

We only do what makes sense; we see opportunities where others don't. We deliver unique solutions even in unusual situations, always intent on maintaining our excellent reputation.
PPF banka a.s.
Annual Report 2016

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Introduction by the chairman of the board of directors

Dear Shareholders, Clients, Partners and Colleagues,

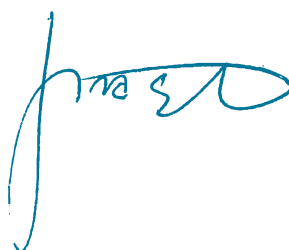
Looking back at PPF's results for the past year, we are compelled to state that 2016 was another very successful year for our Bank. We managed to generate excellent financial results, further strengthening our position in the Czech banking market.

Top 10 – What did we achieve in 2016?

1. In 2016, PPF banka generated a net profit of CZK 1,204 million, constituting a 14.75% return on average equity.
2. In addition, PPF banka improved its capital position, as demonstrated by an increase in the Tier 1 capital adequacy ratio from 11.97% to 13.4% at the end of 2015. A Bank with above average profitability and sound capital adequacy is good news for both our main shareholders: PPF and the City of Prague.
3. Last year we increased the volume of loans granted to clients by 15% to CZK 29.6 million, more than double the growth in this indicator reported by the rest of the Czech banking market (6.0%), while keeping our operations highly effective.
4. PPF banka's administrative expenses in 2016 accounted for only 0.6% of total assets, which is half of that reported by the Czech banking market. These expenses were equal to just 31% of revenues, as opposed to approximately 40% for the market as a whole.
5. In 2016, PPF banka continued to provide comprehensive services. For example, we organised and settled the squeeze-out of the minority shareholders of infrastructure telecommunication company CETIN. This was the biggest transaction of its kind in the Czech Republic, affecting 33,000 shareholders, among whom more than CZK 2.7 billion was distributed within a period of only three working days.
6. We also rounded off a joint project by O2 and Wirecard relating to the electronic reporting of sales (ERS).
7. PPF banka became the most active dealer on the primary market in Czech government bonds in 2016 and ranked first in a summary evaluation by the Czech Ministry of Finance. Of all primary bond market makers, PPF banka helped the Czech Republic to place on the market the largest number of government bonds used by the Ministry of Finance to finance the sovereign debt. From a competitive viewpoint, this is an extraordinary result as PPF banka's total assets do not come close to the totals reported by other players in the bond market.
8. We also paid increased attention to internal activities last year. While not visible from the outside at first glance, they are nevertheless essential to our success. We continued to enhance the effectiveness of the Bank's organisational structure and undertook other changes, such as an increase in the number of members of the board of directors to five and a clear definition of their competencies.
9. We have implemented new IT systems allowing for more effective use of the database.
10. We have also introduced IFRS accounting. For the first time in our history, you can read the annual report's individual financial information disclosed according to IFRS.

PPF banka's excellent financial results and other successes of the last year, resulting in the strengthening of PPF banka's position as a reliable partner in the world of finance, have been achieved owing to the Bank's ability to provide high-quality services to highly-demanding clients by harnessing the professional knowledge of its employees. For that, I would like to thank our shareholders, the PPF Group and, most of all, our employees, who channelled a lot of effort into their everyday work. Thank you very much.

Prague, 31 March 2017



Petr Jirásko
Chairman of the Board of Directors
and CEO of PPF banka

Key non-consolidated financial information

(until 2014: according to Czech Accounting Standards;
as of 2015: according to 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

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

Key non-consolidated financial information according to International Financial Reporting Standards (IFRS)

CZK millions	2016	2015	1. 1. 2015
Assets			
Cash and balances with central banks	60,032	31,952	32,129
Assets held for trading	9,987	13,622	13,841
Available-for-sale assets	31,080	26,176	26,755
Loans and advances to banks	5,437	4,632	11,555
Loans and advances to customers	29,632	25,807	23,461
Ownership interests	71	57	57
Other assets	386	838	439
Total assets	136,625	103,084	108,237
Equity and liabilities			
Deposits from banks	6,819	1,659	3,439
Deposits from customers	103,060	58,528	78,908
Debt securities issued	2,622	19,552	8,793
Financial liabilities held for trading	10,546	8,066	7,327
Subordinated liabilities	1,458	1,456	1,455
Issued capital	769	769	769
Other components of equity	7,979	6,604	5,123
Other liabilities	3,372	6,450	2,423
Total equity and liabilities	136,625	103,084	108,237
Income statement **			
Net interest income	1,808	1,810	
Net fee and commission income	164	183	
Net gain on trading and dividend income	477	484	
General administrative expenses	(760)	(714)	
Impairment losses	(38)	(73)	
Other operating profit or loss	(178)	(107)	
Income tax expense	(269)	(288)	
Profit or loss for the year	1,204	1,295	
Key ratios			
Classified client loans/total client loans	16.53%	31.98%	22.92%
Total capital ratio	15.86%	14.85%	14.73%
ROAA**	0.93%	1.17%	
ROAE**	14.75%	19.05%	
Assets per employee (CZK millions)*	624	500	544
Administrative expenses per employee (CZK millions)*	3	3	
Net profit per employee (CZK millions)*	5	6	

* According to the Czech National Bank's methodology

** Comparative information for 2014 is not provided.

Company profile

General information

Company name:	PPF banka a.s.
Legal form:	joint-stock company
Registered office:	Evropská 2690/17, Praha 6, 160 41, Czech Republic
ID#:	47116129
Registration court:	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 the subscription of shares, under the corporate 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. as well as 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 from 31 January 1995. On 23 June 2004, the regular general meeting of První městská banka,a.s. decided to change the Company's name to PPF banka a.s., with effect from 1 September 2004.

Registered capital:	CZK 769 million
Equity:	CZK 8,750 million
Total assets:	CZK 136,625 million
Shares:	non-registered, ordinary, dematerialised shares maintained in the Central Securities Depository Prague

Note: data at 31 December 2016

Principal activities

PPF banka's principal activities comprise all types of banking transactions, and the provision of banking and financial services together with related services, both on the 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 based on 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; and
- Bank Card Association.

Shareholder structure

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

Precise web address of PPF banka's mandatory disclosures: <https://www.ppfbanka.cz/en/services-for-investors-and-analysts/extract-from-information-to-be-disclosed.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 at 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 for Komerční banka, a.s. as an FX option dealer and later as the head of the Derivatives Desk. He joined PPF Group in 2002; until 2004 he worked for PPF burzovní společnost (as a bond dealer and chief dealer), and in 2004 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-chairman 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, Jaroslava worked as director of Back Office for IPB/ČSOB. From 2001 to 2005 she worked as the director of Treasury for Raiffeisenbank a.s. Jaroslava 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 a vice-chairman 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 Institute of Chemical Technology in Pardubice, majoring in Industry Economics and Management. He headed the financial departments at Monokrystal 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., Miroslav 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. From 1 September 2012, he worked for PPF banka 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 received part of her education in Moscow and graduated from the University of Economics in Economic Policy. While still a student, she worked as an analyst for Lifax a.s., an investment company, then for the Česká pojišťovna a.s. group as a senior analyst, and later as a member of the board of directors of Tesla Votice a.s. Between 1998 and 2004, she worked at the Risk Management division of Raiffeisen Bank Praha a.s., her most recent position being the 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 in various positions, the most recent of which was the deputy head of Network Credit Management & Team Coordinator CIS, until her parental leave in 2007. From 2008, she worked for Raiffeisen Bank International AG as the director of 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 National Economy of the University of Economics in Bratislava. He worked for ZOS Zvolen and then the Ministry of Foreign Affairs of the Slovak Republic. From 1994, he held various positions in Citibank's corporate banking business architecture in the Czech Republic, Slovakia, Uganda and Russia. 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 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 Russia. 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 graduated from the Faculty of Law in 1990 and then worked as a trainee lawyer 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 standing Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic. Between 1998 and 2002, Petr 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 graduating in 1997, he has provided legal services; in 2001, he passed his bar examinations and is recorded in the register of lawyers maintained by the Czech Bar Association. In his legal practice, he focuses on legal relations in the fields of real estate, financial law, public procurement law, law in commercial relationships, and insolvency law.

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. (an SBCS branch at the time) in 1987. Between 1993 and 1994, she worked for 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 Manager of the Structured Finance department.

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. Bohuslav has worked in various managerial positions for PPF Group since 1994. He served as a member of the board of directors of PPF burzovní společnost, and a member of the supervisory board of Slezan Frýdek-Místek and Gramofonové závody. He currently works for Česká pošta in Corporate Governance. Bohuslav 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.

Martin Hýbl

**Member of the supervisory board
since 2 June 2011**

Born in 1974, Martin Hýbl graduated from the Trade and Business Faculty 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 serving as the head of banking services for institutional and corporate clients. He is not a member of a governing body of any other companies.

Audit committee

Jitka Mašátová

Chairman of the audit committee

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 a student, she joined the Banking Supervision Section of the Czech National Bank, where she worked in various positions for four years. Since 2005, she has worked for PPF a.s. at its Group Internal Audit department, and 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.

Bohuslav Samec

Member of the audit committee

Born in 1959, Bohuslav Samec completed a two-semester Monetary Economics and Banking course at the University of Economics, Prague. In 1985–1993, he worked in managerial positions in the services field. He joined PPF Group in 1994, holding various managerial positions. He was a member of the board of directors of PPF burzovní společnost a.s. for ten years, and was also a member of the supervisory boards of SLEZAN Frýdek-Místek a.s. and Gramofonové závody, a.s. He currently works in the Corporate Governance department of the state enterprise Česká pošta. Since 2009, he has been a member of the supervisory board of PPF banka a.s., having also held this position in 2006–2008.

Valdemar Linek

Vice-chairman of the audit committee

Born in 1971, Valdemar Linek graduated from the University of Economics in 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. After graduating from the University of Economics, Prague, he joined the audit firm HZ Praha, spol. s r.o., where he worked as director of auditors from 1997. Since 2003 he has been a member and partner of NEXIA AP a.s., where he specialises in statutory audit, economic, financial, accounting and tax advisory, due diligence, forensic investigations, financial management analyses and other analytical activities.

Top management

Petr Jirásko

Chief Executive Officer
since 14 October 2013

Gabriela Mořovská

Managing Director of Risk Management
since 1 January 2016

Igor Kottman

Managing Director of the Sales division
since 11 January 2016

Jaroslava Studenovská

Managing Director of the Operations division
since 1 May 2007

Miroslav Hudec

Managing Director of Financial Management
since 1 January 2014

Karel Tregler

Managing Director of Financial Markets
since 1 January 2014

Tomáš Janota

Managing Director of IT
since 1 August 2013

Organisational structure of PPF banka a.s.

at 31 December 2016

Supervisory Board	Audit Committee
Board of Directors	003 Compliance 004 Internal Audit
Chief Executive Officer	
010 Office of CEO and HR 030 Concierge 040 Legal 090 Management of Projects	
200 Financial Controlling 210 Accounting 240 Controlling and Regulatory Reporting	500 IT 520 IT Infrastructure 530 IT Applikation 531 IT Helpdesk
300 Financial Markets 320 Trading 330 Corporate and Municipal Clients Sales 340 Treasury 350 Institutional and Corporate Banking Services 360 Investment Strategies and Analysis 370 Institutional Clients Sales 380 Private Banking 390 Municipal Banking	600 Operations 610 Client Banking Services 620 Management of Payment Services 640 Payments 650 Back Office – Finance Markets 651 Back Office – Money Markets 652 Back Office – Capital Markets 660 Credit Administration 670 Custody 680 Middle Office 690 Electronic Payment Systems
400 Corporate Banking 410 Export and Structured Financing 411 Export Financing 412 Structured Financing 413 Corporate Financing 460 Corporate Banking 490 Company Private Banking	700 Risk Management 710 Market Risk Management 720 Credit Risk Management 730 Work-out 750 Loan Maintenance and Monitoring 760 Business Continuity Management (BISO)

Report of the board of directors on the Company's business activity and assets

Macroeconomic developments in the Czech Republic

In 2016, the Czech economy slowed down significantly compared with the previous year. Even so, with a year-on-year growth rate of 2.3%, it ranks among the fastest growing economies in the European Union and, according to various indicators, remains in very good condition. The slowdown was caused by the absence of the one-off factors that had contributed to record-high economic growth in 2015, namely investment. In 2015, investment was artificially increased by the final drawdown of European funds from the 2007–2013 programming period, all of which had to be paid out by the end 2015. In 2016, the high basis of comparison and the slow emergence of new projects led to investment contributing negatively to economic growth. Personal consumption, on the other hand, remains strong, growing at a stable pace of 2.5% since 2015, thus contributing 1.3% to growth. International trade also reported good results. The balance of trade (goods and services) returned a record surplus of CZK 350 billion, contributing 1% to growth.

The supply side of the economy has not changed significantly. Industry continued to be the main driver of growth in 2016, although it grew at a slower rate, with manufacturing contributing 1.2% to growth (i.e. 0.8 percentage points less than in the previous year). The biggest contributor is the automotive industry, which continued to prosper in 2016, mainly thanks to high demand for new cars in Europe, the destination of the bulk of Czech exports. The growth rate for services decreased as well, and construction production dropped by 5.8%, reducing economic growth by 0.4%. The construction sector was thus hit hardest by the lack of public investment.

The situation in the labour market, too, continues to be positive, with the lowest unemployment in the whole of the European Union. According to the Czech Statistical Office, in the fourth quarter of 2016 the general unemployment rate in the Czech Republic fell to 3.6%, the lowest level in the history of the Czech Republic as an independent country. Conversely, the proportion of employed people was a record high at 72.9%. The number of vacancies has also progressed positively, and continues to grow despite record employment (in 2016 the number of vacancies increased by 25,000 to more than 130,000). The labour market may thus find itself below the natural rate of unemployment, and the lack of workers is driving wage growth. The average wage grew 4.2% year on year in 2016. Wages increased primarily for low-income workers, prompted in particular by a hike in the minimum wage.

For the first time in four years, inflation finally reached the Czech National Bank's target level at the end of 2016. This was helped by several factors, in particular by the rising prices of commodities and foods. Core inflation, reflecting not only rising prices at restaurants due to the electronic reporting of sales but also, to a certain extent, wage pressures, started increasing, too. Last but not least, inflation growth is also being fuelled by global prices, which are slowly starting to increase as well.

As inflation growth was very slow during 2016, the Czech National Bank (CNB) had no reason to change its loose monetary policy. The main rate remained at "technical zero" (0.05%) throughout the year, and the CNB did not change its approach to the Czech crown, which it has been keeping from appreciating to above 27 EUR/CZK since November 2013. Growing inflation during the year led to speculation that the intervention regime would end soon and that the Czech crown might subsequently appreciate, which resulted in larger interventions and an increase in foreign exchange reserves. At the end of 2016, the CNB held reserves of EUR 81 billion (47% of GDP).

The fiscal situation continues to be favourable. Government debt as a percentage of the GDP decreased to 37.2% and the Czech Republic remains one of the least indebted countries in the European Union. In 2016, for the first time in 21 years, the Czech Republic posted a budget surplus (CZK 61.8 billion). The surplus was caused by both higher revenue (better tax collection, incoming EU funds) and lower expenditure (low investment).

2016's favourable economic situation also had an effect on the banking sector. The total volume of loans provided by banks at the end of 2016 rose by 6% year on year to CZK 2,950 billion. Loans to households increased by 7.7% year on year, exhibiting a slight slowdown towards the end of the year, when household demand was affected by the new law on consumer loans and by the CNB's macro-prudential measures restricting mortgage lending.

Loans to non-financial businesses, totalling CZK 976 billion at the end of 2016 (up 6% from the previous year), increased as well. 2016 saw a gradual change in the structure of corporate loans in terms of currency. While the volume of CZK-denominated loans to non-financial businesses decreased by almost 1% year on year, foreign-currency loans grew by 29% in 2016. At the end of 2016, a third of loans to non-financial businesses were denominated in foreign currency. As the end of the CNB's foreign exchange interventions draws near, demand for euro-denominated loans is increasing as they can be used as a form of foreign exchange hedge.

The overall quality of the loan portfolio continued to improve. In 2016, the proportion of non-performing loans decreased by 1 percentage point to 4.8%.

Stress tests performed by the CNB showed that the resilience of the Czech Republic's financial sector to potential adverse shocks is even higher than in 2015.

PPF banka's financial performance in 2016

2016 was another year of excellent performance for PPF banka. Profit after tax in 2016 was CZK 1,204 million. Equity increased by almost 19% to CZK 8,750 million. Compared with the end of 2015, total assets and receivables from customers grew by 32% and 15%, respectively.

Net interest income remained virtually unchanged year on year (2016: CZK 1,808 million; 2015: CZK 1,810 million). The effect of decreasing interest rates is noticeable when comparing the volume of both interest income (-4%) and interest expense (-17%). Net fee and commission income decreased slightly in 2016 to CZK 164 million. In 2016, PPF banka reported a gain from financial operations of CZK 476 million, as compared to CZK 482 million in 2015. This essentially the same result in both periods was helped by successful trading in securities.

As in the previous year, total operating income exceeded CZK 2.4 billion.

Losses arising from the impairment of receivables and guarantees decreased to CZK 38 million in 2016. In 2015 these losses amounted to CZK 73 million.

The 6% increase in general administrative expenses for 2016 compared with 2015 is due to a rise in personnel expenses. The massive year-on-year increase of CZK 72 million in other operating expenses was caused by a newly introduced resolution fund contribution. The remaining portion relates to the depreciation of assets. The ratio of administrative expenses to total operating income (excluding expenses relating to adjustments) increased slightly to 31%, as compared with 29% in 2015.

The gross amount of non-performing loans was CZK 4.3 billion, down CZK 384 million from 2015. The non-performing loan ratio currently amounts to 14%, down 3% from the end of 2015. However, this percentage does not accurately reflect the risk borne by PPF banka as the category of non-performing loans contains loans covered by EGAP insurance. The non-performing loan ratio is calculated based on gross exposure per client, and EGAP insurance is not taken into account. After adjusting the volume of non-performing loans for EGAP insurance (for non-performing loans insured by EGAP, the insurance value is deducted from gross exposure), the ratio of non-performing loans to total loans provided equals 4.38%, down 1% from the end of 2015. The actual credit portfolio exposure is thus significantly lower and well below the upper limit defined by the risk appetite.

In 2016, PPF banka generated profit before tax of CZK 1,473 million, down CZK 110 million from 2015. The decrease can primarily be attributed to a rise in operating expenses. Last year, PPF banka paid income tax of CZK 269 million.

Receivables from customers increased 15% year on year to CZK 29.6 billion, mainly in the non-financial organisation sector.

Cash and balances with central banks totalled CZK 60.0 billion in 2016, as compared with CZK 31.9 billion in 2015. The increase is due to higher deposits from customers.

Deposits from customers are the primary source of financing. The volume of funds in client accounts totalled CZK 103 billion. The massive increase in deposits repayable on demand is attributable to non-resident businesses and the public sector. The year-on-year increase in term deposits is primarily attributable to the public sector segment, as is the decrease in liabilities arising from debt securities. Financial liabilities held for trading increased by CZK 2.5 billion to CZK 10.5 billion from the end of 2015.

The return on equity was 14.75% in 2016, and the total capital ratio at 31 December 2016 was 15.86%.

PPF banka carried on with its charity projects in 2016 and continues to regard corporate social responsibility as one of its fundamental values.

PPF banka's business activity in 2016

PPF banka's activity on the financial markets

In 2016, PPF banka traded on the financial, capital, derivative and foreign exchange markets with the aim of expanding its product portfolio and increasing the volumes of instruments.

With respect to securities, in 2016 PPF banka became the most active dealer in the primary Czech government bond market and came first in the Czech Ministry of Finance's ranking. Of all the primary dealers, PPF banka thus helped the Czech Republic to market the highest volume of government bonds (duration weighted) used by the Czech Ministry of Finance to finance government debt. In the overall ranking (including both the primary and secondary markets), PPF banka came second, an excellent result.

Overview of PPF banka's securities trading volumes:

CZK billions	2016	2015	2014
Domestic bonds	228.6	161.5	153.2
Foreign bonds	37.4	19.4	77.5
Total bonds	266.0	180.9	230.8
Domestic shares	2.1	0.9	0.7
Foreign shares	6.8	4.0	21.7
Total shares	8.9	4.9	22.4
Total	274.9	185.8	253.2

PPF banka played a key role in the issue of CZK and EUR bonds of Česká telekomunikační infrastruktura (CETIN), acting as the arranger of the entire scheme and the manager of the CZK issue. In terms of the volume issued, the CETIN bonds were the largest euro- and crown-denominated issue effected by a Czech firm as part of corporate financing in 2016. In addition, PPF banka successfully managed the engagement to repurchase the bonds of Home Credit & Finance Bank and PPF Real Estate.

On the foreign exchange market, the traded volume decreased slightly in both the spot and derivatives markets. This was largely caused by the minimal volatility and overall reduced liquidity of the EUR/CZK currency pair. The distribution and timing of the volume of PPF banka's transactions in the foreign exchange market is shown in the table below.

CZK billions	2016	2015	2014
FX spot	166.7	178.5	173.0
FX derivatives	373.1	425.3	469.3
Total	539.8	603.8	642.3

With respect to interest rate derivatives, PPF banka has expanded primarily in terms of hedging debt instruments for clients, and successfully increased the total volume of interest rate swaps and other instruments.

CZK billions	2016	2015	2014
IR derivatives	45.0	26.0	14.6

In addition to its trading activity, PPF banka started distributing analytical materials that assess the trends in the financial markets both periodically and on an ad hoc basis.

Public sector

In recent years, PPF banka a.s. has become a major partner of the largest public sector clients. As a result of such partnerships, last year was characterised by new products and services. We successfully implemented payment card acceptance services and started preparing smart city services.

2016 was a record year in terms of performance in this sector; we reported increases in the number of major clients, the volume of liabilities and other key indicators.

We also became proud partners of several major professional conferences and provided financial support to certain non-profit clients.

Our core principles include a tailored approach, expert knowledge, and the ability to listen and seek out customised solutions. We will continue to focus on building these values in the coming years, offering our clients a completely different view of banking services.

Corporate banking

In 2016, our corporate banking efforts continued to focus on developing relationships with our key clients in segments in which we have long specialised. These primarily include production/industrial sectors such as engineering, logging, wood processing and energy projects, both in the Czech Republic and abroad, as well as domestic wholesale and retail, including e-shopping, and foreign trade activities. We also continued to seek out new attractive real estate deals, the share of which has significantly supported our portfolio's growth and stability. In 2016, PPF banka's export and structured finance 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 expanding abroad, and helps Czech and foreign investors to finance projects and acquisitions. In 2016 the Bank led and entered into a range of major structured finance transactions designed to support its clients' development and acquisition activities.

In 2016, our corporate banking division, which focuses primarily on small and medium-sized enterprises, managed to maintain the prior year's financial performance, thanks to the exceptional effort of all employees of the division, while expanding cooperation with existing clients and selectively acquiring new clients. Our financing continued to help clients to grow and achieve excellent results.

All our corporate banking activities were conducted on the basis of a high level of cooperation with our clients, the professionalism of our team and a high-quality product offer, while aiming to maintain the high quality of our loan portfolio.

Private banking for individuals

PPF banka's private banking division specialises in the most demanding private clients. In 2016, we continued to increase the number of satisfied clients and other key parameters. During 2016, our team of experienced private bankers issued various unique products that proved a success in the highly competitive market, thus strengthening the position of both PPF banka and the Group as a whole. Our long-term strategy continues to be based on providing a tailored approach, building mutual trust and focusing on client satisfaction. Our clients' continued interest motivates us to look for additional ways to maximise the quality and range of our services.

Information technology and security

For the IT function, 2016 was a year of advances in processes, infrastructure and key projects. Additional human resources were assigned to IT infrastructure, information security and project management teams.

The autumn of 2016 saw the successful completion of the SEPA project, which aligned the Bank with the standard processing of payments within the single European area. During the year, a project involving the replacement of the client information recording system moved towards the acceptance phase. In accordance with the Bank's overall strategy and its five-year outlook, we focused on defining the key requirements for developing digital interaction with clients, in terms of both functionalities and impacts on the Bank's overall IT architecture. At the end of the year, the upgrade of the main banking system was started. Our DWH and BI efforts included, in particular, the development of reconciliation mechanisms and the strengthening of BI governance.

Activities related to MIFID 2, EMIR 2, PSD 2 and GDPR passed the initiation phase, with the detailed definition of impacts expected in 2017, followed by the implementation phase (depending on the results).

The Bank's IT infrastructure underwent several significant changes last year, including the planning and subsequent successful relocation of the backup data centre into new premises, which was carried out at the start of 2017. This was accompanied by upgrades of core technologies, and the consolidation and cost optimisation of subscribed data services. Additional successful initiatives included the consolidation of the database environment.

