets available for sale (excluding equity instruments)	257	19,167	9,505	–	–	–	28,929
Balances and term deposits with the central bank	3,975	–	–	–	–	–	3,975
Reverse repo with the central bank	153,917	–	–	–	–	–	153,917
Loans and advances to banks	125	2,109	1,121	–	–	–	3,355
Loans and advances to customers	–	182	28,333	1 063	4 725	(1,067)	33,236
Loan commitments	–	10	7,805	113	20	–	
Financial guarantees, letters of credit	–	2	1,196	213	326	(54)	

Other assets – Past due, but not impaired

As at 31 December 2018 the Bank reported MCZK 0 of other assets as "Past due, but not impaired" (31. 12. 2017: MCZK: 0).

Sensitivity analysis of loss allowance by relevant categories

Set out below is the analysis of changes in loss allowance which would occur in case of an increase in PD by 10 %:

MCZK	Loss allowance in the baseline scenario	Increase of PD by 10 %		
		Loss allowance	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	54	59	5	10%
Balances with the central bank and loans and advances to banks	1	1	–	10%
Loans and advances to customers	1,337	1,355	18	1%
Loan commitments, financial guarantees and letters of credit	29	31	2	8%

Set out below is the analysis of changes in loss allowance which would occur in case of decrease of PD by 10 %:

MCZK	Loss allowance in the baseline scenario	Decrease of PD by 10 %		
		Loss allowance	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	54	49	(5)	(10%)
Balances with the central bank and loans and advances to banks	1	1	–	(10%)
Loans and advances to customers	1,337	1,319	(18)	(1%)
Loan commitments, financial guarantees and letters of credit	29	27	(2)	(8%)

The sensitivity of loss allowance to changes in forward-looking information is lower than the change in PD analysed above.

For loans and advances to customers, loan commitments, financial guarantees and letters of credit, the Bank also discloses its analysis of the sensitivity of loss allowance to changes in rating grades.

MCZK	Loss allowance in the baseline scenario	Improvement of rating by 1 notch on internal rating scale		
		Loss allowance	Absolute difference	Relative difference
Loans and advances to customers	1,337	1,290	(47)	(3%)
Loan commitments, financial guarantees and letters of credit	29	21	(8)	(28%)

MCZK	Loss allowance in the baseline scenario	Deterioration of rating by 1 notch on internal rating scale		
		Loss allowance	Absolute difference	Relative difference
Loans and advances to customers	1,337	1,512	175	13%
Loan commitments, financial guarantees and letters of credit	29	40	11	38%

Evaluation of collateral

The Bank generally requires collateral before providing loans to certain debtors. To reduce gross credit exposure, the Bank considers the following to be acceptable types of collateral:

— pledge on the pledgor's bank account;
— mortgage on immovable;
— pledge on receivables arising from supplier-customer relations;
— pledge on securities and ownership interest in a corporation;
— pledge on trademarks and other industrial property concepts;
— pledge on an establishment;
— pledge on movables.

The net realisable value of the collateral assessed by the Bank is usually based on an opinion prepared by an expert acceptable to the Bank. The net realisable value of the collateral is determined using this value and a coefficient reflecting the Bank's ability to realise the collateral when necessary, including the time factor of the realisation.

Loans with renegotiated terms and the Bank's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been significantly modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Bank has decided to grant a concession to a debtor. A forbearance measure can be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Bank renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The following table shows loans and advances to customers with forbearance:

MCZK	31. 12. 2018	31. 12. 2017
Not credit-impaired	31,054	30,736
Of which:		
Loans and advances to customers with forbearance:	27	1,140
Credit-impaired	3,383	2,500
Of which:		
Loans and advances to customers with forbearance:	2,652	1,541
Total	**34,437**	**33,236**

The following table shows loans and advances to customers with forbearance and without forbearance split by sectors:

MCZK	31. 12. 2018	31. 12. 2017
Loans and advances to customers without forbearance:	31,758	30,555
Residents:		
Financial institutions	1,585	1,723
Non-financial institutions	11,061	13,365
Households/individuals	130	192
Public sector	150	–
Non-residents	18,832	15,275
Loans and advances to customers with forbearance:	2,679	2,681
Residents:		
Financial institutions	–	–
Non-financial institutions	65	–
Households/individuals	–	–
Public sector	–	–
Non-residents	2,614	2,681
Total	**34,437**	**33,236**

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit split according to type of collateral:

MCZK	31. 12. 2018	31. 12. 2017
Bank guarantees	2,195	2,857
Property	10,542	9,010
Unsecured	29,990	32,120
Total	**42,727**	**43,987**

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit classified as non-performing according to type of collateral:

MCZK	31. 12. 2018	31. 12. 2017
Bank guarantees	1,850	2,614
Property	1,344	1,510
Unsecured	1,437	947
Total	**4,631**	**5,071**

The “Unsecured” category also includes loans and advances to customers, loan commitments, financial guarantees and letters of credit that are secured by collateral, but the Bank assigns zero accounting value to the collateral.

Concentration of credit risks

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet its obligations.

The Bank manages the exposure limits in line with the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), such that the Bank shall not incur an exposure, after taking into account the effect of the credit risk to a client or group of connected clients, the value of which exceeds 25% of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value shall not exceed 25% of the institution's eligible capital or EUR 150 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in relation to all connected clients that are not institutions, does not exceed 25% of the institution's eligible capital.

The Bank did not exceed any exposure limits towards individual debtors or related parties in the reporting period.

The Bank calculates the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

Concentration of credit risks according to economic sector/industry

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017
Concentration according to economic sector/industry:						
Financial institutions	5,131	3,355	15,922	11,435	9,836	12,001
Public sector	–	–	150	–	10,482	16,174
Non-financial institutions	–	–	18,198	21,544	6,492	5,912
Real estate	–	–	9,920	11,323	–	–
Production and distribution of electricity, gas and heat	–	–	2,175	2,675	760	1,145
Wholesale	–	–	1,447	1,388	581	413
Accommodation	–	–	1,136	1,196	–	–
Other	–	–	3,520	4,962	5,151	4,354
Households/Individuals	–	–	167	257	–	–
	5,131	**3,355**	**34,437**	**33,236**	**26,810**	**34,087**

Concentration of credit risk according to geographical areas by country of risk

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017
Concentration according to geographical sectors						
Czech Republic	36	427	13,494	14,766	13,810	21,077
Slovak Republic	–	–	2,151	1,010	281	–
Netherlands	–	–	767	–	1,210	743
Other EU countries	4,515	1,191	3,331	5,785	4,106	4,246
Russian Federation	149	453	1,561	2,156	2,330	2,256
Asia	87	158	12,528	9,106	625	790
North America	206	942	605	413	2,911	2,777
Other	138	184	–	–	1,537	2,198
	5,131	**3,355**	**34,437**	**33,236**	**26,810**	**34,087**

b) Liquidity risk

The liquidity risk represents the Bank's risk of incurring losses due to momentary insolvency. The Bank may also suffer a loss as a result of low liquidity in the market for the financial instruments included in the Bank's portfolios. The liquidity risk threatens the Bank's funding and investment needs. Market liquidity risk represents the risk of not being able to liquidate financial instruments quickly enough, or in sufficient volume and for reasonable prices. If the conditions are not favourable, this risk may substantially worsen the Bank's position.

The Bank has access to diverse sources of funds, which comprise deposits and other savings, loans accepted and equity. This diversification makes the Bank flexible and limits its dependency on any one financing source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Board of Directors. The Bank also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Residual maturity of the Bank's assets and liabilities

The following table shows the carrying amounts of the Bank's assets and liabilities on the basis of their earliest possible contractual maturity.

The amounts on the basis of their expected recovery or settlement are essentially the same as the carrying amounts of assets and liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Cash and balances with the central bank	163,539	–	–	–	–	163,539
Financial assets at fair value through profit or loss	451	1,130	1,904	6,120	–	9,605
Financial assets at fair value through other comprehensive income	77	1,004	12,296	4,660	747	18,784
Debt instruments at amortised cost	1,179	823	1,049			3,051
Loans and advances to banks	5,027	26	78	–	–	5,131
Loans and advances to customers	1,890	11,995	18,003	2,549		34,437
Investments and other assets	–	–	–	–	615	615
Total	**172,163**	**14,978**	**33,330**	**13,329**	**1,362**	**235,162**
Deposits from banks	66,306	–	–	–	–	66,306
Deposits from customers	116,334	9,922	6,529	–	–	132,785
Debt securities issued	83	315	2,185	–	–	2,583
Financial liabilities at fair value through profit or loss	413	5,557	1,394	8,816	–	16,180
Tax and other liabilities and provisions	5,254	180	–	–	254	5,688
Shareholders' equity	–	–	–	–	11,620	11,620
Total	**188,390**	**15,974**	**10,108**	**8,816**	**11,874**	**235,162**
At 31 December 2017						
Cash and balances with the central bank	157,926	–	–	–	–	157,926
Trading assets	844	437	1,428	6,210	–	8,919
Financial assets available for sale	3,298	2,382	11,223	12,026	52	28,981
Loans and advances to banks	3,200	26	129	–	–	3,355
Loans and advances to customers	2,748	4,805	20,649	3,801	1,233	33,236
Investments and other assets	–	–	–	–	524	524
Total	**168,016**	**7,650**	**33,429**	**22,037**	**1,809**	**232,941**
Deposits from banks	38,963	–	–	–	–	38,963
Deposits from customers	135,662	15,760	3,957	2,005	–	157,384
Debt securities issued	805	140	2,145	–	–	3,090
Trading liabilities	538	457	3,978	7,963	–	12,936
Tax and other liabilities and provisions	8,564	114	–	–	287	8,965
Subordinated liabilities	–	66	–	1,393	–	1,459
Shareholders' equity	–	–	–	–	10,144	10,144
Total	**184,532**	**16,537**	**10,080**	**11,361**	**10,431**	**232,941**

Residual maturity of the Banks's off-balance-sheet items

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Commitments provided	831	3,532	960	–	–	5,323
Guarantees provided	39	658	336	1	–	1,033
Total	**870**	**4,190**	**1,295**	**1**	**–**	**6,356**
At 31 December 2017						
Commitments provided	3,736	3,236	928	48	–	7,948
Guarantees provided	381	85	244	211	–	921
Total	**4,117**	**3,321**	**1,172**	**259**	**–**	**8,869**

The following table shows undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Deposits from banks	66,304	–	–	–	–	66,304
Deposits from customers	116,329	10,025	6,646	–	–	133,000
Debt securities issued	84	316	2,185	–	–	2,585
Financial liabilities at fair value through profit or loss	413	5,557	1,394	8,816	–	16,180
Total	**183,130**	**15,898**	**10,225**	**8,816**	**–**	**218,069**
At 31 December 2017						
Deposits from banks	38,962	–	–	–	–	38,962
Deposits from customers	135,637	15,795	3,980	2,033	–	157,445
Debt securities issued	805	140	2,146	–	–	3,091
Trading liabilities	538	457	3,978	7,963	–	12,936
Subordinated liabilities	–	91	364	1,484	–	1,939
Total	**175,942**	**16,483**	**10,468**	**11,480**	**–**	**214,373**

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Bank'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.

The Bank buys and sells derivatives, and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Department.

Trading

The Bank holds trading positions in certain financial instruments. The majority of the Bank's business activities are based on the requirements of its customers. These positions are also held for the purpose of speculation on the future development of financial markets. The Bank's business strategy is thus affected by speculative expectation and market creation and its goal is to maximise net income from trading.

The Bank manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are volume limits for individual transactions, stop loss limits and Value at Risk (VaR) limits.

Value at risk

Market risks arising from the Bank's trading activities are managed using the Value at Risk method. Value at Risk represents the potential loss arising from an unfavourable movement on the market within a certain time period and at a certain confidence level. The Bank determines the Value at Risk using the parametric method based on the historical development of interest rates, exchange rates and prices of equity instruments. Value at Risk is measured based on a one-day holding period and a confidence level of 99%. That means that there is a 1% probability that the Bank will lose more than a certain amount over a one-day period.

MCZK	31 December 2018	Average for 2018	31 December 2017	Average for 2017
VaR of interest instruments	24	13	9	13
VaR of currency instruments	2	5	2	4
VaR of equity instruments	–	2	–	–

Stress testing

The Bank carries out daily stress testing of interest rate, currency risks and changes in prices of equity instruments by applying internally defined improbable scenarios and simulating their impact on the net present value of the Bank's portfolio.

i) Currency risk

Currency risk is the risk of a change in the value of a financial instrument due to a change in the exchange rates.

Assets and liabilities denominated in foreign currencies, including off-balance sheet instruments, represent the Bank's exposure to exchange rate risk. Realised and non-realised exchange rate gains and losses are stated directly in the profit and loss statement.

The Bank has set currency risk limits based on its net currency exposure in individual currencies according to their significance. The Bank also sets a limit with respect to the total net currency exposure.

Currency risk exposure

MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2018						
Financial assets	192,122	17,986	15,842	149	8,649	234,748
Financial liabilities	156,643	59,210	5,769	337	1,148	223,107
FX derivatives	(24,047)	41,863	(10,349)	188	(7,888)	(233)
Net exposure	11,432	639	(276)	–	(387)	

MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2017						
Financial assets	195,802	15,897	13,542	454	6,756	232,451
Financial liabilities	174,551	32,496	13,490	1,180	1,080	222,797
FX derivatives	(10,266)	16,201	(316)	646	(6,165)	100
Net exposure	10,985	(398)	(264)	(80)	(489)	

ii) Interest rate risk

The interest rate risk is the risk of a change in the value of a financial instrument due to a change in market interest rates.

The Bank is exposed to interest rate risks resulting from the different maturity or renewal period of interest rates and the different amounts of interest bearing assets and liabilities in these periods. Interest rate management activities are intended to optimise the net interest income of the Bank in accordance with the strategy approved by its Board of Directors.

Part of the Bank's income is generated by the difference between interest rate sensitive assets and liabilities, which is summarised in the table below.

Interest sensitivity of the Bank's assets and liabilities

The following table shows the carrying amounts of the Bank's financial assets and liabilities on the basis of their earliest possible repricing.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Cash and balances with the central bank	163,539	–	–	–	–	163,539
Financial assets at fair value through profit or loss	451	1,865	1,199	6,090	–	9,605
Financial assets at fair value through other comprehensive income	1,657	7,343	7,690	1,347	747	18,784
Debt instruments at amortised cost	1,179	823	1,049	–	–	3,051
Loans and advances to banks	5,131	–	–	–	–	5,131
Loans and advances to customers	16,681	10,281	7,374	101	–	34,437
Investments and other assets	–	–	–	–	615	615
Total	**188,638**	**20,312**	**17,312**	**7,538**	**1,362**	**235,162**
Deposits from banks	66,306	–	–	–	–	66,306
Deposits from customers	116,334	9,922	6,529	–	–	132,785
Debt securities issued	83	315	2,185	–	–	2,583
Financial liabilities at fair value through profit or loss	414	5,768	1,394	8,604	–	16,180
Tax and other liabilities and provisions	5,254	–	–	–	434	5,688
Shareholders' equity	–	–	–	–	11,620	11,620
Total	**188,391**	**16,005**	**10,108**	**8,604**	**12,054**	**235,162**
Gap	**247**	**4,307**	**7,204**	**(1,066)**	**(10,692)**	**–**
Cumulative gap	**247**	**4,554**	**11,758**	**10,692**	**–**	**–**
At 31 December 2017						
Cash and balances with the central bank	157,926	–	–	–	–	157,926
Trading assets	844	1,775	1,398	4,902	–	8,919
Financial assets available for sale	5,037	12,365	8,894	2,633	52	28,981
Loans and advances to banks	3,355	–	–	–	–	3,355
Loans and advances to customers	14,335	6,718	10,301	126	1,756	33,236
Investments and other assets	–	–	–	–	524	524
Total	**181,497**	**20,858**	**20,593**	**7,661**	**2,332**	**232,941**
Deposits from banks	38,963	–	–	–	–	38,963
Deposits from customers	135,661	15,761	3,957	2,005	–	157,384
Debt securities issued	805	140	2,145	–	–	3,090
Trading liabilities	539	5,027	3,574	3,796	–	12,936
Tax and other liabilities and provisions	8,383	–	–	–	582	8,965
Subordinated liabilities	–	66	–	1,393	–	1,459
Shareholders' equity	–	–	–	–	10,144	10,144
Total	**184,351**	**20,994**	**9,676**	**7,194**	**10,726**	**232,941**
Gap	**(2,854)**	**(136)**	**10,917**	**467**	**(8,394)**	**–**
Cumulative gap	**(2,854)**	**(2,990)**	**7,927**	**8,394**	**–**	**–**

The carrying amounts of assets and liabilities are recorded either in the period in which they are due or in the period in which the interest rate changes, whichever occurs earlier.

Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged.

Effective yield information

The effective yields on significant categories of financial assets and liabilities of the Bank as at 31 December 2018 and 2017 were as follows:

In % p.a.	2018	2017
Financial assets		
Cash and balances with the central bank	1.72	0.49
Financial assets at fair value through profit or loss	3.29	–
Trading assets	–	1.44
Financial assets at fair value through other comprehensive income*	3.47	–
Debt instruments at amortised cost	3.69	–
Financial assets available for sale	–	2.53
Loans and advances to banks	0.41	0.77
Loans and advances to customers	6.51	5.84
Financial liabilities		
Deposits from banks	0.01	(0.53)
Deposits from customers	(0.37)	(1.02)
Debt securities issued	0.79	0.60
Financial liabilities at fair value through profit or loss	1.57	–
Trading liabilities	–	1.82

Note:
(*) Yield interest rate is calculated from debt securities only.

Apart from the gap analysis as indicated above, the Bank monitors its exposure to interest rate risk by Basis Point Value (BPV) and stress testing. Both of these methods measure the potential impact on the Bank's overall position or shift of interest rate yield curves.

Basis point value

Basis point value measures how much monetary positions of the Bank will gain or lose for a 100 basis point (bp) movement in the yield curve in terms of fair value changes. Therefore, it quantifies the Bank's interest rate risk for small changes in interest rates.

As at 31 December 2018 BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	251	116
EUR	(30)	22
USD	(256)	(28)
RUB	–	(1)
JPY	–	–
KZT	–	1
UAH	–	–
GBP	–	1
VND	–	–
Total BPV (absolute)	**537**	**169**

As at 31 December 2017 BPVs for individual currencies were as follows:

MCZK Currency	Banking book BPV	Trading book BPV
CZK	181	150
EUR	(39)	(3)
USD	(359)	(8)
RUB	–	–
JPY	–	–
KZT	–	–
UAH	–	–
GBP	–	–
VND	–	–
Total BPV (absolute)	**579**	**161**

Stress testing

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in significant currencies with respect to the Bank in related yield curves. The analysis of the Bank's sensitivity to an increase or decrease in market interest rates in terms of fair value changes (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

MCZK	2018		2017	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	91	65	300	417
Average for the period	190	256	232	308
Maximum for the period	243	341	333	417
Minimum for the period	91	65	80	196

iii) Equity risk

The equity risk is the risk of a change in the value of a financial instrument due to a change in market prices of equities or equity-related instruments.

The Bank is exposed to equity risk resulting from open positions in equities or equity-related instruments in accordance with the strategy approved by its Board of Directors. The Bank measures equity risk via the Value at Risk method as described above in the section "Value at Risk".

iv) Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The Bank is not exposed to settlement risk as all transactions are settled in a delivery versus payment manner.

d) Operational risk

i) Operational risks

The Security and Operational Risk Management department is responsible for managing the operational risks, i.e. the risks of losses caused by deficiencies in or failures of internal processes, the human factor or systems, or losses caused by external factors, including legal risk. Operational risk excludes strategic and reputational risk.

Operational risks are usually the cause of an increase in the Bank's expenses, a decrease in the Bank's income, fines, penalties, damage, loss of the Bank's tangible and intangible assets and the failure of information systems.

The Security and Operational Risk Management department prepares the operational risk management methodology, identifies, monitors, measures and assesses the operational risks, and proposes measures to mitigate the operational risks. As part of operational risk management, it is further responsible for physical security and the information system security management system, and it monitors, measures and assesses physical and information security, and prepares the methodology for the management and mitigation of the risks.

The Security and Operational Risk Management department manages the access of employees, clients and other authorised persons to tangible and intangible assets, and manages the risk in terms of arranging supplies of banking services, the launch of new products, and the utilisation of outsourcing by the Bank. It also manages insurance and legal risk. The Security and Operational Risk Management department also regularly informs the management and relevant employees about operational risks and significant events that have arisen. Furthermore, it secures training for employees on the identification, reporting and handling of operational risks.

The management and employees in charge of managing operational risks within a division or department are also involved in the management of operational risks. After an operational risk is identified, they propose and arrange the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk. In proposing the measures to mitigate operational risk, they also assess the impact on expenses and income.

ii) Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts with insufficient documentation, and changes in the regulatory environment, including accepted case-law and uncertainties in counterparties' acts. The aim is to reduce the risk of loss, the risk of possible or questionable claims against the Bank, or penalties, including damage to the Bank's reputation. The Compliance department contributes to the mitigation of these risks.

The Compliance department performs activities aimed at harmonising the Bank's internal policies and processes with external regulations. The main compliance activities are to ensure the compliance of internal guidelines with external standards, the mutual compliance of internal guidelines, the compliance of the Bank's activities with internal guidelines and external standards, and the ongoing monitoring of compliance with legal obligations and responsibilities arising from the internal regulations of the Bank, to establish preconditions for achieving this harmonisation, to establish preconditions for the fair provision of services to customers and to refrain from giving preferential treatment to the Bank and its employees compared to customers, to prevent conflicts of interest, and to mitigate acts which would result in market abuse. It also engages in anti-money laundering activities and activities to combat financial terrorism (AML-CFT), and runs checks on these activities and handles claims and complaints.

Where compliance activities are not performed directly by the Compliance department, but are delegated to another department of the Bank, the Bank's managers or the Bank's employees at the Compliance department act as coordinator.

The Bank's managers are responsible for creating conditions for the external regulations to be adhered to. They are also responsible for issuing internal policies governing the activities they are in charge of and they are also obliged to check whether the external regulations and internal policies are observed by subordinates.

e) Capital management

Regulatory capital

The Bank's lead regulator, the CNB, sets and monitors the capital requirements of the Bank. The Bank and individual banking operations are directly supervised by local regulators. As the capital regulatory requirements are set only for the Bank, the structure of Tier 1 capital and Tier 2 capital is set only for the Bank.

In the implementation of current capital requirements the CNB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

— Tier 1 capital, which includes ordinary share capital, share premium, statutory reserve funds and retained earnings after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
— Tier 2 capital, which includes qualifying subordinated liabilities.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations complied with all externally imposed capital requirements throughout the period.

There were no material changes in the Bank's management of capital during the period.

The Bank's reconciliation between regulatory capital and equity calculated was as follows:

MCZK	Regulatory capital	Equity
At 31 December 2018		
Issued capital	769	769
Share premium	412	412
Retained earnings	8,188	10,392
Profit/(Loss)	2,200	–
Accumulated other comprehensive income	47	47
Less value adjustment due to requirements of prudent valuation	(45)	–
Less intangible assets	(144)	–
Mitigation of impact of IFRS 9 introduction	245	
Tier 1 capital	**11,672**	
Total Equity		**11,620**
Total regulatory capital	**11,672**	
At 31 December 2017		
Issued capital	769	769
Share premium	412	412
Retained earnings	6,896	8,418
Available profit/loss	1,338	–
Accumulated other comprehensive income	545	545
Less value adjustment due to requirements of prudent valuation	(50)	–
Less intangible assets	(96)	–
Tier 1 capital	**9,814**	
Total Equity		**10,144**
Tier 2 capital		
Qualifying subordinated liabilities	1,393	
Total regulatory capital	**11,207**	

Capital adequacy ratios are as follows:

%	2018	2017
Tier 1 common capital ratio	16,26%	14,20%
Tier 1 capital ratio	16,26%	14,20%
Total capital ratio	16,26%	16,22%

If the mitigation of the impact of IFRS 9 introduction had not been applied, tier 1 common capital ratio, tier 1 capital ratio and total capital ratio would have been 15.97 % as at 31 December 2018.

Exposures and capital requirements for credit risk related to the following institutions:

MCZK	Exposure	Capital requirement
At 31 December 2018		
Central government	500	40
Local government	35	3
Institutions	4,967	397
Businesses	41,234	3,299
Retail sector	–	–
Exposures pledged by properties	319	25
Exposures in default	2,049	164
High risk exposures	2,794	223
Collective investment undertakings	550	44
Equities	332	27
Other exposures	174	14
Total	**52,954**	**4,236**
of which effect of mitigation of impact of IFRS 9 introduction on specific credit risk adjustments	245	20
At 31 December 2017		
Central government	301	24
Local government	6	1
Institutions	6,240	499
Businesses	41,665	3,333
Retail sector	17	2
Exposures pledged by properties	98	8
Exposures in default	1,957	157
High risk exposures	4,354	348
Equities	164	13
Other exposures	329	26
Total	**55,131**	**4,411**

MCZK	2018	2017
Capital requirements for credit risk	**4,236**	**4,411**
Capital requirements for market risks	797	530
– for general interest rate risks of trading portfolio	737	445
– for general equity risks of trading portfolio	–	–
– for foreign exchange risks	60	85
Capital requirements for settlement risks	–	–
Capital requirements for operational risks	**418**	**340**
Capital requirements for credit valuation adjustment risk	**292**	**247**
Total capital requirements	**5,743**	**5,528**

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by the optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by the Bank's Credit Committee or ALCO, as appropriate.

f) Components of cash flow statement

Cash and cash equivalents include cash in hand and account balances with the CNB, treasury bills with a residual maturity of up to three months and nostro account balances with financial institutions. Statutory minimum reserves are not included as cash equivalents in the cash flow statement due to their limited availability.

MCZK	31. 12. 2018	31. 12. 2017
Cash on hand	41	34
Unrestricted balances with the central bank	–	2 000
Nostro account balances	2,992	854
Reverse repo with the central bank	162,607	153,917
Total	**165,640**	**156,805**

46. Related party transactions

The Bank's parent is PPF Financial Holdings B.V. The ultimate controlling entity is PPF Group N.V.

