

J&T FINANCE GROUP SE

Condensed Consolidated Interim Financial Statements
for the half-year ended 30 June 2017
(unaudited)

CONDENSED CONSOLIDATED INCOME STATEMENT**For the half-year ended 30 June 2017***In thousands of EUR*

	Note	30 June 2017	30 June 2016
Interest income	5	205,039	214,212
Interest expense	5	(50,400)	(81,965)
Net interest income		154,639	132,247
Fee and commission income	6	54,567	50,393
Fee and commission expense	6	(16,184)	(16,485)
Net fee and commission income		38,383	33,908
Net dealing profit	7	25,823	7,936
Total revenues		218,845	174,091
Other operating income	8	13,216	17,553
Total income		232,061	191,644
Personnel expenses	9	(48,788)	(40,395)
Depreciation and amortisation	23, 24	(13,972)	(14,366)
Goodwill impairment	23	-	-
Impairment of property, plant and equipment and intangible assets	23, 24	203	(1,707)
Net impairment losses on loans	19	(24,847)	(30,142)
Other operating expenses	10	(59,338)	(46,970)
Total expenses		(146,742)	(133,580)
Profit from operations		85,319	58,064
Loss from equity accounted investees		(661)	(757)
Profit before tax		84,658	57,307
Income tax expense	11	(18,750)	(19,231)
Profit for the period		65,908	38,076
Attributable to:			
Equity holders of the parent		64,950	38,935
Non-controlling interests		958	(859)
Profit for the period		65,908	38,076

The notes presented on page 9 to page 52 form an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the half-year ended 30 June 2017***In thousands of EUR*

	30 June 2017	30 June 2016
Profit for the period	65,908	38,076
Other comprehensive income - items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	8,172	9,954
Net change in fair value of financial assets available for sale	4,293	6,391
Share of other comprehensive income of equity accounted investees	24	65
Other comprehensive income for the period, net of tax	12,489	16,410
Total comprehensive income for the period	78,397	54,486
Attributable to:		
Equity holders of the parent	76,775	55,333
Non-controlling interests	1,622	(847)
Total comprehensive income for the period	78,397	54,486

The consolidated financial statements were approved by the Board of Directors on 12 September 2017.

Signed on behalf of the Board of Directors:

Dušan Palcr

Vice-chairman of the Board of Directors
J&T FINANCE GROUP SE

Gabriela Lachoutová

Member of the Board of Directors
J&T FINANCE GROUP SE

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2017***In thousands of EUR*

	Note	30 June 2017	31 December 2016
ASSETS			
Cash and cash equivalents	12	2,347,972	935,178
Financial assets at fair value through profit or loss	13	171,187	189,245
Financial assets available for sale	14	1,221,607	1,277,400
Financial assets held to maturity	15	306,301	405,372
Disposal group held for sale	16	14,293	8,145
Loans and advances to banks	17	2,622,403	1,204,164
Loans and advances to customers	18, 19	5,600,502	5,657,515
Trade receivables and other assets	20	150,742	179,783
Current tax assets		8,464	4,870
Investments in equity accounted investees	21	388	1,024
Investment property	22	7,342	7,656
Intangible assets	23	127,921	132,246
Property, plant and equipment	24	43,487	43,951
Deferred tax assets	31	4,426	5,477
Total assets		12,627,035	10,052,026
LIABILITIES			
Financial liabilities at fair value through profit or loss	13	27,542	15,562
Deposits and loans from banks	25	1,351,016	93,152
Deposits and loans from customers	26	8,692,817	7,545,923
Issued bonds	27	528,969	527,715
Subordinated debt	28	57,163	56,402
Other liabilities	29	376,584	284,630
Current tax liability		3,836	5,934
Provisions	30	23,572	23,564
Deferred tax liabilities	31	12,563	10,909
Total liabilities		11,074,062	8,563,791
EQUITY			
Share capital		574,138	574,138
Share premium		93,577	93,577
Retained earnings and other reserves		841,073	777,391
Equity attributable to equity holders of the parent	32	1,508,788	1,445,106
Non-controlling interests	33	44,185	43,129
Total equity		1,552,973	1,488,235
Total equity and liabilities		12,627,035	10,052,026