IS/IT security measures included the implementation of a SW licence management system and related processes. To reduce operational risks, we significantly enhanced the system of operational and line controls and expanded monitored services. An extensive review of employees' access rights in all of the Bank's systems was conducted. The Bank also upgraded its monitoring tools and reviewed procedures related to monitoring and assessing operational incidents, which has a positive effect on the reliability of the IT environment's operation.

One major security incident – a one-day outage of internet banking and home banking – occurred last year. Other security incidents and events did not have a significant impact on the Bank and were eliminated as they occurred.

Human resources and personnel strategy

In 2016, the objective of our HR management efforts was to support the overall strategy of PPF banka/PPF Group through the proper recruitment, management, remuneration and development of all of the Bank's employees, including top management and members of the board of directors, supervisory board and committees.

Open communication at all levels, a professional corporate culture and mutual trust among employees continue to be our priorities. We strive to encourage efficiency, loyalty and teamwork through our reward and benefit scheme and by pursuing equal opportunity principles.

In 2016, the Bank continued to be a highly sought-after employer for job-seekers. The recruitment process is designed to select candidates with the best professional and personal profiles and to maintain staff diversity. We also hire young graduates with no previous work experience.

The average number of employees in 2016 was 217, and the headcount at 31 December 2016 was 219 employees.

Principles of remuneration of the issuer's executives and supervisory board members

Remuneration principles are set in compliance with applicable legislation. They have been determined by the board of directors and approved by the supervisory board. Their definition takes into consideration PPF banka's performance and links to possible risks. Compliance with these principles is reviewed annually by the Internal Audit department, which reports the findings to the supervisory board and the board of directors.

For 2016, only approved cash remuneration was paid out and no in-kind income was provided.

Fees paid to auditors

Fees paid to the external auditor for services provided in 2016 amounted to CZK 7 million (2015: CZK 6 million). All services of the external auditor related to the audit of the financial statements, annual report, group reporting package, corporate governance report and MiFID report.

Corporate social responsibility

PPF banka has consistently made 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.

With regard to culture, the Bank, along with PPF Group, financially supports the operation of the Jára Cimrman Theatre, which has been providing joy and humour for 50 years. Another project long supported by us as part of PPF Group is the Summer Shakespeare Festival, a highlight of Prague's summer culture that continues to attract visitors thanks to both the immortal work of William Shakespeare and the beautiful setting of Prague Castle.

Other information

In 2016 and 2015 the Company incurred no expenditure on research and development or environmental protection.

The Company has no branches abroad.

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.

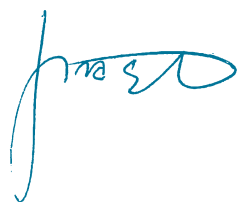
Proposal for the distribution of profit for 2016

PPF banka generated profit after tax of CZK 1,203,617,292.92 in 2016.

PPF banka's board of directors proposes the following profit distribution:

transfer to the social fund	CZK 2,000,000.00
transfer to retained earnings	CZK 1,201,617,292.92

Prague, 31 March 2017



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

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

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 2016, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year 2016 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 2016, and of its financial performance and its cash flows for the year 2016 then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the 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.

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.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 judgements 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 financial statements is, in all material respects, consistent with the 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 Company 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 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of PPF banka a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague, 31 March 2017

KPMG Česká republika Audit

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



Jindřich Vašina
Partner
Registration number 2059

Non-consolidated Financial Statements

for the year ended 31 December 2016 according to International Financial Reporting Standards (IFRS)

Individual Statement of Comprehensive Income

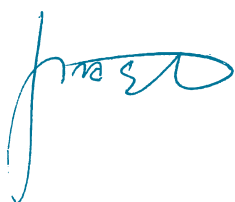
for the year ended 31 December 2016

CZK millions	Note	2016	2015
Interest and similar income	7	2,299	2,401
Interest expense and similar charges	7	(491)	(591)
Net interest income		1,808	1,810
Dividend income		1	2
Fee and commission income	8	219	233
Fee and commission expense	8	(55)	(50)
Net fee and commission income		164	183
Net trading income	9	476	482
Other operating income	10	2	1
Operating income		2,451	2,478
General administrative expenses	11	(760)	(714)
Impairment (loss)/reversal	24	(38)	(73)
Other operating expenses	12	(180)	(108)
Operating expenses		(978)	(895)
Profit before income tax		1,473	1,583
Income tax expense	21	(269)	(288)
Net profit for the year		1,204	1,295
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair-value reserve (AFS financial assets):		214	231
Net change in fair value		369	169
Net amount transferred to profit or loss		(155)	62
Related tax		(41)	(44)
Other comprehensive income for the period		173	187
Total comprehensive income for the period		1,377	1,482

The notes on pages 36 to 88 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 31 March 2017.

Signed on behalf of the Board of Directors by:



Petr Jirásko



Miroslav Hudec

Individual Statement of Financial Position

as at 31 December 2016

CZK millions	Note	31. 12. 2016	31. 12. 2015	1. 1. 2015
Assets				
Cash and balances with the central bank	13	60,032	31,952	32,129
Trading assets	14	9,987	13,622	13,841
Financial assets available for sale	15	31,080	26,176	26,755
Loans and advances to banks	16	5,437	4,632	11,555
Loans and advances to customers	17	29,632	25,807	23,461
Investments in subsidiaries	18	71	57	57
Income tax receivables		–	–	44
Property, plant and equipment	19	29	30	26
Intangible assets	20	57	53	52
Other assets	23	300	755	317
Total assets		136,625	103,084	108,237
Liabilities				
Deposits from banks	25	6,819	1,659	3,439
Deposits from customers	26	103,060	58,528	78,908
Debt securities issued	27	2,622	19,552	8,793
Trading liabilities	28	10,546	8,066	7,327
Income tax liabilities	29	36	109	–
Deferred tax liabilities	21	164	132	83
Other liabilities and provisions	30	3,172	6,209	2,340
Subordinated liabilities	31	1,458	1,456	1,455
Total liabilities		127,877	95,711	102,345
Shareholders' equity				
Issued capital	33	769	769	769
Share premium	33	412	412	412
Retained earnings		6,899	5,697	4,404
Fair-value reserve	34	668	495	307
Total shareholders' equity		8,748	7,373	5,892
Total liabilities and shareholders' equity		136,625	103,084	108,237

Individual Statement of Cash Flows

for the year ended 31 December 2016

CZK millions	2016	2015
Cash flows from operating activities		
Profit before income tax	1,473	1,583
Adjustments for:		
Depreciation and amortisation	27	32
Foreign exchange gain/loss	38	(180)
Net impairment loss on investment securities	–	15
Net impairment loss on loans and advances	38	73
Net interest income	(1,808)	(1,810)
Revaluation of financial assets and liabilities through profit and loss	65	(436)
Net gain/loss on the sale of available-for-sale securities	(155)	68
Dividends on trading securities	(1)	(2)
Other adjustments	173	188
Operating profit before cost changes	(150)	(469)
Changes in:		
Balances with the central bank	(69)	171
Trading assets	5,265	1,132
Loans and advances to banks	(1,577)	7,722
Loans and advances to customers	(3,836)	(2,040)
Other assets	455	(438)
Trading liabilities	785	(239)
Deposits from banks	5,160	(1,780)
Deposits from customers	44,532	(20,380)
Other liabilities and provisions	(3,039)	3,869
	47,526	(12,452)
Interest received	2,224	2,401
Interest paid	(413)	(706)
Income taxes paid	(310)	(86)
Net cash used in operating activities	49,027	(10,843)
Cash flow from investing activities		
Acquisition of investment securities	(8,336)	(20,080)
Proceeds from sale of investment securities	3,629	20,967
Acquisition of property and equipment	(8)	(31)
Acquisition of intangible assets	(22)	(36)
Acquisition of subsidiaries	(15)	–
Net cash used in investing activities	(4,752)	821
Cash flow from financing activities		
Proceeds from issue of debt securities	970	33,672
Repayment of debt securities	(17,984)	(22,831)
Net cash from financing activities	(17,014)	10,841
Net increase/(decrease) in cash and cash equivalents	27,261	819
Cash and cash equivalents at 1 January	31,440	30,647
Effect of exchange rate fluctuations on cash and cash equivalents held	(22)	(26)
Cash and cash equivalents at 31 December (see Note 39 [f])	58,679	31,440

Individual Statement of Changes in Equity

for the year ended 31 December 2016

CZK millions	Issued capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2016	769	412	495	5,697	7,373
Total comprehensive income for the period					
Profit for 2016	-	-	-	1,204	1,204
Other liabilities – “social fund”	-	-	-	(2)	(2)
Other comprehensive income					
Changes in fair value on available-for-sale financial assets, net of tax	-	-	173	-	173
Total comprehensive income for the period	769	412	668	6,899	8,748
Transactions with owners, contribution and distribution to owners					
Dividends paid	-	-	-	-	-
Balance at 31 December 2016	769	412	668	6,899	8,748
Balance at 1 January 2015	769	412	307	4,404	5,892
Total comprehensive income for the period					
Profit for 2015	-	-	-	1,295	1,295
Other liabilities – “social fund”	-	-	-	(2)	(2)
Other comprehensive income					
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	-	-
Transfers	-	-	188	-	188
Total comprehensive income for the period	769	412	495	5,697	7,373
Transactions with owners, contribution and distribution to owners					
Dividends paid	-	-	-	-	-
Balance at 31 December 2015	769	412	495	5,697	7,373

Notes to the Individual Financial Statements

for the year ended 31 December 2016

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., registered in the Netherlands.

Registered office of the Bank:

PPF banka a.s.
Evropská 2690/17
160 41 Prague 6
Czech Republic

The Bank has not prepared a separate annual report because it includes the respective 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 available-for-sale assets.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

Individual financial statements have been prepared on the going-concern principle.

The Bank first prepared financial statements in accordance with IFRS for the year ended 31 December 2016.

The Bank has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as at 1 January 2015 and throughout all periods presented, as if these policies had always been in effect.

For periods up to and including the year ended 31 December 2015, the Bank prepared its statutory financial statements in accordance with Czech accounting legislation for banks as required by legislation of the Czech Republic (CZ GAAP). These were prepared as the Bank's statutory financial statements. For year ended 31 December 2015, only consolidated IFRS financial statements were prepared and presented.

Note 6 discloses the impact of the transition to IFRS on the Bank's reported financial position and financial performance in comparison to CZ GAAP.

(b) Foreign currency

(i) Functional currency

The separate 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 presentation 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 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

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

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

- those designated upon initial recognition as 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 be classified as available for sale.

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

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

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

(ii) Recognition

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

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

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

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

(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 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 Audit Committee.

(v) Gains and losses on subsequent measurement

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 "Operating income".

Gains and losses arising from a change in the fair value of financial assets available-for-sale are recognised directly in other comprehensive income and become an equity item as "Changes in fair value on available-for-sale financial assets".

(vi) Specific financial instruments

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 and purchased loans that the Bank has the intent and ability to hold to maturity are classified as loans and receivables.

Loans and advances are reported net of allowances for impairment to reflect the estimated recoverable amounts – see accounting policy (g).

Debt securities issued (Other liabilities supported by paper evidence)

Other liabilities for which paper evidence exists are classified as non-trading liabilities.

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.

(vii) Financial Derivatives

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. They are 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 are presented in this line item.

Hedging derivatives are those which are designated as hedging instruments in hedges fulfilling the conditions of IAS 39. In the footnotes, they are presented in the line item “Hedging derivatives”.

Changes in fair value (clean price) of derivatives in fair value hedges are recognised in the income statement in the line item “Net trading income”.

(viii) Embedded Derivatives

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

(d) Derecognition

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

Available-for-sale assets and trading assets that are sold are derecognised and the corresponding receivables from the buyer are recognised on the date they are transferred (settlement date accounting). The Bank uses 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 Bank.

(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. 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.

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 income.

(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.

Despite the amendments to IFRS 7, the Bank has not expanded its disclosures about the offsetting of financial assets and financial liabilities as the Bank's agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Bank does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events. This applies to ISDA agreements, sale and repurchase agreements and any related rights to financial collateral or securities borrowing and lending agreements.

(g) Impairment

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

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

Loans and advances and held-to-maturity investments

Loans and advances are presented net of specific and portfolio provisions for uncollectibility.

Specific provisions are established against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of the outstanding balances to reduce these loans and advances to their recoverable amounts. The provisions are 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 does 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 be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss. The Bank mainly uses the financial statements of the client and the Bank's own analysis as the basis for assessment of the loan's collectability.

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

(h) Interest income and expense

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.

(i) Fee and commission income

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.

(j) Penalty fees

Penalty fees are recognised in the statement of comprehensive income when a penalty is charged to a customer, taking into account its collectability.

(k) Gains/losses from financial operations

Gains/losses from financial operations include gains and losses arising from disposals of financial assets and liabilities at fair value through profit or loss and available-for-sale assets and gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss.

(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. The guarantee is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under guarantee has become probable). Financial guarantees are included in “Other liabilities and provisions”.

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2016, and have not been applied in the preparation of these financial statements. Of these pronouncements, the following will potentially have an impact on the Bank's operations.

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.) This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair-value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification under the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order 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 on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

Detailed description and explanation of implementation

The IFRS 9 implementation project currently taking place in the Bank primarily involves the areas of classification and impairment.

Classification and measurement

The standard changes the approach to the classification of financial instruments. The existing model based on portfolios (FVTPL, AFS, L&R, HTM) will be abandoned. Under the new approach, financial assets will be classified based on the business model under which they are held, and the characteristics of contractual cash flows comprising solely payments of the principal and interest on the outstanding amount (SPPI test). According to these criteria, measurement categories are defined as:

- financial assets measured at amortised cost (AC);
- financial assets measured at fair value through profit or loss (FVTPL);
- financial assets measured at fair value through other comprehensive income (FVOCI).

Based on the result of the SPPI test, credits can be classified either as AC, or as FVTPL. Portfolio analysis is currently in process; however, the Bank expects that a major portion of its credit portfolio will pass the SPPI test and will thus be classified as AC, i.e. presented in a manner that will practically not change from the current presentation under IAS 39.

Other financial instruments, namely securities, are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (held to collect and held to collect and sell). For these assets, some minor changes in presentation may occur as a result of changes in classification in individual cases.

Impairment

IFRS 9 brings a fundamental change in the approach to determining credit losses: the current “incurred loss” concept under IAS 39 is being replaced by a new “expected credit loss” concept. The Bank expects the new concept to accelerate the recognition of impairment losses for financial assets, and to increase the level of allowances at the date of initial recognition.

IFRS 9 also requires that, apart from historical information, current and forecast macroeconomic or other information specific to the Bank should be taken into account when calculating impairment. The methodology for the use of such information is currently subject to internal analyses and specification.

Under the approach in IFRS 9, a new segmentation of financial assets for the purposes of presentation and establishment of allowances will be introduced – in three stages:

- Receivables and other financial assets without default will be divided into:
 - Stage 1, where, according to the Bank’s assumption, a majority of standard receivables and other financial assets not past due will be included;
 - Stage 2, where financial assets will be included for which a credit risk has increased significantly since initial recognition and at the same time a low credit risk exemption cannot be applied (this will be assessed using both a quantitative approach based on the number of days past due, and a qualitative approach; the exact setting of the methodology is still subject to analyses and model development).
- Receivables and other financial assets in default will be included in Stage 3.

This new segmentation subsequently determines the method for the calculation of allowances, which is as follows:

- The allowance for Stage 1 receivables equals the expected loss on the relevant instrument following from 12-month expected credit losses resulting from the default of the borrower.
- As for Stage 2, a new term – a lifetime expected credit loss – is newly introduced, representing the modelled expected loss reflecting the entire period of maturity of the instrument. This calculation includes parameters corresponding to the period of the remaining maturity of the asset which are now subject to development and calibration. In accordance with this concept, the Bank reflects the available information in the development of the models.
- As for Stage 3, the Bank does not expect to implement any significant changes to the calculation logic compared to the existing establishment of allowances for receivables in default (the split into the individual and collective calculation of allowances will be preserved).

Hedge accounting

In general, the standard extends and simplifies options for the application of hedge accounting. It enables, for example, more non-financial items or derivatives to be included in hedged items and simplifies the assessment of hedge accounting effectiveness. The Bank thus expects hedge accounting to be more generally used after the application of the standard.

Implementation timetable

The Bank is not planning the early application of IFRS 9. It will thus apply the requirements of IFRS 9 with effect from 1 January 2018.

Expected implementation timetable:

2016 – first quarter of 2017	Completion of the impact analysis of the new standard.
second quarter of 2017	Development of an impairment model under the new standard. Establishment of internal and group methodologies and parameter calculation.
third quarter of 2017	User testing.
fourth quarter of 2017	Parallel coexistence of the run-out model under IAS 39 and the new model under IFRS 9.

The Bank is not going to revalue the prior period. It plans to establish and disclose the following reconciliation:

- Reconciliation of financial assets under the portfolios defined in IAS 39 as at 31 December 2017 and financial assets under the new portfolios defined in IFRS 9 as at 1 January 2018
- Reconciliation of the allowances as defined in IAS 39 as at 31 December 2017 and allowances as defined in the new standard IFRS 9 as at 1 January 2018 according to individual categories of financial assets

Quantification of effects

Due to the comprehensive nature of the change connected with the new standard and to the ongoing implementation projects, the Bank does not currently quantify the expected impact of the initial application of IFRS 9 on the financial statements.

Impact-related qualitative information

The Bank expects the main impact to have the form of an increase in allowances, as the new standard also requires loss allowances to be established for those assets for which there is no objective proof of impairment available as at the balance sheet date. The Bank expects the increase to be significant.

Upon initial recognition as at 1 January 2018, the effect of a change in the impairment of financial assets will be recorded to equity on a one-off basis. The ongoing changes after 1 January 2018 resulting from the new requirements on the establishment of allowances will be recognised in the income statement.

In terms of regulatory capital planning under Basel III standards having the form of the CRR Regulation (EU), a one-off decrease in the regulatory capital is expected as at 1 January 2018 because of a one-off decrease in the value of retained earnings, which is one of the main components of the common equity Tier 1 (CET 1) capital.

Based on the documents issued by the Basel Committee on Banking Supervision (BCBS) issued in October 2016, the effect of the impact of the new standard IFRS 9 on the CET 1 regulatory capital is expected to be spread over several years. The new CRR 2 draft from November 2016 expects the impact of the additional allowances resulting from the application of IFRS 9 to be spread over five years.

IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.) The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Bank found that the new standard would 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 effective date has not yet been determined by the IASB, however earlier adoption is permitted.) 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 or not it is housed in a subsidiary); 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 found that the new standard would have no major impact on its financial statements.

Annual improvements

Improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are effective for annual periods beginning on or after 1 January 2017, or for annual periods beginning on or after 1 January 2018, to be applied retrospectively.

The Bank found that the annual improvements would 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 assumptions

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 loans and receivables

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

The Bank classifies the loans to individual customers under several classes, the significant ones being all loans to corporate customers. As the Bank's consumer loan portfolio (i.e. Consumer loan receivables and Cash loan receivables) consists of a large number of loans with relatively low outstanding amounts, the loan portfolio does not comprise any individually significant items.

The Bank first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loan or receivable that is not individually significant. 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, is impaired includes observable data that comes 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) is 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, timely identification of impairment loss occurs with a subsequent shift to the Work-out Committee.

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

(ii) Change in accounting policy

There were no changes in accounting policies during the years 2016 and 2015.

(iii) Effect of the changes in accounting standards in these financial statements

In 2016 and 2015, the Bank did not identify any changes of financial reporting standards that would affect the Bank's financial statements.

6. Explanation of transition to IFRS

Significant accounting policies set out in Note 3 have been applied in the preparation of the financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the year ended 31 December 2015 and in the preparation of an opening IFRS statement of financial position at 1 January 2015 (the Bank's date of transition).

In preparing its opening IFRS statement of financial position, the Bank has reclassified amounts reported previously in financial statements prepared in accordance with Czech accounting legislation for banks (CZ GAAP).

An explanation of how the transition from the previous CZ GAAP to IFRSs has affected the Bank's financial position and financial performance is set out in the following tables and the notes that accompany the tables. The Bank was not required to prepare a statement of cash flows and a statement of other comprehensive income under CZ GAAP. Therefore, no explanation of impact of the transition to IFRSs on cash flows and other comprehensive income is included.

Based on IFRS 1, since the transition date Bank has decided to account for Investments in subsidiaries at cost less impairment, if any. Accounting at cost matches the previous carrying amount under CZ GAAP.

Reconciliation of the statement of financial position as at 1 January 2015

	CZ GAAP as at 1. 1. 2015	Notes to reclasses	FS caption to IFRS reclasses	IFRS as at 1. 1. 2015
Assets				
Cash and balances with central bank	27,429	l	4,700	32,129
Trading assets	10,546	a, d	3,295	13,841
Financial assets available for sale	26,755	d	–	26,755
Loans and advances to banks	16,255	l	(4,700)	11,555
Loans and advances to customers	23,461		–	23,461
Investment in subsidiaries	57		–	57
Income tax receivables	–	c	44	44
Property, plant and equipment	26		–	26
Intangible assets	52		–	52
Other assets	3,656	a, b, c	(3,339)	317
Total assets	108,237		–	108,237
Liabilities				
Deposits from banks	3,439		–	3,439
Deposits from customers	78,908		–	78,908
Debt securities issued	14,376	g	(5,583)	8,793
Trading liabilities	–	a, g	7,327	7,327
Income tax liabilities	–	c	–	–
Deferred tax liabilities	–	c	83	83
Other liabilities and provisions	4,165	a, c, e, f	(1,825)	2,340
Subordinated liabilities	1,455		–	1,455
Total liabilities	102,343		2	102,345
Shareholders' equity				
Issued capital	769		–	769
Share premium	412		–	412
Retained earnings	4,404		–	4,404
Fair-value reserve	307		–	307
Reserve funds and other funds from profit	2	f	(2)	–
Total shareholders' equity	5,894		(2)	5,892
Total liabilities and shareholders' equity	108,237		–	108,237

Reconciliation of the statement of financial position as at 31 December 2015

	CZ GAAP as at 31. Dec 2015	Notes to reclasses	FS caption CZ GAAP to IFRS reclasses	IFRS as at 31. Dec 2015
Assets				
Cash and balances with central bank	31,952		–	31,952
Trading assets	12,100	a, d	1,522	13,622
Financial assets available for sale	26,176	d	–	26,176
Loans and advances to banks	4,632		–	4,632
Loans and advances to customers	25,807		–	25,807
Investment in subsidiaries	57		–	57
Income tax receivables	–	c	–	0
Property, plant and equipment	30		–	30
Intangible assets	53		–	53
Other assets	2,277	a, b, c	(1,522)	755
Total assets	103,084		–	103,084
Liabilities				
Deposits from banks	1,659		–	1,659
Deposits from customers	58,528		–	58,528
Debt securities issued	26,405	g	(6,853)	19,552
Trading liabilities	–	a, g	8,066	8,066
Income tax liabilities	–	c	109	109
Deferred tax liabilities	–	c	132	132
Other liabilities and provisions	7,661	a, c, e, f	(1,452)	6,209
Subordinated liabilities	1,456		–	1,456
Total liabilities	95,709		2	95,711
Shareholders' equity				
Issued capital	769		–	769
Share premium	412		–	412
Retained earnings	5,697		–	5,697
Fair-value reserve	495		–	495
Reserve funds and other funds from profit	2	f	(2)	–
Total shareholders' equity	7,375		(2)	7,373
Total liabilities and shareholders' equity	103,084		0	103,084

Total comprehensive income reconciliation for the year ended 31 December 2015

	CZ GAAP for the year ended 31 Dec 2015	Notes to reclasses	FS caption CZ GAAP to IFRS reclasses	IFRS for the year ended 31 Dec 2015
Interest and similar income	2,365	h, i	36	2,401
Interest expense and similar charges	(625)	i	34	(591)
Net interest income	1,740		70	1,810
Dividend income	2		–	2
Fee and commission income	303	h	(70)	233
Fee and commission expense	(50)		–	(50)
Net fee and commission income	253		(70)	183
Net trading income	482		–	482
Other operating income	1		–	1
Operating income	2,478		–	2,478
General administrative expenses	(714)		–	(714)
Impairment (loss)/reversal	(73)	k	–	(73)
Other operating expenses	(108)	j	–	(108)
Operating expenses	(895)		–	(895)
Profit before income tax	1,583		–	1,583
Income tax expense	(288)		–	(288)
Net profit for the year	1,295		–	1,295
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Fair-value reserve (AFS financial assets):	–		231	231
Net change in fair value	–		169	169
Net amount transferred to profit or loss	–		62	62
Related tax	–		(44)	(44)
Other comprehensive income for the period	–		187	187
Total comprehensive income for the period	1,295		187	1,482

Notes to FS caption CZ GAAP-IFRS reclasses

a) Derivatives

Under CZ GAAP the Bank reported the positive fair value of derivatives in “Other assets” and negative fair value of derivatives in “Other liabilities”. At the date of transition to IFRS, the Bank is required to classify all financial assets/liabilities under one of the four categories as outlined in the Bank’s accounting policies (Note 3 (c) (i)). The Bank classifies all derivatives as either a financial asset at fair value through profit or loss or a financial liability at fair value through profit or loss. Financial assets/liabilities classified as at fair value through profit or loss must be disclosed separately. The Bank has reclassified its derivatives to reflect the separate disclosure requirements. There has been reclassification between the line “Financial assets at fair value through profit or loss” and the line “Other assets” in assets and between the line “Financial liabilities at fair value through profit or loss” and the line “Other liabilities” in liabilities.

b) Other assets

The line “Other assets” contains “Other assets” and “Prepaid expenses and accrued income” as reported under CZ GAAP.

c) Taxation

With CZ GAAP, deferred tax assets and liabilities are reported under “Other assets” and “Other liabilities”. IFRS requires deferred tax assets and liabilities to be reported separately. The Bank has reclassified its current tax and its deferred tax assets/liabilities to reflect this requirement.