The Bank has a related party relationship with its parent company, PPF Financial Holdings B.V., and the ultimate controlling entity, PPF Group N.V., and with its subsidiaries and associates.

The Bank also has related party relationships with its key management personnel, and enterprises with which it has key management personnel in common.

All transactions with related parties were concluded on arm's-length conditions.

a) Transactions with the parent company

The below stated balances are included in the statement of financial position and constitute transactions with the parent company:

MCZK	31. 12. 2018	31. 12. 2017
Financial assets at fair value through profit or loss	30	
Other assets	20	
Deposits from customers	(4,496)	(5,996)
Total	**(4,446)**	**(5,996)**

The Bank neither accepted nor provided guarantees related to the above-mentioned transactions.

The below stated figures are included in the statement of comprehensive income and constitute transactions with the parent company:

MCZK	2018	2017
Interest and similar income	1	
Interest expense and similar charges	(1)	
Fee and commission income	22	1
Total	**22**	**1**

b) Transactions with other related parties

The below stated balances are included in the statement of financial position and constitute transactions with other related parties:

MCZK	31. 12. 2018	31. 12. 2017
Financial assets at fair value through profit or loss	399	–
Trading assets	–	633
Financial assets at fair value through other comprehensive income	260	–
Debt instruments at amortised cost	1 049	–
Financial assets available for sale	–	2 169
Loans and advances to banks	152	742
Loans and advances to customers	12,369	8,297
Other assets	11	13
Deposits from customers	(9 310)	(17,775)
Deposits from banks	(555)	(399)
Financial liabilities at fair value through profit or loss	(371)	–
Trading liabilities	–	(723)
Debt securities issued	–	(166)
Other liabilities	(414)	(435)
Subordinated liabilities	–	(758)
Total	**3 590**	**(8,402)**

The below stated figures are included in the statement of comprehensive income and constitute transactions with other related parties:

MCZK	2018	2017
Interest and similar income	1,022	720
Interest expense and similar charges	(84)	(66)
Fee and commission income	48	46
Fee and commission expense	–	–
Net trading income	223	(611)
Net impairment losses on financial assets	(11)	–
Other operating income	2	1
General administrative expenses	(151)	(153)
Total	**1,049**	**(63)**

c) Key management personnel

The below stated balances are included in the statement of financial position and constitute transactions with key management personnel:

MCZK	31. 12. 2018	31. 12. 2017
Deposits from customers	(94)	(28)

The above payables consist mainly of term deposits and balances of current accounts with the Bank.

The below stated balances are included in the statement of other comprehensive income and constitute transactions with key management personnel:

MCZK	2018	2017
Net income from financial operations	(1)	(1)

d) Off-balance sheet items

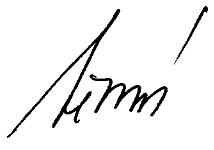
As a related-party transaction, as at 31 December 2018 the Bank provided a credit commitment to related parties of MCZK 2,410 (31. 12. 2017: MCZK 2,872), a guarantee commitment and a guarantee in the amount of MCZK 111 (31. 12. 2017: MCZK 1).

47. Subsequent events

There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes thereto.

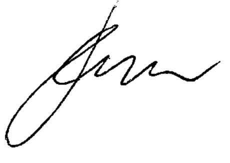
Date: 11 April 2019

Individual responsible for accounting:



Lenka Němcová

Individual responsible for financial statements:



Miroslav Hudec

Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity for 2018

In accordance with Section 82 et seq. of Act No 90/2012 on companies and cooperatives, as amended ("the AOC"), PPF banka a.s., with its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 47116129, incorporated by entry in the Commercial Register maintained by the Municipal Court in Prague, section B, file number 1834 ("the Company"), has the obligation to prepare the following report on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity ("Report on Relations") for the accounting period from 1 January 2018 to 31 December 2018 ("the Accounting Period").

1. Structure of relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity

By reference to the information of the Board of Directors, in which the Company's statutory body, to the best of its knowledge, found no incompleteness, the structure is set out in Appendix No 1 to this Report on Relations.

2. Role of the Company

During the Accounting Period, the Company did not adopt or implement any measures or other legal arrangements providing it with special advantages or imposing special obligations on it in the interest or at the initiative of the controlling entity or entities controlled by the same controlling entity. In relation to control, the Company benefits from no special advantages and has no special obligations vis-à-vis the controlling entity and/or entities controlled by the same controlling entity beyond those negotiated in the agreements listed in Section 5 of this Report on Relations.

3. Method and means of control

The controlling entity exercises control through its ownership rights via decisions at the Company's general meetings (or decisions of the Company's sole shareholder). Methods and means of controlling the Company include the Company's articles of association and decisions of the Company's supreme body. No special agreements exist between the Company and the controlling entity with respect to methods and means of controlling the Company.

4. Overview of actions pursuant to Section 82(2)(d) of the AoC

In the Accounting Period, the Company did not perform any actions at the initiative or in the interest of the controlling entity or entities controlled by it that related to assets exceeding 10% of the Company's equity as determined from the latest financial statements.

5. Overview of mutual agreements

The Company has concluded the following agreements with the controlling entity or with entities controlled by the same controlling entity:

The following agreements have been concluded with AB 2 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 57279667:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 4 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34186049:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB 7 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 57279241:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY, with its registered office at DO2A339, Dublin, Block 3, Harcourt Centre, Harcourt Road, DO2A339, Ireland, registration number: 619700:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Accord Research, s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 290 48 974:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with AF Airfueling s.r.o., with its registered office at Hůlkova 1075/35, Kbely, 197 00 Praha 9, registration number: 02223953:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Air Bank a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 29045371:

— Confidentiality contract – scope of performance: financial services
— Reporting Delegation Agreement – Agreement on EMIR reporting – scope of performance: other services
— Contract with an administrator + special provisions for the contract with an administrator – scope of performance: financial services
— Contract for opening and maintaining correspondent accounts – scope of performance: financial services
— Commission agreement on the provision and settlement of transactions with investment instruments and on investment instrument administration – scope of performance: financial services
— Framework agreement on trading on financial markets (EMA) – scope of performance: financial services
— Contract on Group Corporate Governance – scope of performance: financial services
— Creditor Accesion Undertaking – scope of performance: financial services
— ISDA Master Agreement: – scope of performance financial services

The following agreements have been concluded with ALMONDSEY LIMITED, with its registered office at Themistokli Dervi, 48, Athienitis Centennial Building, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE 291856:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ALRIK VENTURES LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE318488:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ANTHEMONA LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE316792:

— ISDA Master Agreement, as amended – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ASTAVEDO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE316792:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Autotým, s.r.o., v likvidaci, with its registered office at Hráského 2231/25, Chodov, 148 00 Praha 4, registration number: 03040836:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bavella B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52522911:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bestsport holding a.s., with its registered office at Českomoravská 2345/17, Libeň, 190 00 Praha 9, registration number: 06613161:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bestsport, a.s., with its registered office at Českomoravská 2345/17, Libeň, 190 00 Praha 9, registration number: 24214795:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Bolt Start Up Development a.s., with its registered office at Praha 4, Michle, 140 00, Za Brumlovkou 266/2, registration number: 04071336:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with BONAK a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 05098815:

— General agreement on payment and banking services – scope of performance: financial services
— Share Pledge Agreement – scope of performance: financial services
— Intercreditor Agreement – scope of performance: financial services

The following agreements have been concluded with C & R Office Center Two s.r.o., with its registered office at Českomoravská 2345/17, Libeň, 190 00 Praha 9, registration number: 28227913:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with CETIN Finance B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 66805589:

— General agreement on payment and banking services – scope of performance: financial services
— DEALER AGREEMENT – scope of performance: financial services

The following agreements have been concluded with CETIN služby s.r.o., with its registered office at Olšanská 2681/6, Žižkov, 130 00 Praha 3, registration number: 06095577:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with CIAS HOLDING a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27399052:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with CITY TOWER Holding a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 02650665:

— General agreement on payment and banking services – scope of performance: financial services
— Contract for subscription and purchase of bonds – scope of performance: financial services
— Contract with an administrator – scope of performance: financial services

The following agreements have been concluded with COLANDS s.r.o., with its registered office at Českomoravská 2345/17, Libeň, 190 00 Praha 9, registration number: 03883663:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Comcity Office Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 64411761:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Cytune Pharma SAS, with its registered office at 3 Chemin du Pressoir Chenaie, Nantes, 44100, France, registration number: 500998703:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Czech Equestrian Team a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 01952684:

— General agreement on payment and banking services – scope of performance: financial services
— Agreement on the Coverage of the Costs of Refreshments and Tickets – scope of performance: other services

The following agreements have been concluded with CzechToll s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 06315160:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Česká telekomunikační infrastruktura a.s., with its registered office at Olšanská 2681/6, Žižkov, 130 00 Praha 3, registration number: 04084063:

— General agreement on payment and banking services – scope of performance: financial services
— Mandate Contract on the Arrangement of Trades in Money-Market and Derivative Investment Instruments – scope of performance: financial services
— Termination agreement on Mandate Contract on the Arrangement of Trades in Money-Market and Derivative Investment Instruments, scope of perfomance: termination of Mandate Contract on the Arrangement of Trades in Money-Market and Derivative Investment Instruments
— Framework contract on trading on the financial market (EMA) – scope of performance: financial services
— Internal escrow account E/ 2322290003 contract, scope of performance – escrow account for property purchase price deposit
— Internal escrow account E/ 2322290003/2 contract, scope of performance – escrow account for property purchase price deposit
— Agreement on the provision of investment services – scope of performance: other services
— Agreement on the provision of penetration tests – scope of performance: provision of penetration tests
— Confidentiality Agreement – scope of performance: other services

The following agreements have been concluded with Duoland s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06179410:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Eastern Properties B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 58756566:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with eKasa s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 05089131:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ELTHYSIA LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE290356:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ENADOCO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE316486:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FACIPERO INVESTMENTS LIMITED, with its registered office at Strovolos, Esperidon 5, 2001, 4th Floor, 1075 Nicosia, Cyprus, registration number: HE232483:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Favour Ocean Limited, with its registered office at useway Bay 36/F Tower Two, 1 Matheson St, Causeway Bay, Hong Kong, China, registration number: 1065678:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FAYDE INVESTMENTS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE310390:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FELISTON ENTERPRISES LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE152674:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FERRYMAT HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE313289:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with FO Management s.r.o., with its registered office at Evropská 2690/17, Praha 6, 160 00 registration number: 06754295:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF CYPRUS RE MANAGEMENT LTD. , with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE251908:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Fodina B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 59400676:

— Commission Agreement – scope of performance: financial services
— Special Arrangements on Remuneration – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— Global Master Repurchase Agreement – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services

The following agreements have been concluded with GALIO INVESTMENTS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE310260:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Garco Group B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34245884:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with German Properties B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61008664:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with GLANCUS INVESTMENTS INC., with its registered office at Tropic Isle Building P.O. Box 3423. Road Town, Tortola, British Virgin Islands, registration number: 1396023:

— Commission agent's contract – including apprendices – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services

The following agreements have been concluded with GRACESPRING LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE208337:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Advisory services s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 01487779:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Asia B. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34253829:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Broker, s.r.o., with its registered office at Nové sady 996/25, Staré Brno, 602 00 Brno, registration number: 29196540:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Consumer Finance Philippines, Inc, with its registered office at UnionBank Plaza, 35th Floor, Meralco Avenue Corner Onyx, Pasig, Philippines, registration number: CS201301354:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with HC Philippines Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 35024270:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Hofplein Offices (Rotterdam) B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 64398064:

— General agreement on payment and banking services – scope of performance: financial services
— Facility Agreement reg. no. 46465217 – scope of performance: financial services

The following agreements have been concluded with Home Credit a.s., with its registered office at Nové sady 996/25, Staré Brno, 602 00 Brno, registration number: 26978636:

— Framework contract for the establishment and maintenance of a current investment account – scope of performance: financial services
— Contract on cooperation in the performance of work and provision of processing and other services (HC) – scope of performance: other services
— Confidentiality contract – scope of performance: other services
— Framework contract for performing foreign exchange spot transactions – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Asia Limited, with its registered office at 36/F Tower Two, Times Square, 1 Matheson St, Hong Kong, China, registration number: 890063:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34126597:

- ISDA Master Agreement, as amended – scope of performance: financial services
- Agreement on assignment of derivative transactions – scope of performance: financial services
- Agreement with the Administrator, CZ0000000245, Home Credit B.V. – scope of performance: financial services
- Agreement on assignment and amendment of Agreement with the Administrator – scope of performance: financial services
- Agreement of assignment of a special arrangement for the Agreement with the Administrator – scope of performance: financial services
- Special arrangement for the Agreement with the Administrator – scope of performance: financial services
- Agreement on a promissory note programme arrangement – scope of performance: financial services
- Agreement on the Provision of the Issue of Notes – scope of performance: financial services
- Agreement Related to a Bond Offer – scope of performance: financial services
- Loan agreement No 41389616 – scope of performance: financial services
- Agreement on assignment of loan agreement no. 41389616 – scope of performance: financial services
- Term Facilities Agreement – scope of performance: financial services
- Novation and Amendment Agreement – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services
- Commission Agreement on Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments Administration – scope of performance: financial services
- Subordination Agreement – scope of performance: financial services
- AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES– scope of performance: financial services
- Agreement on a promissory note programme arrangement – scope of performance: financial services
- Agreement on the termination of the Agreement on the provision of the Issue of Notes – scope of performance: financial services
- Agreement on the Assignment of a Contract on Group Corporate Governance – scope of performance: financial services
- Contract on Group Corporate Governance – scope of performance: other services

The following agreements have been concluded with Home Credit Group B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 69638284:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on Group corporate governance – scope of performance: financial services
- Agreement with the Administrator – CZ0000000831 as amended – scope of performance: financial services
- Agreement on assignment and amendment of Agreement with the Administrator – scope of performance: financial services
- Agreement of assignment of a special arrangement for the Agreement with the Administrator – scope of performance: financial services
- Special arrangement for the Agreement with the Administrator – scope of performance: financial services
- Deed of Pledge of Registered Shares in the Share Capital of Home Credit Group B. V. – scope of performance: financial services
- AGREEMENT ON ASSIGNMENT OF DERIVATIVE TRANSACTIONS – scope of performance: financial services
- AGREEMENT ON ASSIGNMENT OF AGREEMENT ON PROMISSORY NOTE PROGRAMME ARRANGEMENT AND ASSUMPTION OF DEBT – scope of performance: financial services
- ISDA 2002 MASTER AGREEMENT + CSA (VM) – scope of performance: financial services
- Agreement on assignment of loan agreement no. 41389616 – scope of performance: financial services
- Loan agreement No 41389616 – scope of performance: financial services
- Agreement on the Assignment of a Contract on Group Corporate Governance – scope of performance: other services
- Engagement Letter – Secured Credit Facility of up to INR 4,000,000,000 – scope of performance: financial services
- Novation and Amendment Agreement – scope of performance: financial services

The following agreements have been concluded with Home Credit India B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52695255:

- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Indonesia B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52695557:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit International a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 60192666:

— General agreement on payment and banking services – scope of performance: financial services
— Framework agreement on reallocation of software costs – scope of performance: purchase of SW solutions, distribution of SW and reinvoicing of expenses
— Agreement on distribution of licences 1/2018– scope of performance: distribution of licences and reinvoincing of expenses
— Agreement on VMware distribution licence – scope of performance: VMware licence and support
— Agreement on the reimbursement of employees' business trip expenses – scope of performance: other services
— Agreement on provision of investment services – scope of performance: other services
— Agreement on distribution of Oracle licence – scope of performance: other services
— Commission agreement on the provision and settlement of transactions with investment instruments and on investment instrument administration – scope of performance: financial services
— Framework Agreement on Reallocation of Software Costs on Distribution of Vmware Licences – scope of performance: financial services
— Confidentiality agreement – scope of performance: other services

The following agreements have been concluded with Home Credit Lab N. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 52695689:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit Slovakia, a.s., with its registered office at Teplická 7434/147, Piešťany 921 22, Slovakia, registration number: 36234176:

— Contract for subordinated liabilities and rights – scope of performance: financial services
— Contract on cooperation in the performance of work and provision of processing and other services (HCS) – scope of performance: other services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Home Credit US Holding, LLC, with its registered office at 3500 S Dupont Hwy, Dover, DE 19901, USA, registration number: 5467913:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Horse Arena s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 04479823:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Innoble GmbH, with its registered office at Germany, Frankfurt am Main, 603 23, Bockenheimer Landstrasse 20, registration number: HRB 239796:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with JARVAN HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE310140:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Langen Property B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61012777:

— General agreement on payment and banking services – scope of performance: financial services
— Framework contract on trading on the financial market (EMA) – scope of performance: financial services

The following agreements have been concluded with Letiště Praha Letňany, s.r.o., with its registered office at Hůlkova 1075/35, Kbely, 197 00 Praha 9, registration number: 24678350:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Letňany Air Land s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06138462:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Letňany Air Logistics s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06138411:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Letňany eGate s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06137628:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Letňany Park Gate s.r.o., with its registered office at Hůlkova 896/31, Kbely, 197 00 Praha 9, registration number: 06138446:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with LINDUS Real s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 29139309:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with LINDUS SERVICES LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE281891

— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services
— Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration services – scope of performance: financial services
— Special Arrangements on Remuneration – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with LLC Home Credit & Finance Bank, with its registered office at Ul. Pravdy 8, d.8, 125 040 Moscow, Russia, registration number: 1027700280937:

— Special Bank Account Agreement – RUB – 30230810700001500001 (Shares) – scope of performance: financial services
— Depositary contract – account PO 140103KSB – scope of performance: financial services
— Agreement on Russian rouble loro account opening and maintenance procedures for non-resident bank – Rates of Commission Charge – scope of performance: financial services
— Master Agreement + Schedule to the 1992 Master Agreement – scope of performance: financial services
— Framework Treasury Agreement – scope of performance: financial services
— Agency Contract 37-18/005 – scope of performance: financial services
— Commission Agreement on the Provision of Transactions in Investment Instruments – HCFB Moscow – scope of performance: financial services
— Special Bank Account Agreement – RUB – 30230810600001600001 (Bond) – scope of performance: financial services
— Agreement on Administration of Securities – scope of performance: financial services
— Contract for opening and maintaining a CZK correspondent account and terms and conditions of maintaining the account – 2005840171/6000 – Terms and Conditions for Correspondent Account in CZK – scope of performance: financial services

- — Contract for opening and maintaining a EUR correspondent account and terms and conditions of maintaining the account – 2005840200/6000 – Terms and Conditions for Correspondent Account in EUR – scope of performance: financial services
- — Contract for opening and maintaining a USD correspondent account and terms and conditions of maintaining the account – 2005840198/6000 – Terms and Conditions for Correspondent Account in USD – scope of performance: financial services
- — Uncommitted Loan Facility Agreement – scope of performance: financial services
- — Agreement No 20-4-12/001 for brokerage service provision to legal entities non-resident in the RF – scope of performance: financial services
- — Transfer Certificate – scope of performance: financial services
- — Agreement on the Terms and Conditions for the Provision of Repository Services – scope of performance: financial services
- — Cash Delivery Request and Indemnity for Acting Thereupon in Respect of our Account(s) No 2005840200/6000 – scope of performance: financial services
- — Agreement on mantaining of correspondent account in foreign currency of non resident bank – nostro account USD 21 – scope of performance: financial services

The following agreements have been concluded with LLC RAV Agro, with its registered office at ul. 45 Strelkovoy Divizii, 232, office 205, 394 026 Voronezh, Russia, registration number: 1073667022879:

- — General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with LLC RAV Agro Orel, with its registered office at Komsomolskaya ul. 104, Premises 40, 302 026 Orel, Russia, registration number: 1115741001496:

- — Engagement Letter OOO RAV AGRO-OREL – scope of performance: financial services
- — Pledge Agreement regarding movable property Reg. No MP/30343415, as amended – scope of performance: financial services
- — Agreement on Subordination of Obligations and Rights Reg. No SA/30343415/1 – scope of performance: financial services
- — Surety Agreement Reg. No SA/30343415/2, as amended – scope of performance: financial services
- — Facility Agreement No 30343415, as amended – scope of performance: financial services
- — Mortgage Agreements, as amended – scope of performance: financial services
- — ISDA 2002 Master Agreement, as amended – scope of performance: financial services

The following agreements have been concluded with LOSITANTO Ltd., with its registered office at Limassol, 3032, City House, Karaiskaki 6, Cyprus, registration number: HE157131:

- — General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Maraflex s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 02415852:

- — General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with MICROLIGHT TRADING LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE224515:

- — General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Misterine s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 05249899:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with mluvii.com s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 27405354:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with MOETON a.s.v likvidaci, with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 27864561:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Monheim Property B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61012521:

— General agreement on payment and banking services – scope of performance: financial services
— Framework contract on trading on the financial market (EMA) – scope of performance: financial services

The following agreements have been concluded with Montería, spol. s r.o., with its registered office at Hvězdova 1716/2b, Nusle, 140 00 Praha 4, registration number: 27901998:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Moranda, a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 28171934:

— General agreement on payment and banking services – scope of performance: financial services
— Commission agent's contract for procurement and settlement of investment instrument transactions and a contract for administration of investment instruments – scope of performance: financial services
— Agreement on the provision of investment services – scope of performance: other services

The following agreements have been concluded with My Air a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 05479070:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Mystery Services s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24768103:

— Contract for employee meals, as amended – scope of performance: other services
— General agreement on payment and banking services – scope of performance: financial services
— Agreement on the Coverage of the Costs of Catering Services and Refreshments – scope of performance: other services

The following agreements have been concluded with Naneva B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67400639:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Net Gate s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24765651:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with NIDALEE HOLDING LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE310150:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with O2 Czech Republic a.s., with its registered office at Za Brumlovkou 266/2, 140 22 Praha 4, registration number: 60193336:

— Agreement on the provision of publicly available electronic communications services – scope of performance: provision of publicly available electronic communications services, financial services
— Agreement on the provision of cloud, housing and related services – scope of performance: provision of cloud, housing and related services to the second contracting party, financial services
— Agreement on the provision of the Aculla SIPREC SRS recording system – scope of performance: stating of conditions for the provision of a recording system to the second contracting party and its use for the fulfilment of MiFID regulation requirements, financial services
— Agreement on the provision of Mobile SIPREC services – scope of performance: provision of monitoring services and recording of calls for purposes of the fulfilment of MiFID regulation requirements, financial services
— Framework agreement on payment and banking services – scope of performance: setting of credit limit for the Company and establishment of bank accounts in CZK, EUR, USD
— IP Connect – Hosting Service, IP Connect – Connection Service (Technical Specifications of the Service) – scope of performance: other services
— Ethernet Service – Technical Specifications of the Service – MAN European <-> Nagano, Prague City Hall and Ostrava Branch Connection – Contract No 639131 – scope of performance: other services
— Bulk SMS Connector Service Agreement – scope of performance: other services
— Framework agreement on financial market trading – scope of performance: hedging against financial risk
— Framework Agreement on Terms and Conditions for the Provision of Mobile Electronic Communications Services – scope of performance: other services

The following agreements have been concluded with O2 Financial Services s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 05423716:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with O2 IT Services s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 02819678:

— Bank guarantee contract No BZ/30367615 – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with O2 TV s.r.o., with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 03998380:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Office Star Eight a.s., with its registered office at Hvězdova 1716/2b, Nusle, 140 00 Praha 4, registration number: 27639177:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Office Star Nine, spol. s r. o., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 27904385:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with OJSC "Non-banking Credit and Financial Organisation Home Credit", with its registered office at Odoevskogo 129, 220018 Minsk, Belarus, registration number 807000056:

— Contract for opening and maintaining a correspondent account and terms and conditions – 1897260054 – scope of performance: financial services
— Framework Treasury Agreement dated 19.03.2010 – scope of performance: financial services

The following agreements have been concluded with One Westferry Circus S.a.r.l., with its registered office at Luxembourg, 2453, 6, Rue Eugene Ruppert, registration number: B1755495:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Paleos Industries B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 66846919:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 25099345:

— Framework contract for the lease of a vehicle – scope of performance: other services
— Contract on the use of a visual style and the provision of rights for using trademarks – scope of performance: other services
— Contract on the sublease of mobile equipment – scope of performance: other services
— Framework contract on the liquidation of data storage devices – scope of performance: financial services
— Contract for the provision of services, as amended – scope of performance: financial services
— Contract for the sublease of non-residential premises – E-GATE, as amended – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— Contract for the sublease of parking lots – scope of performance: financial services
— Declaration of Accession to the Agreement on the Provision of the Edunio e-Learning Education System – scope of performance: other services
— LAN Service Agreement – scope of performance: other services
— Share Transfer Agreement – scope of performance: financial services
— Share Transfer Agreement – scope of performance: financial services
— Share Transfer Agreement – scope of performance: financial services
— Works Catering Agreement – scope of performance: other services

The following agreements have been concluded with PPF A3 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61684201:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF A4 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 63365391:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Advisory (CR) a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 25792385:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Advisory (UK) Limited, with its registered office at Witan Gate House, 500-600 Witan Gate West, Milton Keynes, Buckinghamshire, MK9 1SH, United Kingdom, registration number: 5539859:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Arena 1 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 59009187:

— General agreement on payment and banking services – scope of performance: financial services
— MANDATE AGREEMENT ON THE ARRANGEMENT OF TRADES IN DERIVATE INVESTMENT INSTRUMENTS – scope of performance: financial services
— Agreement on the Provision of Investment Services – scope of performance: financial services

The following agreements have been concluded with PPF Art a.s., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 63080672:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Beer Holdco 1 B. V., , with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number:: 67330495:

— Rámcová smlouva o Platebních a Bankovních službách, předmět plnění finanční služby

The following agreements have been concluded with PPF Beer IM Holdco B. V, with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67331378:

— Rámcová smlouva o Platebních a Bankovních službách, předmět plnění finanční služby

The following agreements have been concluded with PPF Beer Topholdco B. V, with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67420427:

— Framework Agreement on Payment and Banking Services – scope of performance: financial services
— Escrow Agreement – scope of performance: commercial
— Agreement on the Provision of Investment Services – scope of performance: financial services
— Intercreditor Agreement – scope of performance: financial services

The following agreements have been concluded with PPF Capital Partners Fund B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 55003982:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF CO 3 B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34360935:

— General agreement on payment and banking services – scope of performance: financial services
— Agreement INR 1,875,000,000 Credit Facility + signature specimen, as amended – scope of performance: financial services
— Agreement dated 29. 09. 2016 INR 2,250,000,000 Credit Faciltity – scope of performance: financial services
— Credit Facility Agreement CZK 480,000,000 as amended – scope of performance: financial services
— Agreement INR 2,500,000,000 Credit Facility as amended – scope of performance: financial services
— Agreement IDR 30,000,000,000 Credit Facility as amended – scope of performance: financial services
— Agreement INR 3,750,000,000 Credit Facility – scope of performance: financial services
— Agreement INR 4,000,000,000 Credit Facility – scope of performance: financial services
— Agreement dated 1 December 2017 – CZK 750,000,000 Credit Facility – scope of performance: financial services
— Framework agreement on consultancy and cooperation – scope of performance: financial services
— Agreement Dated 2nd May, 2018 USD 25 000 000 Credit Facility – scope of performance: financial services
— Agreement Dated on 31 July, 2018 for 40 000 000 USD Credit Facility – scope of performance: financial services
— Agreement Dated 27th November, 2018, INR 4,000,000,000 – scope of performance: financial services
— Agreement Dated 22 November, 2018 USD 32,000,000 – scope of performance: financial services
— Agreement Dated 23 March 2018 INR 4,000,000,000 Credit Facility – scope of performance: financial services
— Consent and waiver in respect of certain conditions precedent – scope of performance: financial services
— Letter of Comfort – scope of performance: financial services
— Termination of Loan – Agreement Dated 23 March 2018 INR 4,000,000,000 Credit Facility – scope of performance: financial services

The following agreements have been concluded with PPF CYPRUS MANAGEMENT LIMITED (previously ANTHIAROSE LIMITED), with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE224463:

— Contract for subscription and purchase of investment certificates – scope of performance: financial services
— Contract for subscription and purchase of investment certificates – scope of performance: financial services
— Contract for subscription and purchase of investment certificates – scope of performance: financial services
— Contract for subscription and purchase of investment certificates – scope of performance: financial services
— ISDA Agreement, as amended – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— Confidentiality Agreement – scope of performance: financial services

The following agreements have been concluded with PPF Financial Consulting s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 24225657:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Financial Holdings B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 61880353:

— General agreement on payment and banking services – scope of performance: financial services
— Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services
— Agreement on Group corporate governance – scope of performance: financial services
— Agreement on the provision of credit risk management services – scope of performance: financial services
— Agreement on administration – scope of performance: financial services
— Contract of Mandate – scope of performance: other services
— Agreement on administration – scope of performance: financial services
— Agreement on administration – scope of performance: financial services
— Agreement on administration – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services
— Agreement on the Assignment of a Contract on Group Corporate Governance, object: other services

The following agreements have been concluded with PPF GATE a.s., with its registered office at Evropská 2690/17, 160 41 Praha 6, registration number: 27654524:

— Agreement on the Letting of Non-residential Premises – Branch – PPF Gate Mandate – scope of performance: other services
— Pledge Notice – Agreement on the Letting of Non-residential Premises – Branch – PPF Gate Mandate – scope of performance: other services
— Construction Contract Mandate – scope of performance: other services

The following agreements have been concluded with PPF Group N. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 33264887:

— General agreement – deposits – scope of performance: financial services
— ISDA Master Agreement, as amended – scope of performance: financial services
— Commission agent's contract – including appendices – scope of performance: financial services
— Contract for administration of securities, as amended – scope of performance: financial services
— Agreement on a Guarantee – scope of performance: financial services
— Subordination agreement relating to CZK 3,500,000,000, framework agreement on the provision of land and other banking products – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— Dealer Manager Agreement – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES– scope of performance: financial services
— Escrow Agreement – scope of performance: financial services
— Project Support Agreement – scope of performance: business services

The following agreements have been concluded with PPF Healthcare N. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34308251:

— Commission agent's contract – including appendices – scope of performance: financial services
— Contract for administration of securities – scope of performance: financial services
— Contract for assignment of a receivable – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— ISDA Master Agreement – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services

The following agreements have been concluded with PPF Industrial Holding B. V. , with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 71500219:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Infrastructure B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 65167899:

— General agreement on payment and banking services – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services

The following agreements have been concluded with PPF PROPERTY LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE189164:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Real Estate Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34276162, byl/a uzavřen/a:

— General agreement on payment and banking services – scope of performance: financial services
— Agreement on a Promissory Note Programme Arrangement + PoA – scope of performance: financial services

The following agreements have been concluded with PPF REAL ESTATE LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE188089:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Real Estate s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 27638987:

— Agreement on the provision of services – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF reality a.s., with its registered office at Evropská 2690/17, Dejvice, 160 41 Praha 6, registration number: 29030072:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF SERVICES LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE92432:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF Telco B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 65167902:

— General agreement on payment and banking services – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services

The following agreements have been concluded with PPF TMT Bidco 1 B. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 70498288:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF TMT Bidco 2 B. V. (formerly PPF Beer Bidco B. V.), with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67332722:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF TMT Holdco 1 B. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 70498261:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF TMT Holdco 2 B. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 70526214:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Prague Entertainment Group B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 63600757:

— General agreement on payment and banking services – scope of performance: financial services
— Escrow Agreement Reg. No. 2322470004 – scope of performance: financial services
— Escrow Agreement Reg. No. 2322480018 – scope of performance: financial services
— Escrow Agreement Reg. No. 2322460009 – scope of performance: financial services
— Escrow Agreement Reg. No. 2322490005 – scope of performance: financial services

The following agreements have been concluded with PT Home Credit Indonesia, with its registered office at Plaza Oleos, 8–9th Floor, Jl. TB Simatupang 53A, 125 20 Jakarta, Indonesia, registration number: 03.193.870.7-021.000:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Public Picture & Marketing a.s., with its registered office at Hvězdova 1716/2b, Nusle, 140 00 Praha 4, registration number: 25667254:

— Contract for the provision of BZ No 90009006, as amended – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Real Estate Russia B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 63458373:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with REDLIONE LTD, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE178059:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with REPIENO LIMITED , with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE282866:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with RHASKOS FINANCE LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316591:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Ruconfin B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 55391176:

— General agreement on payment and banking services – scope of performance: financial services
— Framework agreement on consultancy, cooperation and the provision of services, as amended – scope of performance: financial services
— ISDA Master Agreement, as amended – scope of performance: financial services
— Termination Arrangement – ISDA Master Agreement, as amended – scope of performance: financial services
— Mandate contract on the arrangement of trades in money market instruments – scope of performance: financial services
— Termination Arrangement – Mandate contract on the arrangement of trades in money market instruments – scope of performance: financial services
— Subordination agreement relating to CZK 3,500,000,000, framework agreement on the provision of land and other banking products – scope of performance: financial services
— Agreement on a pledge of receivables from bank account Reg. No ZBU/30034911, as amended – scope of performance: financial services
— Framework agreement on the provision of a loan and other banking products Reg. No 30034911 as amended – scope of performance: financial services

The following agreements have been concluded with RYAZAN INVESTORS COMPANY LIMITED, with its registered office at Esperidon 5, Floor 4, Strovolos 2001 Nicosia, Cyprus, registration number: HE180968:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with RYAZAN SHOPPING MALL LIMITED, with its registered office at Esperidon 5, Floor 4, Strovolos 2001 Nicosia, Cyprus , registration number: HE180951:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SALEMONTO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE161006:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SB JSC Bank Home Credit, with its registered office at Nursultan Nazarbaev Street 248, Almaty, 0500059, Kazakhstan:

— ISDA Master Agreement – scope of performance: financial services
— ISDA Credit Support Annex for variation margin (VM) – scope of performance: financial services

The following agreements have been concluded with SEPTUS HOLDING LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316585:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Smart home security s.r.o., with its registered office at Vyskočilova 1326/5, Michle, 140 00 Praha 4, registration number: 06321399:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SOTIO a.s., with its registered office at Jankovcova 1518/2, 170 00 Praha 7, registration number: 24662623:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Sotio N. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 34302290:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with STEPHOLD LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE221908:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with STINCTUM HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE177110:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with SYLANDER CAPITAL LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316597:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ŠKODA ICT s.r.o., with its registered office at Tylova 1/57, 301 28 Plzeň registration number: 279 94 902:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ŠKODA INVESTMENT a.s. with its registered office at Emila Škody 2922/1,301 00 Plzeň – jižní předměstí, registration number: 265 02 399:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with ŠKODA TRANSPORTATION a.s . with its registered office at Emila Škody 2922/1, 301 00 Plzeň – jižní předměstí, registration number: 626 23 753:

— General agreement on payment and banking services – scope of performance: financial services
— Internal escrow account E/ 2322620009 contract – scope of performance: financial services
— Framework agreement on trading on financial markets (EMA) – scope of performance: financial services

The following agreements have been concluded with TALPA ESTERO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE316502:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TANAINA HOLDINGS LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 1066 Nicosia, Cyprus, registration number: HE318483:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TAPADEO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE341777:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Tapito s.r.o. (previously TapMedia s.r.o.), with its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 4, registration number: 03853365:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Telematika a.s., with its registered office at Evropská 2690/17, 160 00 Praha 6, registration number: 054 18 046:

— General agreement on payment and banking services – scope of performance: financial services
— Agreement on provision of Investment services – scope of performance: other services

The following agreements have been concluded with Telenor Magyarország Zrt., with its registered office at Hungary, Torokbálint, 2045, Pannon út 1, registration number: 13-10-040409:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Telenor Real Estate Hungary Zrt., with its registered office at Hungary, Torokbálint, 2045, Pannon út 1, registration number: 13-10-041060:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TELISTAN LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE341864:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TIMEWORTH HOLDINGS LTD., with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE187475:

— ISDA Master Agreement, as amended – scope of performance: financial services
— Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration – scope of performance: financial services
— General agreement on payment and banking services – scope of performance: financial services
— AGREEMENT ON THE PROVISION OF INVESTMENT SERVICES – scope of performance: financial services

The following agreements have been concluded with TOLESTO LIMITED, with its registered office at Themistokli Dervi, 48, Office 603, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE322834:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Trigon Berlin B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 55440916:

— General agreement on payment and banking services – scope of performance: financial services
— FACILITY AGREEMENT reg. No. 43493918 – scope of performance: financial services

The following agreements have been concluded with Trigon II B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 56068948:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Trilogy Park Holding B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 60006609:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Trilogy Park Nizhny Novgorod Holding B. V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 67330355:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with TROMSON ENTERPRISES LIMITED, with its registered office at Esperidon 12, 4th Floor, 1087 Nicosia, Cyprus, registration number: HE233665:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Usconfin 1 DAC, with its registered office at Dublin 2, Block 3 Harcourt Centre, Harcourt Road, Ireland, registration number: 619282:

— General agreement on payment and banking services – scope of performance: financial services
— Loan Agreement up to the amount of USD 50,000,000 – scope of performance: financial services
— FRAMEWORK AGREEMENT ON CONSULTANCY AND COOPERATION – scope of performance: financial services

The following agreements have been concluded with VELTHEMIA LIMITED, with its registered office at Themistokli Dervi, 48, Office 608, 6th Floor, 1066 Nicosia, Cyprus, registration number: HE282891:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Vox Ventures B.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 65879554:

— General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Zonky s.r.o., with its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number: 03570967:

— General agreement on payment and banking services – scope of performance: financial services

6. Assessment of whether the Company incurred damage and assessment of the settlement thereof pursuant to Sections 71 and 72 of the AoC

All actions described in Section 4 of this Report on Relations were performed, and all agreements described in Section 5 of this Report on Relations were concluded, at arm's length. Similarly, all supplies provided and received based on these agreements were at arm's length. The Company incurred no damage as a result of these actions and agreements.

The Company declares that in the Accounting Period there were no instances of an influential entity or the controlling entity influencing the Company's actions that would result in the Company's actions being decisively and significantly influenced to its detriment. The Company incurred no damage, and no assessment of damage settlement within the meaning of Sections 71 and 72 of the AoC is thus necessary.

Upon a thorough assessment of the Company's role vis-a-vis the controlling entity and entities controlled by the same controlling entity, the Company's Board of Directors declares that relations between the Company and the controlling entity and/or entities controlled by the same controlling entity result in no special advantages or disadvantages to the Company.

The Company's role vis-a-vis the controlling entity and entities controlled by the same controlling entity has posed no risk to the Company. Stating whether, how and when damage was or will be settled (within the meaning of Sections 71 and 72 of the AoC) is thus not necessary.

The Report on Relations has been prepared to the best of the author's knowledge, gained from available supporting materials and documents, and with due managerial care. The information contained in this Report on Relations is accurate and complete.

Prague, 25 March 2019

On behalf of the Company:

Petr Jirásko
Chairman of the Board

Miroslav Hudec
Member of the Board

Appendix 1 – Structure of Relations within PPF Group

List of companies directly or indirectly controlled by the same controlling entity

Controlling entity (person): Petr Kellner

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
4Local, s.r.o.	24161357	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s
AB 2 B.V.	57279667	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 4 B.V.	34186049	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 7 B.V.	57279241	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY	619700	Ireland	Entity controlled by the same controlling entity by means of an ownership interest	from 29. 1. 2018	Air Bank a.s.
ABDE Holding s.r.o. (formerly Airline Gate 1 s.r.o.)	02973081	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V
Accord Research, s.r.o.	29048974	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
AF Airfueling s.r.o.	02223953	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Air Bank a.s.	29045371	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ALMONDSEY LIMITED	HE 291 856	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
ALRIK VENTURES LIMITED	HE 318 488	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 13 .8. 2018	TOLESTO LIMITED
ANTHEMONA LIMITED	HE 289 677	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
Art Office Gallery a.s.	24209627	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
ASTAVEDO LIMITED	HE 316 792	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Autobusová doprava – Miroslav Hrouda s.r.o.	25166522	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018 until 24 .10. 2018	ŠKODA TRANSPORTATION a.s.
Autotým, s.r.o., v likvidaci	03040836	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.
B2S Servisní, a.s. v likvidaci	19013825	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bammer trade a.s.	28522761	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	PPF Beer Topholdco B.V.
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Bestsport holding a.s.	06613161	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Bestsport, a.s.	24214795	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
Bolt Start Up Development a.s.	04071336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
BONAK a.s.	05098815	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
BORACORA LIMITED	HE 251 936	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC.
Boryspil Project Management Ltd.	34999054	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Pharma Consulting Group Ltd.
Bucca Properties Ltd.	1377468	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
C & R Office Center Two s.r.o.	28227913	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bestsport, a.s.
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Carolia Westminster Hotel Limited	9331282	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		CW Investor S.á.r.l.
Celestial Holdings Group Limited	1471389	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CETIN Finance B.V.	66805589	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
CETIN služby s.r.o.	06095577	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
CF Commercial Consulting (Beijing) Limited	78860280-7	China	Entity controlled by the same controlling entity by means of an ownership interest	until 8. 2. 2018	Home Credit B.V.
CIAS HOLDING a.s.	273 99 052	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 24. 4. 2018	PPF Beer Topholdco B.V.
CIAS Split 1 a.s.	076 63 986	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 22. 11. 2018 until 31. 12. 2018	PPF Beer Topholdco B.V.
CITY TOWER Holding a.s.	2650665	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
«Closed Joint Stock Insurance Company «Asnova Insurance»"	806000245	Belarus	Entity controlled by the same controlling entity by means of an ownership interest	until 8. 2. 2018	Septus Holding Limited, Talpa Estero Limited, Rhaskos Finance Limited, Sylander Capital Limited, Enadoco Limited, Astavedo Limited
COLANDS s.r.o.	03883663	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bestsport, a.s.
Comcity Office Holding B.V.	64411761	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CW Investor S.á.r.l.	B211446	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest		Westminster JV a.s.
Cytune Pharma SAS	500998703	France	Entity controlled by the same controlling entity by means of an ownership interest	from 22. 8. 2018	PPF Capital Partners Fund B.V.
Czech Equestrian Team a.s.	019 52 684	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		SUNDOWN FARMS LIMITED
CZECH TELECOM Austria GmbH	229578s	Austria	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
CZECH TELECOM Germany GmbH	HRB 51503	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
CzechToll s.r.o.	06315160	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Česká telekomunikační infrastruktura a.s.	040 84 063	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Infrastructure B.V., PPF A3 B.V.
D - Toll Holding GmbH	HRB 191929	Germany	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 1. 2018	PPF a.s.
DADRIN LIMITED	HE 321 173	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
De Reling (Dronten) B.V.	58164235	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
DEVEDIACO ENTERPRISES LIMITED	HE 372136	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TELISTAN LIMITED
DRAK INVESTMENT HOLDING LTD	324472	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest		GONDRA HOLDINGS LTD
Duoland s.r.o.	06179410	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Eastern Properties B.V.	58756566	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
eKasa s.r.o.	050 89 131	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
ELTHYSIA LIMITED	HE 290 356	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
ENADOCO LIMITED	HE 316 486	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ETO LICENSING LIMITED	HE 179 386	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		FACIPERO INVESTMENTS LIMITED
EusebiusBS (Arnhem) B.V.	58169778	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
FAYDE INVESTMENTS LIMITED	HE 310 390	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
FELISTON ENTERPRISES LIMITED	HE 152674	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTO LIMITED
FERRYMAT HOLDINGS LIMITED	HE 313289	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Filcommerce Holdings, Inc	CS 201 310 129	Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
FLOGESCO LIMITED	HE 172588	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
FO Management s.r.o.	06754295	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 10. 1. 2018	PPF FO Management B.V.
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
FOSOL ENTERPRISES LIMITED	HE 372077	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		DEVEDIACO ENTERPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
GALIO INVESTMENTS LIMITED	HE 310 260	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Ganz-Skoda Eletric Ltd.	110045500	Maďarsko	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
Garco Group B.V.	34245884	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC.
Gen Office Gallery a.s.	24209881	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V
GILBEY HOLDINGS LIMITED	HE182860	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		BUCCA PROPERTIES LTD.
GLANCUS INVESTMENTS INC.	1396023	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
GONDRA HOLDINGS LTD	324452	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest		Salonica Holding Limited
GRACESPRING LIMITED	HE 208 337	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		CELESTIAL HOLDINGS GROUP LIMITED
Grandview Resources Corp.	1664098	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V.
Guangdong Home Credit Number Two Information Consulting Co., Ltd	76732894-1	China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
HC Advisory Services s.r.o.	01487779	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HC Asia B.V.	34253829	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HC Broker, s.r.o.	29196540	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
HC Consumer Finance Philippines, Inc	CS 201301354	Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
HC Philippines Holding B.V.	35024270	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
HCPH 2 FINANCING, INC.	CS201812176	Philippines	Entity controlled by the same controlling entity by means of an ownership interest	from 14. 9. 2018	HC Philippines Holding B.V.
HCPH Financing I. Inc	CS 201 727 565	Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V
Hofplein Offices (Rotterdam) B.V.	64398064	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Home Credit a.s.	26978636	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit International a.s.
Home Credit Asia Limited	890063	China	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
Home Credit B.V.	34126597	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Group B.V.
Home Credit Consumer Finance Co., Ltd	91120116636067462H	China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Egypt Trade S.A.E.	50614	Egypt	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V
HOME CREDIT EUROPE PLC	7744459	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Home Credit Group B.V.	69638284	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.
Home Credit India B.V.	52695255	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC047448	India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V., Home Credit International a.s.
HOME CREDIT INDIA STRATEGIC ADVISORY SERVICES PRIVATE LIMITED	U7499HR2017FTC070364	India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V., Home Credit International a.s.
Home Credit Indonesia B.V.	52695557	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
Home Credit International a.s.	60192666	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Home Credit Lab N.V.	52695689	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Slovakia, a.s.	36234176	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit US Holding, LLC	5467913	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit US, LLC	5482663	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit US Holding
Home Credit Vietnam Finance Company Limited	307672788	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HOPAR LIMITED	HE 188 923	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
Horse Arena s.r.o.	044 79 823	Czech Republic	Osoba ovládaná stejnou ovládající osobou jednáním ve shodě prostřednictvím majetkové účasti		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
Innoble GmbH	HRB 239796	Germany	Entity controlled by the same controlling entity by means of an ownership interest	from 25. 7. 2018	ABDE Holding s.r.o.
INTENS Corporation s.r.o.	28435575	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
Izotrem Investments Limited	HE 192753	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited
JARVAN HOLDINGS LIMITED	HE 310 140	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
JH Media Services Plus s.r.o.	4002423	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bestsport, a.s.
Johan H (Amsterdam) B.V.	58163239	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Joint Stoct Company "Sibzavod Centre"	1035501017221	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC Trust - Invest
Joint-Stock Company "Investments trust" (formerly CJSC "Investments trust")	1037739865052	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
Joint-Stock Company "Intrust NN" (formerly CJSC "Intrust NN")	1065259035896	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Stinctum Holdings Limited

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Jokiaura Kakkonen Oy	2401050-2	Finland	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	PPF Beer Topholdco B.V.
JONSA LIMITED	HE 275 110	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		CELESTIAL HOLDINGS GROUP LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
JSC Yugo - Vostochnaya promyshlennaya companiya "KARTONTARA"	1037700008895	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
KARMION HOLDINGS LIMITED	HE 312 004	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Karperstraat (Amsterdam) B.V.	58163883	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Kateřinská Office Building s.r.o.	03495663	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Komodor LLC	32069917	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		West Logistics Park LLC (WLP)
Langen Property B.V.	61012777	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Letiště Praha Letňany, s.r.o.	24678350	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Letňany Air Land s.r.o.	06138462	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Letňany Air Logistics s.r.o.	06138411	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Letňany eGate s.r.o.	06137628	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
Letňany Park Gate s.r.o.	06138446	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
LINDUS Real s.r.o.	29139309	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
LINDUS SERVICES LIMITED	HE 281 891	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
LLC Alians R	1086627000635	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russia	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED, LLC Charlie Com.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC BRAMA	1107746950431	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Comcity Kotelnaya	5157746112959	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V., GRANDVIEW RESOURCES CORP.
LLC ERKO	1044702180863	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russia	Entity controlled by the same controlling entity by means of an ownership interest		FAYDE INVESTMENTS LIMITED
LLC Financial Innovations	1047796566223	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
LLC Forward leasing (formerly LLC Home Credit Online)	1157746587943	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.
LLC Gorod Molodogo Pokolenija (formerly Joint Stock Company “Gorod Molodogo Pokolenija”)	1027700473756	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Home Credit & Finance Bank	1027700280937	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
LLC Home Credit Insurance	1027739236018	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
LLC HOMER SOFTWARE HOUSE	35364346	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	until 12. 5. 2018	REDLIONE LTD, Home Credit B.V.
LLC Charlie Com	1137746330336	Russia	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED, LLC Almondsey
LLC In Vino	1052309138628	Russia	Entity controlled by the same controlling entity by means of an ownership interest		GRACESPRING LIMITED
LLC ISK (ICC) Klokovo	1127746186501	Russia	Entity controlled by the same controlling entity by means of an ownership interest		STEPHOLD LIMITED
LLC K-Development	1077760004629	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russia	Entity controlled by the same controlling entity by means of an ownership interest		GALIO INVESTMENTS LIMITED
LLC Kvartal Togliatti	1056320172567	Russia	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC LB Orel	1135749000793	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC Eastern Properties Russia, LLC LB Voronezh
LLC LB Voronezh	1133668033872	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC EASTERN PROPERTIES RUSSIA, LLC LB Orel
LLC Logistics - A	1115048002156	Russia	Entity controlled by the same controlling entity by means of an ownership interest		ELTHYSIA LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
LLC Logistika - Rostov	1167746090236	Russia	Entity controlled by the same controlling entity by means of an ownership interest	until 21. 11. 2018	FERRYMAT HOLDINGS LIMITED
LLC Logistika - Ufa	1150280069477	Russia	Entity controlled by the same controlling entity by means of an ownership interest		TAPADEO LIMITED
LLC MCC Kupi ne kopi	1027700280640	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
LLC Mitino Sport City	1107746473383	Russia	Entity controlled by the same controlling entity by means of an ownership interest		MICROLIGHT TRADING LIMITED
LLC My Gym	5157746112915	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
LLC Oil Investments	1167746861677	Russia	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., Paleos Industries B.V.
LLC PPF Life Insurance	1027739031099	Russia	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russia	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V., Grandview Resources Corp.
LLC RAV Agro Orel	1115741001496	Russia	Entity controlled by the same controlling entity by means of an ownership interest	until 3. 12. 2018	LLC Rav Agro
LLC RAV Agro Pro	1033600135557	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro, LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro, Grandview Resources Corp., Bavella B.V.
LLC RAV Myasoproduct – Orel	1135749001684	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Molokoprodukt
LLC RAV Niva	1023601232522	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC RAV Niva Orel	1113668051090	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russia	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russia	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Limited
LLC ROKO	5107746049329	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC ROST Agro	1103601000030	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Skladi 104	5009049271	Russia	Entity controlled by the same controlling entity by means of an ownership interest		GABELLI CONSULTANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Trigon II B.V.
LLC Sotio	1117746901502	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Sotio	EIN 35-2424961	United States of America	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Spectrum	1097746356806	Russia	Entity controlled by the same controlling entity by means of an ownership interest		NIDALEE HOLDING LIMITED
LLC Spetsializirovanniy zastroyschik " Delta Com" (formerly LLC Delta Com)	1137746330358	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V., ANTHEMONA LIMITED
LLC Strata	7702765300	Russia	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
LLC TGK - Trilogy	1155027001030	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC PPF Real Estate Russia
LLC Torgovij complex Lipetskiy	1074823001593	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Trilogy Services	1155027007398	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
LLC Trust - Invest	1057746391306	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Urozhay	1063627011910	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC Yug