The notes presented on page 9 to page 52 form an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the half-year ended 30 June 2017**

<i>In thousands of EUR</i>	Note	Share capital	Share premium	Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 1 January 2017		574,138	93,577	23,472	(49,441)	307,961	495,399	1,445,106	43,129	1,488,235
Profit for the period		-	-	-	-	-	64,950	64,950	958	65,908
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		-	-	-	7,620	4,205	-	11,825	664	12,489
<i>Foreign exchange translation differences</i>		-	-	-	7,596	-	-	7,596	576	8,172
<i>Net change in fair value of financial assets available for sale</i>		-	-	-	-	4,205	-	4,205	88	4,293
<i>Share of other comprehensive income of equity accounted investees</i>		-	-	-	24	-	-	24	-	24
Total comprehensive income for the period		-	-	-	7,620	4,205	64,950	76,775	1,622	78,397
Dividends		-	-	-	-	-	-	-	(553)	(553)
Total transaction with owners of the Company, recognised directly in equity		-	-	-	-	-	-	-	(553)	(553)
Effect of disposals of subsidiaries	4.2	-	-	(4)	-	-	(84)	(88)	(13)	(101)
Distributions related to other capital instruments	32	-	-	-	-	-	(13,005)	(13,005)	-	(13,005)
Transfer to legal reserve fund	32	-	-	5,085	-	-	(5,085)	-	-	-
Balance at 30 June 2017		574,138	93,577	28,553	(41,821)	312,166	542,175	1,508,788	44,185	1,552,973

See Note 32. Shareholders' equity and Note 33. Non-controlling interests

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the half-year ended 31 December 2016**

<i>In thousands of EUR</i>	Note	Share capital	Share premium	Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 1 January 2016		646,584	93,577	18,215	(72,455)	97,465	460,250	1,243,636	42,099	1,285,735
Profit for the period		-	-	-	-	-	38,935	38,935	(859)	38,076
Other comprehensive income for the period, net of tax - items that are or may be reclassified subsequently to profit or loss		-	-	-	10,035	6,363	-	16,398	12	16,410
<i>Foreign exchange translation differences</i>		-	-	-	9,970	-	-	9,970	(16)	9,954
<i>Net change in fair value of financial assets available for sale</i>		-	-	-	-	6,363	-	6,363	28	6,391
<i>Share of other comprehensive income of equity accounted investees</i>		-	-	-	65	-	-	65	-	65
Total comprehensive income for the period		-	-	-	10,035	6,363	38,935	55,333	(847)	54,486
Contribution of shareholders		-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	(426)	(426)	(855)	(1,281)
Change in non-controlling interests without a change in control	33	-	-	(635)	292	(4,476)	2,686	(2,133)	3,259	1,126
Total transaction with owners of the Company, recognised directly in equity		-	-	(635)	292	(4,476)	2,260	(2,559)	2,404	(155)
Effect of disposals of subsidiaries	4.2	-	-	-	(310)	-	155	(155)	(423)	(578)
Issue of other capital instruments	32	-	-	-	-	220,589	-	220,589	-	220,589
Distributions related to other capital instruments	32	-	-	-	-	-	(3,747)	(3,747)	-	(3,747)
Transfer to legal reserve fund	32	-	-	5,881	-	-	(5,881)	-	-	-
Balance at 30 June 2016		646,584	93,577	23,461	(62,438)	319,941	491,972	1,513,097	43,233	1,556,330

The notes presented on page 9 to page 52 form an integral part of the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 30 June 2017