In terms of current tax assets, there was a reclassification between the line “Other assets” and the line “Income tax receivables”. In terms of deferred tax assets, there was a reclassification between the line “Other assets” and the line “Deferred tax receivables”.

In terms of current tax liability, there was a reclassification between the line “Provisions” and “Income tax liabilities”. In terms of deferred tax liabilities, there was a reclassification between the line “Other liabilities” and the line “Deferred tax liabilities”.

d) Financial instruments

With CZ GAAP, financial instruments are reported under the lines “State zero coupon bonds and other securities eligible for refinancing with the central bank”, “Debt securities” and “Shares, units and other investments”. At the date of transition to IFRS, the Bank is required to classify all financial assets/liabilities under one of the four categories as outlined in the Bank’s accounting policies (Note 3 (c) (i)). The Bank classified all financial instruments as either a financial asset at fair value through profit or loss or financial assets available for sale.

e) Provisions – off-balance sheet exposures

The Bank provides certain financial guarantees and loan commitments to its customers.

With CZ GAAP, and in accordance with a CNB decree, the Bank was required to create provisions for off-balance sheet exposures using a coefficient prescribed by the CNB decree.

IFRS requires a provision to be recorded when it is more likely than not that a present obligation exists at the balance sheet date. The Bank has reviewed its off-balance sheet exposures and it has determined that no additional provision was required.

f) Social fund

With CZ GAAP, the social fund is reported under “Reserve funds and other funds from profit”. With IFRS, it is reported under “Other liabilities and provisions”.

g) Short sells

With CZ GAAP, short sales are reported under “Payables from debt securities”. With IFRS, they are reported under “Trading liabilities”.

h) Origination loan fees

Origination loan fees, which under IFRS are an integral part of the effective interest rate of a financial instrument, were reclassified from “Commission and fee income” under CZ GAAP to “Interest and similar income” under IFRS.

i) Premium over face value of debt securities

The premium over the face value of debt securities was reclassified from “Interest expense and similar charges” to “Interest and similar income”.

j) Other operating expenses

The line “Other operating expenses” contains “Other operating expenses” and “Depreciation, additions and utilisation of provisions and adjustments to tangible and intangible fixed assets” as reported under CZ GAAP.

k) Impairment (loss)/reversal

The line “Impairment (loss)/reversal” under IFRS includes “Release of adjustments and provisions to receivables and guarantees, income from written-off receivables” and “Write-offs, additions and use of adjustments and provisions to receivables and guarantees” under CZ GAAP.

l) Repo deal with CNB

The reverse repo deal with CNB was reported under “Receivables from banks and credit unions” with CZ GAAP. With IFRS, it was reported under “Cash and balances with central bank” as at 1 January 2015.

7. Net interest income

CZK millions	2016	2015
Interest and similar income		
Cash and balances with the central bank	23	18
Loans and advances to banks	64	121
Loans and advances to customers	1,480	1,429
Of which:		
Not paid interest income from impaired loans	3	116
Not paid interest income from loans with forbearance	1	42
Debt securities	732	833
	2,299	2,401
Interest expense and similar charges		
Deposits from banks	(21)	(9)
Deposits from customers	(160)	(199)
Debt securities issued and short sales	(218)	(290)
Subordinated liabilities	(92)	(93)
	(491)	(591)
Net interest income	1,808	1,810

The Bank did not waive any interest on late payment during the years 2016 and 2015.

8. Net fee and commission income

CZK millions	2016	2015
Fee and commission income		
Transaction fee with clients	146	150
Fees from guarantees provided	24	32
Fees from administration of shares/bonds issue	4	7
Transaction fee with banks	4	4
Other	41	40
	219	233
Fee and commission expense		
Transaction fee with clients	(41)	(31)
Transaction fee with banks	(14)	(19)
	(55)	(50)
Net fee and commission income	164	283

9. Net trading income

CZK millions	2016	2015
Net profit/(loss) from securities/FX trading	576	1,080
Of which:		
Securities	346	417
FX trading	230	664
Net profit/(loss) from derivatives	(100)	(599)
	476	482

10. Other operating income

Other operating income is earned from re invoicing and other similar income.

11. General administrative expenses

CZK millions	2016	2015
Personal expenses		
Wages and salaries	(218)	(185)
Social expenses	(73)	(64)
Responsibility insurance, Pension insurance	(2)	(2)
Remuneration paid to		
Board of Directors	(28)	(26)
Supervisory Board	(6)	(5)
Executives	(26)	(21)
	(353)	(303)
Other general operating expenses	(407)	(411)
	(760)	(714)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2016 and 2015 was as follows:

	2016	2015
Board of Directors	3	3
Supervisory Board	6	6
Executives	4	5
Employees	210	196

12. Other operating expenses

CZK millions	2016	2015
Payment to Resolution Fund	(148)	–
Depreciation of fixed assets	(27)	(32)
Payment to Deposit Insurance Fund	(2)	(74)
Payment to Guarantee Fund of Securities dealers	(1)	(2)
Other	(2)	–
	(180)	(108)

13. Cash and balances with the central bank

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Cash on hand	70	59	65
Balances with the central bank	1,762	1,693	1,864
Term deposits with the central bank	50,500	30,200	25,500
Reverse repo with the central bank	7,700	–	4,700
	60,032	31,952	32,129

At 31 December 2016 cash and balances with the central bank included balances with the central bank amounting to CZK 1,762 million (31 December 2015: CZK 1,693 million, 1 January 2015: CZK 1,863 million), representing obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserve is measured using the monthly average of daily closing balances. These funds are not available for the Bank's daily business.

14. Trading assets

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

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Bonds and notes issued by:			
Government	7,513	11,016	7,680
Other issuers	615	772	2,865
Shares and other equity instruments issued by:			
Other issuers	–	311	–
Positive fair value of derivatives:			
Interest rate contracts	958	559	502
Currency contracts	901	964	2,794
Of which:			
Listed instruments	8,266	12,172	10,617
Unlisted instruments	1,721	1,450	3,224
	9,987	13,622	13,841

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

15. Financial assets available for sale

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Bonds and notes issued by:			
Government	15,125	15,528	18,682
Other issuers	15,900	10,590	7,511
Shares and other equity instruments issued by:			
Other issuers	55	58	562
Of which:			
Listed instruments	27,891	23,867	24,817
Unlisted instruments	3,189	2,309	1,938
	31,080	26,176	26,755

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.

16. Loans and advances to banks

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Loans to banks	247	302	924
Money market transactions	4,782	3,149	10,249
Other (nostro/current account balances)	409	1,181	382
Net loans and advances to banks	5,437	4,632	11,555

During 2016 and 2015, the Bank did not create or release any impairment to loans and advances to banks.

17. Loans and advances to customers

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Corporate customers:			
Financial institutions	1,545	1,479	712
Non-financial institutions	12,223	7,390	8,531
Individuals – entrepreneurs	44	54	57
Public sector	21	4	471
Resident individuals	192	213	142
Non-residents:			
Corporate	16,558	17,607	14,816
Individuals	86	86	64
Total loans and advances to customers	30,669	26,833	24,793
Impairment loss on loans and advances to customers	(1,037)	(1,026)	(1,332)
Net loans and advances to customers	29,632	25,807	23,461

Specific allowances for impairment:

CZK millions	2016	2015
As at 1 January	1,026	1,332
Impairment losses recognised in the statement of comprehensive income	330	346
Reversal of impairment of loans to customers	(292)	(302)
Use of impairment on loans and receivables	(35)	(374)
Exchange difference	8	24
	11	(306)
As at 31 December	1,037	1,026

18. Investments in subsidiaries

The Bank held 100% shares in following subsidiaries:

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Ruconfin B.V.	51.3	51.3	51.3
PPF Financial Consulting, s.r.o.	5.0	5.0	5.0
PPF Co3 B.V.	14.9	–	–
Airline Gate, s.r.o.*	–	–	–
Net Gate, s.r.o.	–	0.2	0.2
Interest participation	71.2	56.5	56.5

* The investment in Airline Gate, s.r.o. was held at CZK 1 as at 31 December 2015 and 1 January 2015.

In 2016 the Bank sold the following subsidiaries Net Gate, s.r.o. and Airline Gate, s.r.o.

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

The Bank also purchased PPF Financial Consulting, s.r.o. and Net Gate, s.r.o. for the purpose of entering the segment of municipal client consultations, and established Airline Gate, s.r.o., for the purpose of maintaining collateral before its realisation. Airline Gate, s.r.o. and Net Gate, s.r.o. were sold in 2016.

The Bank held no interest participation with significant influence in 2016 and 2015.

19. Property, plant and equipment

CZK millions	Low-value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not yet in use	Total
Cost						
At 1 January 2015	3	16	16	133	1	169
Additions	–	–	–	16	15	31
Transfers	–	–	–	–	–	–
Disposals	–	–	–	(41)	(16)	(57)
At 31 December 2015	3	16	16	108	–	143
At 1 January 2016	3	16	16	108	–	143
Additions	2	–	–	6	–	8
Transfers	–	–	–	–	–	–
Disposals	–	–	–	(13)	–	(13)
At 31 December 2016	5	16	16	101	–	138
Depreciation						
At 1 January 2015	3	–	16	124	–	143
Additions	–	1	–	10	–	11
Disposals	–	–	–	(41)	–	(41)
At 31 December 2015	3	1	16	93	–	113
At 1 January 2016	3	1	16	93	–	113
Additions	–	1	–	8	–	9
Disposals	–	–	–	(13)	–	(13)
At 31 December 2016	3	2	16	88	–	109
Net book value						
At 31 December 2015	–	15	–	15	–	30
At 31 December 2016	2	14	–	13	–	29

20. Intangible assets

CZK millions	Software	Total
Cost		
At 1 January 2015	314	314
Additions	36	36
Disposals	(19)	(19)
At 31 December 2015	331	331
At 1 January 2016	331	331
Additions	22	22
Disposals	–	–
At 31 December 2016	353	353
Amortisation		
At 1 January 2015	262	262
Additions	21	21
Disposals	(5)	(5)
At 31 December 2015	278	278
At 1 January 2016	278	278
Additions	18	18
Disposals	–	–
At 31 December 2016	296	296
Net book value		
At 31 December 2015	53	53
At 31 December 2016	57	57

21. Deferred tax and current 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 2016 and 2015 the tax rate in the Czech Republic was 19%).

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

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Deferred tax assets			
Deferred tax asset from financial assets available for sale	–	–	2
Deferred tax asset from wages and unpaid social and health insurance	16	11	10
Deferred tax assets	16	11	12
Deferred tax liabilities			
Deferred tax liability from financial assets available for sale	(157)	(116)	(74)
Deferred tax liability from penalty interest not yet collected	(23)	(27)	(21)
Deferred tax liabilities	(180)	(143)	(95)
Net deferred tax assets (liabilities)	(164)	(132)	(83)

The amount of deferred tax relating to changes in the tax rate applicable for the deferred tax calculation is CZK 0 million (2015: CZK 0 million). There was no unrecognised item related to deferred tax.

At 31 December 2016 the Bank recorded receivables from customers of penalty interest not yet collected of CZK 118 million (31 December 2015: CZK 143 million, 1 January 2015: CZK 113 million), where the relevant income is not taxable. Therefore, the Bank created a deferred tax liability of CZK 23 million (31 December 2015: CZK 27 million, 1 January 2015: CZK 21 million), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2016 in the amount of CZK 41 million (31 December 2015: CZK 44 million, 1 January 2015: CZK 15 million) was included in the Bank's equity through an adjustment to the "Fair-value reserve".

Income tax reconciliation:

CZK millions	2016 Tax basis	2016 Tax	2015 Tax basis	2015 Tax
Tax rate		19.0%		19.0%
Profit from operations (before taxation)	1,473		1,583	
Computed taxation using applicable tax rate		280		301
Tax non-deductible expenses	378	72	232	44
Non-taxable income	(252)	(48)	(295)	(56)
Other items	(137)	(26)	–	–
Deferred tax	(48)	(9)	26	5
Tax for 2014				(6)
Total income tax (expense)/income		(269)		(288)
Effective tax rate		18.3%		19.8%

22. Operating leasing

Non-cancellable operating lease rentals are payable as follows:

CZK millions	2016	2015
Less than one year	39	23
Between one and five years	44	39
More than five years	–	–
Total	83	62

The Bank leases branch and office premises under operating leases. The leases typically run for a period of up to 10 years, with an option to renew the lease after that date. The operating leasing expense was CZK 26 million in 2016 (2015: CZK 25 million).

23. Other assets

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Clearing with securities market	48	13	83
Prepayments and deferred expenses	20	24	25
Cash collateral to payment cards	188	192	177
Receivables resulting from decrease in issued capital of AFS shares	–	484	–
Other	44	42	32
Impairment loss on Other assets	–	–	–
	300	755	317

24. Impairment losses

CZK millions	Loans and advances to customers (Note 17)	Total
As at 1 January 2016	1,026	1,026
Impairment of loans to customers	330	330
Reversal of impairment of loans to customers	(292)	(292)
Release of impairment losses on written off items	(35)	(35)
FX difference	8	8
As at 31 December 2016	1,037	1,037
As at 1 January 2015	1,332	1,332
Impairment of loans to customers	346	346
Reversal of impairment of loans to customers	(302)	(302)
Release of impairment losses on written off items	(374)	(374)
FX difference	24	24
As at 31 December 2015	1,026	1,026

25. Deposits from banks

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Deposits from banks	5,938	1,290	2,392
Other (loro account balances)	881	369	1,047
	6,819	1,659	3,439

26. Deposits from customers

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Payable on demand			
Corporate customers:			
Financial services	1,111	103	574
Non-financial institutions	7,909	6,234	6,674
Insurance institutions	120	491	161
Non-profit organisations	311	347	236
Self-employed	65	106	76
Public sector	26,601	11,343	13,830
Resident individuals	1,773	1 177	1,704
Non-residents:			
Corporate	37,468	20,614	32,969
Individuals	2,427	787	1,072
Total payable on demand	77,785	41,202	57,296
Term deposits			
Corporate customers:			
Financial services	3,494	–	1,399
Non-financial institutions	6,154	7,166	10,593
Insurance institutions	1,907	409	5,288
Non-profit organisations	11	36	41
Self-employed	141	141	299
Public sector	12,270	8,381	2,551
Resident individuals	45	112	179
Non-residents:			
Corporate	355	–	1,096
Individuals	898	1,081	166
Total term deposits	25,275	17,326	21,612
	103,060	58,528	78,908

Interest is recognised under Interest expense and similar charges.

27. Debt securities issued

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Financial institutions	2,313	1,456	126
Non-financial institutions	277	740	1,525
Public sector	29	17,166	4,403
Non-resident individuals	–	–	779
Resident individuals	3	190	1,960
	2,622	19,552	8,793

The debt securities of a single issuer in the public sector totalling CZK 17,165 million as at 31 December 2015 matured in 2016.

28. Trading liabilities

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

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Negative fair value of derivatives:			
Interest rate contracts	830	655	665
Currency contracts	1,025	559	1,080
Liabilities from short sales of securities	8,691	6,852	5,582
	10,546	8,066	7,327

29. Income tax liabilities

As of 31 December 2016 a tax liability of CZK 277 million (31 December 2015: CZK 289 million; 1 January 2015: CZK 176 million) is offset against income tax advances totalling CZK 213 million (31 December 2015: CZK 168 million; 1 January 2015: CZK 197 million) and tax paid abroad amounting to CZK 28 million (31 December 2015: CZK 12 million; 1 January 2015: CZK 23 million).

30. Other liabilities and provisions

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Blocked accounts	2,309	5,958	1,708
Liabilities from clearing	534	1	117
Payables to suppliers	149	47	51
Other liabilities to employees	15	18	15
Accrued expenses and deferred income	14	18	17
Social and health insurance	6	6	5
Liabilities from securities transactions	1	–	119
Deposit insurance fund	–	18	17
Other payables	116	86	239
Provisions	28	57	52
	3,172	6,209	2,340

Blocked accounts chiefly consist of funds in a tied account, which are intended to redeem the shares of minority shareholders of Česká telekomunikační infrastruktura a.s. at a zero amount as at 31 December 2016 (31 December 2015: CZK 2,732 million) and collateral deposits for derivatives totalling CZK 2,195 million (31 December 2015 CZK 3,040 million; 1 January 2015: CZK 1,512 million).

The following table shows a roll-forward of provisions:

CZK millions	Provisions for provided guarantees	Total
Provisions at 1 January 2016		57
Creation	8	
Use	–	
Release	(13)	
Effect on profit for the year		(5)
Provisions at 31 December 2016		52
Provisions at 1 January 2015		28
Creation	75	
Use	–	
Release	(46)	
Effect on profit for the year		29
Provisions 31 December 2015		57

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).

31. Subordinated liabilities

The terms and conditions of subordinated liabilities are as follows.

CZK millions	Year of maturity	31.12.2016	31.12.2015	1.1.2015
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%	2023	1,458	1,456	1,455
		1,458	1,456	1,455

The above liabilities would, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

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 2016 and 2015.

32. 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:

CZK millions	Carrying amounts of receivables	Fair value of assets held as collateral
Loans and advances at 31 December 2016:		
to banks	8,563	8,404
to clients	1,598	2,263
Loans and advances at 31 December 2015:		
to banks	1,822	1,826
to clients	689	1,040
Loans and advances at 1 January 2015:		
to banks	10,118	10,057
to clients	1,449	1,821

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:

CZK millions	Carrying amounts of liabilities	Fair value of assets given as collateral
Deposits at 31 December 2016:		
from banks	5,204	6,341
from clients	1,599	1,567
Deposits at 31 December 2015:		
from banks	488	489
from clients	5,811	5,847
Deposits at 1 January 2015:		
from banks	–	–
from clients	1,849	1,965

33. Issued capital

	Number of shares	Nominal value CZK	Registered capital CZK millions
As at 31 December 2016:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2015:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 1 January 2015:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2016 was as follows:

Name	Residence	Number of shares	Share CZK millions	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%

As at 30 June 2015, the shares representing a total of 92.96% of the voting rights of the Bank were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Bank as at 31 December 2016, 31 December 2015 or 1 January 2015.

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 CZK 412 million (31 December 2015: CZK 412 million; 1 January 2015: CZK 412 million).

34. Nature and purpose of reserves

Fair-value reserve

The fair-value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

35. Dividends paid

No dividends were paid by the Bank in 2016 and 2015.

36. Proposed allocation of net profit for the year

The Bank and its subsidiaries propose to allocate their profit as follows:

CZK millions	Net profit for the year
Net profit for the year 2016	1,204
Proposed allocation of profit for 2016:	
Transfer to social funds	(2)
Transfer to retained earnings	(1,202)
	-

Social fund is part of Other liabilities and provisions.

37. 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.

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Guarantees issued	2,380	2,934	3,726
Undrawn credit commitments	5,566	7,991	7,223
Letters of credit	35	24	59
	7,981	10,949	11,008

The total outstanding contractual commitments to extend credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded especially regarding consumer financing products held by Bank's subsidiaries.

(b) Off-balance sheet financial instruments

CZK millions	Notional value			Fair value		
	31. 12. 2016	31. 12. 2015	1. 1. 2015	31. 12. 2016	31. 12. 2015	1. 1. 2015
Derivatives						
Interest Rate Swaps	88,861	45,298	20,802	(10)	(166)	(234)
Foreign Exchange derivatives				(124)	406	1,714
Purchase	144,027	127,000	66,588			
Sale	144,151	126,594	64,874			
Options	1,432	1,277	1,152	–	–	–
Other derivatives				138	69	72
Purchase	528	679	1,221			
Sale	533	674	1,222			
				4	309	1,552

Other derivatives consisted of futures (2015: futures, IR CAPs and IR forwards).

(c) Residual maturity of derivatives

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

CZK millions	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2016						
Derivatives held for trading						
Interest Rate Swaps	1,906	8,324	51,674	26,957	–	88,861
FX derivatives (purchase)	58,823	78,115	7,089	–	–	144,027
FX derivatives (sale)	58,828	78,122	7,201	–	–	144,151
Options	–	–	1,432	–	–	1,432
Other derivatives (purchase)	528	–	–	–	–	528
Other derivatives (sale)	533	–	–	–	–	533
As at 31 December 2015						
Derivatives held for trading						
Interest Rate Swaps	10,916	12,942	10,611	10,829	–	45,298
FX derivatives (purchase)	53,902	16,012	54,384	–	–	124,298
FX derivatives (sale)	53,902	15,920	54,170	–	–	123,992
Options	–	–	1,277	–	–	1,277
Other derivatives (purchase)	–	–	–	679	–	679
Other derivatives (sale)	674	–	–	–	–	674
Hedging derivatives						
Other derivatives (purchase)	959	1,230	513	–	–	2,702
Other derivatives (sale)	878	1,171	553	–	–	2,602
As at 1 January 2015						
Derivatives held for trading						
Interest Rate Swaps	–	–	8,691	12,111	–	20,802
FX derivatives (purchase)	34,672	24,826	–	–	–	59,498
FX derivatives (sale)	34,574	24,348	–	–	–	58,922
Options	–	–	1,152	–	–	1,152
Other derivatives (purchase)	141	981	–	–	–	1,122
Other derivatives (sale)	140	982	–	–	–	1,122
Hedging derivatives						
Other derivatives (purchase)	2,227	4,863	–	–	–	7,090
Other derivatives (sale)	1,531	4,421	–	–	–	5,952

The Bank obtained a derivative licence from the CNB in 2006.

38. 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.

CZK millions	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
As at 31 December 2016					
Financial assets					
Cash and balances with the central bank	–	60,032	–	60,032	60,032
Loans and advances to banks	–	5,437	–	5,437	5,437
Loans and advances to customers	–	–	29,564	29,564	29,632
Financial liabilities					
Deposits from banks	–	6,819	–	6,819	6,819
Deposits from customers	–	103,060	–	103,060	103,060
Debt securities issued	–	2,622	–	2,622	2,622
Subordinated liabilities	–	1,498	–	1,498	1,458
As at 31 December 2015					
Financial assets					
Cash and balances with the central bank	–	31,952	–	31,952	31,952
Loans and advances to banks	–	4,632	–	4,632	4,632
Loans and advances to customers	–	17,300	8,374	25,674	25,807
Financial liabilities					
Deposits from banks	–	1,659	–	1,659	1,659
Deposits from customers	–	58,528	–	58,528	58,528
Debt securities issued	–	19,552	–	19,552	19,552
Subordinated liabilities	–	1,579	–	1,579	1,456
As at 1 January 2015					
Financial assets					
Cash and balances with the central bank	–	32,129	–	32,129	32,129
Loans and advances to banks	–	11,555	–	11,555	11,555
Loans and advances to customers	–	19,010	4,350	23,360	23,461
Financial liabilities					
Deposits from banks	–	3,439	–	3,439	3,439
Deposits from customers	–	78,908	–	78,908	78,908
Debt securities issued	–	8,793	–	8,793	8,793
Subordinated liabilities	–	1,490	–	1,490	1,455

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.

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 and loans from banks 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 deemed to be equal to the carrying value.

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 analysed 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) (iv):

CZK millions	Level 1	Level 2	Level 3	Total
As at 31 December 2016				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	8,127	–	–	8,127
Derivatives held for trading	138	1,722	–	1,860
Available-for-sale securities	24,194	6,831	55	31,080
Financial liabilities				
Financial assets at fair value through profit or loss				
Securities held for trading	8,691	–	–	8,691
Derivatives held for trading	–	1,855	–	1,855
As at 31 December 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	10,233	1,866	–	12,099
Derivatives held for trading	73	1,450	–	1,523
Available-for-sale securities	21,532	4,644	–	26,176
Financial liabilities				
Financial assets at fair value through profit or loss				
Securities held for trading	6,853	–	–	6,853
Derivatives held for trading	–	1,213	–	1,213
As at 1 January 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	9,931	614	–	10,545
Derivatives held for trading	72	3,224	–	3,296
Available-for-sale securities	16,188	8,082	2,485	26,755
Financial liabilities				
Financial assets at fair value through profit or loss				
Securities held for trading	5,583	–	–	5,583
Derivatives held for trading	–	1,744	–	1,744

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

CZK millions	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2016	8,374	-	8,374
Profit and loss from revaluation	-	-	-
In profit or loss	-	-	-
In other comprehensive income	-	-	-
Purchases	3,958	-	3,958
Sales/maturity	-	-	-
Transfers into Level 3	17,300	55	17,355
Transfers out of Level 3	-	-	-
Transfers between portfolios	-	-	-
Balance as at 31 December 2016	29,632	55	29,687

During 2016, certain available-for-sale assets were transferred out of Level 2 of the fair-value hierarchy into level 3. Due to changes in market conditions for certain shares, quoted prices in active market were no available for these securities, therefore the acquisition purchase price is the best indicator of fair value of shares.