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Yug	1083627001567	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC LB Voronezh
LOKEL s.r.o.	01731530	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
LOSITANTO Ltd.	HE157131	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	SATACOTO Ltd.
LvZH (Rijswijk) B.V.	58163999	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Maraflex s.r.o.	02415852	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Millennium Tower (Rotterdam) B.V.	56261330	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Misterine s.r.o.	05249899	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	until 17. 9. 2018	Bolt Start Up Development a.s.
mluvii.com s.r.o.	27405354	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
MOETON a.s. v likvidaci	27864561	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
Monheim Property B.V.	61012521	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Monchyplein (Den Haag) B.V.	58163603	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Montería, spol. s r.o.	27901998	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
Moranda, a.s.	28171934	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
MOVO spol. s r. o.	46887989	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
MP Holding 2 B.V.	69457018	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		DEVEDIACO ENTERPRISES LIMITED
My Air a.s.	05479070	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Mystery Services s.r.o.	24768103	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Naneva B.V.	67400639	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Net Gate s.r.o.	247 65 651	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
NIDALEE HOLDING LIMITED	HE 310 150	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
O2 Business Services, a.s.	50087487	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest		O2 Slovakia, s.r.o.
O2 Czech Republic a.s.	60193336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Telco B.V., PPF A3 B.V., PPF CYPRUS MANAGEMENT LIMITED
O2 Family, s.r.o.	24215554	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 Financial Services s.r.o.	05423716	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 IT Services s.r.o.	02819678	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 Slovakia, s.r.o.	35848863	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 TV s.r.o.	03998380	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
Office Star Eight a.s.	27639177	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
Office Star Nine, spol. s r. o.	27904385	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
OJSC „Non-banking Credit and Financial Organisation „Home Credit“	807000056	Belarus	Entity controlled by the same controlling entity by means of an ownership interest	until 19. 6. 2018	Home Credit B.V.
One Westferry Circus S.a.r.l.	B175495	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest	from 12. 4. 2018	PPR Real Estate s.r.o.
OOO Sibelectroprivod	1045400530922	Russia	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	LOSITANTO Ldt.
OOO Skoda-R	7725682339	Russia	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
OOO Vagonmash	1117847029695	Russia	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
ORIBASE Pharma SAS	499824670	France	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
PACHATA LIMITED	HE 188 914	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Paleos Industries B.V.	66846919	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Pars nova a.s.	25860038	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
Pharma Consulting Group Ltd.	34529634	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		HOPAR LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Plaza Development SRL	22718444	Romania	Entity controlled by the same controlling entity by means of an ownership interest	from 20. 11. 2018	PPF Real Estate s.r.o. , PPF CYPRUS MANAGEMENT LIMITED
POLL, s.r.o.	62967754	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
PPF a.s.	25099345	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF A3 B.V.	61684201	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF A4 B.V.	63365391	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Advisory (CR) a.s.	25792385	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Advisory (UK) Limited	5539859	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF ADVISORY (UKRAINE) LIMITED	HE 162 172	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Arena 1 B.V.	59009187	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF TMT Holdco 2 B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF Art a.s.	63080672	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
PPF banka a.s.	47116129	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.
PPF Beer Holdco 1 B.V.	67330495	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Beer IM Holdco B.V.	67331378	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Beer Holdco 1 B.V.
PPF Beer Topholdco B.V.	67420427	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Industrial Holding B.V.
PPF Capital Partners Fund B.V.	55003982	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF CO 3 B.V.	34360935	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
PPF CYPRUS MANAGEMENT LIMITED (formerly ANTHIAROSE LIMITED)	HE 224463	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF CYPRUS RE MANAGEMENT LIMITED (formerly FIGERA LIMITED)	HE 251 908	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Financial Consulting s.r.o.	24225657	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
PPF Financial Holdings B.V.	61880353	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF FO Management B.V.	34186296	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Holdings S.á r.l.
PPF GATE a.s.	27654524	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner, PPF Holdings B.V.
PPF Healthcare N.V.	34308251	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Holdings B.V.	34186294	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Holdings S.á r.l.
PPF Holdings S.á r.l.	B 186335	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF Industrial Holding B.V.	71500219	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	PPF Group N.V.
PPF Infrastructure B.V.	65167899	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Arena 1 B.V.
PPF PROPERTY LIMITED	HE 189 164	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC., PPF CYPRUS RE MANAGEMENT LIMITED
PPF Real Estate Holding B.V.	34276162	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF REAL ESTATE LIMITED	HE 188 089	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF Real Estate s.r.o.	27638987	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
PPF reality a.s.	29030072	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
PPF SECRETARIAL LTD	HE 340708	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF SERVICES LIMITED
PPF SERVICES LIMITED	HE 92432	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF Telco B.V.	65167902	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Arena 1 B.V.
PPF TMT Bidco 1 B.V.	70498288	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 3. 1. 2018	PPF Arena 1 B.V.
PPF TMT Bidco 2 B.V (formerly PPF Beer Bidco B.V.)	67332722	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF TMT Holdco 1 B.V.	70498261	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 3. 1. 2018	PPF Group N.V.
PPF TMT Holdco 2 B.V.	70526214	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	from 4. 1. 2018	PPF TMT Holdco 1 B.V.
Prague Entertainment Group B.V.	63600757	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PT Home Credit Indonesia	03.193.870.7-021.000	Indonesia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
RC PROPERTIES S.R.L.	12663031	Romania	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Real Estate Russia B.V.	63458373	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
REDLIONE LTD	HE 178 059	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V., Home Credit International a.s.
REPIENO LIMITED	HE 282 866	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Retail Star 22, spol. s r.o.	24132161	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
RHASKOS FINANCE LIMITED	HE 316 591	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Ruconfin B.V.	55391176	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
RYAZAN INVESTORS COMPANY LIMITED	HE 180 968	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 21. 12. 2018	GLANCUS INVESTMENTS INC
RYAZAN SHOPPING MALL LIMITED	HE 180 951	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	until 21. 12. 2018	RYAZAN INVESTORS COMPANY LIMITED
Saint World Limited	1065677	China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SALEMONTO LIMITED	HE 161 006	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
Salonica Holding Limited	1949492	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
SATACOTO Ltd.	HE 155018	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	PPF Beer Topholdco B.V.
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371 R.C.S. Chambery	France	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
SEPTUS HOLDING LIMITED	HE 316 585	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Seven Assets Holding B.V.	58163050	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Shenzhen Home Credit Number One Consulting Co., Ltd.	91440300664174257K	China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	91440300796638527A	China	Entity controlled by the same controlling entity by means of an ownership interest		Favour Ocean Limited
SIGURNO LIMITED	HH172539	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Gilbey Holdings Limited
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd.	901510100660467589T	China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SILINE CONSULTING LIMITED	HE 281961	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
SKODA Transportation Deutschland GmbH	HRD 208 725	Germany	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
Smart home security s.r.o.	063 21 399	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
SOTIO a.s.	24662623	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	China	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
Sotio N.V.	34302290	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
STEPHOLD LIMITED	HE 221 908	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		CELESTIAL HOLDINGS GROUP LIMITED
STINCTUM HOLDINGS LIMITED	HE 177 110	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTO LIMITED
SUNDOWN FARMS LIMITED	HE 310 721	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Vixon Resources Limited, Chelton Properties Limited
SYLANDER CAPITAL LIMITED	HE 316 597	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ŠKODA CITY SERVICE s.r.o.	29119057	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA ELECTRIC a.s.	477 18 579	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA ICT s.r.o.	279 94 902	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA INVESTMENT a.s.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
ŠKODA INVESTMENT a.s.	265 02 399	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 3. 5. 2018	PPF Beer Topholdco B.V.
ŠKODA RAIL s.r.o.	058 22 149	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA REAL ESTATE DEVELOPMENT a.s. v likvidaci	264 11 521	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018 until 8. 11. 2018	ŠKODA INVESTMENT a.s.
ŠKODA SERVIS s.r.o.	263 51 277	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA INVESTMENT a.s.
ŠKODA TRANSPORTATION a.s.	626 23 753	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	PPF Beer Topholdco B.V.
Škoda Transportation USA, LLC	81-257769	USA	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA TVC s.r.o.	25247964	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA VAGONKA a.s.	258 70 637	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
TALPA ESTERO LIMITED	HE 316 502	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
TANAINA HOLDINGS LIMITED	HE 318 483	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
TANFORD LIMITED	HE 167 324	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
TAPADEO LIMITED	HE 341 777	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Tapito s.r.o. (formerly TapMedia s.r.o.)	03853365	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
Telematika a.s.	054 18 046	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 18. 5. 2018	PPF a.s.
Telenor Bulgaria EAD	130460283	Bulgaria	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	PPF TMT Bidco 1 B.V.
Telenor Common Operation Ztr.	13-10-041370	Hungary	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	PPF TMT Bidco 1 B.V.
Telenor d.o.o. Beograd	20147229	Serbia	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	PPF TMT Bidco 1 B.V.
Telenor d.o.o. Podgorica	50017124	Monte Negro	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	PPF TMT Bidco 1 B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Telenor Direct d.o.o. Beograd	20426306	Serbia	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	Telenor d.o.o. Beograd
Telenor Direct MNE d.o.o. Podgorica	50537063	Serbia	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	Telenor d.o.o. Beograd
Telenor Magyarorzág Zrt.	13-10-040409	Hungary	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	PPF TMT Bidco 1 B.V.
Telenor Real Estate Hungary Ztr.	13-10-041060	Hungary	Entity controlled by the same controlling entity by means of an ownership interest	from 31. 7. 2018	PPF TMT Bidco 1 B.V.
TELISTAN LIMITED	HE 341 864	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Eastern Properties B.V.
Tesco Mobile ČR s.r.o.	29147506	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
Tesco Mobile Slovakia, s.r.o.	36863521	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest		O2 Slovakia, s. r. o.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
TOLESTO LIMITED	HE 322 834	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
TRADING RS Sp. z o.o.	NIP 7010213385	Poland	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
TRANSTECH OY	1098257-0	Finland	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	ŠKODA TRANSPORTATION a.s.
Trigon Berlin B.V.	55440916	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trigon II B.V.	56068948	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Holding B.V.	60006609	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Nizhny Novgorod Holding B.V.	67330355	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
TROMSON ENTERPRISES LIMITED	233665	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 19. 4. 2018	PPF Group N.V.
UNILEAVE LIMITED v likvidaci	HE 179 204	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Usconfin 1 DAC	619282	Ireland	Entity controlled by the same controlling entity by means of an ownership interest	from 23. 1. 2018	PPF banka a.a.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
VELTHEMIA LIMITED	HE 282 891	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		REPIENO LIMITED
Vixon Resources Limited	144 18 84	British Virgin Islands	Entity controlled by the same controlling entity by acting in concert by means of an ownership interest		Renáta Kellnerová
Vox Ventures B.V.	65879554	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
VÚKV a.s.	452 74 100	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	from 24. 4. 2018	PPF Beer Topholdco B.V.
Wagnerford Holdings Limited	HE 210154	Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	from 18. 4. 2018	MP Holding 2 B.V.
Wagnerford LLC	5087746372819	Russia	Entity controlled by the same controlling entity by means of an ownership interest	from 18. 4. 2018	Wagnerford Holdings Limited
West Logistics Park LLC (WLP)	35093235	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Izotrem Investments Limited
Westminster JV a.s.	05714354	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Zonky s.r.o.	035 70 967	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit International a.s.

Consolidated Entities

As PPF banka holds shares in three subsidiaries, it draws up prepares consolidated financial statements. The Bank consolidates the following subsidiaries:

(Share in %)	2018	2017
Ruconfin B.V.	100%	100%
PPF Financial Consulting s.r.o.	0%	100%
PPF Co3 B.V.	100%	100%
USconfin 1 DAC	100%	0%

In 2012, the Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

In 2012, the Bank also purchased PPF Financial Consulting, s.r.o. for the purpose of entering the segment of municipal client consultations. In 2018, the Bank sold its share in the subsidiary.

In 2016, Bank purchased PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia.

In 2018, the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States.

Key Consolidated Financial Information

(under International Financial Reporting Standards (IFRS))

Profit before tax

In millions of CZK	
2011	761
2012	1,146
2013	757
2014	1,022
2015	1,442
2016	1,630
2017	2,118
2018	2,933

Total assets

In millions of CZK	
2011	67,064
2012	77,064
2013	105,047
2014	108,884
2015	103,517
2016	136,810
2017	233,055
2018	235,067

Key Consolidated Financial Information

under International Financial Reporting Standards (IFRS)

In millions of CZK	2018	2017
Assets		
Cash and balances with central banks	163,539	157,926
Financial assets at fair value through profit or loss (2017: Assets held for trading)	9,605	8,919
Financial assets at fair value through other comprehensive income (2017: Available-for-sale assets)	18,784	33,777
Debt instruments at amortised cost	3,051	-
Receivables from banks	6,173	5,163
Receivables from customers	33,419	26,857
Other assets	496	413
Total assets	**235,067**	**233,055**
Equity and liabilities		
Deposits from banks	66,306	38,963
Deposits from customers	132,398	157,211
Debt securities issued	2,583	3,090
Financial liabilities at fair value through profit or loss (2017: Financial liabilities held for trading)	16,180	12,936
Subordinated liabilities	-	1,459
Other liabilities	5,738	9,014
Registered capital	769	769
Other components of equity	11,093	9,613
Total equity and liabilities	**235,067**	**233,055**
Income statement		
Net interest income	3,472	2,548
Net fee and commission income	167	167
Net gain on trading and dividend income	363	625
General administrative expenses	(982)	(978)
Impairment losses	16	(104)
Other operating profit or loss	(103)	(140)
Income tax expense	(581)	(439)
Profit or loss for the year	**2,352**	**1,679**
Key ratios		
Classified client loans/total client loans	13.24%	20.88%
ROAA	1.01%	0.91%
ROAE	21.38%	17.45%
Assets per employee (in CZK million)	1,000	1,027
Administrative expenses per employee (in CZK million)	4	4
Net profit per employee (in CZK million)	10	7

Independent Auditor's Report

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of PPF banka a.s.

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PPF banka a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowances for loans and receivables to customers

Key audit matter	How the audit matter was addressed
We focused on this matter because of the highly subjective and complex judgements made by the Group's management in determining the necessity for, and then estimating the size of, loss allowances for loans and receivables to customers. Loss allowances for loans and receivables to customers at CZK 1,442 million as at 31 December 2018 represented an estimate of the expected credit losses (ECL) for loans at the balance sheet date. The loans and receivables to customers (the "Loans") are assigned to one of three stages in line with IFRS 9 Financial instruments to estimate the loss allowances. Stage 1 and Stage 2 loans are performing loans. Stage 2 loans are loans where a significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, i.e. credit-impaired loans. Key inputs, assumptions and judgments relevant for the calculation of loss allowances for Stage 1 and Stage 2 loans comprise: - definition of default and definition of significant increase in credit risk (SICR) - probability of default (PD) is estimated by statistical models which are based on external historical data. The estimated PDs incorporate forward looking information (FLI). For certain	We performed, among others, the procedures outlined below to address this key audit matter: Applying our knowledge, experience and market standards in the industry, we critically assessed and challenged the Group's credit and accounting policies and evaluated the processes related to the calculation of expected credit losses in cooperation with our credit risk specialists. We tested the design, implementation and operating effectiveness of system-based controls over the identification of significant increases in credit risk (SICR) and the identification of credit-impaired loans. The tested controls comprise tests over the calculation of the past due days of loans and the matching of borrowers' repayments to loan instalments and classification of loans into stages. We tested these controls by inquiry in combination with observation, inspection and re-calculation. We substantively tested the key inputs, assumptions and judgments relevant for the calculation of expected credit loss (ECL) on a selected sample of loans. We critically assessed and evaluated the loan documentation, including the credit analysis of the loan prepared by the credit risk department of the Group, and other information obtained by inquiry of responsible personnel or available publicly to: - determine whether a significant increase in credit risk occurred or whether the loan was credit-impaired - assess the net realisable value of

Key audit matter	How the audit matter was addressed
types of loans, the modelled PDs are either increased by coefficients set by the Group's management or replaced by PDs obtained from an external study on defaults of foreign debt exposures - exposure at default (EAD) decreased by the net realisable value of collateral - loss given default (LGD) based on regulatory coefficients. PD, LGD and definition of SICR are back-tested by using internal historical data. Loss allowances for all stage 3 loans are determined by estimating the discounted future cash flows. The key judgments and assumptions consist in estimating the amount and timing of future cash repayments including the net realisable value of underlying collateral.	collateral - assess whether appropriate LGD was assigned to the loan - check other characteristics of selected loans relevant for automatic ECL calculation that are set in the system. We tested the design, implementation and operating effectiveness of the automatic calculation of expected credit losses (ECL) for Stage 1 and Stage 2 loans. We tested the calculation by inquiry in combination with inspection of the ECL summary calculation report and re-calculation. For a sample of Stage 3 loans, we examined the estimated cash flow scenarios as prepared by the credit risk department of the Group. In particular, we challenged the key assumptions in relation to the amount and timing of estimated cash flows. During our assessment we considered also the latest developments in relation to the borrower. Finally, we re-calculated the loss allowances and reconciled them to the ECL summary calculation report. We reconciled the ECL summary calculation report to the accounting records to check their completeness and accuracy. We also evaluated the results of the back-testing of PD, LGD and definition of SICR performed by the Group. We compared the ratios of loss allowances to gross loan receivables per stage and in total against market average ratios and the ratios of selected similar banks in the market. We assessed the adequacy of the presentation and the Groups' disclosures on the loss allowances and credit risk management in the notes to the financial statements.

Other Information

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

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

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

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

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

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

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

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

The Supervisory Board and Audit Committee are responsible for the oversight of the Group's financial reporting process.

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor´s report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 26 April 2018 and our uninterrupted engagement has lasted for 20 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 11 April 2019 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the consolidated financial statements or consolidated annual report.

KPMG

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of PPF banka a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
11 April 2019

KPMG Česká republika Audit

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

Jindřich Vašina
Partner
Registration number 2059

Consolidated Financial Statements

in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

In millions of CZK	Note	2018	2017
Interest and similar income	7	4,321	2,997
Interest expense and similar charges	7	(849)	(449)
Net interest and similar income		**3,472**	**2,548**
Dividend income		1	0
Fee and commission income	8	221	221
Fee and commission expense	8	(54)	(54)
Net fee and commission income		**167**	**167**
Net income from financial operations	9	362	625
Other operating income	10	126	39
Operating income		4,128	3,379
General administrative expenses	11	(982)	(978)
Impairment (loss)/reversal	27	16	(104)
Other operating expenses	12	(229)	(179)
Operating expenses		(1,195)	(1,261)
Profit before income tax		**2,933**	**2,118**
Income tax expense	24	(581)	(439)
Net profit for the year		**2,352**	**1,679**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(45)	(36)
Fair value reserve (AFS financial assets):		–	(151)
Net change in fair value		–	(26)
Net amount transferred to profit or loss		–	(125)
Fair value reserve (debt instruments measured at fair value through other comprehensive income):		(855)	
Net change in fair value		(665)	–
Net amount transferred to profit or loss		(190)	–
Deferred tax		129	29
Items that will not be reclassified to profit or loss			
Fair value reserve (equity instruments designated at fair value through other comprehensive income):			
Net change in fair value		158	–
Other comprehensive income for the period		**(613)**	**(158)**
Total comprehensive income for the period		**1,739**	**1,521**

The notes on pages 8 to 117 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 11 April 2019.

Signed on behalf of the Board of Directors by:

Petr Jirásko **Miroslav Hudec**

Consolidated Statement of Financial Position

as at 31 December 2018

In millions of CZK	Note	31. 12. 2018	31. 12. 2017
Assets			
Cash and balances with the central bank	13	163,539	157,926
Financial assets at fair value through profit or loss	15	9,605	–
Trading assets	14	–	8,919
Financial assets at fair value through other comprehensive income	17	18,784	–
Debt instruments at amortised cost	18	3,051	–
Financial assets available for sale	16	–	33,777
Loans and advances to banks	19	6,173	5,163
Loans and advances to customers	20	33,419	26,857
Property, plant and equipment	22	38	36
Intangible assets	23	144	96
Deferred tax assets	24	28	–
Other assets	26	286	281
Total assets		**235,067**	**233,055**
Liabilities			
Deposits from banks	28	66,306	38,963
Deposits from customers	29	132,398	157,211
Debt securities issued	30	2,583	3,090
Financial liabilities at fair value through profit or loss	32	16,180	–
Trading liabilities	31	–	12,936
Income tax liabilities	33	218	161
Deferred tax liabilities	24	–	133
Provisions	35	240	182
Other liabilities	34	5,280	8,538
Subordinated liabilities	36	–	1,459
Total liabilities		**223,205**	**222,673**
Shareholders' equity			
Issued capital	39	769	769
Share premium	39	412	412
Retained earnings		10,707	8,684
Foreign currency translation differences for foreign operations		(73)	(28)
Fair value reserve	40	47	545
Total shareholders' equity		**11,862**	**10,382**
Total liabilities and shareholders' equity		**235,067**	**233,055**

Consolidated Statement of Cash Flows

as at 31 December 2018

In millions of CZK	2018	2017
Cash flows from operating activities		
Profit before income tax	2,933	2,118
Adjustments for:		
Depreciation and amortisation	40	31
Net impairment loss on investment securities	6	–
Net impairment loss on loans and advances	28	104
Net interest income	(3,472)	(2,548)
Revaluation of financial assets and liabilities at fair value through profit or loss	(91)	–
Revaluation of financial assets and liabilities held for trading	–	624
Net gain/loss on securities at fair value through profit or loss	173	–
Net gain/loss on trading assets	–	(335)
Net gain/loss on debt securities issued at fair value through profit or loss	–	(1)
Net gain/loss on the sale of financial assets at fair value through other comprehensive income	(190)	–
Net gain/loss on the sale of available-for-sale securities	–	(123)
Other non-cash adjustments	(321)	(40)
Operating profit before the change in operating assets and liabilities	**(894)**	**(170)**
Changes in:		
Balances with central bank	1,084	(213)
Financial assets at fair value through profit or loss	(686)	–
Trading assets	–	1,068
Debt instruments at amortised cost	200	–
Loans and advances to banks	5,925	1,146
Loans and advances to customers	(6,902)	1,324
Other assets	(5)	19
Financial liabilities at fair value through profit or loss	3,244	–
Trading liabilities	–	2,390
Deposits from banks	27,343	32,144
Deposits from customers	(24,813)	54,274
Other liabilities and provisions	(3,258)	5,416
	1,238	97,398
Interest received	4,353	3,089
Dividends received	1	–
Interest paid	(917)	(355)
Income taxes paid	(629)	(347)
Net cash from / (used in) operating activities	**4,046**	**99,785**
Cash flow from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(18,625)	–
Acquisition of financial assets available for sale	–	(15,349)
Proceeds from sale of financial assets at fair value through other comprehensive income	25,648	–
Proceeds from sale of financial assets available for sale	–	13,734
Acquisition of property and equipment	(21)	(22)
Acquisition of intangible assets	(69)	(55)
Net cash from / (used in) in investing activities	**6,933**	**1,692**
Cash flow from financing activities		
Proceeds from issue of debt securities	220	554
Repayment of issued debt securities	(818)	(384)
Repayment of subordinated debt	(1,525)	–
Net cash from / (used in) financing activities	**(2,123)**	**170**
Net increase/(decrease) in cash and cash equivalents	8,856	98,263
Cash and cash equivalents at 1 January	156,945	58,679
Effect of exchange rate fluctuations on cash and cash equivalents held	(12)	3
Cash and cash equivalents at 31 December (see Note 45(f))	**165,789**	**156,945**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

In millions of CZK	Issued capital	Share premium	Translation reserve	Fair value reserve	Retained earnings	Total equity
Balance at 31 December 2017	**769**	**412**	**(28)**	**545**	**8,684**	**10,382**
Adjustment on initial application of IFRS 9	–	–	–	70	(327)	(257)
Balance at 1 January 2018	**769**	**412**	**(28)**	**615**	**8,357**	**10,125**
Total comprehensive income for the period						
Profit for 2018	–	–	–	–	2,352	2,352
Other liabilities – "Social fund"	–	–	–	–	(2)	(2)
Other comprehensive income						
Foreign currency translation differences for foreign operations	–	–	(45)	–	–	(45)
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	(568)	–	(568)
Total	**769**	**412**	**(73)**	**47**	**10,707**	**11,862**
Transactions with owners, contribution and distribution to owners						
Dividends paid	–	–		–	–	–
Balance at 31 December 2018	**769**	**412**	**(73)**	**47**	**10,707**	**11,862**
Balance at 1 January 2017	**769**	**412**	**8**	**667**	**7 007**	**8 863**
Total comprehensive income for the period						
Profit for 2017	–	–	–	–	1 679	1 679
Other liabilities – "Social fund"	–	–		–	(2)	(2)
Other comprehensive income						
Foreign currency translation differences for foreign operations			(36)	–	–	(36)
Changes in fair value of available-for-sale financial assets, net of tax	–	–	–	(122)	–	(122)
Total	**769**	**412**	**(28)**	**545**	**8 684**	**10 382**
Transactions with owners, contribution and distribution to owners						
Dividends paid	–	–		–	–	–
Balance at 31 December 2017	**769**	**412**	**(28)**	**545**	**8 684**	**10 382**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

1. Introduction

PPF banka a.s. ("the Bank") was established on 31 January 1995 as the successor to the former ROYAL BANKA CS,a.s. (operating on the market from 31 December 1992) by a resolution of Prague City Council in order to create a strong financial partner for cities and municipalities. These consolidated financial statements comprise the Bank and its subsidiaries listed in note 21 (collectively, "the Group").

The Bank is registered in the Commercial Register as a joint-stock company, with the following scope of business:

— execution of banking transactions and provision of banking services in the Czech Republic and abroad, to the extent permitted by relevant legislation and the licence granted by the Czech National Bank (CNB). The Bank may acquire an interest in other companies both in the Czech Republic and abroad, including non-financial service companies.

On 23 June 2004, the shareholders of the Bank decided to change the name of První městská banka,a.s. to PPF banka a.s. The change of name to PPF banka a.s. was recorded in the Commercial Register on 1 September 2004.

The ultimate controlling entity of the Bank is PPF Group N.V., with its registered office at Strawinskylaan 933, 1077 XX Amsterdam, Netherlands, registration number: 33264887.

Registered office of the Bank:
PPF banka a.s.
Evropská 2690/17
160 41 Praha 6
Czech Republic

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

3. Significant accounting policies

a) Basis of preparation

The financial statements are presented in Czech Crowns, which is the Group's functional currency, rounded to the nearest million. The financial statements are prepared on the historical cost basis, except for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and assets at fair value through other comprehensive income.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements concerning the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that may have a significant effect on the financial statements in the year ended 31 December 2018 is included in the following notes:

— impairment of financial instruments, determining inputs into the ECL measurement model, including incorporation of forward-looking information in note 5;
— sensitivity analysis of loss allowance by relevant categories in note 45(a);
— determination of the fair value of financial instruments with significant unobservable inputs in note 3(a).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 the current and future periods.