In thousands of EUR

	Note	30 June 2017	30 June 2016
OPERATING ACTIVITIES			
Profit before tax		84,658	57,307
Adjustments for:			
Depreciation and amortisation	23, 24	13,972	14,366
Impairment losses of property, plant and equipment and intangible assets	23, 24	(203)	1,707
Revaluation of financial instruments at FV		4,213	1,664
Gain from revaluation from gold bar	8	-	(238)
Gain on disposal of property, plant and equipment and intangible assets		(115)	(416)
Amortisation of deferred acquisition costs for insurance and clients' contracts		851	207
Profit on disposal of subsidiaries, equity accounted investees and non-controlling interests	8	-	(516)
(Profit) / loss on disposal of financial assets		954	(15,885)
Net interest income	5	(154,639)	(132,247)
Dividends income	7	(1,173)	(783)
Increase in allowance for impairment of loans	19	24,847	30,142
Change in impairment of trade receivables and other assets	10	3,407	(286)
Expense from equity accounted investees		661	757
Changes in provisions	30	1,750	3,491
Unrealised foreign exchange losses, net		9,133	8,761
Operating loss before changes in working capital		(11,684)	(31,969)
Change in loans and advances to customers and banks		(1,417,642)	241,380
Change in trade receivables and other assets		28,963	31,271
Change in deposits and loans from banks and customers		2,401,415	(129,389)
Change in trade payables and other liabilities		91,935	(39,095)
Cash generated from (used in) operations		1,092,987	72,198
Interest received		226,264	231,559
Interest paid		(58,601)	(82,167)
Income taxes paid		(22,673)	(21,565)
Cash flows generated from (used in) operating activities		1,237,977	200,025

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**For the half-year ended 30 June 2017***In thousands of EUR*

	Note	30 June 2017	30 June 2016
INVESTING ACTIVITIES			
Purchase of financial instruments at fair value through profit or loss		(88,454)	(259,791)
Proceeds from sale of financial instruments at fair value through profit or loss		120,607	78,224
Purchase of financial instruments in available for sale portfolio		(135,479)	(523,738)
Proceeds from sale of financial instruments in available for sale portfolio		181,270	615,898
Purchase of financial instruments in held to maturity portfolio		(424,285)	(6,600)
Proceeds from financial instruments in held to maturity portfolio		516,255	17,171
Acquisition of property, plant and equipment, investment property and intangible assets		(13,165)	(5,868)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		1,254	623
Acquisition of subsidiaries, net of cash acquired	4.1	-	-
Net cash (outflow) inflow from disposal of subsidiaries	4.2	(123)	2,092
Dividends received		709	775
Cash flows generated from (used in) investing activities		158,589	(81,214)
FINANCING ACTIVITIES			
Proceeds from issued debt securities	27	-	44,169
Payments for buy-back of issued debt securities		(8,419)	(94,022)
Disposal of non-controlling interests		-	1,126
Subordinated debt issued	28	38	1,862
Subordinated debt paid	28	(46)	(75,578)
Payment for finance lease		(13)	(13)
Issue of other capital instruments		-	220,589
Bonus payments from issued other capital instruments		(13,005)	(3,747)
Dividends paid		-	(1,281)
Cash flows generated from (used in) financing activities		(21,445)	93,105
Net decrease/increase in cash and cash equivalents		1,375,121	211,916
Cash and cash equivalents at beginning of the year	12	935,178	1,049,469
Effect of exchange rate fluctuations on cash held		37,673	2,939
Cash and cash equivalents at end of the year	12	2,347,972	1,264,324

The notes presented on page 9 to page 52 form an integral part of the condensed consolidated financial statements.

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1. General information

J&T FINANCE GROUP SE (the “Parent Company” or “the Company”) is a European joint-stock company (Societas Europaea) having its legal seat and domicile at Pobřežní 297/14, 186 00 Praha 8.

The condensed consolidated interim financial statements of the Company for the year ended 30 June 2017 comprise the Parent Company, its subsidiaries and interests in associates and joint ventures (together referred to as “the Group”). A list of the Group entities is provided in Note 40. Group entities.