In 2016, the Loans and advances to customers were reclassified from Level 2 to Level 3. The improved precision of the presentation in a hierarchy system is the aim of this reclassification, representing the influence of non-market inputs and the market practice changes in the banking sector arising in recent years.

CZK millions	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2015	4,350	2,485	6,835
Profit and loss from revaluation	-	-	-
In profit or loss	-	-	-
In other comprehensive income	-	-	-
Purchases	4,024	-	4,024
Sales/maturity	-	-	-
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	(2,485)	(2,485)
Transfers between portfolios	-	-	-
Balance as at 31 December 2015	8,374	-	8,374

During 2015, certain available-for-sale assets were transferred out of Level 3 of the fair-value hierarchy due to the change in the valuation model, where significant inputs used in their fair-value measurements, such as certain credit spreads, that were not previously used are observable.

39. 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 risks;
- (d) operational risks.

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

Credit risk management

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 directly responds to the member of the board of directors in charge of the Risk Management division.

The Bank's 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 level is attributed to each client representing a credit risk to the Bank, representing the exposure both in terms of the investment and business portfolio. Assessed exposures include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 rating levels (A1-A4, B1-B6, C1-C4). Clients with doubtful receivables must always be assigned a C2-C4 level.

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, accounting for impairment losses and establishment of provisions

The Bank recognises the impairment of an individual loan if the loan's carrying amount decreases and the Bank does not write off this amount, i.e. part of the loan receivable corresponding to the loss from the loan's carrying amount. The Bank assesses the impairment of the carrying amount for all loan receivables with debtors in default. The Bank writes off a receivable when it does not expect any income from the receivable or from received collateral related to such receivable.

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 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. The Bank classifies its receivables from financial activities on a monthly basis in line with the relevant decree of the CNB.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of non-impaired and individually impaired assets by risk grade.

Loans and advances to banks

CZK millions	31. 12. 2016		31. 12. 2015		1. 1. 2015	
	Gross	Net	Gross	Net	Gross	Net
Not impaired						
Standard	5,437	5,437	4,632	4,632	11,555	11,555
Total	5,437	5,437	4,632	4,632	11,555	11,555

There was no accrued interest to individually impaired loans and advances to banks as at 31 December 2016 and 2015.

Loans and advances to customers (individually impaired)

CZK millions	31. 12. 2016		31. 12. 2015		1. 1. 2015	
	Gross	Net	Gross	Net	Gross	Net
Standard	25,600	25,600	18,251	18,251	19,111	19,111
Watched	769	769	3,898	3,840	1,627	1,601
Sub-standard	1,965	1,890	2,091	2,061	1,126	1,063
Doubtful	100	39	97	55	883	436
Loss loans	2,235	1,334	2,496	1,601	2,047	1,250
Total	30,669	29,632	26,833	25,807	24,794	23,461

The interest accrued to individually impaired loans and advances to customers represented as at 31 December 2016 was CZK 23 million (31 December 2015: CZK 34 million; 1 January 2015: CZK 13 million).

Loans and advances to customers – Past due, but not impaired

As at 31 December 2015, the Bank reported Loans and advances to customers amounting to CZK 364 million as “Past due, but not impaired” (31 December 2015: CZK 9 million; 1 January 2015: CZK 0 million).

As at 31 December 2016 the Bank reported CZK 5 million of Other assets as “Past due, but not impaired” (31 December 2015: CZK 26 million; 1 January 2015: CZK 0 million).

Evaluation of collateral

The Bank generally requires a 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 institutes;
- 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.

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 modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

In 2014, the Bank implemented new forbearance methodology according to the EBA regulation. 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:

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Not impaired	26,369	18,251	19,111
Of which: Loans and advances to customers with forbearance	–	–	–
Impaired	3,263	7,557	4,350
Of which: Loans and advances to customers with forbearance	2,004	2,066	683
Total	29,632	25,807	23,461

The following table shows Loans and advances to customers with forbearance split by sectors:

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Loans and advances to customers without forbearance:	27,628	23,741	22,778
Corporate customers:			
Financial institutions	1,545	706	712
Non-financial institutions	11,477	7,360	7,343
Individuals – entrepreneurs	44	54	57
Public sector	21	4	486
Resident individuals	192	213	142
Non-residents	14,349	15,404	14,038
Loans and advances to customers with forbearance:	2,004	2,066	683
Corporate costumers:			
Financial institutions	–	–	–
Non-financial institutions	31	34	83
Individuals – entrepreneurs	–	–	–
Public sector	–	–	–
Resident individuals	–	–	–
Non-residents:			
Non-financial institutions	1,973	2,032	600
Total	29,632	25,807	23,461

The Bank does not usually require collateral for the consumer loans.

The following table shows Loans and advances to customers split according to type of collateral:

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Bank guarantees	3,579	5,230	6,093
Property	7,970	6,525	7,705
Unsecured	18,093	14,052	9,663
Total	29,632	25,807	23,461

The following table shows Loans and advances to customers classified as watched, substandard, doubtful and loss loans (individually and collectively impaired) according to type of collateral:

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Bank guarantees	3,282	3,678	1,992
Property	635	2,524	883
Unsecured	115	1,355	1,824
Total	4,032	7,557	4,699

The Bank did not record any collateral for loans and advances to customers past due, but not impaired as at 31 December 2016, 2015 and as at 1 January 2015.

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 treats a receivable from a debtor or an economically connected group of debtors that exceeds 25% of the Bank's capital as a significant exposure. At the end of the accounting period, the Bank did not record any significant concentration of credit risks with respect to any individual debtor. The Bank did not exceed any limits towards individual debtors or related parties.

Since 2014, the Bank has been calculating the capital requirement for 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.

i) Concentration of credit risks according to economic sector/industry

An analysis of the concentration of credit risks according to the individual sector/industries is included in Note 16 and 17.

ii) Concentration of credit risks according to geographical sectors

Loans and advances to customers

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Czech Republic	13,311	8,370	8,822
Slovak Republic	477	1,946	158
Russia	2,973	5,194	6,449
Cyprus	2,228	1,073	733
Vietnam	604	727	814
Netherlands	2,685	1,526	168
Bulgaria	–	1,840	2,084
Maldives	1,201	1,245	1,118
Georgia	429	453	478
Hungary	692	789	573
Romania	1,197	1,180	1,085
Luxembourg	541	556	572
Other	3,294	907	407
Total	29,632	25,807	23,461

Loans and advances to banks

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Czech Republic	1,996	1,944	7,637
Slovak Republic	–	405	–
Russia	678	147	860
United Kingdom	1,116	1,387	1,046
Netherlands	132	–	859
Kazakhstan	43	38	304
Belarus	247	302	367
United States of America	557	65	208
Hungary	2	1	31
Germany	126	254	93
Poland	16	4	115
France	477	22	–
Other	77	63	35
Total	5,437	4,632	11,555

Debt securities

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Czech Republic	27,355	29,832	29,192
Luxembourg	1,981	1,760	1,147
Slovakia	–	–	232
United Kingdom	1,019	374	554
France	135	135	2,770
Russia	316	–	266
Netherlands	2,821	2,286	1,495
Ireland	578	428	1,083
United States of America	1,002	776	–
Germany	392	693	–
Other	3,554	1,622	–
Total	39,153	37,906	36,739

(b) Liquidity risk

The liquidity risk represents the Bank's risk of incurring losses due to momentary insolvency. The Bank can 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 can 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 undiscounted cash flows in the Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity.

CZK millions	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2016						
Cash and balances with the central bank	60,032	–	–	–	–	60,032
Trading assets	607	527	1,471	7,952	–	10,557
Financial assets available for sale	512	5,130	14,986	12,316	55	32,999
Loans and advances to banks	5,226	28	192	–	–	5,446
Loans and advances to customers	3,360	5,365	20,433	5,291	–	34,449
Property, plant and equipment	–	–	–	–	29	29
Intangible assets	–	–	–	–	57	57
Other assets	–	–	–	–	300	300
Total	69,737	11,050	37,082	25,559	441	143,869
Deposits from banks	4,164	2,666	–	–	–	6,830
Deposits from customers	84,535	15,849	2,727	–	–	103,111
Debt securities issued	–	286	2,551	–	–	2,837
Trading liabilities	502	347	3,183	6,514	–	10,546
Tax and other liabilities and provisions	2,978	36	–	–	358	3,372
Subordinated liabilities	–	91	364	1,607	–	2,062
Shareholders' equity	–	–	–	–	8,748	8,748
Total	92,179	19,275	8,825	8,121	9,106	137,506
Gap	(22,442)	(8,225)	28,257	17,438	(8,665)	6,363
Cumulative gap	(22,442)	(30,667)	(2,410)	15,028	6,363	–
At 31 December 2015						
Cash and balances with the central bank	31,952	–	–	–	–	31,952
Trading assets	847	2,202	8,122	2,623	69	13,863
Financial assets available for sale	171	3,953	10,672	11,667	308	26,771
Loans and advances to banks	4,447	4	24	308	–	4,783
Loans and advances to customers	3,689	2,762	15,239	6,875	–	28,565
Hmotný majetek	–	–	–	–	30	30
Intangible assets	–	–	–	–	53	53
Other assets	14	–	–	–	741	755
Total	41,120	8,921	34,057	21,473	1,201	106,772
Deposits from banks	1,659	–	–	–	–	1,659
Deposits from customers	50,807	6,971	775	–	–	58,553
Debt securities issued	5,455	12,801	1,323	–	–	19,579
Trading liabilities	395	204	431	7,036	3	8,069
Tax and other liabilities and provisions	5,950	10	–	–	489	6,449
Subordinated liabilities	–	91	364	1,673	–	2,128
Shareholders' equity	–	–	–	–	7,373	7,373
Total	64,266	20,077	2,893	8,709	7,865	103,810
Gap	(23,146)	(11,156)	31,164	12,764	(6,664)	2,962
Cumulative gap	(23,146)	(34,302)	(3,138)	9,626	2,962	–

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

(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 the 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.

CZK millions	31 December 2016	Average for 2016	31 December 2015	Average for 2015
VaR of interest instruments	11	13	18	14
VaR of currency instruments	1	4	4	2
VaR of equity instruments	–	2	7	1

Stress testing

The Bank carries out daily stress testing of interest rates, 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.

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 undiscounted cash flows on the Bank's financial assets and liabilities on the basis of their earliest possible interest sensitivity.

CZK millions	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2015						
Cash and balances with the central bank	60,032	–	–	–	–	60,032
Trading assets	610	651	1,471	7,825	–	10,557
Financial assets available for sale	3,653	3,993	13,170	12,128	55	32,999
Loans and advances to banks	5,446	–	–	–	–	5,446
Loans and advances to customers	5,042	4,249	19,867	5,291	–	34,449
Property, plant and equipment	–	–	–	–	29	29
Intangible assets	–	–	–	–	57	57
Other assets	–	–	–	–	300	300
Total	74,783	8,893	34,508	25,244	441	143,869
Deposits from banks	4,164	2,666	–	–	–	6,830
Deposits from customers	84,535	15,849	2,727	–	–	103,111
Debt securities issued	–	286	2,551	–	–	2,837
Trading liabilities	502	347	3,183	6,514	–	10,546
Tax and other liabilities and provisions	2,978	36	–	–	358	3,372
Subordinated liabilities	–	91	364	1,607	–	2,062
Shareholders' equity	–	–	–	–	8,748	8,748
Total	92,179	19,275	8,825	8,121	9,106	137,506
Gap	(17,396)	(10,382)	25,683	17,123	(8,665)	6,363
Cumulative gap	(17,396)	(27,778)	(2,095)	15,028	6,363	–
At 31 December 2016						
Cash and balances with the central bank	31,952	–	–	–	–	31,952
Trading assets	1,642	2,361	7,538	2,254	68	13,863
Financial assets available for sale	3,613	15,399	7,046	403	310	26,771
Loans and advances to banks	4,783	–	–	–	–	4,783
Loans and advances to customers	18,672	5,718	2,861	1,314	–	28,565
Property, plant and equipment	–	–	–	–	30	30
Intangible assets	–	–	–	–	53	53
Other assets	14	–	–	–	741	755
Total	60,676	23,478	17,445	3,971	1,202	106,772
Deposits from banks	1,659	–	–	–	–	1,659
Deposits from customers	50,807	6,971	775	–	–	58,553
Debt securities issued	5,455	12,801	1,323	–	–	19,579
Trading liabilities	710	512	240	6,604	3	8,069
Tax and other liabilities and provisions	5,950	10	–	–	489	6,449
Subordinated liabilities	–	91	364	1,673	–	2,128
Shareholders' equity	–	–	–	–	7,373	7,373
Total	64,581	20,385	2,702	8,277	7,865	103,810
Gap	(3,905)	3,093	14,743	(4,306)	(6,663)	2,962
Cumulative gap	(3,905)	(812)	13,931	9,625	2,962	–

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, i.e. 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 2016 and 2015 were as follows:

In % p.a.	2016	2015
Financial assets		
Cash and balances with the central bank	0.05	0.05
Trading assests	2.14*	0.41*
Financial assets available for sale	2.23*	0.29*
Loans and advances to banks	0.94	0.38
Loans and advances to customers	4.99	5.51
Financial liabilities		
Deposits from banks	0.30	0.75
Deposits from customers	0.16	0.13
Debt securities issued	0.05	0.79
Trading liabilities	1.80	(0.02)

* The yield interest rate is calculated from debt securities only.

Apart from the gap analysis as indicated above, the Bank monitors its exposure to the 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 of a shift in interest rate yield curves.

Basis point value

The 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 2016 BPVs for individual currencies were as follows:

CZK millions Currency	Banking Book BPV	Trading book BPV
CZK	6	74
EUR	(35)	9
USD	(216)	(54)
RUB	1	-
JPY	-	-
KZT	-	-
UAH	-	-
GBP	-	(1)
VND	-	-
Total BPV (absolute)	258	138

As at 31 December 2015 BPVs for individual currencies were as follows:

CZK millions Currency	Banking Book BPV	Trading book BPV
CZK	125	94
EUR	(59)	(21)
USD	(115)	(10)
RUB	1	-
JPY	-	-
KZT	-	-
UAH	-	-
GBP	-	-
VND	-	-
Total BPV (absolute)	300	125

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:

CZK millions	2016		2015	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	329	238	121	129
Average for the period	186	112	142	124
Maximum for the period	329	238	241	217
Minimum for the period	27	51	32	29

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 as delivery versus payment.

(d) Operational risk

Operational risks

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

Operational risks are usually a cause of increases in the Bank's expenses, decreases in the Bank's income, the incurrance of fines, penalties, damages, or losses of the Bank's tangible and intangible assets.

The Security and Operational Risk Management department prepares an operational risk management methodology, identifies, monitors, measures and assesses operational risks, and proposes measures for mitigating operational risks. As part of the Bank's operational risk management, it is further responsible for the security management system of the Bank's information systems. The department also monitors, measures and assesses information security, prepares the methodology for managing this security and organises operational risk training for Security and Operational Risk Management department personnel.

After having identified an operational risk, the manager or employee in charge of managing operational risks within a division or department proposes and arranges the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk.

In connection with this procedure, 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, launching new products, utilising outsourcing by the Bank. In proposing the measures to mitigate operational risk, the Bank assesses their impact on its expenses and income.

Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts, insufficient documentation, changes in the regulatory environment, including accepted court decisions and uncertainties in the actions of counterparties. The aim is to reduce the risk of loss, risk of claims against the Bank or penalties, including damage to the Bank's reputation. The Compliance department contributes to reduce these risks.

The Compliance department performs activities whose purpose is the compliance of the Bank's internal policies and processes with external regulations. Main compliance activities involve ensuring 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 the Bank's compliance with legal obligations and responsibilities arising from the internal regulations of the Bank, the establishment of preconditions for achieving this compliance, the establishment of preconditions for the fair provision of services to customers, and the avoidance of preferential treatment for the Bank and its employees over customers, the prevention of conflicts of interest, and the mitigation of acts which could result in market abuse. The Compliance department further performs and monitors Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) activities and handles claims and complaints.

Where certain compliance activities are not performed directly by the Compliance department but are delegated to another department of the Bank, its managers or other employees, the Compliance department acts as coordinator.

The Bank's managers are responsible for creating conditions for adherence to external regulations. They are also responsible for issuing internal policies governing the activities they are in charge of and are obliged to check whether 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 their 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 in 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 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 the equity calculated was as follows:

CZK millions	Regulatory capital	Equity
At 31 December 2016		
Issued capital	769	769
Share premium	412	412
Retained earnings	5,695	6,899
Other comprehensive income	668	668
Other reserves	–	–
Less value adjustment due to the requirements for prudent valuation	(51)	–
Less intangible assets	(57)	–
Tier 1 capital	7,436	
Total Equity		8,748
Tier 2 capital		
Qualifying subordinated liabilities	1,391	
Total regulatory capital	8,827	
At 31 December 2015		
Issued capital	769	769
Share premium	412	412
Retained earnings	4,402	5,697
Other comprehensive income	298	495
Other reserves	–	–
Less value adjustment due to the requirements for prudent valuation	(48)	–
Less intangible assets	(53)	–
Tier 1 capital	5,780	
Total Equity		7,373
Tier 2 capital		
Qualifying subordinated liabilities	1,390	
Total regulatory capital	7,170	

Capital adequacy ratios are following:

	2016	2015
Tier 1 common capital ratio	13.36%	11.97%
Tier 1 capital ratio	13.36%	11.97%
Total capital ratio	15.86%	14.85%

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

CZK millions	Exposure	Capital requirement
At 31 December 2016		
Central Government	228	19
Local Government	7	1
Institutions	4,088	327
Businesses	39,179	3,134
Retail sector	16	1
Exposures pledged by properties	143	11
Exposures in default	251	20
High risk exposures	2,097	168
Collective investments	–	–
Equities	126	10
Other exposures	348	28
Total	46,483	3 719
At 31 December 2015		
Central Government	184	15
Local Government	3	–
Institutions	3,856	309
Businesses	30,745	2,460
Retail sector	–	–
Exposures pledged by properties	190	15
Exposures in default	212	17
High risk exposures	1,859	149
Collective investments	4	–
Equities	111	9
Other exposures	449	35
Total	37,613	3,009

CZK millions	2016	2015
Capital requirements for credit risk	3,719	3,009
Capital requirements for market risks	340	464
– for general interest rate risks of trading portfolio	318	375
– for general equity risks of trading portfolio	–	50
– for foreign exchange risks	22	39
Capital requirements for settlement risks	–	–
Capital requirements for operational risks	330	311
Capital requirements for credit valuation adjustment risk	63	79
Total	4,452	3,863

CNB requires each bank or banking group:

- to hold a minimum level of registered capital (CZK 500 million), and
- to maintain a ratio of the capital to risk-weighted assets:
 - a ratio of equity CET 1 capital of at least 4.5%,
 - a ratio of Tier 1 capital of at least 6%,
 - a ratio of total capital (Tier 1 and Tier 2) of at least 8%.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by 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 residual maturity 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.

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Cash on hand	70	59	65
Unrestricted balances with the central bank	50,500	30,200	25,500
Nostro account balances	409	1,181	382
Reverse repo with the central bank	7,700	–	4,700
Total	58,679	31,440	30,647

40. Related-party transaction

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 Directors and Executives, and enterprises in which it has in common key members of management.

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

(a) Transactions with the parent company

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

CZK millions	31. 12. 2016*	31. 12. 2015*	1. 1. 2015**
Deposits from customers	(5,068)	(3,184)	(20,215)
Trading liabilities	–	–	(2)
Total	(5,068)	(3,184)	(20,217)

* Balances with PPF Financial Holdings B.V. as at 31 December 2015

** Balances with PPF Group N.V. as at 31 December 2015

As at 30 June 2015, shares representing a total of 92.96% of the voting rights of the Bank were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

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

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

CZK millions	2016	2015*	2015**
Interest expense and similar charges	–	–	(55)
Fee and commission income	2	–	1
Net trading income	–	–	(1)
Total	2	–	(55)

* Transactions with PPF Financial Holdings B.V. for the period from 1 July 2015 to 31 December 2015

** Transactions with PPF Group N.V. for the period from 1 January 2015 to 30 June 2015

(b) Transactions with other related parties

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

CZK millions	31. 12. 2016	31. 12. 2015	1. 1. 2015
Trading assets	745	573	757
Financial assets available for sale	2,112	2,079	1,706
Loans and advances to banks	146	56	2,021
Loans and advances to customers	5,561	5,144	4,168
Other assets	8	9	7
Deposits from customers	(17,473)	(8,597)	(11,812)
Deposits from banks	(552)	(379)	(548)
Trading liabilities	(107)	(332)	(606)
Debt securities issued	–	(333)	–
Other liabilities	(847)	(3,038)	(198)
Total	(10,407)	(4,818)	(4,505)

In 2016, the Bank provided a guarantee amounting to CZK 100 million (31 December 2015: CZK 8 million, 1 January 2015: CZK 12 million). It accepted no guarantee related to the above mentioned transactions in the years 2016 and 2015.

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

CZK millions	2016	2015
Interest expense and similar income	575	855
Interest expense and similar charges	(39)	(19)
Fee and commission income	60	50
Fee and commission expense	–	–
Net trading income	(699)	415
Net impairment losses on financial assets	(17)	(41)
Other operating income	1	–
General administrative expenses	(112)	(111)
Total	(231)	1,149

(c) Supervisory Board members, Directors and Executives

The balances below are included in the statement of financial position and represent transactions with Supervisory Board members, Directors and Executives:

CZK millions	Board of Directors			Supervisory Board			Executives		
	31. 12. 2016	31. 12. 2015	1. 1. 2015	31. 12. 2016	31. 12. 2015	1. 1. 2015	31. 12. 2016	31. 12. 2015	1. 1. 2015
Trading assets	-	-	-	-	-	12	-	-	-
Deposits from customers	(10)	(13)	(10)	(22)	(21)	(208)	(2)	(6)	(5)

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

The Bank did not report related expenses and income for its Supervisory Board members, Directors and Executive as at 31 December 2016 and 2015, these figures are considered to be immaterial.

(d) Off-balance sheet items

As a related-party transaction, as at 31 December 2016 the Bank provided a credit commitment to related parties of CZK 1,456 million (31 December 2015: CZK 2,772 million; 1 January 2015: CZK 1,911 million) and a guarantee in the amount of CZK 0 million (31 December 2015: CZK 0 million; 1 January 2015: CZK 12 million).

41. 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.