Estimates which may have a significant effect on the financial statements in the next year regarding the standards that are not yet effective and are relevant to the financial statements are discussed in Note 4.

Information about judgements made in the application of accounting policies that may have a significant effect on the financial statements is included in the following notes.

— classification of financial instruments, especially assessment of the business model and assessment if contractual cash flows are solely payments of principal and interest on unpaid principal (“SPPI”) in note3(c);
— assessment if there was a significant increase in the credit risk of a financial instrument since initial recognition considering all available and relevant information, including quantitative and qualitative information, analysis based on the historical experience of the bank and forward-looking information in note 5.

In 2012, the Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

In 2016, the Bank purchased PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia.

In 2012, the Bank also purchased PPF Financial Consulting, s.r.o. for the purpose of entering the segment of municipal client consultations. In 2018, the Bank sold its share in the subsidiary.

In 2018, the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States.

The Bank held no interest participation with significant influence as at 31 December 2018 and 31 December 2017.

Therefore, the Bank prepares consolidated financial statements.

b) Basis of consolidation

i. Subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of the control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

ii. Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent to which there is no evidence of impairment.

c) Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the presentation currency at the foreign exchange rate ruling at the dates that the values were determined.

ii. Foreign operations

The assets and liabilities of foreign operations are translated to Czech crowns at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated to Czech crowns at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation reserve in equity.

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial consolidated statements of foreign operations.

d) Financial instruments

i. Classification and measurement of financial assets – applicable until 31 December 2017

IAS 39 distinguished between the following principal classification categories of financial assets: financial instruments at fair value through profit or loss, loans and receivables, held-to-maturity assets and available-for-sale financial assets.

Financial instruments at fair value through profit or loss were those acquired or incurred principally for the purpose of selling or repurchasing in the near term or those that were part of a portfolio of identified financial instruments that were managed together and for which there was evidence of a recent actual pattern of short-term profit-taking (financial instruments held for trading), or instruments that were designated upon initial recognition at fair value through profit or loss. These included debt securities, certain purchased loans and derivative contracts that were not designated and effective hedging instruments, and liabilities from short sales of financial instruments. The derivatives in a net receivable position (positive fair value), as well as options purchased, were reported as trading assets. The derivatives in a net payable position (negative fair value), as well as options written, were reported as trading liabilities.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted on an active market, other than:

— those designated upon initial recognition at fair value through profit or loss or available for sale; or
— those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration, which should have been classified as available for sale.

Loans and receivables included loans and advances to banks and customers.

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

Available-for-sale financial assets were financial assets that were not held for trading purposes, designated by the Group, or held to maturity, nor were they classified as loans and receivables. Available-for-sale financial instruments included debt, equity and other investments.

At initial recognition, financial instruments were measured at fair value increased by transaction costs, except for financial instruments measured at fair value through profit or loss, where the transaction costs were expensed immediately.

All financial instruments that did not have a quoted market price on an active market and whose fair value could not be reliably measured were stated at cost, including transaction costs, less impairment losses.

All financial liabilities that were not at fair value through profit or loss were measured at amortised cost. The loans and receivables and held-to-maturity assets were measured at amortised cost less impairment losses. Amortised cost was calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, were included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

ii. Classification and measurement of financial assets – applicable from 1 January 2018

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

— it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified under one of these categories on initial recognition

Business model assessment
The Group made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the management. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice;
— how the performance of the portfolio is evaluated and reported to the Group’s management;
— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
— how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
— the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

— contingent events that would change the amount and timing of cash flows;
— leverage features;
— prepayment and extension terms;
— terms that limit the Group's claim to cash flows from specified assets, e.g. non-recourse asset arrangements; and
— features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

POCI assets
IFRS 9 also includes so-called POCI assets. POCI assets are purchased or originated financial assets that are credit-impaired on initial recognition.

iii. Recognition

The Group recognises financial assets on the day they are transferred to the Group (settlement date accounting).

iv. Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using discounted cash flow techniques or pricing models where all significant inputs are directly or indirectly observable from market data.

Valuation models
The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

— Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
— Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
— Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework
The Group has an established control framework with respect to the measurement of fair values. This framework includes Risk Management, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

— verification of observable pricing;
— re-performance of model valuations;
— a review and approval process for new models and changes to models;
— calibration and back-testing of models against observed market transactions;
— analysis and investigation of significant daily valuation movements; and
— review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous period.

v. Fair value measurement principles

When third-party information, such as broker quotes or pricing services, is used to measure fair value, Risk Management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

— verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
— understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
— when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
— if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Audit Committee.

vi. Gains and losses on subsequent measurement – applicable until 31 December 2017

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss were recognised directly in profit or loss as “Net income from financial operations”.

Gains and losses arising from a change in the fair value of financial assets available for sale were recognised directly in other comprehensive income and became the equity item “Changes in fair value of available-for-sale financial assets”.

vii. Gains and losses on subsequent measurement – applicable from 1 January 2018

Gains and losses arising from a change in the fair value of financial assets and liabilities at fair value through profit or loss are recognised directly in profit or loss as “Net income from financial operations”.

Gains and losses arising from a change in the fair value of financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income and become the equity item “Changes in fair value of financial assets at FVOCI”.

viii. Specific financial instruments – applicable until 31 December 2017

Cash and balances with the central bank
Cash and balances with the central bank comprised cash in hand, cash deposited with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank.

Loans and advances to banks and customers
Loans and advances to banks and customers and purchased loans that the Group has the intent and ability to hold to maturity were classified as loans and receivables.

Loans and advances were reported net of allowances for impairment to reflect the estimated recoverable amounts – see note 3 (h).

Debt securities issued
Own issued debt securities were recognised at amortised cost under “Debt securities issued”. Upon initial recognition, own debt securities were measured at cost, which included direct transaction costs

Subordinated liabilities
Subordinated liabilities were initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designated liabilities at fair value through profit or loss.

ix. Specific financial instruments – applicable from 1 January 2018

Cash and balances with the central bank
Cash and balances with the central bank comprise cash in hand, cash deposited with central banks and short-term highly liquid investments, including treasury bills and other bills eligible for refinancing with the central bank.

Loans and advances to banks and customers
Loans and advances to banks and customers are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, the financial assets are measured at amortised cost in line with IFRS 9. The financial assets are measured at fair value through profit or loss if the contractual terms do not meet the criteria specified above.

Debt securities issued
Own issued debt securities are recognised at amortised cost under “Debt securities issued”. Upon initial recognition, own debt securities are measured at cost, which includes direct transaction costs.

Subordinated liabilities
Subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

x. Financial Derivatives – applicable until 31 December 2017

For presentation purposes, derivatives were split into

— derivatives held for trading; and
— hedging derivatives.

Derivatives held for trading were those which were not designated as hedging instruments. They were presented in the item “Derivatives held for trading” in the footnotes. All kinds of non-hedging derivatives, without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, were presented in this line item. Hedging derivatives were those which were designated as hedging instruments in hedges fulfilling the conditions of IAS 39. In the footnotes, they were presented in the line item “Hedging derivatives”.

Changes in fair value (the clean price) of derivatives were recognised in the income statement in the line item “Net income from financial operations”.

xi. Financial Derivatives – applicable from 1 January 2018

Financial derivatives with positive fair value are presented as "Financial assets measured at fair value through profit or loss". Financial derivatives with negative fair value are presented as "Financial liabilities measured at fair value through profit or loss"

For presentation purposes, derivatives are split into

— derivatives held for trading; and
— hedging derivatives.

Derivatives held for trading are those which are not designated as hedging instruments. All kinds of non-hedging derivatives, without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, or purpose, i.e. both trading derivatives and derivatives held for risk management, are presented in this line item. Hedging derivatives are those which are designated as hedging instruments in hedges fulfilling the conditions of IFRS 9.

Changes in fair value (the clean price) of derivatives are recognised in the income statement in the line item "Net income from financial operations".

e) Derecognition and contractual modification – applicable until 31 December 2017

A financial asset was derecognised when the contractual rights to the cash flows from the financial asset expired or when the Group transferred the financial asset, provided that the Group also transferred substantially all the risks and rewards of ownership of the financial asset. Substantial modification of the contractual cash flows of a financial asset was considered by the Group to be the expiry of contractual rights to the financial asset.

A financial liability was derecognised when it was extinguished, i.e. when the obligation specified in the contract was discharged or cancelled or expired. Substantial modification of the terms of an existing financial liability was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Available-for-sale assets and trading assets that were sold were derecognised and the corresponding receivables from the buyer were recognised on the date they were transferred (settlement date accounting). The Group used the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments and loans and receivables are derecognised on the day of maturity or on the day they are transferred by the Group.

e) Derecognition and contractual modification – applicable from 1 January 2018

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers the financial asset, provided that the Group also transfers essentially all the risks and rewards of ownership of the financial asset.

Substantial modification of the contractual cash flows of a financial asset is considered by the Group to be the expiry of contractual rights to the financial asset. The Group draws on internally defined quantitative and qualitative criteria to assess the significance of a change. If a quantitative or qualitative criterion is not met, this is taken to mean a significant change and the lapse of contractual rights attaching to the original financial asset. If at least one of the qualitative or qualitative criteria is not met, the Group derecognises the modified financial asset. Where the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset is treated as a new financial asset for the Group's purposes.

A financial liability is derecognised when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. Substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income that are sold are derecognised and the corresponding receivables from the buyer are recognised on the day they are delivered (settlement date accounting).

In the event of the derecognition of investments in equity instruments designated at fair value through other comprehensive income, the Group does not reclassify cumulative gain or loss from equity to profit or loss. The cumulative gain or loss is transferred within equity.

Debt instruments measured at amortised cost, loans and advances to banks and loans and advances to customers are derecognised on the day of maturity or on the day they are transferred by the Group.

In the event of the modification of a financial instrument not measured at fair value through profit or loss that does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset (amortised cost of the financial liability) as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's (financial liability's) original effective interest rate and recognises the modification gain or loss in profit or loss.

f) Repurchase transactions

The Group enters into purchases (sales) of financial assets under agreements to resell (repurchase) identical financial assets at a certain date in the future at a fixed price. Financial assets purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Financial assets sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in "Interest and similar income" or "Interest expense and similar charges".

g) Offsetting

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

h) Impairment – applicable until 31 December 2017

Financial assets were reviewed at each balance sheet date to determine whether there was objective evidence of impairment. If any such indication existed, the asset's recoverable amount was estimated and impairment of assets was recognised.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be linked objectively to an event occurring after the write-down, then the write-down or provision was reversed through the statement of comprehensive income.

Loans and advances and held-to-maturity investments
Loans and advances were presented net of specific and portfolio provisions for uncollectibility. Specific provisions were established against the carrying amount of loans and advances that were identified as being impaired based on regular reviews of the outstanding balances to reduce these loans and advances to their recoverable amounts. The provisions were calculated as the difference between the carrying amount of a loan and the present value of the estimated future cash flows from the loan, including amounts recoverable from guarantees and collateral discounted at the financial asset's original effective interest rate.

Provisions recognised on a portfolio basis were maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets were estimated based on previous experience and the historical record of losses considering significant information about the current economic situation. Short-term receivables were not discounted.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may have been limited or no longer fully relevant to current circumstances. This may have been the case when a borrower was in financial difficulties and there was little available historical data relating to similar borrowers. In such cases, the Group used its experience and judgement to estimate the amount of any impairment loss. The Group mainly used the financial statements of the client and the Group's own analysis as the basis for assessment of the loan's collectability.

Increases in the provision account were recognised in the statement of comprehensive income. When a loan was known to be uncollectible, all the necessary legal procedures had been completed, and the final loss had been determined, the loan was written off directly to the statement of comprehensive income.

h) Impairment – applicable from 1 January 2018

The Group assesses impairment loss on financial assets based on a forward-looking "expected credit loss" model in line with IFRS 9. The model assumptions and estimates are described in detail in note 5(ii).

If the expected credit loss increases in the period, the amount of the corresponding impairment loss on the financial asset is recognised in the statement of comprehensive income line item "Impairment loss".

If the expected credit loss decreases in the subsequent period, the amount of the corresponding impairment loss reversal is recognised in the statement of comprehensive income line item "Impairment reversal".

When a financial asset is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the financial asset is written off directly to the statement of comprehensive income.

Loans and advances to banks, loans and advances to customers, debt instruments measured at amortised cost
Loans and advances to banks, loans and advances to customers and debt instruments measured at amortised cost are presented net of any loss allowance.

Financial assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income are presented at fair value, and the loss allowance for the expected credit loss is recognised in the equity line item "Fair value reserve".

Financial guarantees, loan commitments and letters of credit
Financial guarantees, loan commitments and letters of credit are presented at fair value, and the loss allowance for the expected credit loss is recognised in the statement of financial position line item "Provisions".

i) Net interest and similar income

Interest income and expenses are recognised in the statement of comprehensive income as they accrue, using the effective yield of the asset or the applicable floating rate. Interest income and expenses include 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. Interest income also includes up-front and commitment fees, which are subject to the effective interest rate calculation and are amortised over the life of the loan.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset except for POCI financial assets and financial asset that have subsequently become credit-impaired financial assets.

For POCI financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. For financial assets that have subsequently become credit-impaired financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

j) Net fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate, and are therefore included in “Interest and similar income” or “Interest expense and similar charges”.

Other fee and commission income arises from 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.

Fee and commission income is recognised when the corresponding service is provided.

Other fee and commission expenses relate mainly to transaction and service fees, account maintenance and brokerage fees which are expensed as the services are received.

k) Penalty fees

Penalty fees that have not been claimed or that have been waived are excluded from profit or loss.

l) Net income from financial operations

Net income from financial operations includes gains and losses arising from disposals of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income except for equity instruments designated at fair value through other comprehensive income. Net income from financial operations also includes gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss. This item also includes foreign exchange gains and losses.

m) Dividend income

Dividend income is recognised in the statement of comprehensive income on the date that the dividend is declared.

Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	10–30 years
Other	1–5 years

Leasehold improvements are depreciated over the leasing period or over their lifetime, whichever period is the shorter.

Low value tangible assets with a purchase price of less than TCZK 40 and an estimated useful life shorter than 1 year are recognised as expenses in the period in which they are purchased.

o) Intangible assets

Software and other intangible assets
Software and other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets.

p) Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time.

Provisions are recognised when:

— there is a legal or constructive obligation as a result of past events;
— it is probable, and the probability exceeds 50%, that an outflow of resources will be required to settle the obligation;
— a reliable estimate of the amount of the obligation can be made.

q) Income taxes

The income tax base is calculated from the current year profit. Expenses considered non-taxable expenses are added and income considered non-taxable income is deducted. The income tax base is modified by tax allowances and tax benefits.

Deferred income tax arises from temporary differences between the accounting values of assets and liabilities and their carrying amounts in the financial statements. The deferred tax is calculated using the tax rates applicable in the periods in which the timing difference is expected to reverse. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

r) Financial guarantees

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

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee.

4. Standards, intepretations and amendments to published standards that are not yet effective and are relevant to the Group's financial statements

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2018, and have not been applied in the preparation of these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations.

IFRS 16: *Leases* (effective for annual periods beginning on or after 1 January 2019) supersedes IAS 17 Leases and related interpretations.

The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

— leases with a lease term of 12 months or less and containing no purchase options, and
— leases where the underlying asset has a low value ("small-ticket" leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group assessed the new standard to have no major impact on its financial statements.

Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019)

These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, one concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including "negative compensation". Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The Group assessed the new amendments to the standard to have no major impact on its financial statements.

Amendments to IFRS 10 and IAS 28: *Sale or contribution of assets between an investor and its associate or joint venture* (the European Commission decided to defer the endorsement indefinitely)

The Amendments clarify that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

— a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
— a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group assessed the new amendments to the standards to have no major impact on its financial statements.

IFRIC 23: *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Group assessed the new standard to have no major impact on its financial statements.

Amendments to IAS 28: (effective for annual periods beginning on or after 1 January 2019)

The Amendments clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

The Group assessed the new amendments to the standard to have no major impact on its financial statements.

Annual Improvements to IFRS 2015–2017 Cycle: (effective for annual periods beginning on or after 1 January 2019). These annual improvements are not yet endorsed by the EU.

Annual Improvements to IFRS 2015–2017 Cycle contains four amendments to standards. The main changes were to:

— clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
— clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
— clarify that the entity should always account for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognised past transactions or events that generated distributable profits; and
— clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset until essentially all the activities necessary to prepare that asset for its intended use or sale are complete as borrowings made specifically for the purpose of obtaining a qualifying asset should not apply to a borrowing originally made specifically to obtain a qualifying asset if that asset is ready for its intended use or sale.

The Group assessed the annual improvements to have no major impact on its financial statements.

Amendments to IAS 19: *Employee Benefits* (effective for annual periods beginning on or after 1 January 2019). These amendments are not yet endorsed by the EU.

The Amendments require the entity to use current and updated assumptions when a change to a plan, and an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Group assessed the new amendments to the standard to have no major impact on its financial statements.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements
The Group makes estimates and assumptions concerning future economic developments. The resulting accounting estimates will, by definition, seldom be equal to the actual results. The estimates and assumptions that carry the most significant risk of a material adjustment being required to the carrying amounts of assets and liabilities in the next financial year are discussed below.

i. Impairment of financial assets – applicable until 31 December 2017

The Group assessed impairment loss on financial assets based on an “incurred loss” model in line with IAS 39.

The Group assessed at each balance sheet date whether there was objective evidence that any loan or receivable, or any group of loans and receivables, was impaired. A loan or receivable was impaired if there was objective evidence of impairment as a result of one or more events that occurred after their initial recognition and that loss event (or events) had an impact on the estimated future cash flows from the loan or receivable, or from the group of loans and receivables, that could be reliably estimated.

The Group classified the loans to individual customers into several classes, in which respect the significant ones were all loans to corporate customers. As the Group’s consumer loan portfolio (i.e. Consumer loan receivables and Cash loan receivables) consisted of a large quantity of loans with relatively low outstanding amounts, the loan portfolio did not comprise any individually significant items.

The Group first assessed whether objective evidence of impairment existed individually for any loan or receivable that was individually significant. In case of individually significant financial assets where no individual objective evidence of impairment was identified, collective evaluation of impairment was performed. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

Objective evidence that a loan or receivable, or a group of loans and receivables, was impaired included observable data that came to the attention of the Group about the following loss events:

— significant financial difficulty of the debtor;
— a breach of contract, such as default in the payment of interest or principal payments;
— the disappearance of an active market for that financial asset due to financial difficulties of the debtor;
— deterioration of the borrower's competitive position;
— cash flow difficulties;
— breach of loan covenants;
— initiation of bankruptcy proceedings.

A collective component of the total impairment (loss "incurred but not reported" or IBNR) was not established for corporate customers due to the high fragmentation of the portfolio and thus unavailability of sufficient and reliable statistical information on default history. Due to the small number of corporate exposures, the timely identification of impairment loss took place with subsequent shift to the Work-out Committee.

Future cash flows from loans and receivables were estimated on the basis of contractual cash flows and historical loss experience for loans and receivables with similar credit risk characteristics. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of current conditions that had not affected the period on which the historical loss experience was based and to remove the effects of conditions in the historical period that did not exist currently. The methodology and assumptions used to estimate future cash flows were reviewed regularly and back-tested, if possible, by the Group to reduce any differences between loss estimates and actual loss experience.

i. Impairment of financial assets – applicable from 1 January 2018

The Group assesses impairment loss on financial assets based on a forward-looking "expected credit loss" ("ECL") model in line with IFRS 9.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Financial assets for which the provision is reported at 12-month expected credit losses are referred to as stage 1 financial assets. Financial assets are classified under stage 1 if they are assigned a low credit risk or if their credit risk has not significantly increased since the initial recognition.

Financial assets for which the provision is reported at the level of lifelong expected credit losses are referred to as stage 2 financial assets. Financial assets are reclassified under stage 2 if their credit risk has significantly increased since initial recognition and they are not currently assigned a low credit risk.

Financial assets in default are classified as stage 3 financial assets.

Measurement of expected credit losses
ECLs are a probability-weighted estimate of credit losses and are measured as follows:

— financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
— financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
— undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive from this commitment; and
— financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Definition of default

Under IFRS 9, the Group considers a financial asset to be in default when there is available information that:

— the borrower is unlikely to pay its credit obligations to the Group in full, without realising collateral; or
— the borrower is more than 90 days past due on the respective significant credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group mainly considers the following indicators:

— approval of the forced restructuring of the receivable, with the effect of a reduction in the borrower's financial liabilities;
— active insolvency proceedings against the borrower in the insolvency register;
— the removal of the borrower's licence for activity for which licensing is required;
— the declaration of a moratorium on payments to international creditors (valid only for Sovereigns);
— the initiation of steps by the Group to activate guarantees provided by guarantors for the borrower's commitments;
— a performing exposure with relief in the probationary period is more than 30 days past due during the probationary period;
— the borrower is unlikely (according to an assessment by the Group) to fully repay liabilities to the Group, the parent company or subsidiaries without the realisation of collateral;
— loss of the borrower's regular income intended for the repayment of liabilities to the Group;
— there are reasonable concerns about the borrower's future ability to generate stable and sufficient cash flows;
— a significant increase in the borrower's level of debt, or a reasonable expectation of such an increase;
— breach of covenants laid down in the contract with the borrower;
— a significant delay in the borrower's payments to other creditors is recorded in the Central Credit Register (or in another credit register);
— a crisis in the borrower's sector, accompanied by the borrower's weak position in that sector;
— the disappearance of an active market for a financial asset because of the borrower's financial difficulties;
— the default of another member in an economically linked group;
— a borrower facing financial difficulties receives material financial assistance (for more than 12 months) from the parent company, shareholders or another member of an economically linked group in order to meet liabilities, unless this is financial assistance pre-planned or expected during the lending approval procedure.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades

The Group allocates each exposure a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and by applying experienced credit judgement. The Group uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Each exposure is allocated a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades are primary inputs in the determination of the probability of default (PD) development for exposures.

Determining whether credit risk has increased significantly
Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting – based on availability and complexity – of the Group's historical experience, expert credit assessment and forward-looking information.

The criteria may vary by portfolio and include a backstop based on delinquency in accordance with IFRS 9. As a backstop, and as required by IFRS 9, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset becomes more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

For individually significant loans the Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

— the credit risk grade as at the reporting date; with
— the credit risk grade that was estimated on initial recognition of the exposure.

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition if the internal credit risk grade at the reporting date is determined to have increased – since initial recognition – by two notches or more.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identification of the date of initial recognition of the instrument.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Inputs in the measurement of ECLs
The key inputs in the measurement of ECLs are – in general – the following variables:

— probability of default (PD);
— loss given default (LGD); and
— exposure at default (EAD).

These parameters are – separately or collectively – derived from statistical models created on the basis of available market data. Models created on the basis of available market data are periodically back-tested on internal historical data. Failure probability estimates are estimates at a certain date that are calculated on the basis of statistical rating models and assessed using the rating tools established for different categories of counterparties and exposures.

For the consumer credit receivables portfolio, the Group uses the methodology and data sources of the original lender, from whom it purchases the receivables, to measure expected credit losses. The Group has taken the view that this methodology is appropriate and sufficiently prudent. Brief overview of methodologies used:

Collective loss allowance for groups of homogenous loans is established by using statistical methods, such as e.g. a roll rate model or a Markov chain (model). Both models use a statistical analysis of historical data on unpaid loans to estimate the amount of loss. The Group's management assumes that the estimated loss amount calculated based on historical data is adequately adjusted to reflect economic conditions and a product mixture at the date of the financial statements. Parameters of roll rate models and rates for the calculation of losses are regularly compared against the current loss development. In assessing the need for the creation of a collective loss allowance for losses, the factors considered include credit quality, portfolio size, rate of concentration and economic factors. To estimate the required loss allowance, the Group creates assumptions based on which it defines a way of modelling inherent losses and determines the required input parameters based on historical experience and the current economic situation. The accuracy of the loss allowance depends on model assumptions and parameters used in determining the loss allowance.

The migration of a counterparty or exposure between rating classes results in a change in the estimate of the associated PD.

Loss given default (LGD) is the amount of probable loss in the event of a default. For stage 1 and 2 exposures, the Group uses external comparative information to assess LGD parameters. For stage 3 exposures, the Group uses the difference between the gross carrying amount of an asset and the present value of estimated future cash flows to measure expected credit losses.

The EAD represents the exposure in the event of default. The Group derives the EAD from the current exposure to the counterparty. The EAD of a financial asset is the gross carrying amount at default reduced by the net realisable value of collateral received.

Forward-looking information
Under IFRS 9, the Group incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – as part of the measurement of ECLs. The external information used may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

On the strength of data availability and resource credibility, the Group uses historical data analysis to estimate the relationships between macroeconomic variables and probabilities of default that are used to measure expected credit losses.

6. Changes in accounting policies

There were no changes in accounting policies during the period from 1 January 2018 to 31 December 2018, except for those disclosed below.

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies that have a significant impact on financial statements and notes to the financial statements.

i. Classification

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. Under IAS 39 all fair value changes of financial liabilities designated as at FVTPL were recognised in profit or loss.

ii. Impairment

From 1 January 2018, the Group assesses impairment loss on financial assets based on the forward-looking “expected credit loss” model in line with IFRS 9 which replaced the “incurred loss” model applicable under IAS 39. The model is described in detail in note 5(i).

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 were applied retrospectively. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 were recognised in retained earnings in the amount of MCZK 327 as at 1 January 2018.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

IFRS 9 also significantly amends other standards dealing with financial instruments, such as IFRS 7 “Financial Instruments: Disclosures”. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures presented in the notes to the financial statements for the year ended 31 December 2017.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 significant accounting policies and critical accounting estimates and judgements applied in the current period are described in detail in notes 3 and 5. IAS 39 significant accounting policies and critical accounting estimates and judgements applied in the prior period are described in detail in notes 3 and 5.

Impact of transition to IFRS 9 on items of equity

The following table summarises the impact of the transition to IFRS 9 on the opening balance of retained earnings and fair value reserve as at 1 January 2018. There was no impact on other components of equity.