J&T FINANCE GROUP SE is the successor parent entity, taking over this role from J&T FINANCE GROUP, a.s., who was the parent of the Group until 31 December 2013. J&T FINANCE GROUP, a.s. was founded on 7 February 1995 and incorporated into the commercial register in Bratislava, Slovakia on 20 March 1995. The shareholder was TECHNO PLUS, a. s., a Slovak company owned by Jozef Tkáč and Ivan Jakabovič, its ultimate owners.

On 1 January 2014, J&T FINANCE GROUP, a.s. and TECHNO PLUS, a. s., its shareholder, were legally merged into J&T FINANCE, a.s., a Czech subsidiary of J&T FINANCE GROUP, a.s., all being part of the Regulated Consolidated Group - “RCG” (for the definition of RCG, refer to Note 35. Capital management). The legal cross-border merger was accounted for as a common control transaction at the book values of the merged entities on 1 January 2014. Intra-group transactions of the merged entities were eliminated through the merger accounting.

J&T FINANCE, a.s., a holding company, originally incorporated on 24 August 2006 in the Czech Republic, was renamed to J&T FINANCE GROUP SE after the cross-border merger took effect on 1 January 2014 and became the new Parent Company of the Group. The ultimate shareholders of the Group remain unchanged, i.e. Jozef Tkáč and Ivan Jakabovič.

The main reason of the merger was to simplify the structure of the financial holding group as owned by the ultimate shareholders and to maintain the continuity of supervision of the Czech National Bank over the activities of the RCG after the acquisition of Poštová banka, a.s. in 2013.

The shareholders of the Company as at 30 June 2017 were as follows:

	Interest in share capital		Voting rights (registered)	
	<i>In thousands of EUR</i>	<i>%</i>	<i>In million of CZK</i>	<i>%</i>
Ing. Jozef Tkáč	258,649	45.05	7,109	45.05
Ing. Ivan Jakabovič	258,649	45.05	7,109	45.05
CEFC Shanghai International Group Limited	31,004	5.40	852	5.40
CEFC Hainan International Holdings CO., Ltd	25,836	4.50	711	4.50
Total	574,138	100.00	15,780	100.00

The shareholders of the Company as at 31 December 2016 were as follows:

	Interest in share capital		Voting rights (registered)	
	<i>In thousands of EUR</i>	<i>%</i>	<i>In million of CZK</i>	<i>%</i>
Ing. Jozef Tkáč	258,649	45.05	7,109	45.05
Ing. Ivan Jakabovič	258,649	45.05	7,109	45.05
CEFC Shanghai International Group Limited	31,004	5.40	852	5.40
CEFC Hainan International Holdings CO., Ltd	25,836	4.50	711	4.50
Total	574,138	100.00	15,780	100.00

In March 2016 the shareholders of the Group entered into several agreements with CEFC, whereby CEFC would ultimately acquire a 50% share in the Group. The transaction is subject to regulatory approval both in China and countries where the Group operates.

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

The members of the Board of Directors were as at 30 June 2017 and 31 December 2016 as follows:

Ing. Jozef Tkáč – chairman
Ing. Ivan Jakabovič – vice chairman
Ing. Patrik Tkáč – vice chairman
Ing. Dušan Palcr – vice chairman
Ing. Gabriela Lachoutová

2. Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with *IAS 34 – Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The half-year financial report shall be read in conjunction with most recent annual financial statements. Interim financial statements were approved by the Board of Directors on 12 September 2017.

(b) Basis of preparation

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

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

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

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

The accounting policies applied by the Group in these half-year consolidated financial statements 2017 are the same as those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2016.

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 30 June 2017, and have been applied in preparing the Group’s consolidated financial statements:

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 30 June 2017, and have not been applied in preparing these financial statements:

- *IFRS 9 – Financial Instruments* (effective for annual reports beginning on or after 1 January 2018; to be applied retrospectively) originally issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes new requirements for the classification and measurement of financial liabilities and for derecognition and amendments from November 2013 include new hedge accounting model. Final version of the standard was issued in July 2014.