31 March 2017

Individual responsible for accounting:



Růžena Šuserová

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 2016

In accordance with Section 82 et seq. of Act No 90/2012 on companies and cooperatives, as amended (“the Business Corporations Act”), and pursuant to Section 504 of Act No 89/2012, the Civil Code, as amended, which governs trade secrets, the board of directors of the controlled entity – PPF banka a.s., having its registered office at Evropská 2690/17, Praha 6, 160 41, registration number 471 16 129, incorporated by entry in the Commercial Register maintained by the Regional Court in Prague under File No B 1834 (“the Company”) – has prepared 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 of 2016 (“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

According to the information of the Board of Directors, in which the Company’s governing 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 Business Corporations Act

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 for the accounting period of 2016:

The following agreements have been concluded with AB 1 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 56007043:

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

The following agreements have been concluded with AB 2 B.V., having its registered office at Strawinskylaan 933, 1077XX 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 3 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 58435425:

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

The following agreements have been concluded with AB 4 B.V., having its registered office at Strawinskylaan 933, 1077XX 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 5 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 34192873:

- Framework Agreement on Consultancy, Cooperation and 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 AB 6 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 58435956:

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

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

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

The following agreements have been concluded with Accord Research, s.r.o., having its registered office at Evropská 2690/17, 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 Air 24 a.s., having its registered office at Evropská 2690/17, 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 Air Bank a.s., having its registered office at Hráského 2231/25, 148 00 Praha 11 – Chodov, registration number 29045371:

- Commission agent's contract, as amended – scope of performance: financial services
- Framework agreement on financial market trading – repos, lending of securities, maintaining financial collateral – scope of performance: financial services
- Framework treasury contract – scope of performance: financial services
- Confidentiality contract – scope of performance: financial services
- ISDA Master Agreement, as amended – 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
- Agreement on the provision of service activities (to ensure the reliable operation and maximum life of ESS) – scope of performance: other services
- Contract for opening and maintaining correspondent accounts – scope of performance: financial services

The following agreements have been concluded with Airline Gate 1 s.r.o., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 02973081:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on equity contribution payment – scope of performance: equity contribution payment

The following agreements have been concluded with ALCAMORA LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 290 379:

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

The following agreements have been concluded with ALRIK VENTURES LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 318 488:

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

The following agreements have been concluded with ANTHEMONA LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 289 677:

- 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 ANTHIAROSE LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 224463:

- Framework contract on the method for negotiating conditions for carrying out deposit transactions – scope of performance: financial services
- Commission agent's contract – including appendices – scope of performance: financial services
- Agreement on Administration of Securites, as amended – scope of performance: financial services
- Standing instruction – Agreement on Administration of Securites – 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
- Contract for subscription and purchase of investment certificates – scope of performance: financial services
- ISDA Agreement, as amended – scope of performance: financial services
- Contract for subscription and purchase of subordinated bond – scope of performance: financial services
- Contract for subscription and purchase of subordinated bond (increasing the issue volume) – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Areál Ďáblice s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 03762939:

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

The following agreements have been concluded with Art Office Gallery a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 24209627:

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

The following agreements have been concluded with ASTAVEDO LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 316 792:

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

The following agreements have been concluded with Autotým, s.r.o., having its registered office at Hráského 2231/25, 148 00 Praha 4 – Chodov, registration number 030 40 836:

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

The following agreements have been concluded with Bavella B.V., having its registered office at Strawinskylaan 933, 1077XX 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, a.s., having its registered office at Českomoravská 2345/17, 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 Bestsport Services, a.s. v likvidaci, having its registered office at Českomoravská 2345/17, 190 00 Praha 9, registration number 24215171:

- Framework contract on the issue and storage of deposit notes – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with B2S Servisní a.s., having its registered office at Českomoravská 2345/17, 190 00 Praha 9, registration number 19013825:

- Commission agreement on provision and settlement of transactions with investment instruments and on investment instruments administration – scope of performance: financial services

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

- 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., having its registered office at Za Brumlovkou 266/2, 140 00 Praha 4, registration number 04071336:

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

The following agreements have been concluded with BOVESTO LIMITED, having its registered office at Esperidon 12, 4th Floor, Office 1075, Nicosia, Republic of Cyprus, registration number HE353152:

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

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

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

The following agreements have been concluded with CITY TOWER Holding a.s., having its registered office at Evropská 2690/17, 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 Codar Invest B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 27278985:

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

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

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

The following agreements have been concluded with Czech Equestrian Team a.s., having its registered office at Evropská 2690/17, Dejvice, 160 00 Praha 6, registration number 019 52 684:

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

The following agreements have been concluded with Česká telekomunikační infrastruktura a.s., having its registered office at Olšanská 2681/6, 130 00 Praha 3, registration number 040 84 063:

- General agreement on payment and banking services – scope of performance: financial services
- Mandate Contract on Arrangement of Trades in Money-Market and Derivative Investment Instruments, – scope of performance: financial services
- Framework contract on the trading on financial market (EMA) – scope of performance: financial services
- Internal escrow account E/ 2322290003 contract, scope of performance – escrow account for property purchase price deposit

The following agreements have been concluded with DADRIN LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 321 173:

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

The following agreements have been concluded with DOUSAVI LIMITED, having its registered office at Spyrou Kyprianou 18, 1075 Nicosia, Republic of Cyprus, registration number HE 331 420:

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

The following agreements have been concluded with Eastern Properties B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Za Brumlovkou 266/2, Michle, 140 00 Praha 6, registration number 050 89 131:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on a special bank account for repayment of company's setting-up deposit – scope of performance: financial services

The following agreements have been concluded with ELTHYSIA LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 290 356:

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

The following agreements have been concluded with ENADOCO LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 316 486:

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

The following agreements have been concluded with FACIPERO INVESTMENTS LIMITED, having its registered office at Esperidon 12, 4th Floor, 1075 Nicosia, Republic of Cyprus, registration number HE 232 483:

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

The following agreements have been concluded with Favour Ocean Limited, having its registered office at 36/F, Tower Two, 1 Matheson Street, Causeway Bay, Hong Kong, People's Republic of 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, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 310 390:

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

The following agreements have been concluded with FELISTON ENTERPRISES LIMITED, having its registered office at Afroditi 25, 2nd Floor, Office 204, 1060 Nicosia, Republic of Cyprus, registration number HE 152674:

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

The following agreements have been concluded with FERRYMAT HOLDINGS LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 313289:

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

The following agreements have been concluded with Fodina B.V., having its registered office at Strawinskylaan 933, 1077XX 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

The following agreements have been concluded with GALIO INVESTMENTS LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 310 260:

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

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

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

The following agreements have been concluded with Gen Office Gallery a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 24209881:

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

The following agreements have been concluded with German Properties B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at PO Box 3423, Road Town, Tropical Isle Building, Tortola, British Virgin Islands, registration number 1396023:

- Commission agent's contract, – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

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

- General agreement (HC ASIA) – scope of performance: financial services
- 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 HC Broker, s.r.o., having its registered office at Nové sady 996/25, 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 Insurance Services s.r.o., having its registered office at Evropská 2690/17, 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 Philippines Holding B.V, having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 64398064:

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

The following agreements have been concluded with Home Credit a.s., having its registered office at Nové sady 996/25, 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
- Overdraft loan contract 90003809
- Framework contract for the execution of 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, having its registered office at 36/F, Tower Two, 1 Matheson Street, Hong Kong, People's Republic of 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., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 34126597:

- Framework contract on the method for negotiating conditions for carrying out deposit transactions – scope of performance: financial services
- Master Agreement – ISDA, as amended – scope of performance: financial services
- Commission Agreement – 1.12.2008 – Home Credit B.V. – scope of performance: financial services
- Agreement with the Administrator + Special Arrangement to the Agreement with the Administrator – scope of performance: financial services
- Agreement on the provision of the issue of notes – scope of performance: financial services
- Agreement on the provision of the issue of notes – scope of performance: financial services
- Agreement with the Administrator, CZ0000000245, Home Credit B.V. – scope of performance: financial services
- Agreement with the Administrator, CZ0000000245, as amended – scope of performance: financial services
- Agreement on a promissory note programme arrangement – scope of performance: financial services
- Contract for the arrangement of a programme comprising bills of exchange – scope of performance: financial services
- Contract for the arrangement of a programme comprising bills of exchange – scope of performance: financial services
- Agreement Related to an Offer of a Bond – scope of performance: financial services
- Loan Agreement No 30298814 – scope of performance: financial services
- Loan Agreement No 41389616 – scope of performance: financial services
- Subordination Agreement – scope of performance: financial services
- Term Facility Agreement – scope of performance: financial services
- 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

The following agreements have been concluded with Home Credit India B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 60192666:

- Framework treasury contract – scope of performance: treasury transaction
- General agreement on payment and banking services – scope of performance: financial services
- Loan agreement, as amended – scope of performance: interest on loan
- Contract for a pledge of receivables from a bank account – scope of performance: pledged receivables
- Licence agreement for Oracle, scope of licence agreement: ULA Oracle – scope of performance: other services
- Agreement on training costs payment – scope of performance: other services
- Agreement on employees' business trip cost payment – scope of performance: other services

The following agreements have been concluded with Home Credit Lab N.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Teplická 7434/147, 921 22 Piešťany, Slovakia, registration number 36234176:

- Framework contract on the method for negotiating conditions for carrying out deposit transactions – scope of performance: financial services
- 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
- Overdraft loan 90005408 contract, 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 Home Credit US Holding, LLC, having its registered office at 3500 South Dupont Hwy, Dover, Delaware 19901, United States of America, registration number 5467913:

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

The following agreements have been concluded with HC Consumer Finance Philippines, Inc, having its registered office at Union Bank Plaza Building, 35th Floor, Meralco Ave., corner Onyx, Pasig, Republic of the Philippines, registration number 201301354:

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

The following agreements have been concluded with Horse Arena s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 044 79 823:

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

The following agreements have been concluded with JARVAN HOLDINGS LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 310 140:

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

The following agreements have been concluded with KARMION HOLDINGS LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 312 004:

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

The following agreements have been concluded with Kateřinská Office Building s.r.o., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 03495663:

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

The following agreements have been concluded with Langen Property B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 61012777:

- General agreement on payment and banking services – scope of performance: financial services
- Framework contract on the trading on financial market (EMA) – scope of performance: financial services

The following agreements have been concluded with LINDUS Real s.r.o., having its registered office at Evropská 2690/17, 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, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 281 891:

- Contract for ensuring the payment of a consideration – 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
- 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, having its registered office at ul. Pravdy 8, 125 040 Moscow, Russia, registration number 1027700280937:

- Special Bank Account Agreement – RUB – 30230810700001500001 (Shares) – scope of performance: financial services
- Agreement on the Establishment of Correspondent Relations – RUB correspondent account number 30231810600000000009 – scope of performance: financial services
- Agreement on the Establishment of Correspondent Relations – KZT – 30113398400000000001 – 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

- K+ contract for Russia – scope of performance: financial services
- Depositary contract – account PO 140103KSB – scope of performance: financial services
- Commission Agreement on the Provision of a Transaction in Investment Instruments – HCFB Moscow – scope of performance: financial services
- Special Bank Account Agreement – RUB – 30230810600001600001 (Bond) – scope of performance: financial services
- Agreement on a Russian rouble loro account, opening and maintenance procedures for a non-resident bank – Rates of Commission Charge – scope of performance: financial services
- Agreement on the Administration of Securities – scope of performance: financial services
- Contract for opening and maintaining a CZK correspondent account and terms and conditions of account maintenance – 2005840171/6000 – Terms and Conditions for a Correspondent Account in CZK – scope of performance: financial services
- Contract for opening and maintaining a EUR correspondent account and terms and conditions of account maintenance – 2005840200/6000 – Terms and Conditions for a Correspondent Account in EUR – scope of performance: financial services
- Contract for opening and maintaining a USD correspondent account and terms and conditions of account maintenance – 2005840198/6000 – Terms and Conditions for a 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
- Loan Agreement No 30073512, 30078312, 30078412, Agreement on a Pledge of Receivables and on a Future Pledge of Receivables, Reg. No R/30078412 – scope of performance: financial services
- Loan Agreement No 30125812 – scope of performance: financial services
- Agreement on 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) Number 2005840200/6000 – scope of performance: financial services

The following agreements have been concluded with LLC RAV Agro Orel, having its registered office at Komsomolskaya ul. 104, Premises 40, 302 026 Orel, Russia, registration number 1115741001496:

- ISDA 2002 Master Agreement

The following agreements have been concluded with MARAFLEX LIMITED, having its registered office at Spyrou Kyprianou 18, 1075 Nicosia, Republic of Cyprus, registration number HE 203 470:

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

The following agreements have been concluded with Maraflex s.r.o., having its registered office at Evropská 2690/17, 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, having its registered office at Spyrou Kyprianou 18, 1075 Nicosia, Republic of Cyprus, registration number HE 224 515:

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

The following agreements have been concluded with Millennium Tower (Rotterdam) B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 56261330:

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

The following agreements have been concluded with Misterine s.r.o., having its registered office at Za Brumlovkou 266/2, 160 41 Praha 4, registration number 05249899:

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

The following agreements have been concluded with MOETON a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 27864561:

- Framework contract for the lease of a vehicle – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Monheim Property B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Hvězdova 1716/2b, 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., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 28171934:

- General agreement on payment and banking services – scope of performance: financial services
- Commission agent's contract for the procurement and settlement of investment instrument transactions and a contract for the administration of investment instruments – scope of performance: financial services

The following agreements have been concluded with Mystery Services s.r.o., having its registered office at Evropská 2690/17, 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 catering cost payments

The following agreements have been concluded with Naneva B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 67400639:

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

The following agreements have been concluded with NIDALEE HOLDING LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 310 150:

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

The following agreements have been concluded with Net gate s.r.o., having its registered office at Evropská 1690/17, 160 00 Praha 6, registration number 24765651:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on an equity contribution payment – scope of performance: equity contribution payment

The following agreements have been concluded with O2 Czech Republic a.s., having its registered office at Za Brumlovkou 266/2, 140 22 Praha 4, registration number 60193336:

- General agreement on payment and banking services – scope of performance: financial services
- Framework agreement on financial market trading – scope of performance: hedging against financial risk

The following agreements have been concluded with O2 IT Services s.r.o., having its registered office at Za Brumlovkou 266/2, 140 00 Praha 4 – Michle, registration number 028 19 678:

- Bank guarantee contract – scope of performance: financial services
- 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 Financial Services s.r.o., having its registered office at Za Brumlovkou 266/5, 140 00 Praha 4 – Michle, registration number 05423716:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on a special bank account for the repayment of company's setting-up deposit – scope of performance: financial services

The following agreements have been concluded with O2 TV s.r.o., having its registered office at Za Brumlovkou 266/5, 140 00 Praha 4 – Michle, 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., having its registered office at Hvězdova 1716/2b, 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 OJSC Home Credit Bank, having its registered office at Odoevskogo 129, 220018 Minsk, Belarus, registration number 807000056:

- Contract for the opening and maintaining of a correspondent account and terms and conditions – 1897260054 – scope of performance: financial services
- Framework Treasury Agreement dated 19 March 2010, – scope of performance: financial services

The following agreements have been concluded with Paleos Industries B.V, having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 25099345:

- Contract on the use of a visual style and the provision of rights to use trademarks – scope of performance: other services
- Framework contract for the lease of a vehicle – scope of performance: other services
- Contract on the sublease of mobile equipment – scope of performance: other services
- Framework contract on the disposal 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 – PPF GATE, as amended – scope of performance: financial services
- Treasury contract PPF a.s. – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services
- Agreement on staffing services cost payments – scope of performance: staffing services
- Agreement on preventive health care cost payments – scope of performance: health care CMC
- Agreement on the provision of LAN services – scope of performance: providing LAN services
- Agreement on the transfer of a Net Gate share (24 May 2016) – scope of performance: share transfer
- Agreement on the transfer of an Airline Gate share – scope of performance: share transfer
- Agreement on the use of Metro Dejvická parking (31 August 2016) – scope of performance: services

The following agreements have been concluded with PPF A3 B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 63365391:

- General agreement on payment and banking services – scope of performance: financial services
- Agreement on administration related to an Offer to Purchase Shares in O2 Czech Republic a.s. – scope of performance: financial services
- Agreement on Administration Related to an Offer to Purchase Shares in Cetin – 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

The following agreements have been concluded with PPF Advisory (CR) a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 25792385:

- Treasury contract – scope of performance: financial services
- Commission agent's contract for the procurement and settlement of investment instrument 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 PPF Advisory (UK) Limited, having its registered office at Witan Gate House, 500-600 Witan Gate West, Milton Keynes MK9 1SH, United Kingdom of Great Britain and Northern Ireland, 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., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 59009187:

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

The following agreements have been concluded with PPF Arena 2 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 59029765:

- Fee Letter – scope of performance: financial services
- Mandate Contract on the Arrangement of Trades in Derivative Investment Instruments – scope of performance: financial services
- Agreement on Administration – scope of performance: financial services
- Special Arrangement to the Agreement on Administration – scope of performance: financial services
- Agreement on Administration related to an Offer to Purchase Shares in O2 Czech Republic a.s. – scope of performance: financial services
- Special Arrangement to the Agreement on Administration related to an Offer to Purchase Shares in O2 Czech Republic a.s. – scope of performance: financial services
- General agreement on payment and banking services 12 May 2015 – 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

The following agreements have been concluded with PPF Art a.s., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 63080672:

- Treasury contract PPF Art a.s. – 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 Beer Bidco B.V., having its registered office at Strawinskylaan 933, 1077XX 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 Beer Holdco 1 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 67330495:

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

The following agreements have been concluded with PPF Beer Holdco 2 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 67330355:

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

The following agreements have been concluded with PPF Beer IM Holdco B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 67331378:

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

The following agreements have been concluded with PPF Beer Topholdco B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 67420427:

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

The following agreements have been concluded with PPF Capital Partners Fund B.V., having its registered office at Strawinskylaan 933, 1077XX 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 1 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 34275402:

- General agreement PPF Co1 B.V. – 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 CO 3 B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 34360935:

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

The following agreements have been concluded with PPF Financial Consulting s.r.o., having its registered office at Evropská 2690/17, 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., having its registered office at Strawinskylaan 933, 1077XX 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

The following agreements have been concluded with PPF GATE a.s., having its registered office at Evropská 2690/17, 160 41 Praha 6, Czech Republic, registration number 27654524, VAT No CZ27654524:

- Contract for the sublease of non-residential premises, as amended – scope of performance: other services

The following agreements have been concluded with PPF Group N.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 33264887:

- General agreement – deposits – scope of performance: financial services
- Master Agreement, as amended – scope of performance: financial services
- Commission agent's contract – including appendices – scope of performance: financial services
- Contract for the 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

The following agreements have been concluded with PPF Healthcare N.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 34308251:

- Commission agent's contract – scope of performance: financial services
- Contract for the administration of securities – scope of performance: financial services
- Contract for the assignment of a receivable – 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 Infrastructure N.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 65167899:

- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with PPF PROPERTY LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 189 164:

- 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., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 34276162:

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

The following agreements have been concluded with PPF REAL ESTATE LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 188 089:

- 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., having its registered office at Evropská 2690/17, 160 41 Praha 6, registration number 27638987:

- Treasury contract – scope of performance: financial services
- Commission agent's contract – scope of performance: financial services
- Contract for the provision of services – scope of performance: financial services
- General agreement on payment and banking services, as amended – scope of performance: financial services
- Agreement on the payment of expenses associated with banking information for an audit – scope of performance: banking information for an audit

The following agreements have been concluded with PPF reality a.s., having its registered office at Evropská 2690/17, 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, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 92432:

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

The following agreements have been concluded with PPF Telco B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 65167902:

- Commission Agreement on the Provision and Settlement of Transactions with Investment Instruments and on Investment Instrument Administration
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with Prague Entertainment Group B.V., having its registered office at Strawinskyiaan 933, 1077XX Amsterdam, Netherlands, registration number 63600757:

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

The following agreements have been concluded with PT Home Credit Indonesia, having its registered office at Plaza Oleos, 8th-9th Floor, Jl. TB Simatupang 53A, 125 20, Jakarta, Republic of 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., having its registered office at Hvězdova 1716/2b, 140 00 Praha 4, registration number 25667254:

- Contract for the Provision of BZ No 90009006, as amended – scope of performance: financial services
- Treasury contract, scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services
- Agreement on payment of expenses associated with flight tickets – scope of performance: flight tickets
- Agreement on payment of expenses associated with accommodation – scope of performance: accommodation
- Agreement on payment of expenses associated with tickets – scope of performance: tickets
- Agreement on payment of expenses associated with event services – scope of performance: event services

The following agreements have been concluded with Real Estate Russia B.V., having its registered office at Strawinskyiaan 933, 1077XX 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 LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 178 059:

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

The following agreements have been concluded with REPIENO LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 282 866:

- Internet banking contract – scope of performance: financial services
- General agreement on payment and banking services – scope of performance: financial services

The following agreements have been concluded with RHASKOS FINANCE LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 316 591:

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

The following agreements have been concluded with RobbyNet s.r.o., having its registered office at Pařížská 129/24, 110 00 Praha 1, registration number 014 08 437:

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

The following agreements have been concluded with Ruconfin B.V., having its registered office at Strawinskyiaan 933, 1077XX Amsterdam, Netherlands, registration number 55391176:

- 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
- 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. number ZBU/30034911, as amended – scope of performance: financial services
- Framework agreement on the provision of a loan and other banking products reg. number 30034911, 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 RYAZAN INVESTORS COMPANY LIMITED, having its registered office at Esperidon 12, 4th Floor, 1087 Nicosia, Republic of Cyprus, registration number HE 180 968:

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

The following agreements have been concluded with RYAZAN SHOPPING MALL LIMITED, having its registered office at Esperidon 12, 4th Floor, 1087 Nicosia, Republic of Cyprus, registration number HE 180 951:

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

The following agreements have been concluded with SALEMONTA LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 161 006:

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

The following agreements have been concluded with SEPTUS HOLDING LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 316 585:

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

The following agreements have been concluded with SOTIO a.s., having 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., having its registered office at Strawinskylaan 933, 1077XX 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, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 221 908:

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

The following agreements have been concluded with STINCTUM HOLDINGS LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 177 110:

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

The following agreements have been concluded with Sundown s.r.o. v likvidaci, having its registered office at Radimovice 26, 251 69 Petřikov, registration number 242 60 479:

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

The following agreements have been concluded with SYLANDER CAPITAL LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 316 597:

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

The following agreements have been concluded with TALPA ESTERO LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 316 502:

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

The following agreements have been concluded with TANAINA HOLDINGS LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 318 484:

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

The following agreements have been concluded with TAPADEO LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 341 777:

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

The following agreements have been concluded with TELISTAN LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 341 864:

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

The following agreements have been concluded with TENACITY LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 180 866:

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

The following agreements have been concluded with TIMEWORTH HOLDINGS LTD., having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 187 475:

- 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

The following agreements have been concluded with TOLESTO LIMITED, having its registered office at Themistokli Dervi 48, 6th Floor, Office 603, 1066 Nicosia, Republic of Cyprus, registration number HE 322 834:

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

The following agreements have been concluded with Trigon Berlin B.V., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 55440916:

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

The following agreements have been concluded with Trigon II B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Strawinskylaan 933, 1077XX Amsterdam, Netherlands, registration number 60006609:

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

The following agreements have been concluded with TROMSON ENTERPRISES LIMITED, having its registered office at Esperidon 12, 4th Floor, 1087 Nicosia, Republic of Cyprus, registration number 233665:

- General agreement on payment and banking services – scope of performance: financial services
- Internet banking contract – scope of performance: financial services

The following agreements have been concluded with VALMARIE HOLDINGS LIMITED, having its registered office at Spyrou Kyprianou 18, 1075 Nicosia, Republic of Cyprus, registration number HE 300 697:

- General agreement on payment and banking services – scope of performance: financial services
- Internet banking contract – scope of performance: financial services

The following agreements have been concluded with VELTHEMIA LIMITED, having its registered office at Spyrou Kyprianou 18, 1075 Nicosia, Republic of Cyprus, registration number HE 282 891:

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

The following agreements have been concluded with Vítězné náměstí s.r.o., having its registered office at Na Florenci 2116/15, 110 00 Praha 1, registration number 28511441:

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

The following agreements have been concluded with Vox Ventures B.V., having its registered office at Strawinskylaan 933, 1077XX 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., having its registered office at Evropská 2690/17, 160 00 Praha 6, registration number 035 70 967:

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

6. Assessment of whether the Company has incurred damage and an assessment of its settlement pursuant to Sections 71 and 72 of the Business Corporations Act

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, the provision and receipt of all supplies under these agreements was at arm's length. The Company incurred no damage as a result of these actions and agreements.