MCZK	
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	545
Reclassification of debt instruments from AFS to AC	26
Recognition of expected credit losses for debt instruments at FVOCI	44
Opening balance under IFRS 9 (1 January 2018)	615
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	8,684
Recognition of expected credit losses under IFRS 9	(327)
Opening balance under IFRS 9 (1 January 2018)	8,357

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets in accordance with IAS 39 as at 31 December 2017 and IFRS 9 as at 1 January 2018 are compared as follows:

MCZK	Note	Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39 as at 31. 12. 2017	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets					
Cash and balances with the central bank	13	Loans and receivables	Financial assets at amortised cost	157,926	157,926
Loans and advances to banks	19	Loans and receivables	Financial assets at amortised cost	5,163	5,135
Loans and advances to customers	20	Loans and receivables	Financial assets at amortised cost	26,857	26,720
Positive fair value of derivatives	14/15	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	3,760	3,760
Debt and equity instruments held for trading	14/15	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	5,159	5,159
Debt and equity instruments not classified as held for trading	16/17	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	25,753	25,753
Non-convertible debentures	16/20	Available-for-sale financial assets	Financial assets at amortised cost	4,796	4,707
Bills of exchange	16/18	Available-for-sale financial assets	Financial assets at amortised cost	3,228	3,251
Other financial assets *	26	Loans and receivables	Financial assets at amortised cost	239	234

* Other financial assets are presented in Statement of Financial Positions as part of the line item “Other assets”.

Neither the classification nor the measurement of financial liabilities was affected by the adoption of IFRS 9 as at 1 January 2018.

Reconciliation of carrying amounts of financial assets from measurement categories under IAS 39 to measurement categories under IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and an analysis of their cash flow characteristics.

Please refer to note 3(d)(i). for more detailed information regarding the new measurement and classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

MCZK	Carrying amount under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets at amortised cost				
Cash and balances with the central bank				
Closing balance under IAS 39	157,926	–	–	–
Opening balance under IFRS 9	–	–	–	157,926
Debt instruments at amortised cost	–	–	–	–
Closing balance under IAS 39	–	–	–	–
Addition: reclassification from AFS (IAS 39)	–	3,228	–	–
Remeasurement: reclassification between measurement categories	–	–	26	–
Remeasurement: ECL allowance	–	–	(3)	–
Opening balance under IFRS 9	–	–	–	3,251
Loans and advances to banks				
Closing balance under IAS 39	5,163	–	–	–
Remeasurement: ECL allowance	–	–	(28)	–
Opening balance under IFRS 9	–	–	–	5,135
Loans and advances to customers				
Closing balance under IAS 39	26,857	–	–	–
Addition: Reclassification from AFS (IAS 39)	–	4,796	–	–
Remeasurement: ECL allowance	–	–	(226)	–
Opening balance under IFRS 9	–	–	–	31,427
Other financial assets				
Closing balance under IAS 39	239	–	–	–
Remeasurement: ECL allowance	–	–	(5)	–
Opening balance under IFRS 9	–	–	–	234
Total financial assets at amortised cost	**190,185**	**8,024**	**(236)**	**197,973**

MCZK	Carrying amount under IAS 39 as at 31.12.2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
Closing balance under IAS 39	33,777	–	–	–
Subtraction: reclassification to FVOCI (IFRS 9)	–	(25,753)	–	–
Subtraction: reclassification to AC (IFRS 9)	–	(3,228)	–	–
Subtraction: reclassification to Loans and advances to customers (IFRS 9)	–	(4,796)	–	–
Opening balance under IFRS 9	–	–	–	–
FVOCI – debt instruments				
Closing balance under IAS 39	–	–	–	–
Addition: reclassification from AFS (IAS 39)	–	25,701	–	–
Opening balance under IFRS 9	–	–	–	25,701
FVOCI – equity instruments				
Closing balance under IAS 39	–	–	–	–
Addition: reclassification from AFS (IAS 39)	–	52	–	–
Opening balance under IFRS 9	–	–	–	52
Total financial assets at fair value through other comprehensive income	**33,777**	**(8,024)**	**–**	**25,753**

MCZK	Carrying amount under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Carrying amount under IFRS 9 as at 1. 1. 2018
Financial assets at fair value through profit or loss				
Closing balance under IAS 39	8,919	–	–	–
Opening balance under IFRS 9	–	–	–	8,919
Total financial assets at fair value through profit or loss	**8,919**	**–**	**–**	**8,919**

For financial assets that have been reclassified to the amortised cost category due to the adoption of IFRS 9, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognised in other comprehensive income if these financial assets had not been reclassified as part of the transition to IFRS 9:

In millions of CZK	
Debt instruments reclassified from AFS to AC	
Fair value as at 31 December 2018	5,665
Fair value gain/(loss) that would have been recognised in OCI during the year if the financial asset had not been reclassified	(11)

Debt instruments reclassified from AFS to AC amounting to MCZK 2,257 as at 31 December 2017 matured in 2018.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 "incurred loss" model to the new impairment allowance measured in accordance with the IFRS 9 "expected credit loss" model as at 1 January 2018:

MCZK	Loss allowance under IAS 39 as at 31. 12. 2017	Reclassification	Remeasurement	Loss allowance under IFRS 9 as at 1. 1. 2018
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Debt instruments	–	–	(3)	(3)
Loans and advances to banks			(28)	(28)
Loans and advances to customers	(1,102)	–	(137)	(1,239)
Non-convertible debentures	–	–	(89)	(89)
Other financial assets	–	–	(5)	(5)
Subtotal	(1,102)	–	(262)	(1,364)
Available-for-sale financial instruments (IAS 39)/ Financial assets at FVOCI (IFRS 9)				
Debt instruments	–	–	(44)	(44)
Subtotal	–	–	(44)	(44)
Loan commitments and financial guarantees				
Loan commitments	–	–	(19)	(19)
Financial guarantees	(54)	–	(2)	(56)
Subtotal	(54)	–	(21)	(75)
Total	**(1,156)**	**–**	**(327)**	**(1,483)**

7. Net interest income and similar income

MCZK	2018	2017
Interest and similar income		
Cash and balances with the central bank	1,365	242
Loans and advances to banks	85	105
Loans and advances to customers	1,994	1,443
Of which:		
Unpaid interest income from impaired loans	34	49
Unpaid interest income from loans with forbearance	10	40
Debt securities	877	1,207
	4,321	**2,997**
Interest expense and similar charges		
Deposits from banks	13	73
Deposits from customers	(571)	(193)
Debt securities issued and short sales	(244)	(232)
Subordinated liabilities	(47)	(97)
	(849)	**(449)**
Net interest income and similar income	**3,472**	**2,548**

The Group did not waive any interest on late payment during the years 2018 and 2017.

8. Net fee and commission income

MCZK	2018	2017
Fee and commission income		
Transaction fee with clients	87	95
Fees from guarantees provided	19	16
Fees from administration of shares/bonds issue	20	25
Transaction fee with banks	3	4
Other	92	81
	221	**221**
Fee and commission expense		
Transaction fee with other counterparties	(34)	(41)
Transaction fee with banks	(20)	(13)
	(54)	**(54)**
Net fee and commission income	**167**	**167**

9. Net income from financial operations

MCZK	2018	2017
Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	469	–
Of which:		
Net profit/(loss) from derivatives	54	–
Trading securities	415	–
Net gains/(losses) on financial assets and financial liabilities held for trading	–	(1,271)
Of which:		
Net profit/(loss) from derivatives	–	(1,377)
Trading securities	–	106
Net realised gains/(losses) on financial assets at fair value through other comprehensive income	190	–
Of which:		
Debt instruments	190	–
Net gains/(losses) on financial liabilities at amortised cost	(18)	–
Of which:		
Debt instruments	(18)	–
Net profit/(loss) from available-for-sale securities	–	125
Foreign exchange gains and losses	(279)	1,771
	362	**625**

10. Other operating income

Other operating income comprises income from providing collateral in the amount of MCZK 90 (2017: MCZK 30) and income from reinvoicing and other similar income in the amount of MCZK 36 (2017: MCZK 9).

11. General administrative expenses

MCZK	2018	2017
Personnel expenses		
Wages and salaries	(244)	(238)
Social expenses	(85)	(70)
Liability insurance, pension insurance	(3)	(3)
Remuneration paid to key management personnel*	(50)	(40)
	(382)	(351)
Other general operating expenses		
Gifts	(200)	(190)
Consultancy services	(139)	(134)
Other	(261)	(303)
	(600)	(627)
	(982)	**(978)**

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2018 and 2017 was as follows:

	2018	2017
Board of Directors	5	5
Supervisory Board **	6	6
Executives	2	2
Employees **	235	225

* Remuneration paid to key management personnel includes remuneration paid to the Board of Directors, Supervisory Board and executives.
** Two employees are also members of the Supervisory Board and are therefore included in both the number of employees and the members of the Supervisory Board.

12. Other operating expenses

MCZK	2018	2017
Payment to Resolution Fund	(181)	(145)
Depreciation of fixed assets	(40)	(31)
Payment to Deposit Insurance Fund	(1)	(1)
Payment to Guarantee Fund	(2)	(2)
Net loss on sale investment in subsidiary	(5)	–
	(229)	**(179)**

The basis for the calculation of the payment to the Guarantee Fund for 2018 amounted to MCZK 74 (2017: MCZK 78).

13. Cash and balances with the central bank

MCZK	31. 12. 2018	31. 12. 2017
Cash on hand	41	34
Balances with the central bank	891	1,975
Term deposits with the central bank	–	2,000
Reverse repo with the central bank	162,607	153,917
Loss allowance	–	–
Net cash and balances with the central bank	**163,539**	**157,926**

At 31 December 2018 cash and balances with the central bank included balances with the central bank amounting to MCZK 891 (31. 12. 2017: MCZK 1,975) representing the obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserves is measured using the monthly average of daily closing balances. These funds are not available for the Group's daily business.

The technical parameters of the reverse repo operation with the central bank are as follows: maturity of two weeks, interest rate set by the CNB for two-week repo operations (the "2W repo rate").

14. Trading assets

All financial assets at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2018	31. 12. 2017
Bonds and notes issued by:		
Government	–	4,679
Corporate	–	480
Positive fair value of derivatives:		
Interest rate contracts	–	1,696
Currency contracts	–	2,064
Of which:		
Listed instruments	–	5,059
Unlisted instruments	–	3,860
	–	**8,919**

15. Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are classified as measured at fair value through profit or loss in accordance with IFRS 9. All financial assets listed below are held within the held-for-trading business model.

MCZK	31. 12. 2018	31. 12. 2017
Bonds and notes issued by:		
Government	4,357	–
Corporate	1,364	–
Positive fair value of derivatives:		
Interest rate contracts	2,514	–
Currency contracts	1,370	–
Of which:		
Listed instruments	5,780	–
Unlisted instruments	3,825	–
	9,605	**–**

Interest income from trading assets and financial assets at fair value through profit or loss is recognised in interest and similar income. The fair value of unlisted instruments was estimated using discounted cash-flow techniques.

16. Financial assets available for sale

MCZK	31. 12. 2018	31. 12. 2017
Bonds and notes issued by:		
Government	–	11,496
Corporate bonds	–	19,002
Corporate bills of exchange	–	3,227
Shares and other equity instruments issued by:		
Other issuers	–	52
Of which:		
Listed instruments	–	23,134
Unlisted instruments	–	10,643
	–	**33,777**

Interest income from financial assets available for sale is recognised in interest and similar income. The fair value of unlisted bonds and notes available for sale was estimated using discounted cash-flow techniques.

17. Financial assets at fair value through other comprehensive income

MCZK	31. 12. 2018	31. 12. 2017
Debt instruments at fair value through other comprehensive income		
Bonds issued by:		
Government	6,125	–
Corporate bonds	11,912	–
Equity instruments at fair value through other comprehensive income		
Shares and other equity instruments issued by:		
Other issuers	747	–
Of which:		
Listed instruments	15,251	–
Unlisted instruments	3,533	–
	18,784	**–**

Debt instruments at fair value through other comprehensive income were classified under this category on the basis of the Group's business model for managing the financial assets.

Interest income from debt instruments at fair value through other comprehensive income is recognised in interest and similar income.

The fair value of unlisted bonds was estimated using discounted cash-flow techniques.

The loss allowance for expected credit loss on debt instruments at fair value through other comprehensive income was MCZK 54 as at 31 December 2018. The loss allowance for expected credit loss is presented in the equity line item "Fair value reserve".

A credit risk analysis and a detailed overview of impairment loss on debt instruments at fair value through other comprehensive income are disclosed in note 45 (a).

The Bank designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term.

MCZK	31. 12. 2018
Best Hotel Properties (ISIN: SK1120005105)	196
Swift S.C. (ISIN: BE0016790090)	1
Aphelium Real Estate (ISIN: MT7000022984)	550
Total	**747**

None of these investments was disposed of during the year ended 31 December 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments. The result of the change in fair value on these investments was profit of MCZK 145 in 2018. The Bank did not recognise any dividends related to these instruments in 2018.

18. Debt instruments at amortised cost

MCZK	31. 12. 2018	31. 12. 2017
Bills of exchange:	3,053	–
Corporate bills of exchange	3,053	–
Loss allowance	(2)	–
Net debt instruments at amortised cost	**3,051**	**–**

A credit risk analysis and a detailed overview of impairment loss on debt instruments at amortised cost are disclosed in note 45 (a).

19. Loans and advances to banks

MCZK	31. 12. 2018	31. 12. 2017
Loans to banks	1,031	182
Money market transactions	142	449
Cash collateral	1,867	1,870
Other (nostro / current account balances)	3,141	994
Escrow accounts*	–	1,668
Loss allowance	(8)	–
Net loans and advances to banks	**6,173**	**5,163**

* The Group provided cash collateral to banks in order to secure financing for related parties.

A credit risk analysis and a detailed overview of impairment loss on loans and advances are disclosed in note 45 (a).

20. Loans and advances to customers

MCZK	31. 12. 2018	31. 12. 2017
Total loans and advances to customers	34,861	27,959
Loss allowance	(1,442)	(1,102)
Net loans and advances to customers	**33,419**	**26,857**

A credit risk analysis and a detailed overview of impairment loss on loans and advances are disclosed in note 45 (a).

Specific allowances for impairment loss on loans and advances to customers:

MCZK	2018	2017
As at 31 December 2017	1,067	
Adjustment on initial application of IFRS 9	224	
As at 1 January	1,291	1,037
(Gains)/Losses from change in loss allowance recognised in the statement of comprehensive income	140	69
Exchange difference	7	(39)
	147	30
As at 31 December	**1,439**	**1,067**

Collective allowances for impairment on loans and advances to customers:

MCZK	2018	2017
As at 31 December 2017	35	
Adjustment on initial application of IFRS 9	2	
As at 1 January	37	263
(Gains)/Losses from change in loss allowance recognised in the statement of comprehensive income	(31)	(215)
Exchange difference	(3)	(13)
	(34)	(228)
As at 31 December	**3**	**35**

21. Companies included in consolidated financial statements

The Bank consolidates the following subsidiaries:

	Principal place of business	31. 12. 2018 Share (%)	31. 12. 2017 Share (%)
Ruconfin B.V.	RU	100%	100%
PPF Financial Consulting s.r.o.	CZ	0%	100%
USconfin 1 DAC	US	100%	0%
PPF Co3 B.V.	ID, IN, PH	100%	100%

The Bank established its subsidiary Ruconfin B.V. with the aim of entering the consumer credit segment in the Russian Federation in 2012. Ruconfin B.V. buys receivables from Home Credit and Finance Bank in the Russian Federation.

The Bank also purchased PPF Financial Consulting, s.r.o. in 2012 for the purpose of entering the segment of municipal client consultations. The Bank sold the company in 2018.

In 2016 Bank purchased 100% of the shares of PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia. The Bank purchased a 100% share in the company for cash consideration of CZK 8.6 million. The estimated fair value of the company was deemed to be equal to the cash consideration paid. No goodwill has been recognised.

In 2018 the Bank established its subsidiary USconfin 1 DAC with the aim of entering the consumer credit segment in the United States.

The Bank held no interest participation with significant influence as at 31 December 2018 and 31 December 2017.

22. Property, plant and equipment

MCZK	Low value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not in use yet	Total
Cost						
At 1 January 2017	5	16	16	101	–	138
Additions	–	1	1	16	5	23
Disposals	(2)	(4)	(5)	(22)	–	(33)
At 31 December 2017	3	13	12	95	5	128
At 1 January 2018	3	13	12	95	5	128
Additions	1	–	6	17	3	27
Disposals	(1)	(6)	(3)	(24)	(5)	(39)
At 31 December 2018	3	7	15	88	3	116
Depreciation						
At 1 January 2017	3	2	16	88	–	109
Additions	–	4	–	10	–	14
Disposals	–	(4)	(5)	(22)	–	(31)
At 31 December 2017	3	2	11	76	–	92
At 1 January 2018	3	2	11	76	–	92
Additions	–	5	1	13	–	19
Disposals	–	(6)	(3)	(24)	–	(33)
At 31 December 2018	3	1	9	65	–	78
Net book value						
At 31 December 2017	0	11	1	19	5	36
At 31 December 2018	0	6	6	23	3	38

23. Intangible assets

MCZK	Software	Total
Cost		
At 1 January 2017	353	353
Additions	71	71
Disposals	(16)	(16)
At 31 December 2017	408	408
At 1 January 2018	408	408
Additions	69	69
Disposals	–	–
At 31 December 2018	477	477
Amortisation		
At 1 January 2017	296	296
Additions	16	16
Disposals	–	–
At 31 December 2017	312	312
At 1 January 2018	312	312
Additions	21	21
Disposals	–	–
At 31 December 2018	333	333
Net book value		
At 31 December 2017	96	96
At 31 December 2018	144	144

24. Deferred tax liability / asset and income tax

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes the Group uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2018 and 2017 the tax rate in the Czech Republic was 19%). The income tax rate applicable to the country of the subsidiaries' registered seat was 25% (2017: 25%) for Russia, 25% (2017: 25%) for the Netherlands and 25% for the USA.

The recognised deferred tax assets and liabilities consist of the following items:

MCZK	31. 12. 2018	31. 12. 2017
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	21	18
Deferred tax asset from financial assets at fair value through other comprehensive income	1	–
Deferred tax asset from loans and advances to customers	6	–
Deferred tax assets	**28**	**18**
Deferred tax liabilities		
Deferred tax liability from financial assets available for sale	–	(128)
Deferred tax liability from loans and advances to customers	–	(23)
Deferred tax liabilities	**–**	**(151)**
Net deferred tax assets (liabilities)	**28**	**(133)**

The amount of deferred tax relating to changes at the tax rate applicable for the deferred tax calculation is MCZK 0 (2017: MCZK 0). There was no unrecognised item related to deferred tax.

At 31 December 2018 the Group recorded receivables from customers of penalty interest not yet collected of MCZK 122 (31. 12. 2017: MCZK 119), where the relevant income is not taxable. Due to the application of IFRS 9 the Group created a loss allowance for performing receivables in the amount of MCZK 151 from 1 January 2018, which is a temporary difference.

Therefore, the Group created a deferred tax asset of MCZK 6 (31. 12. 2017: deferred tax liability of MCZK 23), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2017 in the amount of MCZK 29 was included in the Group's equity through an adjustment to the "Fair value reserve".

A change in deferred tax from financial assets at fair value through other comprehensive income disclosed as at 31 December 2018 in the amount of MCZK 129 was included in the Group's equity through an adjustment to the "Fair value reserve".

Taxes on income consist of current tax on income calculated based on the results reported for tax purposes and the change in deferred taxes.

	2018	2017
Income tax – current	(601)	(433)
Income tax – related to prior years	(12)	(8)
Income tax – deferred	32	2
Income tax expense	**(581)**	**(439)**

Effective tax rate calculation::

MCZK	2018 Tax basis	2018 Tax	2017 Tax basis	2017 Tax
Tax rate	**–**	**19%, 25%, 25%, 25%**	**–**	**19%, 25%, 25%**
Profit from operations (before taxation)	2,933	–	2,118	–
Computed taxation using applicable tax rate	–	567	–	416
Tax non-deductible expenses	592	113	528	100
Non-taxable income	(342)	(66)	(236)	(45)
Other items	(134)	(1)	(154)	(30)
Income tax (expense)/income – current	**–**	**(613)**	**–**	**(441)**
Effective tax rate	**–**	**20.9%**	**–**	**20.8%**

25. Operating leasing

Non-cancellable operating lease rentals are payable as follows:

MCZK	2018	2017
Less than one year	33	33
Between one and five years	127	4
More than five years	2	3
Total	**162**	**40**

The Group leases branch and office premises under operating leases. The leases typically include an option to renew the lease after that date. The operating leasing expense was MCZK 38 in 2018 (2017: MCZK 40).

26. Other assets

MCZK	31. 12. 2018	31. 12. 2017
Clearing with securities market	17	54
Prepaid expenses and accrued revenues	34	29
Cash collateral to payment cards	165	156
Other	74	42
Loss allowance	(4)	–
	286	**281**

27. Impairment losses

MCZK	2018	2017
(Gains)/Losses from change in loss allowance:		
Loans and advances to banks	(23)	–
Financial assets at amortised cost	(1)	–
Financial assets at fair value through other comprehensive income	8	–
Loans and advances to customers – specific loss allowance	140	69
Loans and advances to customers – collective loss allowance	(31)	(215)
Other assets	(1)	–
Individual write-offs – loans and advances to customers	–	58
Collective write-offs – loans and advances to customers	31	264
Revenues from previously written off loans and advances to customers – collectively assessed	(101)	(122)
(Gains)/Losses from change in provisions – off-balance sheet assets	(38)	50
	(16)	**104**

28. Deposits from banks

MCZK	31. 12. 2018	31. 12. 2017
Deposits from banks	65,664	38,531
Other (loro account balances)	642	432
	66,306	**38,963**

29. Deposits from customers

MCZK	31. 12. 2018	31. 12. 2017
Payable on demand		
Corporate customers:		
Financial services	119	554
Non-financial institutions	16,607	9,982
Insurance institutions	–	71
Non-profit organisations	39	300
Individuals – entrepreneurs	112	203
Public sector	15,340	40,309
Resident individuals	1,916	1,187
Non-residents:		
Corporate	17,122	31,912
Individuals	2,227	1,621
Total payable on demand	**53,482**	**86,139**
Term deposits		
Corporate customers:		
Financial services	32,348	39,272
Non-financial institutions	10,266	8,733
Insurance institutions	18,300	6,792
Non-profit organisations	19	83
Individuals – entrepreneurs	30	–
Public sector	13,595	13,019
Resident individuals	98	34
Non-residents:		
Corporate	4,255	2,277
Individuals	5	862
Total term deposits	78,916	71,072
	132,398	**157,211**

Interest is recognised in the item Interest expense and similar charges.

30. Debt securities issued

MCZK	31. 12. 2018	31. 12. 2017
Financial institutions	2,187	2,797
Non-financial institutions	392	260
Public sector	–	29
Resident individuals	4	4
	2,583	**3,090**

MCZK	Interest	Maturity	31. 12. 2018	31.12.2017
Investment certificates	fixed	2020–2022	2,188	2,797
Issued notes	fixed	2019	395	293
			2,583	**3,090**

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities issued during the years ended 31 December 2018 and 2017.

31. Trading liabilities

All financial liabilities at fair value through profit or loss are classified as held for trading.

MCZK	31. 12. 2018	31. 12. 2017
Negative fair value of derivatives:		
Interest rate contracts	–	1,495
Currency contracts	–	1,950
Liabilities from short sales of securities	–	9,491
	–	**12,936**

32. Financial liabilities at fair value through profit or loss

All financial liabilities at fair value through profit or loss are classified as held for trading

MCZK	31. 12. 2018	31. 12. 2017
Negative fair value of derivatives:		
Interest rate contracts	2,100	–
Currency contracts	1,587	–
Liabilities from short sales of securities	12,493	–
	16,180	–

33. Income tax liabilities

As of 31 December 2018 a tax liability of MCZK 601 (31. 12. 2017: MCZK 433) is offset against income tax advances totalling MCZK 329 (31. 12. 2017: MCZK 266) and tax paid abroad amounting to MCZK 54 (31. 12. 2017: MCZK 6).

34. Other liabilities

MCZK	31. 12. 2018	31. 12. 2017
Blocked accounts	4,791	7,756
Liabilities from clearing	225	520
Payables to suppliers	155	171
Other liabilities to employees	19	17
Accrued expenses and deferred income	17	17
Social and health insurance	7	6
Liabilities from securities transactions	2	2
Other payables	64	49
	5,280	**8,538**

Blocked accounts mainly consist of collateral deposits for derivatives totalling MCZK 3,960 (31. 12. 2017: MCZK 5,790).

35. Provisions

The development of provisions is disclosed in the following table:

MCZK	Provisions for guarantees provided	Legal provisions	Other provisions	Total
As at 31 December 2017	**54**	**118**	**10**	**182**
Adjustment on initial application of IFRS 9	21	–	–	21
Provisions at 1 January 2018	75	118	10	203
Creation	60	66	9	135
Use	–	–	–	–
Release	(98)	–	–	(98)
Effect on profit for the year	(38)	66	9	37
Provisions at 31 December 2018	**37**	**184**	**19**	**240**
Provisions at 1 January 2017	**4**	**48**	**–**	**52**
Creation	56	70	10	136
Use	–	–	–	–
Release	(6)	–	–	(6)
Effect on profit for the year	50	70	10	130
Provisions at 31 December 2017	**54**	**118**	**10**	**182**

Provisions for the provided guarantees recorded are created to cover losses arising on off-balance sheet exposures according to the accounting policy described in note 3 (p).

The creation of legal provisions is mainly an ancillary action by the insolvency trustee that relates to an alleged ineffective legal action by the debtor towards the Bank and litigation concerning the enforcement of a bank guarantee that has been provided.

36. Subordinated liabilities

The terms and conditions of the subordinated liabilities are as follows.

MCZK	31. 12. 2018	31. 12. 2017
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%	–	1,459
	–	**1,459**

The Group has not had any defaults of principal, interest or other breaches with respect to its subordinated debt during the years ended 31 December 2018 and 2017.

The subordinated debt was repaid in full in 2018.