The key requirements are described below:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of the subsequent accounting periods.
- Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss or other comprehensive income. Financial assets held in a business model whose objective is both to collect contractual cash flows and for sale are measured through other comprehensive income. For an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income. The election is available on an individual share-by-share basis. No amount recognized in other comprehensive income is ever reclassified to profit or loss at a later date. Financial assets not mentioned above are measured at fair value through profit or loss.
- For financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward/looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases:
 - 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
 - Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.
- Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if the has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.
- The new hedge accounting model aligns the accounting requirements more closely with risk management practices and enhances disclosures about hedge accounting and risk management practices. When an entity first applies IFRS 9, it may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. The Group decided to apply the hedge accounting requirements of IAS 39.

Impact of the new standard is summarized below:

- Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The Group, due to the complexity of the changes in the new Standard and ongoing implementation projects does not quantify the expected impact of the initial application of IFRS 9 on its financial statements at this time.
- The Group expects the main impact mainly to be an increase in allowances for impairment because the new standard requires the creation of allowances for impairment for expected losses for the assets when there is no objective evidence of impairment as at balance sheet date.
- Upon initial recognition as at 1 January 2018, the effect of the changes in the impairment of financial assets is going to be recognized against equity balances. Ongoing changes due to new requirements on impairment after 1 January 2018 are going to be reported in the Consolidated statement of comprehensive income.
- In the area of regulatory capital planning under Basel III standards (in the form of CRR Regulation issued by EU) a one-time reduction is expected as of 1 January 2018. This effect is caused by a one-off reduction of retained earnings from previous periods, which constitute one of the main components of CET 1 capital.

Note: Based on the Basel Committee on Banking Supervision (BCBS) documents issued in October 2016, the allocation of the new Standard's impact on regulatory capital CET 1 is expected over an horizon of several years. The new proposal of CRR 2 from November 2016 is intended to set the allocation of the new standard's impact to 5 years.

- *IFRS 15 – Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively). The new standard substitutes all revenue standards including *IAS 18 Revenue* and *IAS 11 Construction Contracts*. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customer at an amount that the entity expects to be entitled to in exchange for those goods and services. Entities will follow a five-step approach to apply the standard:
 - identify the contract(s) with the customer;
 - identify the separate performance obligations in the contract;
 - determine the transaction price;
 - allocate the transaction price to separate performance obligations;
 - recognize revenue when (or as) each performance obligation is satisfied.

Revenue from a transaction or event that does not arise from a contract with a customer is not within the scope of the revenue standard and should continue to be accounted for in accordance with other standards.

The Group currently analyzes the effect of this standard on its financial statements.

- *IFRS 16 – Leases* (effective for annual periods beginning on or after 1 January 2019; not yet endorsed in the EU).
- *IFRS 17 – Insurance contracts* (effective for annual periods beginning on or after 1 January 2021, with earlier adaptation permitted if both *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes *IFRS 4 Insurance Contracts* as of 1 January 2021.

- *Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017; not yet endorsed in the EU).
- *Amendments to IAS 7: Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017; not yet endorsed in the EU).
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU).
- *Annual Improvements to IFRSs 2014-2016 (Amendments to IFRS 12 Disclosure of Interests in Other entities effective for annual periods beginning on or after 1 January 2017, Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU)* introduce clarifications or minor amendments to these three standards. The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.
- *Amendments to IAS 40: Transfers to Investment Property* (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) introduce minor amendments to the standard. The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018; not yet endorsed in the EU) addresses foreign currency transactions or parts of transactions where:
 - there is consideration that is denominated or priced in a foreign currency;
 - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
 - the prepayment asset or deferred income liability is non-monetary.
- *IFRIC 23 Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019; not yet endorsed in the EU) addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The Group expects that the amendments will not have a material impact on the Group's consolidated financial statements.