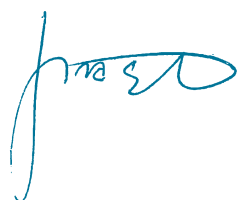
In the Accounting Period, there were no instances of an influential entity or the controlling entity influencing the Company's actions that would result in the Company's actions being decisively and significantly influenced to its detriment. The Company incurred no damage, and no assessment of damage settlement within the meaning of Sections 71 and 72 of the Business Corporations Act 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 for 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. A statement of whether, how and when damage was or will be settled (within the meaning of Sections 71 and 72 of the Business Corporations Act) 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, 31 March 2017



Petr Jirásko
Chairman of the Board of Directors



Miroslav Hudec
Member of the Board of Directors

Appendix 1

Structure of relations within the 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
AB 1 B.V.	56007043	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 18 Oct 2016	Air Bank 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 3 B.V.	58435425	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 18 Oct 2016	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 5 B.V.	34192873	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 18 Oct 2016	Air Bank a.s.
AB 6 B.V.	58435956	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 18 Oct 2016	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.
Accord Research, s.r.o.	290 48 974	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
Air 24 a.s.	5479070	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	From 14 Oct 2016	PPF a.s.
Air Bank a.s.	29045371	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Airline Gate 1 s.r.o.	02973081	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka a.s.
ALCAMORA LIMITED	HE 290 379	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
ALMONDSEY LIMITED	HE 291 856	Republic of 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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
ANTHEMONA LIMITED	HE 289 677	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
ANTHIAROSE LIMITED	HE 224463	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Areál Ďáblice s.r.o.	O3762939	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Nine s.r.o.
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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Autotým, s.r.o.	030 40 836	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.
B2S Servisní, a.s.	19013825	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Bestsport Services, a.s. v likvidaci	24215171	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 15 Sep 2016	ANTHIAROSE LIMITED
Bestsport, a.s.	24214795	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
BONAK a.s.	5098815	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	From 19 May 2016	PPF a.s.
Bolt Start Up Development a.s.	4071336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
BORACORA LIMITED	HE 251 936	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC. FIGERA LIMITED
BOVESTO LIMITED	HE353152	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	From 7 May 2016 to 8 December 2016	FACIPERO INVESTMENTS LIMITED
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
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
CAPERON HOLDINGS LIMITED	HE 173 977	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 27 Sep 2016	Corvus Services Limited
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.	5022983	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	From 25 Apr 2016 to 1 Sep 2016	Česká telekomunikační infrastruktura a.s.
CF Commercial Consulting (Beijing) Limited	78860280-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
CITY TOWER Holding a.s.	02650665	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CITY TOWER, a.s.	271 03 251	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 27 Sep 2016	CITY TOWER Holding a.s.
CJSC "Intrust NN"	1065259035896	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		STINCTUM HOLDINGS LIMITED
CJSC "Investments trust"	1037739865052	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park 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		SEPTUS HOLDING LIMITED, TALPA ESTERO LIMITED, RHASKOS FINANCE LIMITED, SYLANDER CAPITAL LIMITED, ENADOCO LIMITED, ASTAVEDO LIMITED
Codar Invest B.V.	27278985	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 29 Jun 2016	ANTHIAROSE LIMITED
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.
Corvus Services Limited	1061050	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	Until 29 Dec 2016	VELTHEMIA LIMITED
Czech Equestrian Team a.s.	019 52 684	Czech Republic	Entity controlled by the same controlling entity acting in concert 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	Federal Republic of Germany	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura 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 A4 B.V. PPF A3 B.V.
DADRIN LIMITED	HE 321 173	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
De Reling (Droten) B.V.	58164235	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
DELIFLEX LIMITED	HE 221 768	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
DOUSAVI LIMITED	HE 331 420	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 12 Jul 2016	Bavella 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 acting in concert by means of an ownership interest	From 17 May 2016	O2 Czech Republic a.s.
ELDORADO LICENSING LIMITED	HE 144 889	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 26 Apr 2016	LLC Eldorado
ELTHYSIA LIMITED	HE 290 356	Republic of 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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ETO LICENSING LIMITED	HE 179 386	Republic of 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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	Hong Kong	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
FAYDE INVESTMENTS LIMITED	HE 310 390	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
FELISTON ENTERPRISES LIMITED	HE 152674	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTA LIMITED
FERRYMAT HOLDINGS LIMITED	HE 313289	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
FIGERA LIMITED	HE 251 908	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
GABELLI CONSULTANCY LIMITED	HE 160 589	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
GALIO INVESTMENTS LIMITED	HE 310 260	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
Garco Group B.V.	34245884	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENT 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.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
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.
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.
GRACESPRING LIMITED	HE 208 337	Republic of 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 Financing Guarantee Co., Ltd	76732894-1	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
HC Asia N.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.
HC Consumer Finance Philippines, Inc	CS 201301354	Republic of the Philippines	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holding B.V.
HC Insurance Services s.r.o.	1487779	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HC Philippines Holding B.V	35024270	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.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 B.V.
Home Credit Asia Limited	890063	Hong Kong	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
Home Credit B.V.	34126597	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holding B.V.
Home Credit Business Management (Tianjin) Co., Ltd.	67596220-8	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	Until 25 Jul 2016	Home Credit Asia Limited
Home Credit Consumer Finance Co., Ltd	91120116636067462H	People's Republic of 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 of Great Britain and Northern Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Home Credit India B.V.	52695255	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997 PTC047448	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V.
Home Credit Indonesia B.V.	52695557	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.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.
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	Slovak Republic	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	0307672788	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HOPAR LIMITED	HE 188 923	Republic of 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	Entity controlled by the same controlling entity by means of an ownership interest		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Petr Kellner
iCORD International s.r.o.	27405354	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	From 2 Sep 2016	Bolt Start Up Development a.s.
Internethome, s.r.o.	24161357	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
JARVAN HOLDINGS LIMITED	HE 310 140	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., FIGERA LIMITED
JH Media Services Plus s.r.o.	04002423	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 Stock Company "Gorod Molodogo Pokolenija"	1027700473756	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
Joint Stock Company "Sibzavod Centre"	1035501017221	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Trust – Invest
JONSA LIMITED	HE 275 110	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited, FIGERA LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
JSC Yugo – Vostochnaya promyshlennaya kompaniya "KARTONTARA"	1037700008895	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
JSC Home Credit Kazakhstan	70-700-1910-AO	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia N.V.
KARMION HOLDINGS LIMITED	HE 312 004	Republic of 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		Seven Assets Holding B.V.
Kateřinská Office Building s.r.o.	3495663	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Langen Property B.V.	61012777	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties 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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Prague Entertainment Group B.V.
LLC Alfa South	1077760158618	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GRACESPRING LIMITED
LLC Alians R	1086627000635	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED LLC Charlie Com
LLC Bonus Center Operations	1127746491861	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
LLC BRAMA	1107746950431	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Bryanskii Torgovij Centr-Invest	1063250034385	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 27 Oct 2016	JARVAN HOLDINGS LIMITED
LLC Collect Credit	36726094	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	Until 22 Jun 2016	Home Credit B.V.
LLC Comcity Kotelnaya	5157746112959	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	From 8 Feb 2016	Comcity Office Holding B.V.
LLC Delta Com	1137746330358	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED LLC Charlie Com
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V.
LLC EI Logistic	1020201302472	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		TAPADEO LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Eldomarket	1045002950354	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 8 Dec 2016	LLC Eldorado BOVESTO LIMITED
LLC Eldorado	5077746354450	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 8 Dec 2016	BOVESTO LIMITED
LLC Ellin	1021601767395	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 8 Dec 2016	LLC Invest Realty
LLC ERKO	1044702180863	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Joint Stock Company "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		FAYDE INVESTMENTS LIMITED
LLC Financial Innovations	1047796566223	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
LLC Home Credit & Finance Bank	1027700280937	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V. Home Credit International a.s.
LLC Home Credit Insurance	1027739236018	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V
LLC Home Credit Online	1157746587943	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	from 30 Jun 2015	Home Credit Lab N.V.
LLC HOMER SOFTWARE HOUSE	35364346	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		REDLIONE LIMITED Home Credit B.V.
LLC Charlie Com	1137746330336	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED LLC Almondsey
LLC ICC Klokovo	1127746186501	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Rutar Invest
LLC In Vino	1052309138628	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Alfa South
LLC IN VINO – ANAPA – 2	1072301000200	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 20 Jul 2016	LLC IN VINO HOLDING
LLC IN VINO HOLDING	7734565173	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 20 Jul 2016	UNDERTREA HOLDINGS LIMITED
LLC In Vino Natukhaevskoe	1052309081880	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 20 Jul 2016	LLC IN VINO HOLDING
LLC Invest Realty	1057746212666	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 8 Dec 2016	LLC Eldorado BOVESTO LIMITED
LLC K-Development	1077760004629	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GALIO INVESTMENTS LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Kvartal Togliatti	1056320172567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
LLC LB Orel	1135749000793	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC EASTERN PROPERTIES RUSSIA LLC LB Voronezh
LLC LB Voronezh	1133668033872	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC EASTERN PROPERTIES RUSSIA, LLC LB Orel
LLC Logistics – A	1115048002156	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		ELTHYSIA LIMITED, FIGERA LIMITED
LLC Logistika – Rostov	1167746090236	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	From 26 Jan 2016	FERRYMAT HOLDINGS LIMITED
LLC Logistika – Ufa	1150280069477	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		TAPADEO LIMITED
LLC MCC Kupi ne kopi	1027700280640	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
LLC Mitino Sport City	1107746473383	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		MICROLIGHT TRADING LIMITED
LLC My Gym	5157746112915	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	From 9 Feb 2016	Comcity Office Holding B.V.
LLC Oil Investments	1167746861677	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	From 28 Sep 2016	Paleos Industries B.V.
LLC PPF Life Insurance	1027739031099	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Bavella B.V. Grandview Resources Corp.
LLC RAV Agro Orel	1115741001496	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC RAV Agro Penza	1115802001765	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 26 Mar 2016	LLC RAV Agro
LLC RAV Agro Pro	1033600135557	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro Bavella B.V. Grandview Resources Corp.
LLC RAV Myasoprodukt – Orel	1135749001684	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Molokoprodukt
LLC RAV Niva	1023601232522	Russian Federation	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	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF REAL ESTATE LIMITED
LLC Rentol	1027700403500	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 8 Dec 2016	LLC Eldorado, BOVESTO LIMITED
LLC ROKO	5107746049329	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC ROST Agro	1103601000030	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Rutar Invest	1137746325640	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		STEPHOLD LIMITED
LLC Skladi 104	5009049271	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		GABELLI CONSULANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		Trigon II B.V.
LLC Sotio	1117746901502	Russian Federation	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	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		NIDALEE HOLDING LIMITED
LLC Strata	7702765300	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
LLC Stroyinvest	1056320172611	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 5 Aug 2016	LLC Kvartal Togliatti
LLC TGK – Trilogy	1155027001030	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC PPF Real Estate Russia
LLC TK Donskoe	1056102003715	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Trust – Invest
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Tower	1117746550020	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
LLC Trade center "Permskiy"	1087746243694	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	Until 8 Dec 2016	LLC Eldorado, BOVESTO LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
LLC Trilogy Services	1155027007398	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest	From 24 Nov 2016	Trilogy Park Holding B.V.
LLC Trust – Invest	1057746391306	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Uhrozhay	1063627011910	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC Yug
LLC Yug	1083627001567	Russian Federation	Entity controlled by the same controlling entity by means of an ownership interest		LLC LB Voronezh
LvZH (Rijswijk) B.V.	58163999	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Mapleridge Development Limited	1668985	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	Until 22 Dec 2016	ANTHIA ROSE LIMITED
Maraflex s.r.o.	2415852	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	Republic of 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.
MINIFLEX LIMITED	HE 221 915	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Misterine s.r.o.	5249899	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	From 22 Sep 2016	Bolt Start Up Development a.s.
MOETON a.s.	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.	27904423	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.
Mystery Services s.r.o.	24768103	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
NACUDU LIMITED	HE 254 166	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 12 Jul 2016	PPF Group N.V.
Naneva B.V.	67400639	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 2 Dec 2016	PPF Group N.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS, FIGERA LIMITED
O2 Business Services, a.s.	500 87 487	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
O2 Czech Republic a.s.	60193336	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Arena 2 B.V., PPF A3 B.V.
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.	5423716	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	From 26 Sep 2016	O2 Czech Republic a.s.
O2 IT Services s.r.o.	028 19 678	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.	35 848 863	Slovak Republik	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 Five, spol. s r.o.	27639185	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 31 May 2016	TENACITY 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
Office Star Two, spol. s r.o.	27639169	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 31 May 2016	TENACITY LIMITED
OJSC „Non-banking Credit and Financial Organization „Home Credit“	807000056	Belarus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
ORIBASE Pharma SAS	499 824 670	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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
Paleos Industries B.V.	66846919	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 19 Sep 2016	PPF Group N.V.
Pharma Consulting Group Ltd.	34529634	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		HOPAR LIMITED, FIGERA LIMITED
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
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	Republic of 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 of Great Britain and Northern Ireland	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
PPF ADVISORY (UKRAINE) LIMITED	HE 162 172	Republic of 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 Group N.V.
PPF Arena 2 B.V.	59029765	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 22 Jan 2016	PPF Arena 1 B.V.
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 Holding B.V.
PPF Beer Bidco B.V.	67332722	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 23 Nov 2016	PPF Beer IM Holdco B.V.
PPF Beer Holdco 1 B.V.	67330495	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 23 Nov 2016	PPF Group N.V.
PPF Beer Holdco 2 B.V.	67330355	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 23 Nov 2016	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	From 23 Nov 2016	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	From 23 Nov 2016	PPF Group N.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 1 B.V.	34275402	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Until 30 Dec 2016	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.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF Financial Consulting s.r.o.	24225657	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF banka 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		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		Petr Kellner
PPF Infrastructure B.V.	65167899	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 22 Jan 2016	PPF Arena 1 B.V.
PPF Partners 1 GP Limited	49291	Guernsey	Entity controlled by the same controlling entity by means of an ownership interest	Until 6 Jul 2016	PPF Partners Limited
PPF Partners a.s. v likvidaci	28515064	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 9 Mar 2016	PPF a.s.
PPF Partners Limited	49292	Guernsey	Entity controlled by the same controlling entity by means of an ownership interest	Until 6 Jul 2016	PPF Group N.V.
PPF PROPERTY LIMITED	HE 189 164	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC., FIGERA 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	Republic of 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., FIGERA LIMITED
PPF reality a.s.	29030072	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
PPF RUSSIA LIMITED	HE 172 467	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 6 Jul 2016	PPF Group N.V.
PPF SECRETARIAL LIMITED	HE 340 708	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF SERVICES LIMITED

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
PPF SERVICES LIMITED	HE 92432	Republic of 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	From 22 Jan 2016	PPF Arena 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	Republic of 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.
RAVENSBOURNE LIMITED	HE 188 284	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
RC PROPERTIES S.R.L.	12663031	Romania	Entity controlled by the same controlling entity by means of an ownership interest	From 10 Oct 2016	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 LIMITED	HE 178 059	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
REPIENO LIMITED	HE 282 866	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V. GLANCUS INVESTMENTS INC.
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., FIGERA LIMITED
RHASKOS FINANCE LIMITED	HE 316 591	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
RobbyNet s.r.o.	014 08 437	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 30 Jun 2016	PPF Real Estate Holding 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	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC.
RYAZAN SHOPPING MALL LIMITED	HE 180 951	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		RYAZAN INVESTORS COMPANY LIMITED
Saint World Limited	1065677	Hong Kong	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SALEMONTA LIMITED	HE 161 006	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
JSC Bank Home Credit	513-1900-AO (UI)	Republic of Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
SEPTUS HOLDING LIMITED	HE 316 585	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Settembre Holdings Limited	1449898	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	Until 14 Jul 2016	ANTHIA ROSE LIMITED
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.
Shenzhen Home Credit Financial Service Co., Ltd.	79663852-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Favour Ocean Limited
Shenzhen Home Credit Number One Consulting Co., Ltd.	66417425-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
Sichuan Home Credit Financing Guarantee Co., Ltd.	66046758-9	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SILINE CONSULTING LIMITED	HE 281 961	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
SILLERUD LIMITED	HE 224 392	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Slovak Trade Company, s.r.o. v likvidácii	36659 061	Slovak Republik	Entity controlled by the same controlling entity by means of an ownership interest		SILINE CONSULTING LIMITED
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	People's Republic of 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.
Standish Holdings Ltd.	1870560	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	Until 22 Dec 2016	PPF Real Estate Holding B.V.
STEPHOLD LIMITED	HE 221 908	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
STINCTUM HOLDINGS LIMITED	HE 177 110	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEM ONTO LIMITED
SUNDOWN FARMS LIMITED	HE 310 721	Republic of Cyprus	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		Vixon Resources Limited Chelton Properties Limited
Sundown s.r.o.	242 60 479	Czech Republic	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		SUNDOWN FARMS LIMITED
SYLANDER CAPITAL LIMITED	HE 316 597	Republic of 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
TALPA ESTERO LIMITED	HE 316 502	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
TANAINA HOLDINGS LIMITED	HE 318 484	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
TANFORD LIMITED	HE 167 324	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Petr Kellner
TAPADEO LIMITED	HE 341 777	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED, FIGERA LIMITED
TELISTAN LIMITED	HE 341 864	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Eastern Properties B.V.
TENACITY LIMITED	HE 180 866	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 31 May 2016	PPF Real Estate Holding B.V., FIGERA LIMITED
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	Slovak Republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Slovakia, s.r.o.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
TOLESTO LIMITED	HE 322 834	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V., FIGERA LIMITED
Trilogy Park Holding B.V.	60006609	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 24 Nov 2016	PPF Real Estate Holding B.V.
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.
TROMSON ENTERPRISES LIMITED	233665	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
UNDERTREA HOLDINGS LIMITED	HE 221 285	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 20 Jun 2016	Celestial Holdings Group Limited
UNILEAVE LIMITED	HE 179 204	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIA ROSE LIMITED
VALMARIE HOLDINGS LIMITED	HE 300 697	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Until 9 Jun 2016	Corvus Services Limited
VELTHEMIA LIMITED	HE 282 891	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		REPIENO LIMITED
Vítězné náměstí a.s.	28511441	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest	Until 16 Mar 2016	PPF Real Estate Holding B.V.

Company name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
Vixon Resources Limited	144 18 84	British Virgin Islands	Entity controlled by the same controlling entity acting in concert by means of an ownership interest		Petr Kellner (acting in concert)
Vox Ventures B.V.	65879554	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	From 21 Apr 2016	PPF Group N.V.
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
WOODBERRY LIMITED	HE 181 999	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
Zonky s.r.o.	035 70 967	Czech Republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.

Key consolidated financial information

(consolidated under International Financial Reporting Standards – IFRS)

Profit before tax

CZK millions

2011	761
2012	1,146
2013	757
2014	1,022
2015	1,443
2016	1,630

Total assets

CZK millions

2011	67,064
2012	77,064
2013	105,047
2014	108,884
2015	103,517
2016	136,810

Key consolidated financial information

under International Financial Reporting Standards (IFRS)

CZK millions	2016	2015
Assets		
Cash and balances with central banks	60,032	31,952
Assets held for trading	9,987	13,622
Available-for-sale assets	32,639	26,176
Loans and advances to banks	5,783	4,664
Loans and advances to customers	27,983	26,276
Other assets	386	827
Total assets	136,810	103,517
Equity and liabilities		
Deposits from banks	6,819	1,658
Deposits from customers	102,937	58,440
Debt securities issued	2,622	19,552
Financial liabilities held for trading	10,546	8,066
Subordinated liabilities	1,650	2,041
Issued capital	769	769
Other components of equity	8,094	6,538
Other liabilities	3,373	6,453
Total equity and liabilities	136,810	103,517
Income statement		
Net interest income	2,163	2,645
Net fee and commission income	202	226
Net gain on trading and dividend income	506	354
General administrative expenses	(776)	(736)
Impairment losses	(285)	(939)
Other operating profit or loss	(180)	(107)
Income tax expense	(274)	(290)
Profit or loss for the year	1,356	1,153
Key ratios		
Classified client loans/total client loans	18.30%	30.77%
Total capital ratio**		14.56%
ROAA	1.13%	1.09%
ROAE	16.77%	17.37%
Assets per employee (CZK millions)*	625	503
Administrative expenses per employee (CZK millions)*	4	4
Net profit per employee (CZK millions)*	6	6

* According to the Czech National Bank's methodology

** Disclosure of the Bank's regulatory capital on a consolidated basis (for the Bank and its subsidiaries) is not required since, as of 2015, capital is disclosed and managed at the regulated group level of PPF Financial Holding B.V.

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated 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 consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year 2016 then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year 2016 then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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.

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 judgements 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 Company 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 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 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 judgement and maintain professional scepticism 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of PPF banka a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague, 31 March 2017



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



Jindřich Vašina
Partner
Registration number 2059

Consolidated Financial Statements

for the year ended 31 December 2015 according to International Financial Reporting Standards (IFRS)

Consolidated Statement of Comprehensive Income

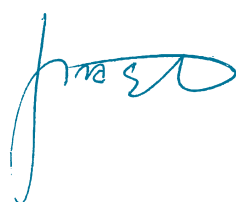
for the year ended 31 December 2016

CZK millions	Note	2016	2015
Interest and similar income	6	2,739	3,351
Interest expense and similar charges	6	(576)	(706)
Net interest income		2,163	2,645
Dividend income	7	1	2
Fee and commission income	8	257	276
Fee and commission expense	8	(55)	(50)
Net fee and commission income		202	226
Net trading income	9	505	352
Other operating income	10	1	1
Operating income		2,872	3,226
General administrative expenses	11	(776)	(736)
Impairment (loss)/reversal	24	(285)	(939)
Other operating expenses	12	(181)	(108)
Operating expenses		(1,242)	(1,783)
Profit before income tax		1,630	1,443
Income tax expense	21	(274)	(290)
Net profit for the year		1,356	1,153
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		31	(5)
Fair-value reserve (AFS financial assets):		214	231
Net change in fair value		369	169
Net amount transferred to profit or loss		(155)	62
Related tax		(41)	(44)
Other comprehensive income for the period		204	182
Total comprehensive income for the period		1,560	1,335

The notes on pages 135 to 179 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 31 March 2017.

Signed on behalf of the Board of Directors by:



Petr Jirásko



Miroslav Hudec

Consolidated Statement of Financial Position

as at 31 December 2016

CZK millions	Note	2016	2015
Assets			
Cash and balances with the central bank	13	60,032	31,952
Trading assets	14	9,987	13,622
Financial assets available for sale	15	32,639	26,176
Loans and advances to banks	16	5,783	4,664
Loans and advances to customers	17	27,983	26,276
Property, plant and equipment	19	29	30
Intangible assets	20	57	53
Other assets	23	300	744
Total assets		136,810	103,517
Liabilities			
Deposits from banks	25	6,819	1,658
Deposits from customers	26	102,937	58,440
Debt securities issued	27	2,622	19,552
Trading liabilities	28	10,546	8,066
Income tax liabilities	29	36	109
Deferred tax liabilities	21	164	132
Other liabilities and provisions	30	3,173	6,214
Subordinated liabilities	31	1,650	2,041
Total liabilities		127,947	96,212
Shareholders' equity			
Issued capital	32	769	769
Share premium	32	412	412
Retained earnings		7,007	5,653
Foreign currency translation differences for foreign operations	34	8	(23)
Fair-value reserve	34	667	494
Total shareholders' equity		8,863	7,305
Total liabilities and shareholders' equity		136,810	103,517

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

CZK millions	2016	2015
Cash flows from operating activities		
Profit before income tax	1,630	1,443
Adjustments for:		
Depreciation and amortisation	27	32
Foreign exchange gain/loss	(603)	174
Net impairment loss on investment securities	–	15
Net impairment loss on loans and advances	285	939
Net interest income	(2,163)	(2,645)
Revaluation of financial assets and liabilities through profit and loss	65	(436)
Net gain/loss on the sale of available-for-sale securities	(155)	68
Dividends on trading securities	(1)	(2)
Other adjustments	173	201
Operating profit before tax	(742)	(211)
Changes in:		
Balances with central bank	(69)	170
Trading assets	5,265	1,132
Loans and advances to banks	(1,891)	6,739
Loans and advances to customers	(1,392)	(2,515)
Other assets	444	(435)
Trading liabilities	785	(239)
Deposits from banks	5,161	(1,768)
Deposits from customers	44,497	(20,134)
Other liabilities and provisions	(3,043)	3,873
	49,015	(13,388)
Interest received	2,834	3,545
Interest paid	(505)	(684)
Income taxes paid	(315)	(90)
Net cash used in operating activities	51,029	(10,617)
Cash flow from investing activities		
Acquisition of investment securities	(9,895)	(20,080)
Proceeds from sale of investment securities	3,629	20,967
Acquisition of property and equipment	(8)	(31)
Acquisition of intangible assets	(22)	(36)
Net cash used in investing activities	(6,296)	820
Cash flow from financing activities		
Proceeds from issue of debt securities	970	33,672
Repayment of debt securities	(18,442)	(23,136)
Net cash from financing activities	(17,472)	10,536
Net increase/(decrease) in cash and cash equivalents	27,261	739
Cash and cash equivalents at 1 January	31,440	30,671
Effect of exchange rate fluctuations on cash and cash equivalents held	(22)	30
Cash and cash equivalents at 31 December (see Note 39 (f))	58,679	31,440

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

CZK millions	Issued capital	Share premium	Statutory reserve fund	Translation reserve	Fair-value reserve	Retained earnings	Total equity
Balance at 1 January 2016	769	412	-	(23)	494	5,653	7,305
Total comprehensive income for the period							
Profit for 2016	-	-	-	-	-	1,356	1,356
Other liabilities – “social fund”	-	-	-	-	-	(2)	(2)
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	-	31	-	-	30
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	-	173	-	174
Total comprehensive income for the period	769	412	-	8	667	7,007	8,863
Transactions with owners, contribution and distribution to owners							
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2016	769	412	-	8	667	7,007	8,863
Balance at 1 January 2015	769	412	-	(18)	307	4,502	5,972
Total comprehensive income for the period							
Profit for 2015	-	-	-	-	-	1,153	1,153
Other liabilities – “social fund”	-	-	-	-	-	(2)	(2)
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	-	-	(5)	-	-	(5)
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	-	187	-	187
Total comprehensive income for the period	769	412	-	(23)	494	5,653	7,305
Transactions with owners, contribution and distribution to owners							
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2015	769	412	-	(23)	494	5,653	7,305

Notes to the Consolidated Financial Statements

for the year ended 31 December 2016

1. Introduction

PPF banka a.s. (“the Bank” or “the Group”) was established on 31 January 1995 as the successor to the former ROYAL BANKA CS, a.s. (operating on the market from 3 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 interests in other companies 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., registered in the Netherlands.

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 available-for-sale assets.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

In 2009, the Bank acquired two subsidiaries: PPF B1 B.V. and PPF B2 B.V. In 2012, the Bank sold these participations.

On 21 May 2012, the Bank established the subsidiary Ruconfin B.V., in which it holds 100% ownership; on 13 February 2012, the subsidiary PPF Financial Consulting, s.r.o., in which it also has 100% ownership; and on 25 June 2012, the Bank acquired a 100% stake in Net Gate, s.r.o. On 6 May 2014, the Bank established the subsidiary Airline Gate, s.r.o., in which it holds 100% ownership. The companies Airline Gate, s.r.o. and Net Gate, s.r.o. were sold in 2016.