37. Repurchase and resale agreements

The Group purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers.

Assets purchased subject to agreements to resell them were as follows:

MCZK	Carrying amounts of receivables	Fair value of assets held as collateral
Loans and advances at 31 December 2018:		
to banks (CNB included)	162,607	161,329
to clients	390	689
Loans and advances at 31 December 2017:		
to banks (CNB included)	153,917	151,544
to clients	–	–

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. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

MCZK	Carrying amounts of liabilities	Fair value of assets given as collateral
Deposits at 31 December 2018:		
to banks	65,574	71,248
to clients	44,832	43,880
Deposits at 31 December 2017:		
to banks	37,799	41,697
to clients	45,390	44,444

38. Offsetting financial instruments

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2018

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral received	Non-cash financial collateral received	
Derivatives held for trading	2,986	2,986	3,941	–	–
Reverse repurchase agreements	162,997	162,997	–	162,018	979
Total	**165,983**	**165,983**	**3,941**	**162,018**	**979**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2018

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral provided	Non-cash financial collateral provided	
Derivatives held for trading	2,232	2,232	1,682	–	550
Repurchase agreements	110 406	110 406	–	115,128	–
Total	**112,638**	**112,638**	**1,682**	**115,128**	**550**

Financial assets subject to offsetting and potential offsetting agreements as at 31 December 2017

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral received	Non-cash financial collateral received	
Derivatives held for trading	374	374	4,513	–	–
Reverse repurchase agreements	153,917	153,917	–	151,544	2,373
Total	**154,291**	**154,291**	**4,513**	**151,544**	**2,373**

Financial liabilities subject to offsetting and potential offsetting agreements as at 31 December 2017

MCZK	Gross amounts in balance sheet	Net amounts in balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting		Net amount after potential offsetting
			Cash collateral provided	Non-cash financial collateral provided	
Derivatives held for trading	121	121	906	–	–
Repurchase agreements	83,189	83,189	–	86,141	–
Total	**83,310**	**83,310**	**906**	**86,141**	**–**

The Bank uses repurchase agreements and master netting agreements as a means of reducing the credit risk of derivative and financing transactions. They qualify as potential offsetting agreements.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities stay in the hands of the lender as collateral in case the borrower defaults in any obligations. Offsetting effects from repurchase agreements are disclosed in the column Non-cash financial collateral received/pledged. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. The remaining position may be secured by cash collateral.

Cash and non-cash financial collateral involved in these transactions is restricted from use by the transferor during the time of the pledge.

39. Issued capital

	Number of shares	Nominal value CZK	Registered capital MCZK
As at 31 December 2018:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2017:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2018 was as follows:

Name	Residence	Number of shares	Share MCZK	Share %
PPF Financial Holdings B.V.	Netherlands	554,711	715	92.96%
Hlavní město Praha	Czech Republic	19,882	52	6.73%
Other (less than 1%)		1,800	2	0.31%
		576,393	**769**	**100.00%**

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Group as at 31 December 2018 or 31 December 2017.

The Group has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares. All shares of the Group were fully paid. The share premium amounts to MCZK 412 (31.12.2017: MCZK 412).

40. Nature and purpose of reserves

Fair value reserve
Until 31 December 2017 the fair value reserve comprised the cumulative net change in the fair value of available-for-sale financial assets, until the assets were derecognised or impaired.

From 1 January 2018 the fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income and loss allowance for expected credit losses on debt instruments at fair value through other comprehensive income, until the assets are derecognised.

Foreign currency translation differences for foreign operations
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Ruconfin B.V., PPF Co3 B.V. and USconfin 1 DAC.

41. Dividends paid

No dividends were paid by the Group in 2018 and 2017.

42. Proposed allocation of net profit for the year

The Group proposes to allocate its profit as follows

MCZK	Net profit for the year
Net profit for the year 2018	2,352
Proposed allocation of profit for 2018:	
Transfer to social funds	(2)
Transfer to retained earnings	(2,350)
	–

The social fund is part of other liabilities.

43. Off-balance sheet items

a) Commitments and contingent liabilities

Guarantees and credit commitments are subject to the same procedures within the standard lending process, in terms of credit risk monitoring and regulation of the Group's credit activity.

MCZK	31. 12. 2018	31. 12. 2017
Guarantees issued	1,596	1,706
Undrawn credit commitments	4,603	5,629
Letters of credit	34	31
	6,233	**7,366**

The total outstanding contractual commitments to extend the credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

b) Off-balance sheet financial instruments

MCZK	Notional value		Fair value	
	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017
Derivatives				
Interest Rate Swaps	177,816	134,216	304	101
Interest Rate Forwards	–	44,100	–	3
Foreign exchange derivatives			(218)	103
Purchase	263,925	259,783		
Sale	264,157	259,759		
Options	–	2,523	–	9
Other derivatives			110	99
Purchase	1,368	470		
Sale	1,373	465		
			196	**315**

Other derivatives consist of futures (2017: futures).

c) Residual maturity of derivatives

This table presents the notional amounts of all types of derivatives according to their residual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2018						
Interest rate swaps	3,531	20,406	58,872	95,007	–	177,816
Interest rate forwards	–	–	–	–	–	–
FX derivatives (purchase)	78,045	127,478	58,634	–	–	264,157
FX derivatives (sale)	77,958	127,399	58,568	–	–	263,925
Options				–	–	–
Other derivatives (purchase)	1,368	–	–	–	–	1,368
Other derivatives (sale)	1,373	–	–	–	–	1,373
As at 31 December 2017						
Interest rate swaps	901	13,360	60,034	59,921	–	134,216
Interest rate forwards	–	44,100	–	–	–	44,100
FX derivatives (purchase)	70,041	59,036	130,706	–	–	259,783
FX derivatives (sale)	70,043	59,077	130,639	–	–	259,759
Options	1,191	1,132	200	–	–	2,523
Other derivatives (purchase)	470	–	–	–	–	470
Other derivatives (sale)	465	–	–	–	–	465

44. Fair value disclosures

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
As at 31 December 2018					
Financial assets					
Cash and balances with the central bank	–	163 539	–	163,539	163,539
Loans and advances to banks	–	6,173	–	6,173	6,173
Loans and advances to customers	–	–	33,315	33,315	33,419
Debt instruments at amortised cost	–	–	3,038	3,038	3,051
Financial liabilities					
Deposits from banks	–	66,306	–	66,306	66,306
Deposits from customers	–	132,398	–	132,398	132,398
Debt securities issued	–	2,549	–	2,549	2,583

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
As at 31 December 2017					
Financial assets					
Cash and balances with the central bank	–	157 926	–	157,926	157,926
Loans and advances to banks	–	5,163	–	5,163	5,163
Loans and advances to customers	–	–	26,740	26,740	26,857
Financial liabilities					
Deposits from banks	–	38,963	–	38,963	38,963
Deposits from customers	–	157, 211	–	157,211	157,211
Debt securities issued	–	2,906	–	2,906	3,090
Subordinated liabilities	–	1,499	–	1,499	1,459

The major methods and assumptions used in estimating the fair values of financial instruments shown in the table are summarised below.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics, such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and balances with the central bank
For cash and cash equivalent assets, the carrying value is deemed to be equal to the fair value.

Loans and advances to banks
Loans and advances with banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Loans and advances to customers
Loans and advances are net of specific and other provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of the estimated future cash flows expected to be received. The expected cash flows are discounted at current market rates to determine the fair value. For loans and advances that will mature or be renewed within twelve months, the fair value was deemed to be equal to the carrying value.

Debt instruments at amortised cost
Debt instruments at amortised cost are net of specific and other provisions for impairment. The estimated fair value of debt instruments at amortised cost represents the discounted amount of the estimated future cash flows expected to be received.

Deposits from banks
Deposits from banks will mature in less than twelve months and their fair value has therefore been deemed to be equal to their carrying value.

Deposits from customers
The estimated fair value of current and deposit accounts without a stated maturity was deemed to be equal to the carrying value.

All fixed rate term deposits are renewed regularly; thus the fair value is deemed to be equal to the carrying value.

Debt securities issued
For issued debt securities, the fair value is calculated based on market inputs.

Subordinated liabilities
The estimated fair value of subordinated liabilities represents the discounted amount of the future cash flows expected to be paid.

The following table analyses financial assets and liabilities recognised at fair value based on the quality of entry data used for valuation. The fair value levels are defined in note 3 (d) (iii):

MCZK	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	5,664	57	–	5,721
Derivatives held for trading	115	3,769	–	3,884
Financial assets at fair value through other comprehensive income	15,251	3,533	–	18,784
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	8,033	4,460	–	12,493
Derivatives held for trading	–	3,687	–	3,687

MCZK	Level 1	Level 2	Level 3	Total
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	4,960	198	–	5,158
Derivatives held for trading	99	3,662	–	3,761
Available-for-sale securities	23,134	10,591	52	33,777
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	9,491	–	–	9,491
Derivatives held for trading	–	3,445	–	3,445

The following table states the transfers of financial assets recognised at fair value to and from Level 3:

MCZK	Financial assets at fair value through other comprehensive income	Total
Balance as at 1 January 2018	**52**	**52**
Profit and loss from revaluation	–	–
In profit or loss	–	–
In other comprehensive income	–	–
Purchases	–	–
Sales	–	–
Transfers into Level 3	–	–
Transfers out of Level 3	(52)	(52)
Transfers between portfolios	–	–
Balance as at 31 December 2018	**–**	**–**

MCZK	AFS securities	Total
Balance as at 1 January 2017	**55**	**55**
Profit and loss from revaluation	–	–
In profit or loss	–	–
In other comprehensive income	(3)	(3)
Purchases	–	–
Sales	–	–
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Transfers between portfolios	–	–
Balance as at 31 December 2017	**52**	**52**

Based on observable inputs, change in the fair value calculation for the financial instruments in Level 3 occurred in 2018. The financial assets were measured at acquisition cost in 2017.

45. Risk management disclosure

This section provides details of the Group's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Group is exposed are:

(a) credit risk;
(b) liquidity risk;
(c) market risk;
(d) operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

a) Credit risk

The Group is exposed to credit risks in relation to its business activities. Credit risks are managed at the individual business case, client and the entire portfolio level. The Credit Risk Management department, part of the Risk Management division, is primarily responsible for the management of credit risks. The Credit Risk Management department is independent of the Sales division in terms of organisation and reports directly to the member of the Board of Directors in charge of the Risk Management division.

The Group's Risk management strategy, risk appetite and other internal standards define the general principles, objectives and methods of its credit risk management. In its internal norms, the Group also defines competences for the approval of credit exposures and for the Credit Committee.

Managing credit risk at individual level

At the individual client level, credit risk is managed by assessing and evaluating such risk through credit analysis and the determination of a client's creditworthiness. To assess a client's risk and credit status, the Group applies a comprehensive set of tools, models and methods, which make up the Group's rating scheme. When determining the creditworthiness of individual clients, the Group assesses financial and non-financial aspects, as well as its economic position. An entity's creditworthiness is defined as its ability and will to meet its short-term and long-term liabilities. The aim of the analysis is to prevent any losses the Group may incur as a result of the client's failure. In practice, this means estimating the risk arising from the ability to meet short-term and long-term liabilities and assessing the long-term financial stability of the client.

When determining creditworthiness, the Group also specifies the likelihood of a client's default and what the expected loss relating to the Group's potential engagement in respect to the client may be. An internal rating is assigned to each client constituting a credit risk to the Group, i.e. representing an exposure in both the investment and the trading portfolios. The exposures evaluated include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 ratings (A1–A4, B1–B6, C1–C4). Clients with default receivables must always be assigned one of the C2–C4 grades. The Group has plotted this internal scale to reflect the rating scales of prominent external rating agencies. Below is a table showing the indicative pairing of the risk level with external ratings.

	External rating
Very low risk	AAA–AA
Low to fair risk	A–BBB
Medium risk	BB–B
High risk	CCC–CC
Default	C and lower

Credit risk management at the portfolio level

This credit risk management level primarily comprises credit portfolio reporting, including analyses and monitoring of trends in individual credit portfolios. The Group closely monitors its overall credit risk exposure and thus considers all its balance sheet and off-balance sheet exposures. The Group regularly monitors its credit exposure in individual industries, segments, countries and economically connected groups of debtors. The Group regularly measures the credit portfolio concentration risk and, where necessary, sets concentration limits for individual segments, countries and economically connected groups of debtors.

With consumer credit receivables, credit risk is managed by setting qualitative and quantitative criteria that receivables must meet upon purchase for the portfolio. The criteria used in particular include qualitative criteria applied to the debtor (the debtor is not in insolvency, meets all qualitative criteria of the original creditor, is registered for tax in the Russian Federation), denomination in RUB, transferability without the consent of the debtor, amount of the receivable, number of instalments paid, maximum number of days past due, interest calculation method, minimum applicable interest rate, number of remaining instalments or maximum concentration per debtor. Subsequently, the migration of the receivables portfolio between the delinquency bands is regularly monitored. Findings regarding credit risk developments may be taken into account when adjusting the criteria for further purchases.

Classification of receivables, assessment of impairment losses – applicable until 31 December 2017

The Group assessed the impairment of the carrying amount for all loan receivables with debtors in default.

To determine the impairment loss, the Group applied the method of discounting estimated future cash flows. The loss was determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate was the effective interest rate ascertained upon the establishment of the receivable or on the last date the modification of the contractual cash flow or interest income was made. The Group wrote off a receivable when it did not expect any income from the receivable or from received collateral related to such receivable. Loans in the consumer loan portfolio were written off by the Group when any outstanding amount of the receivable was more than 360 days past due.

Classification of receivables, assessment of impairment losses – applicable from 1 January 2018
The Group classifies receivables into the following categories:

— performing receivables (without the default of the debtor)
— non-performing receivables (debtor in default)

The Group assesses the impairment loss on performing receivables at an amount equal to the 12-month expected credit losses (stage 1 under IFRS9) or to the lifetime expected credit losses (stage 2 under IFRS9).

The Group assesses the impairment loss on non-performing receivables at an amount equal to the lifetime expected credit losses (stage 3 under IFRS9). To determine the impairment loss, the Group applies the method of discounting estimated future cash flows. The loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate is the effective interest rate ascertained upon the establishment of the receivable or on the last date the modification of the contractual cash flow or interest income was made. The Group writes off a receivable when it does not expect any income from the receivable or from received collateral related to such receivable. Loans in the consumer loan portfolio are written off by the Group when any outstanding amount of the receivable is more than 360 days past due.

Set out below is an analysis of the gross and net (of allowances for impairment) carrying amounts (or fair value where applicable) of financial assets individually impaired by internal rating system grades and classification of the asset as at year end. The amounts represent the Group's maximum exposure to credit risk.

The tables analysing changes in provisions between 1 January 2018 and 31 December 2018 in the respective categories present the development of provisions and reserves during the year. These were affected by various factors during the year, such as:

— a change in the stage of a financial asset (see below – an increase or decrease in a provision/reserve within the scope of a transfer, as reported in the values of a provision/reserve corresponding to the appropriate stage);
— the emergence of new assets (i.e. the recognition of a new provision/reserve reported at the stage under which a financial asset was classified at the end of the accounting period);
— the derecognition or write-off of financial assets (i.e. the derecognition of the corresponding provision/reserve);
— a change in the PD/EAD/LGD of an individual financial asset (i.e. an increase or decrease in the provision/reserve);
— a change in the calculation methodology, a modification of the cash flows of financial assets, or a change in the exchange rates of financial assets (and provisions/reserves) in foreign currencies during 2018.

Financial assets at fair value through other comprehensive income (excluding equity instruments designated at fair value through other comprehensive income)

MCZK	31. 12. 2018
	Fair value
Debt instruments	18,037
Total	18,037

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	5,775	–	–	–	5,775
Low to fair risk	7,310	–	–	–	7,310
Medium risk	4,419	533	–	–	4,952
High risk	–	–	–	–	–
Default	–	–	–	–	–
Fair value	**17,504**	**533**	**–**	**–**	**18,037**
Loss allowance	(41)	(13)	–	–	(54)

The loss allowance for the expected credit loss on debt instruments at fair value through other comprehensive income is presented in the equity line item "Fair value reserve".

Set out below is an analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1. 1. 2018	34	10	–	–	44
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	6	–	–	6
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	7	–	–	–	7
Changes in PD/LGD/EADs, unwind of discount	11	–	–	–	11
Derecognition of financial asset	(12)	(4)	–	–	(16)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	1	1	–	–	2
Net change in 2018	**7**	**3**	**–**	**–**	**10**
Loss allowance as at 31. 12. 2018	41	13	–	–	54

Debt instruments at amortised cost

MCZK	31. 12. 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
Bills of exchange	3,053	(2)	3,051
Total	**3,053**	**(2)**	**3,051**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	–	–	–	–	–
Medium risk	3,053	–	–	–	3,053
High risk	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**3,053**	**–**	**–**	**–**	**3,053**
Loss allowance	(2)	–	–	–	(2)
Net carrying amount	**3,051**	**–**	**–**	**–**	**3,051**

Set out below is an analysis of changes in loss allowances by relevant categories:

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1. 1. 2018	3	–	–	–	3
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	3	–	–	–	3
Changes in PD/LGD/EADs, unwind of discount	(1)	–	–	–	(1)
Derecognition of financial asset	(3)	–	–	–	(3)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	–
Net change in 2018	**(1)**	**–**	**–**	**–**	**(1)**
Loss allowance as at 31. 12. 2018	2	–	–	–	2

Financial assets available for sale (excluding equity instruments)

MCZK	31. 12. 2017
	Fair value
Debt instruments	30,498
Bills of exchange	3,227
Total	**33,725**

Balances with the central bank and loans and advances to banks

MCZK	31. 12. 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
Balances and term deposits with the central bank	891	–	891
Reverse repo with the central bank	162,607	–	162,607
Loans and advances to banks	6,181	(8)	6,173
Total	**169,679**	**(8)**	**169,671**

MCZK	31. 12. 2017		
	Gross carrying amount	Loss allowance	Net carrying amount
Balances and term deposits with the central bank	3 975	–	3 975
Reverse repo with the central bank	153,917	–	153,917
Loans and advances to banks	5,163	–	5,163
Total	**163,055**	**–**	**163,055**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	166,521	–	–	–	166,521
Low to fair risk	1,889	–	–	–	1,889
Medium risk	1,184	85	–	–	1,269
High risk	–	–	–	–	–
Default	–	–	–	–	–
Gross carrying amount	**169,594**	**85**	**–**	**–**	**169,679**
Loss allowance	(7)	(1)	–	–	(8)
Net carrying amount	**169,587**	**84**	**–**	**–**	**169,671**

The Group did not report any interest accrued to individually impaired loans and advances to banks as at 31 December 2018 and 2017.

Set out below is the analysis of changes in loss allowances by relevant categories:

Loans and advances to customers

MCZK	31. 12. 2018		
	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	34,861	(1,442)	33,419
Total	**34,861**	**(1,442)**	**33,419**

MCZK	31. 12. 2017		
	Gross carrying amount	Loss allowance	Net carrying amount
Loans and advances to customers	27,959	(1,102)	26,857
Total	**27,959**	**(1,102)**	**26,857**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually impaired					
Very low risk	–	–	–	–	–
Low to fair risk	326	–	–	–	326
Medium risk	28,374	974	–	–	29,348
High risk	563	–	–	–	563
Default	–	–	4,612	–	4,612
Collectively impaired					
Consumer loans	8	1	3	–	12
Gross carrying amount	**29,271**	**975**	**4,615**	**–**	**34,861**
Loss allowance	(269)	(9)	(1,164)	–	(1,442)
Net carrying amount	**29,002**	**966**	**3,451**	**–**	**33,419**

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1. 1. 2018	214	15	1,099		1 328
Transfers between stages:					
Transfer to stage 1	–	–	–		–
Transfer to stage 2	(1)	2			1
Transfer to stage 3	(1)		8		7
New financial assets originated or purchased	143	3	–		146
Changes in PD/LGD/EADs, unwind of discount	(34)	(3)	117		80
Derecognition of financial asset	(53)	(7)	(34)		(94)
Write-offs	–	–	(31)		(31)
Changes to methodologies	–	–	–		–
Modification of contractual cash flows of financial assets	–	–	–		–
FX differences and other changes	1	(1)	5		5
Net change in 2018	**55**	**(6)**	**65**		**114**
Loss allowance as at 31. 12. 2018	269	9	1,164	–	1,442

Interest accured to credit-impaired loans and advances to customers was reported in the amount of MCZK 182 as at 31 December 2018 (31. 12. 2017: MCZK 160)

Loans and advances to customers (individually impaired)

MCZK	2018	2017
Gross	–	27,812
Not impaired	–	24,245
Due	–	24,028
Past due 1–90 days	–	215
Past due 91–360 days	–	–
Past due more than 360 days	–	2
Impaired	–	3,567
Allowances for impairment	–	(1,067)
Total	**–**	**26,745**

MCZK	2018	2017
Gross	34,849	–
Performing	30,237	–
Due	30,031	–
Past due 1–90 days	206	–
Past due 91–360 days	–	–
Past due more than 360 days	–	–
Non-performing	4,612	–
Allowances for impairment	(1,439)	–
Total	**33,410**	**–**

Loans and advances to customers (collectively impaired)

MCZK	2018	2017
Gross	12	147
Due	8	100
Past due 1 –90 days	1	9
Past due 91 –360 days	3	38
Past due more than 360 days	–	–
Allowances for impairment	(3)	(35)
Net	9	112
Total	**9**	**112**

Loan commitments

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	10	–	–	–	10
Medium risk	4,571	2	–	–	4,573
High risk	20	–	–	–	20
Default	–	–	–	–	–
Gross amount	**4,601**	**2**	**–**	**–**	**4,603**
Loss allowance	(22)	–	–	–	(22)

Financial guarantees, letters of credit

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	–	–	–	–	–
Low to fair risk	–	–	–	–	–
Medium risk	1,355	256	–	–	1,611
High risk	–	–	–	–	–
Default	–	–	19	–	19
Gross amount	**1,355**	**256**	**19**	**–**	**1,630**
Loss allowance	(8)	(1)	(6)	–	(15)

MCZK	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1. 1. 2018	20	2	53	–	75
Transfers between stages:	–	–	–	–	–
Transfer to stage 1	1	–	–	–	1
Transfer to stage 2	–	–	–	–	–
Transfer to stage 3	–	–	–	–	–
New financial assets originated or purchased	25	2		–	27
Changes in PD/LGD/EADs, unwind of discount	(8)	(1)	3	–	(6)
Derecognition of financial asset	(8)	(2)	(50)	–	(60)
Write-offs	–	–	–	–	–
Changes to methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
FX differences and other changes	–	–	–	–	
Net change in 2018	**10**	**(1)**	**(47)**	**–**	**(38)**
Loss allowance as at 31. 12. 2018	30	1	6	–	37

Credit risk analysis of financial assets as at 31 December 2017 (under IAS 39)

MCZK	Very low risk	Low to fair risk	Medium risk	High risk	Default	Loss allowance	Net amount
Financial assets available for sale (excluding equity instruments)	257	19,167	14,301	–	–	–	33,725
Balances and term deposits with the central bank	3,975	–	–	–	–	–	3,975
Reverse repo with the central bank	153,917	–	–	–	–	–	153,917
Loans and advances to banks	125	3,917	1,121	–	–	–	5,163
Loans and advances to customers – corporate loans	–	182	21,842	1,063	4,725	(1,067)	26,745

MCZK	Not past due and less than 90 days past due	Default	Loss allowance	Net amount
Loans and advances to customers – consumer loans	109	38	(35)	112

MCZK	Very low risk	Low to fair risk	Medium risk	High risk	Default	Loss allowance
Loan commitments	–	10	5,486	113	20	–
Financial guarantees, letters of credit	–	2	1,195	213	327	(54)

Other assets – Past due, but not impaired

As at 31 December 2018 the Group reported MCZK 0 of other assets as “Past due, but not impaired” (31. 12. 2017: MCZK: 0).

Sensitivity analysis of loss allowance by relevant categories

Individually impaired

Set out below is the analysis of changes in loss allowance which would occur in case of an increase of PD by 10 %:

MCZK	Loss allowance in the baseline scenario	Increase of PD by 10 %		
		Loss allowance	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	54	59	5	10%
Balances with the central bank and loans and advances to banks	8	9	1	10%
Loans and advances to customers	1,439	1,467	28	2%
Loan commitments, financial guarantees and letters of credit	37	40	3	8%

Set out below is the analysis of changes in loss allowance which would occur in case of a decrease of PD by 10 %:

MCZK	Loss allowance in the baseline scenario	Decrease of PD by 10 %		
		Loss allowance	Absolute difference	Relative difference
Financial assets at fair value through other comprehensive income (excluding equity instruments)	54	49	(5)	(10%)
Balances with the central bank and loans and advances to banks	8	7	(1)	(10%)
Loans and advances to customers	1,439	1,411	(28)	(2%)
Loan commitments, financial guarantees and letters of credit	37	34	(3)	(8%)

The sensitivity of the loss allowance to change in forward-looking information is lower than the change in PD analysed above.

For loans and advances to customers, loan commitments, financial guarantees and letters of credit, the Group also discloses an analysis of the sensivity of the loss allowance to changes in rating grades:

MCZK	Loss allowance in the baseline scenario	Improvement of rating by 1 notch on internal rating scale		
		Loss allowance	Absolute difference	Relative difference
Loans and advances to customers	1,439	1,358	(81)	(6%)
Loan commitments, financial guarantees and letters of credit	37	25	(12)	(32%)

MCZK	Loss allowance in the baseline scenario	Deterioration of rating by 1 notch on internal rating scale		
		Loss allowance	Absolute difference	Relative difference
Loans and advances to customers	1,439	1,594	155	11%
Loan commitments, financial guarantees and letters of credit	37	49	12	32%

Collectively impaired

The consumer loans portfolio is subject to estimation uncertainty as identification on an individual contract level is not practical due to the large quantity of such exposures. The Group has estimated the impairment on loans to customers in accordance with the accounting policy described in Note 5(i). Changes in collection estimates could significantly affect the impairment losses recognised. The Group creates collective impairment losses based on the probability of default and loss given default (“LGD”). A change in the LGD parameter by +/- 10% would result in a change in the allowance for impairment as at 31 December 2018 by +/- CZK 0.3 million (2017: +/- CZK 3 million).