On 12 April 2016, the Bank purchased 100% of the shares in PPF Co3 B.V.

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 that there is no evidence of impairment.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the presentation 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 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

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

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

- those designated upon initial recognition as 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 be classified as available for sale.

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

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

Available-for-sale financial assets are financial assets that are not held for trading purposes, designated by the Group, or held to maturity, nor are they classified as loans and receivables. Available-for-sale financial instruments include money market placements and certain debt, equity and other investments.

(ii) Recognition

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

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

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

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

(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.

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, how fair value has been determined using those quotes.

Significant valuation issues are reported to the Group Audit Committee.

(v) Gains and losses on subsequent measurement

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 “Operating income”.

Gains and losses arising from a change in the fair value of financial assets available-for-sale are recognised directly in other comprehensive income and become an equity item as “Changes in fair value on available-for-sale financial assets”.

(vi) Specific financial instruments

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 and purchased loans that the Group has the intent and ability to hold to maturity are classified as loans and receivables.

Loans and advances are reported net of allowances for impairment to reflect the estimated recoverable amounts – see accounting policy (h).

Debt securities issued (Other liabilities supported by paper evidence)

Other liabilities for which paper evidence exists are classified as non-trading liabilities.

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.

(vii) Financial Derivatives

Derivatives held for trading are those which are not designated as hedging instruments. They are 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, are presented in this line item.

Changes in fair value (the clean price) of derivatives in fair-value hedges are recognised in the income statement in the line item “Net trading income”.

(viii) Embedded Derivatives

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

(e) Derecognition

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

Available-for-sale assets and trading assets that are sold are derecognised and the corresponding receivables from the buyer are recognised on the date they are transferred (settlement date accounting). The Group uses 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.

(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. 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.

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.

Despite the amendments to IFRS 7, the Group has not expanded its disclosures about the offsetting of financial assets and financial liabilities as the Group’s agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only further to the occurrence of future events such as a default on bank loans or other credit events. This applies to ISDA agreements, sale and repurchase agreements and any related rights to financial collateral or securities borrowing and lending agreements.

(h) Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset’s recoverable amount is estimated and the impairment of assets is recognised.

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

Loans and advances and held-to-maturity investments

Loans and advances are presented net of specific and portfolio provisions for uncollectibility.

Specific provisions are established against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of the outstanding balances to reduce these loans and advances to their recoverable amounts. The provisions are 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.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Provisions recognised on a portfolio basis are 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 are estimated based on previous experience and the historical record of losses considering significant information about the current economic situation. Short-term receivables are not discounted.

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

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

(i) Interest income and expense

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.

(j) Fee and commission income

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.

(k) Penalty fees

Penalty fees are recognised in the statement of comprehensive income when a penalty is charged to a customer, taking into account its collectability.

(l) Gains/losses from financial operations

Gains/losses from financial operations include gains and losses arising from disposals of financial assets and liabilities at fair value through profit or loss and available-for-sale assets and gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss.

(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. The guarantee is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under guarantee has become probable). Financial guarantees are included in “Other liabilities”.

4. Standards, interpretations 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 2016, and have not been applied in the preparation of these financial statements. Of these pronouncements, the following will potentially have an impact on the Group's operations.

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.) This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair-value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification under the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order 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 on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

Detailed description and explanation of implementation

The IFRS 9 implementation project currently taking place in the Group primarily involves the areas of classification and impairment.

Classification and measurement

The standard changes the approach to the classification of financial instruments. The existing model based on portfolios (FVTPL, AFS, L&R, HTM) will be abandoned. Under the new approach, financial assets will be classified based on the business model under which they are held and the characteristics of contractual cash flows comprising solely payments of the principal and interest on the outstanding amount (SPPI test). According to these criteria, measurement categories are defined as:

- financial assets measured at amortised cost (AC);
- financial assets measured at fair value through profit or loss (FVTPL);
- financial assets measured at fair value through other comprehensive income (FVOCI).

Based on the result of the SPPI test, credits can be classified either as AC, or as FVTPL. Portfolio analysis is currently in process; however, the Group expects that a major portion of its credit portfolio will pass the SPPI test and will thus be classified as AC, i.e. presented in a manner that will practically not change from the current presentation under IAS 39.

Other financial instruments, namely securities, are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (held to collect and held to collect and sell). For these assets, some minor changes in presentation may occur as a result of changes in classification in individual cases.

Impairment

IFRS 9 brings a fundamental change in the approach to determining credit losses: the current “incurred loss” concept under IAS 39 is being replaced by a new “expected credit loss” concept. The Group expects the new concept to accelerate the recognition of impairment losses for financial assets, and to increase the level of allowances at the date of initial recognition.

IFRS 9 also requires that, apart from historical information, current and forecast macroeconomic or other information specific to the Group should be taken into account when calculating impairment. The methodology for the use of such information is currently subject to internal analyses and specification.

Under the approach in IFRS 9, a new segmentation of financial assets for the purposes of presentation and establishment of allowances will be introduced – in three stages:

- Receivables and other financial assets without default will be divided into:
 - Stage 1, where, according to the Group’s assumption, a majority of standard receivables and other financial assets not past due will be included;
 - Stage 2, where financial assets will be included for which a credit risk has increased significantly since initial recognition and at the same time a low credit risk exemption cannot be applied (this will be assessed using both a quantitative approach based on the number of days past due, and a qualitative approach; the exact setting of the methodology is still subject to analyses and model development).
- Receivables and other financial assets in default will be included in Stage 3.

This new segmentation subsequently determines the method for the calculation of allowances, which is as follows:

- The allowance for Stage 1 receivables equals the expected loss on the relevant instrument following from 12-month expected credit losses resulting from the default of the borrower.
- As for Stage 2, a new term – a lifetime expected credit loss – is introduced, representing the modelled expected loss reflecting the entire period of maturity of the instrument. This calculation includes parameters corresponding to the period of the remaining maturity of the asset which are now subject to development and calibration. In accordance with this concept, the Group reflects the available information in the development of the models.
- As for Stage 3, the Group does not expect to implement any significant changes to the calculation logic compared to the existing establishment of allowances for receivables in default (the split into the individual and collective calculation of allowances will be preserved).

Hedge accounting

In general, the standard extends and simplifies options for the application of hedge accounting. It enables, for example, more non-financial items or derivatives to be included in hedged items and simplifies the assessment of hedge accounting effectiveness. The Group thus expects hedge accounting to be more generally used after the application of the standard.

Implementation timetable

The Group is not planning the early application of IFRS 9. It will thus apply the requirements of IFRS 9 with effect from 1 January 2018.

Expected implementation timetable:

2016 – first quarter of 2017	Completion of the impact analysis of the new standard.
second quarter of 2017	Development of an impairment model under the new standard. Establishment of internal and group methodologies and parameter calculation.
third quarter of 2017	User testing.
fourth quarter of 2017	Parallel coexistence of the run-out model under IAS 39 and the new model under IFRS 9.

The Group is not going to revalue the prior period. It plans to establish and disclose the following reconciliation:

- Reconciliation of financial assets under the portfolios defined in IAS 39 as at 31 December 2017 and financial assets under the new portfolios defined in IFRS 9 as at 1 January 2018
- Reconciliation of the allowances as defined in IAS 39 as at 31 December 2017 and allowances as defined in the new standard IFRS 9 as at 1 January 2018 according to individual categories of financial assets

Quantification of effects

Due to the comprehensive nature of the change connected with the new standard and to the ongoing implementation projects, the Group does not currently quantify the expected impact of the initial application of IFRS 9 on the financial statements.

Impact-related qualitative information

The Group expects the main impact to have the form of an increase in allowances, as the new standard also requires loss allowances to be established for those assets for which there is no objective proof of impairment available as at the balance sheet date. The Bank expects the increase to be significant.

Upon initial recognition as at 1 January 2018, the effect of a change in the impairment of financial assets will be recorded to equity on a one-off basis. The ongoing changes after 1 January 2018 resulting from the new requirements on the establishment of allowances will be recognised in the income statement.

In terms of regulatory capital planning under Basel III standards having the form of the CRR Regulation (EU), a one-off decrease in the regulatory capital is expected as at 1 January 2018 because of a one-off decrease in the value of retained earnings, which is one of the main components of the common equity Tier 1 (CET1) capital.

Based on the documents issued by the Basel Committee on Banking Supervision (BCBS) issued in October 2016, the effect of the impact of the new standard IFRS 9 on the CET 1 regulatory capital is expected to be spread over several years. The new CRR 2 draft from November 2016 expects the impact of the additional allowances resulting from the application of IFRS 9 to be spread over five years.

IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.) The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Bank found that the new standard would 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 effective date has not yet been determined by the IASB, however earlier adoption is permitted.) 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 or not it is housed in a subsidiary); 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 found that the new standard would have no major impact on its financial statements.

Annual improvements

Improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are effective for annual periods beginning on or after 1 January 2017, or for annual periods beginning on or after 1 January 2018, to be applied retrospectively.

The Bank found that the annual improvements would 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 assumptions

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 loans and receivables

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

The Group classifies the loans to individual customers under several classes, the significant ones being all loans to corporate customers. As the Group's consumer loan portfolio (i.e. Consumer loan receivables and Cash loan receivables) consists of a large number of loans with relatively low outstanding amounts, the loan portfolio does not comprise any individually significant items.

The Group first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loan or receivable that is not individually significant. 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, is impaired includes observable data that comes 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) is 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, timely identification of impairment loss occurs with a subsequent shift to the Work-out Committee.

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

(ii) Change in accounting policy

There were no changes in accounting policies during the years 2016 and 2015.

(iii) Effect of the changes in accounting standards in these financial statements

In 2016 and 2015, the Group did not identify any changes of financial reporting standards that would affect the Group's financial statements.

6. Net Interest income

CZK millions	2016	2015
Interest and similar income		
Cash and balances with the central bank	23	18
Loans and advances to banks	64	121
Loans and advances to customers	1,869	2,379
Of which:		
Not paid interest income from impaired loans	3	116
Not paid interest income from loans with forbearance	1	42
Debt securities	783	833
	2,739	3,351
Interest expense and similar charges		
Deposits from banks	(27)	(9)
Deposits from customers	(160)	(199)
Debt securities issued and short sales	(218)	(290)
Subordinated liabilities	(171)	(208)
	(576)	(706)
Net interest income	2,163	2,645

The Group did not waive any interest on late payment during the years 2016 and 2015.

7. Dividend income

In 2016 the Group received dividend payments amounting to CZK 1 million (2015: CZK 2 million), all from ownership of trading securities.

8. Net fee and commission income

CZK millions	2016	2015
Fee and commission income		
Transaction fee with banks	4	4
Transaction fee with clients	146	194
Fees from guarantees provided	24	32
Fees from administration of shares/bonds issue	4	7
Other	79	39
	257	276
Fee and commission expense		
Transaction fee with banks	(14)	(19)
Transaction fee with clients	(41)	(31)
	(55)	(50)
Net fee and commission income	(202)	226

9. Net trading income

CZK millions	2016	2015
Net profit/(loss) from securities/FX trading	605	951
Of which:		
Securities	346	417
FX trading	259	534
Net profit/(loss) from derivatives	(100)	(599)
	505	352

10. Other operating income

Other operating income is earned from re invoicing and other similar income.

11. General administrative expenses

CZK millions	2016	2015
Personal expenses		
Wages and salaries	(218)	(185)
Social expenses	(73)	(64)
Responsibility insurance, Pension insurance	(2)	(2)
Remuneration paid to		
Board of Directors	(28)	(26)
Supervisory Board	(6)	(5)
Executives	(26)	(21)
	(353)	(303)
Other general operating expenses	(423)	(433)
	(776)	(736)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Group in the years 2016 and 2015 was as follows:

	2016	2015
Board of Directors	3	3
Supervisory Board	6	6
Executives	4	5
Employees	210	196

12. Other operating expenses

CZK millions	2016	2015
Payment to Resolution Fund	(148)	–
Depreciation of fixed assets	(27)	(32)
Payment to Deposit Insurance Fund	(2)	(74)
Payment to Guarantee Fund of Securities dealers	(1)	(2)
Other	(3)	–
	(181)	(108)

13. Cash and balances with the central bank

CZK millions	2016	2015
Cash on hand	70	59
Balances with the central bank	1,762	1,693
Term deposits with the central bank	50,500	30,200
Reverse repo with the central bank	7,700	–
	60,032	31,952

At 31 December 2016 cash and balances with the central bank included balances with the central bank amounting to CZK 1,762 million (2015: CZK 1,693 million), representing 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.

14. Trading assets

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

CZK millions	2016	2015
Bonds and notes issued by:		
Government	7,513	11,016
Other issuers	615	772
Shares and other equity instruments issued by:		
Other issuers	–	311
Positive fair value of derivatives:		
Interest rate contracts	958	559
Currency contracts	901	964
Of which:		
Listed instruments	8,266	12,172
Unlisted instruments	1,721	1,450
	9,987	13,622

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

15. Financial assets available for sale

CZK millions	2016	2015
Bonds and notes issued by:		
Government	15,125	15,528
Other issuers	17,459	10,590
Shares and other equity instruments issued by:		
Other issuers	55	58
Of which:		
Listed instruments	29,450	23,867
Unlisted instruments	3,189	2,309
	32,639	26,176

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.

16. Loans and advances to banks

CZK millions	2016	2015
Loans to banks	247	302
Money market transactions	4,782	3,153
Other (nostro/current account balances)	468	1,209
Cash collateral for affiliates*	286	–
Net loans and advances to banks	5,783	4,664

* The Bank provides cash collateral for some affiliates through its subsidiaries.

During 2016 and 2015, the Group did not create or release any impairment to loans and advances to banks.

17. Loans and advances to customers

CZK millions	2016	2015
Corporate customers:		
Financial institutions	1,545	645
Non-financial institutions	12,223	8,223
Individuals – entrepreneurs	44	54
Public sector	21	4
Resident individuals	192	213
Non-residents:		
Corporate	14,097	14,987
Individuals	1,161	3,765
Total loans and advances to customers	29,283	27,891
Impairment loss on loans and advances to customers	(1,300)	(1,615)
Net loans and advances to customers	27,983	26,276

Specific allowances for impairment:

CZK millions	2016	2015
As at 1 January	1,026	1,332
Impairment losses recognised in the statement of comprehensive income	330	346
Reversal of impairment of loans to customers	(292)	(302)
Use of impairment on loans and receivables	(35)	(374)
Exchange difference	8	24
	11	(306)
As at 31 December	1,037	1,026

Collective allowances for impairment (loans and advances to customers only from subsidiaries):

CZK millions	2016	2015
As at 1 January	589	984
Impairment losses recognised in the statement of comprehensive income	358	867
Amount related to loans written off	(772)	(1,195)
Exchange difference	88	(67)
	(326)	(395)
As at 31 December	263	589

The consumer loans portfolio is subject to estimation uncertainty as the identification on the individual contract level is not practical due to the large amount 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 Company creates the collective impairment losses based on the probability of default and loss given default (“LGD”). A change of the LGD parameter by +/- 10%, would result in a change in the allowance for impairment as at 31 December 2016 by +/- CZK 26 million (2015: CZK 56 million).

18. Companies included in consolidated financial statements

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

The Bank also purchased PPF Financial Consulting, s.r.o. and Net Gate, s.r.o. for the purpose of entering the segment of municipal client consultations, and established Airline Gate, s.r.o., for the purpose of maintaining collateral before its realisation. Airline Gate, s.r.o. and Net Gate, s.r.o. were sold in 2016.

The full method of consolidation is used.

The Bank held no interest participation with significant influence in 2016 and 2015.

19. Property, plant and equipment

CZK millions	Low-value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not yet in use	Total
Cost						
At 1 January 2015	3	16	16	133	1	169
Additions	–	–	–	16	15	31
Transfers	–	–	–	–	–	–
Disposals	–	–	–	(41)	(16)	(57)
At 31 December 2015	3	16	16	108	–	143
At 1 January 2016	3	16	16	108	–	143
Additions	2	–	–	6	–	8
Transfers	–	–	–	–	–	–
Disposals	–	–	–	(13)	–	(13)
At 31 December 2016	5	16	16	101	–	138
Depreciation						
At 1 January 2015	3	–	16	124	–	143
Additions	–	1	–	10	–	11
Disposals	–	–	–	(41)	–	(41)
At 31 December 2015	3	1	16	93	–	113
At 1 January 2016	3	1	16	93	–	113
Additions	–	1	–	8	–	9
Disposals	–	–	–	(13)	–	(13)
At 31 December 2016	3	2	16	88	–	109
Net book value						
At 31 December 2015	–	15	–	15	–	30
At 31 December 2016	2	14	–	13	–	29

20. Intangible assets

CZK millions	Software	Total
Cost		
At 1 January 2015	314	314
Additions	36	36
Disposals	(19)	(19)
At 31 December 2015	331	331
At 1 January 2016	331	331
Additions	22	22
Disposals	–	–
At 31 December 2016	353	353
Amortisation		
At 1 January 2015	262	262
Additions	21	21
Disposals	(5)	(5)
At 31 December 2015	278	278
At 1 January 2016	278	278
Additions	18	18
Disposals	–	–
At 31 December 2016	296	296
Net book value		
At 31 December 2015	53	53
At 31 December 2016	57	57

21. Deferred tax and current 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 2016 and 2015 the tax rate in the Czech Republic was 19%). Income tax rate applicable for the country of the subsidiaries' registered seat was 20% for the 2016 period (for a tax base up to TEUR 200; 2015: 20%) and 25% (tax base over TEUR 200; 2015: 25%).

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

CZK millions	2016	2015
Deferred tax assets		
Deferred tax asset from financial assets available for sale	–	–
Deferred tax asset from wages and unpaid social and health insurance	16	11
Deferred tax assets	16	11
Deferred tax liabilities		
Deferred tax liability from financial assets available for sale	(157)	(116)
Deferred tax liability from penalty interest not yet collected	(23)	(27)
Deferred tax liabilities	(180)	(143)
Net deferred tax assets (liabilities)	(164)	(132)

The amount of deferred tax relating to changes in the tax rate applicable for the deferred tax calculation is CZK 0 million (2015: CZK 0 million). There was no unrecognised item related to deferred tax.

At 31 December 2016, the Group recorded receivables from customers of penalty interest not yet collected of CZK 118 million (2015: CZK 143 million), where the relevant income is not taxable. Therefore, the Group created a deferred tax liability of CZK 23 million (2015: CZK 27 million), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2016 in the amount of CZK 41 million (2015: CZK 44 million) was included in the Group's equity through an adjustment to "Fair-value reserve".

Income tax reconciliation:

CZK millions	2016 Tax basis	2016 Tax	2015 Tax basis	2015 Tax
Tax rate		19.0%		19.0%
Profit from operations (before taxation)	1,630		1,443	
Computed taxation using applicable tax rate		310		274
Tax non-deductible expenses	377	72	511	97
Non-taxable income	(252)	(48)	(295)	(56)
Other items	(268)	(51)	(163)	(30)
Deferred tax	(48)	(9)	26	5
Total income tax (expense)/income		(274)		(290)
Effective tax rate		16.8%		20.1%

22. Operating leasing

Non-cancellable operating lease rentals are payable as follows:

CZK millions	2016	2015
Less than one year	39	23
Between one and five years	44	39
More than five years	–	–
Total	83	62

The Group leases branch and office premises under operating leases. The leases typically run for a period of up to 10 years, with an option to renew the lease after that date. The operating leasing expense was CZK 26 million in 2016 (2015: CZK 25 million).

23. Other assets

CZK millions	2016	2015
Cash collateral to payment cards	188	192
Clearing with securities market	48	13
Prepayments and deferred expenses	20	24
Receivables resulting from decrease in issued capital of AFS shares	–	483
Other	44	32
Impairment loss on Other assets	–	–
	300	744

24. Impairment losses

	Loans and advances to customers (Note 17)	Total
As at 1 January 2016	1,615	1,615
Impairment of loans to customers	688	688
Reversal of impairment of loans to customers	(292)	(292)
Release of impairment losses on written off items	(807)	(807)
FX difference	(96)	(96)
As at 31 December 2016	1,300	1,300
As at 1 January 2015	2,316	2,316
Impairment of loans to customers	1,213	1,213
Reversal of impairment of loans to customers	(302)	(302)
Release of impairment losses on written off items	(1,569)	(1,569)
FX difference	(43)	(43)
As at 31 December 2015	1,615	1,615

25. Deposits from banks

CZK millions	2016	2015
Deposits from banks	5,938	1,290
Other (loro account balances)	881	368
	6,819	1,658

26. Deposits from customers

CZK millions	2016	2015
Payable on demand		
Corporate customers:		
Financial services	1,111	103
Non-financial institutions	7,909	6,234
Insurance institutions	120	491
Non-profit organisations	311	347
Self-employed	65	106
Public sector	26,601	11,343
Resident individuals	1,773	1,177
Non-residents:		
Corporate	37,345	20,526
Individuals	2,427	787
Total payable on demand	77,662	41,114
Term deposits		
Corporate customers:		
Financial services	3,494	–
Non-financial institutions	6,154	7,166
Insurance institutions	1,907	409
Non-profit organisations	11	36
Self-employed	141	141
Public sector	12,270	8,381
Resident individuals	45	112
Non-residents:		
Corporate	355	–
Individuals	898	1,081
Total term deposits	25,275	17,326
	102,937	58,440

Interest is recognised under “Interest expense and similar charges”.

27. Debt securities issued

CZK millions	2016	2015
Financial institutions	2,313	1,456
Non-financial institutions	277	740
Public sector	29	17,166
Non-resident individuals	–	–
Resident individuals	3	190
	2,622	19,552

The debt securities of a single issuer in the public sector totalling CZK 17,165 million as at 31 December 2015 matured in 2016.

28. Trading liabilities

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

CZK millions	2016	2015
Negative fair value of derivatives:		
Interest rate contracts	830	655
Currency contracts	1025	559
Liabilities from short sales of securities	8,691	6,852
	10,546	8,066

29. Income tax liabilities

As of 31 December 2016, a tax liability of CZK 277 million (2015: CZK 289 million) is offset against income tax advances totalling CZK 213 million (2015: CZK 168 million) and tax paid abroad amounting to CZK 28 million (2015: CZK 12 million).

30. Other liabilities and provisions

CZK millions	2016	2015
Blocked accounts	2,309	5,958
Liabilities from clearing	534	1
Payables to suppliers	149	47
Other liabilities to employees	15	18
Accrued expenses and deferred income	14	18
Social and health insurance	6	6
Liabilities from securities transactions	1	–
Deposit insurance fund	–	18
Other payables	117	91
Provisions	28	57
	3,173	6,214

Blocked accounts chiefly consist of funds in a tied account, which are intended to redeem the shares of minority shareholders of Česká telekomunikační infrastruktura a.s. at a zero amount as at 31 December 2016 (2015: CZK 2,732 million) and collateral deposits for derivatives totalling CZK 2,195 million (2015: CZK 3,040 million).

The following table shows a roll-forward of provisions:

CZK millions	Provisions for provided guarantees	Total
Provisions at 1 January 2016		57
Creation	8	
Use	–	
Release	(13)	
Effect on profit for the year		(5)
Provisions at 31 December 2016		52
Provisions at 1 January 2015		28
Creation	75	
Use	–	
Release	(46)	
Effect on profit for the year		29
Provisions at 31 December 2015		57

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).

31. Subordinated liabilities

The terms and conditions of subordinated liabilities are as follows.

CZK millions	Year of maturity	2016	2015
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%*	2023	1,458	1,456
RUB 1,700 million subordinated debt with a mandatory fixed payment of 14%*	2017	192	585
		1,650	2,041

* The agreement on subordinated debt allows for postponement of the repayment of the debt if there are no sufficient cash flows in Ruconfin B.V. which might lead to a reduction in the carrying value of the subordinated debt.

The above liabilities would, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

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 2016 and 2015.

32. 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:

CZK millions	Carrying amounts of receivables	Fair value of assets held as collateral
Loans and advances at 31 December 2016:		
to banks	8,563	8,404
to clients	1,598	2,263
Loans and advances at 31 December 2015:		
to banks	1,822	1,826
to clients	689	1,040

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:

CZK millions	Carrying amounts of liabilities	Fair value of assets given as collateral
Deposits at 31 December 2016:		
from banks	5,204	6,341
from clients	1,599	1,567
Deposits at 31 December 2015:		
from banks	488	489
from clients	5,811	5,847

33. Issued capital

	Number of shares	Nominal value CZK	Registered capital CZK millions
As at 31 December 2016:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2015:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2016 was as follows:

	Residence	Number of shares	Share CZK millions	Share %
PPF Financial Holdings N.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%

As at 30 June 2015, shares representing a total of 92.96% of the voting rights of the Group were transferred from PPF Group N.V. to PPF Financial Holdings N.V.