Evaluation of collateral

The Group generally requires collateral before providing loans to certain debtors. However, the Group does not usually require collateral for consumer loans. To reduce gross credit exposure, the Group considers the following to be acceptable types of collateral:

— pledge on the pledgor’s bank account;
— mortgage on immovable;
— pledge on receivables arising from supplier-customer relations;
— pledge on securities and ownership interest in a corporation;
— pledge on trademarks and other industrial property concepts;
— pledge on an establishment;
— pledge on movables.

The net realisable value of the collateral assessed by the Group is usually based on an opinion prepared by an expert acceptable to the Group. The net realisable value of the collateral is determined using this value and a coefficient reflecting the Group’s ability to realise the collateral, where necessary including the time factor of the realisation.

Loans with renegotiated terms and the Group's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been significantly modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Group has decided to grant a concession to a debtor. A forbearance measure can be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The following table shows loans and advances to customers with forbearance:

MCZK	31. 12. 2018	31. 12. 2017
Not credit-impaired	30,033	24,245
Of which:		
Loans and advances to customers with forbearance:	27	1,140
Credit-impaired	3,386	2,612
Of which:		
Loans and advances to customers with forbearance:	2,652	1,541
Total	**33,419**	**26,857**

The following table shows loans and advances to customers with forbearance and without forbearance split by sectors:

MCZK	31. 12. 2018	31. 12. 2017
Loans and advances to customers without forbearance:	30,740	24,176
Residents:		
Financial institutions	1,585	1,723
Non-financial institutions	11,061	13,365
Households/individuals	130	192
Public sector	150	–
Non-residents	17,814	8,896
Loans and advances to customers with forbearance:	2,679	2,681
Residents:		
Financial institutions	–	–
Non-financial institutions	65	–
Households/individuals	–	–
Public sector	–	–
Non-residents	2,614	2,681
Total	**33,419**	**26,857**

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit split according type of collateral:

MCZK	31. 12. 2018	31. 12. 2017
Bank guarantees	2,195	2,857
Property and receivables	15,172	9,010
Unsecured	24,342	23,458
Total	**41,709**	**35,325**

The following table shows gross carrying amounts of loans and advances to customers, loan commitments, financial guarantees and letters of credit classified as non-performing according to type of collateral:

MCZK	31. 12. 2018	31. 12. 2017
Bank guarantees	1,850	2,614
Property	1,344	1,510
Unsecured	1,440	986
Total	**4,634**	**5,110**

The “Unsecured” category also includes loans and advances to customers, loan commitments, financial guarantees and letters of credit that are secured by collateral, but the Bank assigns zero accounting value to the collateral.

Concentration of credit risks

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor’s ability to meet its obligations.

The Group manages the exposure limits in line with the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), such that the Group shall not incur an exposure, after taking into account the effect of the credit risk to a client or group of connected clients, the value of which exceeds 25% of its eligible capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value shall not exceed 25% of the institution’s eligible capital or EUR 150 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in relation to all connected clients that are not institutions, does not exceed 25% of the institution’s eligible capital.

The Group did not exceed any exposure limits towards individual debtors or related parties in the reporting period.

The Group calculates the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

Concentration of credit risks according to economic sector/industry

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017
Concentration according to economic sector/industry:						
Financial institutions	6,173	5,163	14,895	4,944	9,836	16,797
Public sector	–	–	150	–	10,482	16,174
Non-financial institution:	–	–	18,198	21,544	6,492	5,912
Real estate	–	–	9,920	10,377	–	–
Production and distribution of electricity, gas and heat	–	–	2,175	2,675	760	1,145
Wholesale	–	–	1,447	1,388	581	413
Accommodation	–	–	1,136	1,196	–	–
Other	–	–	3,520	5,908	5,151	4,354
Households/individuals	–	–	176	369	–	–
	6,173	**5,163**	**33,419**	**26,857**	**26,810**	**38,883**

Concentration of credit risk according to geographical areas by country of risk

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017	31. 12. 2018	31. 12. 2017
Concentration according to geographical sectors						
Czech Republic	36	427	13,494	14,766	13,810	21,077
Slovak Republic	–	–	2,151	1,010	281	–
Netherlands	–	–	767	–	1,210	743
Other EU countries	4,515	1,186	3,331	5,785	4,106	4,246
Russian Federation	150	456	1,570	2,268	2,330	2,256
Asia	1,127	1,963	11,498	2,615	625	5,586
North America	207	942	608	413	2,911	2,777
Other	138	189	–	–	1,537	2,198
	6,173	**5,163**	**33,419**	**26,857**	**26,810**	**38,883**

b) Liquidity risk

The liquidity risk represents the Group's risk of the incurring losses due to momentary insolvency. The Group may also suffer a loss as a result of low liquidity in the market for the financial instruments included in the Group's portfolios. The liquidity risk threatens the Group's funding and investment needs. The market liquidity risk represents the risk of not being able to liquidate financial instruments quickly enough, or in sufficient volume and for reasonable prices. If the conditions are not favourable, this risk may substantially worsen the Group's position.

The Group has access to diverse sources of funds, which comprise deposits and other savings, loans accepted and equity. This diversification makes the Group flexible and limits its dependency on any one financing source. The Group regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy, which is approved by the Board of Directors. The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Residual maturity of the Group's assets and liabilities
The following table shows the carrying amounts of the Group's assets and liabilities on the basis of their earliest possible contractual maturity.

The amounts on the basis of their expected recovery or settlement are essentially the same as the carrying amounts of assets and liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Cash and balances with the central bank	163,539	–	–	–	–	163,539
Financial assets at fair value through profit or loss	451	1,130	1,904	6,120	–	9,605
Financial assets at fair value through other comprehensive income	77	1,004	12,296	4,660	747	18,784
Debt instruments at amortised cost	1,179	823	1,049			3,051
Loans and advances to banks	6,069	26	78	–	–	6,173
Loans and advances to customers	1,691	11,883	16,694	3,151	–	33,419
Other assets	–	–	–	–	496	496
Total	**173,006**	**14,866**	**32,021**	**13,931**	**1,243**	**235,067**
Deposits from banks	66,306	–	–	–	–	66,306
Deposits from customers	115,947	9,922	6,529	–	–	132,398
Debt securities issued	83	315	2,185	–	–	2,583
Financial liabilities at fair value through profit or loss	413	5,557	1,394	8,816	–	16,180
Tax and other liabilities and provisions	5,520	218	–	–	–	5,738
Shareholders' equity	–	–	–	–	11,862	11,862
Total	**188,269**	**16,012**	**10,108**	**8,816**	**11,862**	**235,067**
At 31 December 2017						
Cash and balances with the central bank	157,926	–	–	–	–	157,926
Trading assets	844	437	1,428	6,210	–	8,919
Financial assets available for sale	3,297	2,382	16,020	12,026	52	33,777
Loans and advances to banks	3,339	26	1,798	–	–	5,163
Loans and advances to customers	2,592	3,890	15,341	3,801	1,233	26,857
Other assets	–	–	–	–	413	413
Total	**167,998**	**6,735**	**34,587**	**22,037**	**1,398**	**233,055**
Deposits from banks	38,963	–	–	–	–	38,963
Deposits from customers	135,379	15,870	3,957	2,005	–	157,211
Debt securities issued	805	140	2,145	–	–	3,090
Trading liabilities	538	457	3,978	7,963	–	12,936
Tax and other liabilities and provisions	8,566	161	–	–	287	9,014
Subordinated liabilities	–	66	–	1,393	–	1,459
Shareholders' equity	–	–	–	–	10,382	10,382
Total	**184,251**	**16,694**	**10,080**	**11,361**	**10,669**	**233,055**

Residual maturity of the Group's off-balance sheet items

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Commitments provided	303	2,305	1,993	–	–	4,602
Guarantees provided	39	658	336	1	–	1,034
Total	**342**	**2,963**	**2,329**	**1**	**–**	**5,636**
At 31 December 2017						
Commitments provided	2,991	1,975	614	48	–	5,628
Guarantees provided	381	85	244	211	–	921
Total	**3,372**	**2,060**	**858**	**259**	**–**	**6,549**

The following table shows undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Deposits from banks	66,304	–	–	–	–	66,304
Deposits from customers	115,832	10,139	6,646	–	–	132,617
Debt securities issued	84	316	2,185	–	–	2,585
Financial liabilities at fair value through profit or loss	413	5,557	1,394	8,816	–	16,180
Total	**182,633**	**16,012**	**10,225**	**8,816**	**–**	**217,686**
At 31 December 2017						
Deposits from banks	38,962	–	–	–	–	38,962
Deposits from customers	135,356	15,910	3,980	2,033	–	157,279
Debt securities issued	805	140	2,146	–	–	3,091
Trading liabilities	538	457	3,978	7,963	–	12,936
Subordinated liabilities	–	91	364	1,484	–	1,939
Total	**175,661**	**16,598**	**10,468**	**11,480**	**–**	**214,373**

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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.

The Group buys and sells derivatives, and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Department.

Trading

The Group holds trading positions in certain financial instruments. The majority of the Group's business activities are based on the requirements of its customers. These positions are also held for the purpose of speculation on the future development of financial markets. The Group's business strategy is thus affected by speculative expectation and market creation and its goal is to maximise net income from trading.

The Group manages the risks associated with its trading activities at the level of individual risks and individual types of financial instruments. The basic instruments used for risk management are volume limits for individual transactions, stop loss limits and Value at Risk (VaR) limits.

Value at risk

Market risks arising from the Group's trading activities are managed using the Value at Risk method. Value at Risk represents the potential loss arising from an unfavourable movement on the market within a certain time period and at a certain confidence level. The Group determines the Value at Risk using the parametric method based on the historical development of interest rates, exchange rates and prices of equity instruments. Value at Risk is measured based on a one-day holding period and a confidence level of 99%. That means that there is a 1% probability that the Group will lose more than a certain amount over a one-day period.

MCZK	31 December 2018	Average for 2018	31 December 2017	Average for 2017
VaR of interest instruments	24	13	9	13
VaR of currency instruments	2	5	2	4
VaR of equity instruments	–	2	–	–

The data in the table above is assessed primarily on an individual basis, taking into account the data of subsidiaries.

Stress testing

The Group carries out daily stress testing of interest rate, currency risks and changes in prices of equity instruments by applying internally defined improbable scenarios and simulating their impact on the net present value of the Group's portfolio.

i. Currency risk

The currency risk is the risk of a change in the value of a financial instrument due to a change in the exchange rates. Assets and liabilities denominated in foreign currencies including off-balance sheet instruments represent the Group's exposure to exchange rate risk. Realised and non-realised exchange rate gains and losses are stated directly in the profit and loss statement.

The Group has set currency risk limits based on its net currency exposure in individual currencies according to their significance. The Group also sets a limit with respect to the total net currency exposure.

Currency risk exposure

MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2018						
Financial assets	192,489	18,002	15,947	230	8,659	235,327
Financial liabilities	156,302	59,135	5,872	262	1,148	222,719
FX derivatives	(24,047)	41,863	(10,349)	188	(7,888)	(233)
Net exposure	12,140	730	(274)	156	(377)	

MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2017						
Financial assets	195,910	15,898	13,542	569	6,758	232,677
Financial liabilities	174,661	32,493	13,490	949	1,080	222,673
FX derivatives	(10,266)	16,201	(316)	646	(6,165)	100
Net exposure	10,983	(394)	(264)	266	(487)	

ii. Interest rate risk

The interest rate risk is the risk of a change in the value of a financial instrument due to a change in market interest rates.

The Group is exposed to interest rate risks resulting from the different maturity or renewal period of interest rates and the different amounts of interest bearing assets and liabilities in these periods. Interest rate management activities are intended to optimise the net interest income of the Group in accordance with the strategy approved by its Board of Directors.

Part of the Group's income is generated by the difference between interest rate sensitive assets and liabilities, which is summarised in the table below.

Interest sensitivity of the Group's assets and liabilities

The following table shows the carrying amounts of the Group's financial assets and liabilities on the basis of their earliest possible repricing.

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2018						
Cash and balances with the central bank	163,539	–	–	–	–	163,539
Financial assets at fair value through profit or loss	451	1,865	1,199	6,090	–	9,605
Financial assets at fair value through other comprehensive income	1,657	7,343	7,690	1,347	747	18,784
Debt instruments at amortised cost	1,179	823	1,049			3,051
Loans and advances to banks	6,173	–	–	–	–	6,173
Loans and advances to customers	16,483	10,169	6,064	703	–	33,419
Other assets	–	–	–	–	496	496
Total	**189,482**	**20,200**	**16,002**	**8,140**	**1,243**	**235,067**
Deposits from banks	66,306	–	–	–	–	66,306
Deposits from customers	115,943	9,926	6,529	–	–	132,398
Debt securities issued	83	315	2,185	–	–	2,583
Financial liabilities at fair value through profit or loss	414	5,768	1,394	8,604	–	16,180
Tax and other liabilities and provisions	5,520	218	–	–	–	5,738
Shareholders' equity	–	–	–	–	11,862	11,862
Total	**188,266**	**16,227**	**10,108**	**8,604**	**11,862**	**235,067**
Gap	**1,216**	**3,973**	**5,894**	**(464)**	**(10,619)**	
Cumulative gap	**1,216**	**5,189**	**11,083**	**10,619**	**–**	
At 31 December 2017						
Cash and balances with the central bank	157,926	–	–	–	–	157,926
Trading assets	844	1,775	1,398	4,902	–	8,919
Financial assets available for sale	5,041	12,365	13,686	2,633	52	33,777
Loans and advances to banks	3,495	–	1,668	–	–	5,163
Loans and advances to customers	14,178	6,833	3,964	126	1,756	26,857
Other assets	–	–	–	–	413	413
Total	**181,484**	**20,973**	**20,716**	**7,661**	**2,221**	**233,055**
Deposits from banks	38,963	–	–	–	–	38,963
Deposits from customers	135,379	15,870	3,957	2,005	–	157,211
Debt securities issued	805	140	2,145	–	–	3,090
Trading liabilities	539	5,027	3,574	3,796	–	12,936
Tax and other liabilities and provisions	8,566	161	–	–	287	9,014
Subordinated liabilities	–	66	–	1,393	–	1,459
Shareholders' equity	–	–	–	–	10,382	10,382
Total	**184,252**	**21,264**	**9,676**	**7,194**	**10,669**	**233,055**
Gap	**(2,768)**	**(291)**	**11,040**	**467**	**(8,448)**	**–**
Cumulative gap	**(2,768)**	**(3,059)**	**7,981**	**8,448**	**–**	

The carrying amounts of assets and liabilities are recorded either in the period in which they are due or in the period in which the interest rate changes, whichever occurs earlier.

Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged.

Effective yield information

The effective yields on significant categories of financial assets and liabilities of the Group as at 31 December 2018 and 2017 were as follows:

In % p.a.	2018	2017
Financial assets		
Cash and balances with the central bank	1.72	0.49
Financial assets at fair value through profit or loss	3.29	–
Trading assets	–	1.44
Financial assets at fair value through other comprehensive income	3.47	–
Debt instruments at amortised cost	3.69	–
Financial assets available for sale	–	3.49
Loans and advances to banks	1.88	0.62
Loans and advances to customers	6.53	5.24
Financial liabilities		
Deposits from banks	**0.01**	**(0.53)**
Deposits from customers	(0.36)	(1.02)
Debt securities issued	0.79	0.60
Financial liabilities at fair value through profit or loss	1.57	–
Trading liabilities	–	1.82

Note:
(*) Yield interest rate is calculated from debt securities only.

Apart from the gap analysis as indicated above, the Group monitors its exposure to interest rate risk by Basis Point Value (BPV) and stress testing. Both of these methods measure the potential impact on the Group's overall position or shift of interest rate yield curves.

Basis point value

Basis point value measures how much monetary positions of the Group will gain or lose for a 100 basis point (bp) movement in the yield curve in terms of fair value changes. Therefore, it quantifies the Group's interest rate risk for small changes in interest rates.

As at 31 December 2018 BPVs for individual currencies were as follows:

MCZK Currency	Banking Book BPV	Trading book BPV
CZK	251	116
EUR	(30)	22
USD	(256)	(28)
RUB	–	(1)
JPY	–	–
KZT	–	1
UAH	–	–
GBP	–	1
VND	–	–
Total BPV (absolute)	**537**	**169**

As at 31 December 2017 BPVs for individual currencies were as follows:

MCZK Currency	Banking Book BPV	Trading book BPV
CZK	181	150
EUR	(39)	(3)
USD	(359)	(8)
RUB	–	–
JPY	–	–
KZT	–	–
UAH	–	–
GBP	–	–
VND	–	–
Total BPV (absolute)	**579**	**161**

The data in the table above is assessed primarily on an individual basis, taking into account the data of subsidiaries.

Stress testing

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in significant currencies with respect to the Group in related yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates in terms of fair value changes (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

MCZK	2018		2017	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	**91**	**65**	**300**	**417**
Average for the period	190	256	232	308
Maximum for the period	243	341	333	417
Minimum for the period	91	65	80	196

The data in the table above is assessed primarily on an individual basis, taking into account the data of subsidiaries.

iii. Equity risk

The equity risk is the risk of a change in the value of a financial instrument due to a change in market prices of equities or equity related instruments.

The Group is exposed to equity risk resulting from open positions in equities or equity related instruments in accordance with the strategy approved by its Board of Directors. The Group measures equity risk via the Value at Risk method as described above in the section "Value at Risk".

iv. Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Group is not exposed to settlement risk as all transactions are settled in a delivery versus payment manner.

d) Operational risk

i. Operational risks

The Security and Operational Risk Management department is responsible for managing the operational risks, i.e. the risks of losses caused by deficiencies in or failures of internal processes, the human factor or systems, or from losses caused by external factors, including legal risk. Operational risk excludes strategic and reputational risk.

Operational risks are usually the cause of an increase in the Group's expenses, a decrease in the Group's income, fines, penalties, damage, loss of the Group's tangible and intangible assets and the failure of information systems.

The Security and Operational Risk Management department prepares the operational risk management methodology, identifies, monitors, measures and assesses the operational risks, and proposes measures to mitigate the operational risks. As part of operational risk management, it is further responsible for physical security and the information system security management system, and it monitors, measures and assesses physical and information security, and prepares the methodology for the management and mitigation of the risks.

The Security and Operational Risk Management department manages the access of employees, clients and other authorised persons to tangible and intangible assets, and manages the risk in terms of arranging supplies of banking services, the launch of new products, and the utilisation of outsourcing by the Group. It also manages insurance and legal risk. The Security and Operational Risk Management department also regularly informs the management and relevant employees about operational risks and significant events that have arisen. Furthermore, it secures training for employees on the identification, reporting and handling of operational risks.

The management and employees in charge of managing operational risks within a division or department are also involved in the management of operational risks. After an operational risk is identified, they propose and arrange the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk. In proposing the measures to mitigate operational risk, they also assess the impact on expenses and income.

ii. Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts with insufficient documentation, and changes in the regulatory environment, including accepted case-law and uncertainties in counterparties' acts. The aim is to reduce the risk of loss, the risk of possible or questionable claims against the Group, or penalties, including damage to the Group's reputation. The Compliance department contributes to the mitigation of these risks.

The Compliance department performs activities aimed at harmonising the Group's internal policies and processes with external regulations. The main compliance activities are to ensure the compliance of internal guidelines with external standards, the mutual compliance of internal guidelines, the compliance of the Group's activities with internal guidelines and external standards, and the ongoing monitoring of compliance with legal obligations and responsibilities arising from the internal regulations of the Group, to establish preconditions for achieving this harmonisation, to establish preconditions for the fair provision of services to customers and to refrain from giving preferential treatment to the Group and its employees compared to customers, to prevent conflicts of interest, and to mitigate acts which would result in market abuse. It also engages in anti-money laundering activities and activities to combat financial terrorism (AML-CFT), and runs checks on these activities and handles claims and complaints.

Where compliance activities are not performed directly by the Compliance department, but are delegated to another department of the Group, the Group's managers or the Group's employees at the Compliance department act as coordinator.

The Group's managers are responsible for creating conditions for the external regulations to be adhered to. They are also responsible for issuing internal policies governing the activities they are in charge of and they are also obliged to check whether the external regulations and internal policies are observed by subordinates.

e) Capital management

The reporting of the Group's regulatory capital on a consolidated basis (for the Bank and its subsidiaries) is not required because, since 2015, reporting and capital management is carried out at the regulated consolidated group of PPF Financial Holdings B.V.

f) Components of cash flow statement

Cash and cash equivalents include cash in hand and account balances with the CNB, treasury bills with a residual maturity of up to three months and nostro account balances with financial institutions. Statutory minimum reserves are not included as cash equivalents in the cash flow statement due to their limited availability.

MCZK	31. 12. 2018	31. 12. 2017
Cash on hand	41	34
Unrestricted balances with the central bank	–	2 000
Nostro account balances	3,141	994
Reverse repo with the central bank	162,607	153,917
Total	**165,789**	**156,945**

46. Related party transactions

The Bank's parent is PPF Financial Holdings B.V. The ultimate controlling entity is PPF Group N.V.

The Group has a related party relationship with its parent company, PPF Financial Holdings B.V., and the ultimate controlling entity, PPF Group N.V., and with its subsidiaries and associates.

The Group also has related party relationships with its key management personnel, and enterprises with which it has key management personnel in common.

All transactions with related parties were concluded on arm's-length conditions.

a) Transactions with the parent company

The below stated balances are included in the statement of financial position and constitute transactions with the parent company:

MCZK	31. 12. 2018	31. 12. 2017
Financial assets at fair value through profit or loss	30	
Other assets	20	
Deposits from customers	(4,496)	(5,996)
Total	**(4,446)**	**(5,996)**

The Group neither accepted nor provided guarantees related to the above-mentioned transactions.

The below stated figures are included in the statement of comprehensive income and constitute transactions with the parent company:

MCZK	2018	2017
Interest and similar income	1	
Interest expense and similar charges	(1)	
Fee and commission income	22	1
Total	**22**	**1**

b) Transactions with other related parties

The below stated balances are included in the statement of financial position and constitute transactions with other related parties:

MCZK	31. 12. 2018	31. 12. 2017
Financial assets at fair value through profit or loss	399	–
Trading assets	–	633
Financial assets at fair value through other comprehensive income	260	–
Debt instruments at amortised cost	1,049	–
Financial assets available for sale	–	6,965
Loans and advances to banks	1,044	755
Loans and advances to customers	11,342	1,808
Other assets	28	13
Deposits from customers	(8,923)	(17,602)
Deposits from banks	(555)	(399)
Financial liabilities at fair value through profit or loss	(371)	–
Trading liabilities	–	(723)
Debt securities issued	–	(166)
Other liabilities	(414)	(435)
Subordinated liabilities	–	(758)
Total	**3,859**	**(9,909)**

The below stated figures are included in the statement of comprehensive income and constitute transactions with other related parties:

MCZK	2018	2017
Interest and similar income	1,015	694
Interest expense and similar charges	(87)	(71)
Fee and commission income	54	46
Fee and commission expense	–	–
Net trading income	223	(611)
Net impairment losses on financial assets	(10)	–
Other operating income	–	34
General administrative expenses	(151)	(155)
Total	**1,044**	**(63)**

c) Key management personnel

The below stated balances are included in the statement of financial position and constitute transactions with key management personnel:

MCZK	31. 12. 2018	31. 12. 2017
Deposits from customers	(94)	(28)

The above payables consist mainly of term deposits and balances of current accounts with the Group.

The below stated balances are included in the statement of other comprehensive income and constitute transactions with key management personnel:

MCZK	2018	2017
Net income from financial operations	(1)	(1)

d) Off-balance sheet items

As related-party transactions, as at 31 December 2018 the Group provided related parties with a credit commitment to related parties of MCZK 1,689 (31. 12. 2017: MCZK 554), a guarantee commitment and a guarantee in the amount of MCZK 111 (31. 12. 2017: MCZK 1).

47. Subsequent events

There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes thereto.

Date: 11 April 2019

Individual responsible for accounting:

Lenka Němcová

Individual responsible for financial statements:

Miroslav Hudec

Data on Persons Responsible for the Annual Report and the Examination of the Financial Statements

Affirmation

I declare that the disclosures in the Presentation Section of the Annual Report of PPF banka a.s. for 2018 are accurate and that no material circumstances have been neglected or distorted.

Petr Jirásko
Chairman of the Board of Directors

I declare that the disclosures in the Financial Section of the Annual Report of PPF banka a.s. for 2018 are accurate and that no material circumstances have been neglected or distorted.

Miroslav Hudec
Managing Director of Financial Management

Prague, 11 April 2019

Contacts

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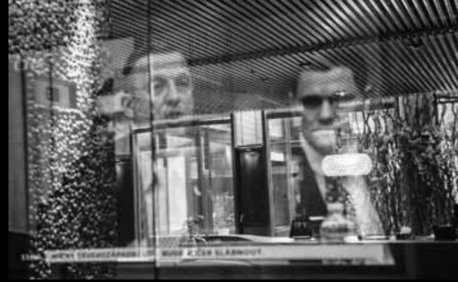
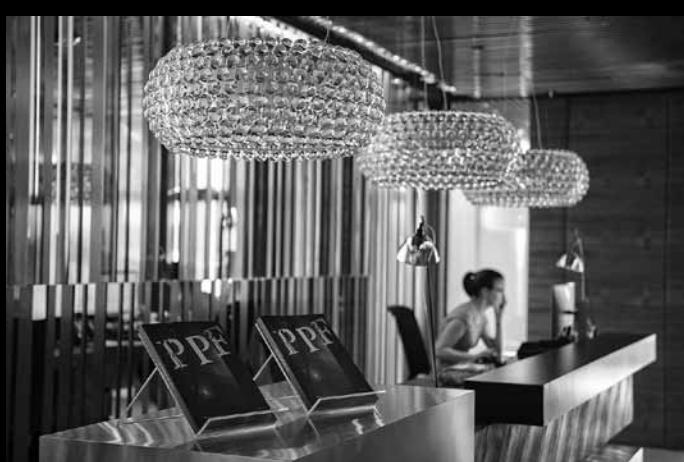
Annual Report 2018

Consulting and production: Monolake s.r.o.
Design: Studio Marvil
Photography: Karel Cudlín | 400 ASA

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