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Group as at 31 December 2016 or as at 31 December 2015.

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. Share premium amounts to CZK 412 million (2015: CZK 412 million).

34. Nature and purpose of reserves

(a) Fair-value reserve

The fair-value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

(b) 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. and PPF Co3 B.V.

35. Dividends paid

No dividends were paid by the Group in 2016 and 2015.

36. Proposed allocation of net profit for the year

The Bank and its subsidiaries propose to allocate their profit as follows:

CZK millions	Net profit for the year
Net profit for the year 2016	1,356
Proposed allocation of profit for 2016:	
Transfer to social funds	(2)
Transfer to retained earnings	(1,354)
	–

Social fund is part of “Other liabilities and provisions”.

37. 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.

CZK millions	2016	2015
Guarantees issued	2,380	2,934
Undrawn credit commitments	4,797	5,884
Letters of credit	35	24
	7,212	8,842

The total outstanding contractual commitments to extend credits indicated above do not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded, especially regarding consumer financing products held by Bank's subsidiaries.

(b) Off-balance sheet financial instruments

CZK millions	Notional value		Fair value	
	2016	2015	2016	2015
Derivatives held for trading				
Interest Rate Swaps	88,861	45,298	(10)	(166)
Foreign Exchange derivatives			(124)	406
Purchase	144,027	127,000		
Sale	144,151	126,594		
Options	1,432	1,277	–	–
Other derivatives			138	69
Purchase	528	679		
Sale	533	674		
			4	309

Other derivatives consisted of futures, IR CAPs and IR forwards.

(c) Residual maturity of derivatives

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

CZK millions	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2016						
Derivatives held for trading						
Interest Rate Swaps	1,906	8,324	51,674	26,957	–	88,862
FX derivatives (purchase)	58,823	78,116	7,089	–	–	144,027
FX derivatives (sale)	58,828	78,122	7,201	–	–	144,151
Options	–	–	1,432	–	–	1,432
Other derivatives (purchase)	–	528	–	–	–	528
Other derivatives (sale)	–	533	–	–	–	533
As at 31 December 2015						
Derivatives held for trading						
Interest Rate Swaps	10,916	12,942	10,611	10,829	–	45,298
FX derivatives (purchase)	54,861	17,242	54,897	–	–	127,000
FX derivatives (sale)	54,780	17,091	54,723	–	–	126,594
Options	–	–	1,277	–	–	1,277
Other derivatives (purchase)	–	–	–	679	–	679
Other derivatives (sale)	674	–	–	–	–	674

The Group obtained a derivative licence from the Czech National Bank in 2006.

38. 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.

CZK millions	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
As at 31 December 2016					
Financial assets					
Cash and balances with the central bank	–	60,032	–	60,032	60,032
Loans and advances to banks	–	5,783	–	5,783	5,783
Loans and advances to customers	–	–	28,112	28,112	27,983
Financial liabilities					
Deposits from banks	–	6,819	–	6,819	6,819
Deposits from customers	–	102,937	–	102,937	102,937
Debt securities issued	–	2,622	–	2,622	2,622
Subordinated liabilities	–	1,690	–	1,690	1,650
As at 31 December 2015					
Financial assets					
Cash and balances with the central bank	–	31,952	–	31,952	31,952
Loans and advances to banks	–	4,664	–	4,664	4,664
Loans and advances to customers	–	17,300	8,875	26,175	26,276
Financial liabilities					
Deposits from banks	–	1,658	–	1,658	1,658
Deposits from customers	–	58,440	–	58,440	58,440
Debt securities issued	–	19,552	–	19,552	19,552
Subordinated liabilities	–	2,164	–	2,164	2,041

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 or secondary origination 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.

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 stated maturity was deemed to be equal to the carrying value.

All fixed-rate term deposits and loans from banks 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 deemed to be equal to the carrying value.

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 analysed 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) (iv):

CZK millions	Level 1	Level 2	Level 3	Total
As at 31 December 2016				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	8,127	–	–	8,127
Derivatives held for trading	138	1,722	–	1,860
Available-for-sale securities	25,753	6,831	55	32,639
Financial liabilities				
Financial assets at fair value through profit or loss				
Securities held for trading	8,691	–	–	8,691
Derivatives held for trading	–	1,855	–	1,855
As at 31 December 2015				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	10,233	1,866	–	12,099
Derivatives held for trading	73	1,450	–	1,523
Available-for-sale securities	21,532	4,644	–	26,176
Financial liabilities				
Financial assets at fair value through profit or loss				
Securities held for trading	6,853	–	–	6,853
Derivatives held for trading	–	1,213	–	1,213

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

CZK millions	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2016	8,875	–	8,875
Profit and loss from revaluation	–	–	–
In profit or loss	–	–	–
In other comprehensive income	–	–	–
Purchases	1,808	–	1,808
Sales/maturity	–	–	–
Transfers into Level 3	17,300	55	17,355
Transfers out of Level 3	–	–	–
Transfers between portfolios	–	–	–
Balance as at 31 December 2016	27,983	55	28,038

During 2016, certain available-for-sale assets were transferred out of Level 2 of the fair-value hierarchy into level 3 due to changes in market conditions for certain shares. Quoted prices in the active market were no available for these securities, therefore the acquisition purchase price is the best indicator of the fair value of shares.

In 2016, the Loans and advances to customers were reclassified from Level 2 to Level 3. The improved precision of the presentation in a hierarchy system is the aim of this reclassification, representing the influence of non-market inputs and the market practice changes in the banking sector arising in recent years.

CZK millions	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2015	9,002	2,485	11,487
Profit and loss from revaluation	–	–	–
In profit or loss	–	–	–
In other comprehensive income	–	–	–
Purchases	–	–	–
Sales/maturity	(127)	–	(127)
Transfers into Level 3	–	–	–
Transfers out of Level 3	–	(2,485)	(2,485)
Transfers between portfolios	–	–	–
Balance as at 31 December 2015	8,875	–	8,875

During 2015, certain available-for-sale assets were transferred out of Level 3 of the fair-value hierarchy due to the change in the valuation model, where significant inputs used in their fair-value measurements, such as certain credit spreads, that were not previously used are observable.

39. 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 risks;
- (d) operational risks.

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 directly responds to the member of the board of directors in charge of the Risk Management division.

The Group's 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 level is attributed to each client representing a credit risk to the Group, representing the exposure both in terms of the investment and business portfolio. Assessed exposures include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 rating levels (A1-A4, B1-B6, C1-C4). Clients with doubtful receivables must always be assigned a C2-C4 level.

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.

Classification of receivables, accounting for impairment losses and establishment of provisions

The Group recognises the impairment of an individual loan if the loan's carrying amount decreases and the Group does not write off this amount, i.e. part of the loan receivable corresponding to the loss from the loan's carrying amount. The Group assesses the impairment of the carrying amount for all loan receivables with debtors in default. The Group writes off a receivable when it does not expect any income from the receivable or from received collateral related to such receivable.

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. The Group classifies its receivables from financial activities on a monthly basis in line with the relevant decree of the CNB.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of non-impaired and individually impaired assets by risk grade.

Loans and advances to banks

CZK millions	2016		2015	
	Gross	Net	Gross	Net
Not impaired				
Standard	5,783	5,783	4,664	4,664
Total	5,783	5,783	4,664	4,664

There was no accrued interest to individually impaired loans and advances to banks as at 31 December 2016 and 2015.

Loans and advances to customers (individually impaired)

CZK millions	2016		2015	
	Gross	Net	Gross	Net
Standard	23,139	23,139	15,630	15,630
Watched	769	769	3,898	3,840
Sub-standard	1,965	1,890	2,091	2,061
Doubtful	100	39	97	55
Loss loans	2,235	1,334	2,496	1,601
Total	28,208	27,171	24,212	23,186

The interest accrued to individually impaired loans and advances to customers as at 31 December 2016 was CZK 23 million (2015: CZK 34 million).

Loans and advances to customers (collectively impaired)

CZK millions	2016	2015
Collectively impaired		
Gross amount	1,075	3,476
Due	701	2,646
Past due 1–90 days	81	258
Past due 91–360 days	293	572
Past due more than 360 days	–	–
Allowances for impairment	(263)	(589)
Net amount	812	2,887
Premium of purchased receivables	–	203
Carrying amount	812	3,090
Total	812	3,090

Loans and advances to customers – Past due, but not impaired

As at 31 December 2016, the Group reported Loans and advances to customers amounting to CZK 364 million as “Past due, but not impaired” (2015: CZK 9 million).

As at 31 December 2016, the Group reported CZK 5 million of Other assets as “Past due, but not impaired” (2015: CZK 26 million).

Evaluation of collateral

The Group generally requires collateral before providing loans to certain debtors. 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 when necessary.

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 modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

In 2014, the Group implemented new forbearance methodology according to the EBA regulation. 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:

CZK millions	2016	2015
Not impaired	23,908	15,630
Of which: Loans and advances to customers with forbearance	–	–
Impaired	4,075	10,647
Of which: Loans and advances to customers with forbearance	2,004	2,066
Total	27,983	26,276

The following table shows Loans and advances to customers with forbearance split by sectors:

CZK millions	2016	2015
Loans and advances to customers without forbearance:	25,979	24,210
Corporate customers:		
Financial institutions	1,545	706
Non-financial institutions	11,477	7,360
Individuals – entrepreneurs	44	54
Public sector	21	4
Resident individuals	192	213
Non-residents	12,700	15,873
Loans and advances to customers with forbearance:	2,004	2,066
Corporate customers:		
Financial institutions	–	–
Non-financial institutions	31	34
Individuals – entrepreneurs	–	–
Public sector	–	–
Resident individuals	–	–
Non-residents:		
Non-financial institutions	1,973	2,032
Total	27,983	26,276

The Group does not usually require collateral for consumer loans.

The following table shows Loans and advances to customers split according to type of collateral:

CZK millions	2016	2015
Bank guarantees	3,579	5,230
Property	7,872	6,521
Unsecured	16,532	14,525
Total	27,983	26,276

The following table shows Loans and advances to customers classified as watched, substandard, doubtful and loss loans (individually and collectively impaired) according to type of collateral:

CZK millions	2016	2015
Bank guarantees	3,282	3,678
Property	635	2,524
Unsecured	927	1,355
Total	4,844	7,557

The Group did not record any collateral for loans and advances to customers past due, but not impaired as at 31 December 2016 and 2015.

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 treats a receivable from a debtor or an economically connected group of debtors that exceeds 25% of the Group's capital as a significant exposure. At the end of the accounting period, the Group did not record any significant concentration of credit risks with respect to any individual debtor. The Group did not exceed any limits towards individual debtors or related parties.

Since 2014, the Group has been calculating the capital requirement for 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.

i) Concentration of credit risks according to economic sector/industry

An analysis of the concentration of credit risks according to the individual sector/industries is included in Note 16 and 17.

ii) Concentration of credit risks according to geographical sectors

Loans and advances to customers

CZK millions	2016	2015
Czech Republic	13,311	8,370
Slovak Republic	477	1,946
Russia	3,221	5,664
Cyprus	2,228	1,073
Vietnam	604	727
Netherlands	2,685	1,526
Bulgaria	–	1,840
Maldives	1,201	1,245
Georgia	429	453
Hungary	692	789
Romania	1,197	1,180
Luxembourg	541	556
Other	1,397	907
Total	27,983	26,276

Loans and advances to banks

CZK millions	2016	2015
Czech Republic	2,252	1,971
Slovak Republic	–	405
Russia	687	152
United Kingdom	1,116	1,387
Netherlands	132	–
Kazakhstan	43	38
Belarus	247	302
United States of America	557	65
Hungary	2	1
Germany	126	254
Poland	16	4
France	477	22
Other	129	63
Total	5,783	4,664

Debt securities

CZK millions	2016	2015
Czech Republic	27,355	29,832
Luxembourg	1,981	1,760
Slovakia	–	–
United Kingdom	1,019	374
France	135	135
Russia	316	–
Netherlands	2,821	2,286
Ireland	578	428
United States of America	1,002	776
Germany	392	693
India	1,559	–
Other	3,554	1,622
Total	40,712	37,906

(b) Liquidity risk

The liquidity risk represents the Group's risk of incurring losses due to momentary insolvency. The Group can 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. 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 can 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 undiscounted cash flows in the Group's financial assets and liabilities on the basis of their earliest possible contractual maturity.

CZK millions	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2016						
Cash and balances with the central bank	60,032	–	–	–	–	60,032
Trading assets	607	527	1,471	7,952	–	10,557
Financial assets available for sale	561	5,305	17,119	12,316	55	35,356
Loans and advances to banks	5,642	28	192	–	–	5,862
Loans and advances to customers	3,536	5,040	18,244	5,291	–	32,111
Property, plant and equipment	–	–	–	–	29	29
Intangible assets	–	–	–	–	57	57
Other assets	–	–	–	–	300	300
Total	70,378	10,900	37,026	25,559	441	144,304
Deposits from banks	4,164	2,666	–	–	–	6,830
Deposits from customers	84,413	15,849	2,727	–	–	102,989
Debt securities issued	–	286	2,551	–	–	2,837
Trading liabilities	502	347	3,183	6,514	–	10,546
Tax and other liabilities and provisions	2,978	36	–	–	359	3,373
Subordinated liabilities	–	300	364	1,607	–	2,271
Shareholders' equity	–	–	–	–	8,863	8,863
Total	92,057	19,484	8,825	8,121	9,222	137,709
Gap	(21,679)	(8,584)	28,201	17,438	(8,781)	6,595
Cumulative gap	(21,679)	(30,263)	(2,062)	15,376	6,595	–
At 31 December 2015						
Cash and balances with the central bank	31,952	–	–	–	–	31,952
Trading assets	847	2,202	8,122	2,623	69	13,863
Financial assets available for sale	171	3,953	10,672	11,667	308	26,771
Loans and advances to banks	4,364	4	24	308	–	4,700
Loans and advances to customers	4,411	4,052	13,695	6,876	–	29,034
Property, plant and equipment	–	–	–	–	30	30
Intangible assets	–	–	–	–	53	53
Tax and other assets	14	–	–	–	730	744
Total	41,759	10,211	32,513	21,474	1,190	107,147
Deposits from banks	1,658	–	–	–	–	1,658
Deposits from customers	50,720	6,961	775	–	–	58,456
Debt securities issued	5,455	12,801	1,323	–	–	19,579
Trading liabilities	395	204	431	7,036	3	8,069
Tax and other liabilities and provisions	5,950	10	–	–	495	6,455
Subordinated liabilities	–	651	–	2,061	–	2,712
Shareholders' equity	–	–	–	–	7,305	7,305
Total	64,178	20,627	2,529	9,097	7,803	104,234
Gap	(22,419)	(10,416)	29,984	12,377	(6,613)	2,913
Cumulative gap	(22,419)	(32,835)	(2,871)	9,526	2,913	–

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

(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.

CZK millions	31 December 2016	Average for 2016	31 December 2015	Average for 2015
VaR of interest instruments	11	13	18	14
VaR of currency instruments	1	4	4	2
VaR of equity instruments	–	2	7	1

Stress testing

The Group carries out daily stress testing of interest rates, 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

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.

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 undiscounted cash flows on the Group's financial assets and liabilities on the basis of their earliest possible interest sensitivity.

CZK millions	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2016						
Cash and balances with the central bank	60,032	–	–	–	–	60,032
Trading assets	610	651	1,471	7,825	–	10,557
Financial assets available for sale	3,702	4,168	15,303	12,128	55	35,356
Loans and advances to banks	5,862	–	–	–	–	5,862
Loans and advances to customers	5,270	4,387	17,163	5,291	–	32,111
Property, plant and equipment	–	–	–	–	29	29
Intangible assets	–	–	–	–	57	57
Tax and other assets	–	–	–	–	300	300
Total	75,476	9,206	33,937	25,244	441	144,304
Deposits from banks	4,164	2,666	–	–	–	6,830
Deposits from customers	84,413	15,849	2,727	–	–	102,989
Debt securities issued	–	286	2,551	–	–	2,837
Trading liabilities	502	347	3,183	6,514	–	10,546
Tax and other liabilities and provisions	2,978	36	–	–	359	3,373
Subordinated liabilities	–	300	364	1,607	–	2,271
Shareholders' equity	–	–	–	–	8,863	8,863
Total	92,057	19,484	8,825	8,121	9,222	137,709
Gap	(16,581)	(10,278)	25,112	17,123	(8,781)	6,595
Cumulative gap	(16,581)	(26,859)	(1,747)	15,376	6,595	–
At 31 December 2015						
Cash and balances with the central bank	31,952	–	–	–	–	31,952
Trading assets	1,642	2,361	7,538	2,254	68	13,863
Financial assets available for sale	3,613	15,399	7,046	403	310	26,771
Loans and advances to banks	4,700	–	–	–	–	4,700
Loans and advances to customers	16,772	7,008	3,939	1,315	–	29,034
Property, plant and equipment	–	–	–	–	30	30
Intangible assets	–	–	–	–	53	53
Tax and other assets	14	–	–	–	730	744
Total	58,693	24,768	18,523	3,972	1,191	107,147
Deposits from banks	1,658	–	–	–	–	1,658
Deposits from customers	50,720	6,961	775	–	–	58,456
Debt securities issued	5,455	12,801	1,323	–	–	19,579
Trading liabilities	710	512	240	6,604	3	8,069
Tax and other liabilities and provisions	5,950	10	–	–	495	6,455
Subordinated liabilities	–	651	–	2,061	–	2,712
Shareholders' equity	–	–	–	–	7,305	7,305
Total	64,493	20,935	2,338	8,665	7,803	104,234
Gap	(5,800)	3,833	16,185	(4,693)	(6,612)	2,913
Cumulative gap	(5,800)	(1,967)	14,218	9,525	2,913	–

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, i.e. 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 2016 and 2015 were as follows:

In % p.a.	2016	2015
Financial assets		
Cash and balances with the central bank	0.05	0.05
Trading assests	2.14*	0.41*
Financial assets available for sale	2.37*	0.29*
Loans and advances to banks	0.94	0.38
Loans and advances to customers	6.94	8.66
Financial liabilities		
Deposits from banks	0.30	0.75
Deposits from customers	0.16	0.13
Debt securities issued	0.05	0.79
Trading liabilities	1.80	(0.02)

* The yield interest rate is calculated from debt securities only.

Apart from the gap analysis as indicated above, the Group monitors its exposure to the 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 of a shift in interest rate yield curves.

Basis point value

The 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 2016 BPVs for individual currencies were as follows:

CZK millions Currency	Banking Book BPV	Trading book BPV
CZK	9	74
EUR	(35)	9
USD	(216)	(54)
RUB	(1)	–
JPY	–	–
KZT	–	–
UAH	–	–
GBP	–	(1)
VND	–	–
Total BPV (absolute)	261	138

As at 31 December 2015 BPVs for individual currencies were as follows:

CZK millions Currency	Banking Book BPV	Trading book BPV
CZK	125	94
EUR	(59)	(21)
USD	(115)	(10)
RUB	(2)	–
JPY	–	–
KZT	–	–
UAH	–	–
GBP	–	–
VND	–	–
Total BPV (absolute)	301	125

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. The 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:

CZK millions	2016		2015	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	330	239	120	128
Average for the period	187	113	141	123
Maximum for the period	330	239	240	216
Minimum for the period	28	52	31	28

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 as delivery versus payment.

(d) Operational risk

Operational risks

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

Operational risks are usually a cause of increases in the Group's expenses, decreases in the Group's income, the incurrance of fines, penalties, damages, or losses of the Group's tangible and intangible assets.

The Security and Operational Risk Management department prepares an operational risk management methodology, identifies, monitors, measures and assesses operational risks, and proposes measures for mitigating operational risks. As part of the Group's operational risk management, it is further responsible for the security management system of the Group's information systems. The department also monitors, measures and assesses information security, prepares the methodology for managing this security and organises operational risk training for Security and Operational Risk Management department personnel.

After having identified an operational risk, the manager or employee in charge of managing operational risks within a division or department proposes and arranges the implementation of operational, controlling or organisational measures to mitigate or eliminate the operational risk.

In connection with this procedure, 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, launching new products, utilising outsourcing by the Group. In proposing the measures to mitigate operational risk, the Group assesses their impact on its expenses and income.

Other risks

Legal risk management consists of minimising the uncertainties relating to the enforceability of contracts, insufficient documentation, changes in the regulatory environment, including accepted court decisions and uncertainties in the actions of counterparties. The aim is to reduce the risk of loss, risk of claims against the Group or penalties, including damage to the Group's reputation. The Compliance department contributes to reduce these risks.

The Compliance department performs activities whose purpose is the compliance of the Group's internal policies and processes with external regulations. Main compliance activities involve ensuring 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 the Group's compliance with legal obligations and responsibilities arising from the internal regulations of the Group, the establishment of preconditions for achieving this compliance, the establishment of preconditions for the fair provision of services to customers, and the avoidance of preferential treatment for the Group and its employees over customers, the prevention of conflicts of interest, and the mitigation of acts which could result in market abuse. The Compliance department further performs and monitors anti-money laundering and the combating of financial terrorism (AML-CFT) activities and handles claims and complaints.

Where certain compliance activities are not performed directly by the Compliance department, but are delegated to another department of the Group, its managers or other employees, the Compliance department acts as coordinator.

The Group's managers are responsible for creating conditions for adherence to external regulations. They are also responsible for issuing internal policies governing the activities they are in charge of and are obliged to check whether 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 as, 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 Czech National Bank, treasury bills with residual maturity 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.

CZK millions	2016	2015
Cash on hand	70	59
Unrestricted balances with the central bank	50,500	30,200
Nostro account balances	409	1,181
Reverse repo with the central bank	7,700	-
Total	58,679	31,440

40. 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 Group also has related-party relationships with its Directors and Executives, and enterprises in which it has in common key members of management.

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

(a) Transactions with the parent company

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

CZK millions	2016	2015*
Deposits from customers	(5,068)	(3,184)
Total	(5,068)	(3,184)

* Balances with PPF Financial Holdings B.V. as at 31 December 2015

As at 30 June 2015, shares representing a total of 92.96% of the voting rights of the Bank were transferred from PPF Group N.V. to PPF Financial Holdings B.V.

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

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

CZK millions	2016	2015*	2015**
Interest expense and similar charges	-	-	-
Fee and commission income	2	-	1
Net trading income	-	-	(1)
Total	2	-	(55)

* Transactions with PPF Financial Holdings B.V. for the period from 1 July 2015 until 31 December 2015

** Transactions with PPF Group N.V. for the period from 1 January 2015 until 30 June 2015

(b) Transactions with other related parties

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

CZK millions	2016	2015
Trading assets	745	573
Financial assets available for sale	3,670	2,079
Loans and advances to banks	153	56
Loans and advances to customers	3,135	2,555
Other assets	8	8
Deposits from customers	(17,350)	(4,947)
Deposits from banks	(552)	(379)
Trading liabilities	(107)	(332)
Debt securities issued	–	(333)
Subordinated liabilities	(192)	(584)
Other liabilities	(847)	(3,038)
Total	(11,337)	(3,758)

In 2016, the Group provided a guarantee amounting to CZK 100 million (2015: CZK 8 million). It accepted no guarantee related to the above-mentioned transactions in the years 2016 and 2015.

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

CZK millions	2016	2015
Interest and similar income	203	357
Interest expense and similar charges	(39)	(19)
Fee and commission income	61	49
Fee and commission expense	–	–
Net trading income	699	415
Net impairment losses on financial assets	(17)	(41)
Other operating income	–	–
Subordinated liabilities	(80)	–
General administrative expenses	(120)	(111)
Total	707	650

(c) Supervisory Board members, Directors and Executives

The balances below are included in the statement of financial position and represent transactions with Supervisory Board members, Directors and Executives:

CZK millions	Board of Directors		Supervisory Board		Executives	
	2016	2015	2016	2015	2016	2015
Deposits from customers	(10)	(13)	(22)	(21)	(2)	(6)

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

The Group did not report related expenses and income for its Supervisory Board members, Directors and Executives as at 31 December 2016 and 2015. These figures are considered to be immaterial.

(d) Off-balance sheet items

As a related-party transaction, as at 31 December 2016 the Group provided a credit commitment to related parties of CZK 686 million (2015: CZK 0 million).

41. 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: Stamp and signature of the governing body of the Group:

31 March 2017

Individual responsible for accounting:



Růžena Šuserová

Individual responsible for financial statements:

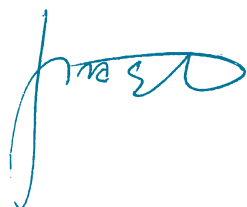


Miroslav Hudec

Data on persons responsible for the annual report and examination of the financial statements

Affirmation

I declare that the information stated in the presentation part of the annual report of PPF banka a.s. for 2016 is accurate and no material circumstances have been neglected or distorted.



Petr Jirásko
Chairman of the Board of Directors

I declare that the information stated in the financial part of the annual report of PPF banka a.s. for 2016 is accurate and no material circumstances have been neglected or distorted.



Miroslav Hudec
Managing Director of Financial Management

Prague, 31 March 2017

Contact details

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