Other new International Financial Reporting Standards and Interpretations not yet due

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

3. Critical accounting estimates and assumptions

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

3.1. Business combinations and purchase price allocations

In a business combination (see also Note 4.1. Acquisition and establishment of subsidiaries and associates), the acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes is performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information available as at the date of the business combination. Any prospective information that may impact the fair value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail in the future.

The results of the valuation analyses are used as well for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

During the first half of 2017 and of 2016 no purchase price allocation resulting from business combinations occurred.

3.2. Goodwill and impairment testing

The Group conducts impairment testing of goodwill arisen in a business combination during the current period and impairment testing of goodwill already recognised in prior years annually (see also Note 4.1. Acquisitions and establishment of subsidiaries and associates and Note 23. Intangible assets). The Group also conducts impairment testing of other intangible assets with indefinite useful lives and of cash-generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows or on the basis of fair value less costs to sell.

Fair value measurements for impairment testing purposes were categorized as a Level 3 measurement based on the inputs used in the valuation technique. In the majority of cases the Group estimated the recoverable amounts of goodwill and the cash generating units based on value in use. Value in use was derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital ("WACC") of each CGU.

The Group reviewed the indicators of the impairment and concluded that no impairment testing in accordance with IAS 36 is needed as at 30 June 2017.

3.3. Financial instruments

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

Level 2 fair values are based on market values, but adjusted mainly by credit risk taking into account the credit risk of the Group and counterparty when appropriate.

If fair values had been higher or lower by 10% than quoted prices, the net carrying amount of financial instruments on Level 1 and Level 2, would have been EUR 123,705 thousand higher or lower than as disclosed as at 30 June 2017 (31 December 2016: EUR 135,956 thousand).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

In the vast majority of cases, the fair value of Level 3 investments was estimated using comparative valuation methods and discounted cash flow ("DCF") models, with inputs coming from current real estate market prices for similar properties in the same location and condition, the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specificities of the industries and countries in which the investments operate and ranged from 5.08% to 9.72% as at 30 June 2017 (31 December 2016: from 5.08% to 9.72%). The key assumptions used in the valuations were the expected cash flows, discount rates and current real estate market prices.

For more information, refer to the following notes:

- Note 13. Financial assets and liabilities at fair value through profit or loss
- Note 14. Financial assets available for sale
- Note 22. Investment property

3.4. Determination of control over investment funds

Management applies its judgement to determine whether the control indicators set out in Note 3 (a) of Notes to the consolidated financial statements for the year ended 31 December 2016 indicate that the Group controls an investment fund. The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. As a result, the Group has concluded that it acts as agent for the investors in all cases (except J&T REALITY otevřený podílový fond, refer to Note 40. Group entities) and therefore has not consolidated these funds.

4. Acquisitions and disposals of subsidiaries**4.1. Acquisition and establishment of subsidiaries and associates****(a) Acquisition of subsidiaries and associates**

In the first half of 2017 the Group acquired the following subsidiary:

<i>In thousands of EUR</i>	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition (%)
Health Care Financing, a.s.*	15. 2. 2017	-	-	100.00

* Acquisition price of Health Care Financing, a.s. was 1 CZK.

There were no acquisitions of subsidiaries nor associates in 2016.

(b) Establishment of subsidiaries and associates

In the first half of 2017 the Group established the following:

	Date of establishment	Group's interest after establishment (%)
J&T Global Finance VIII., s.r.o.	1.5.2017	100.00

In 2016 the following subsidiaries were established:

	Date of establishment	Group's interest after establishment (%)
J&T Global Finance VI., s.r.o.	27.2.2016	100.00
J&T Global Finance VII., s.r.o.	18.7.2016	100.00

4.2. Disposals**(a) Disposals of subsidiaries**

The following disposals have occurred in the first half of 2017 and in 2016:

In thousands of EUR

<i>30 June 2017</i>	Date of disposal	Other assets acquired	Cash inflow	Gain (loss) on disposal/liquidation
PB IT, a.s. v likvidácii	1.1.2017	183	-	-
Total		183	-	-

31 December 2016	Date of disposal	Sales price	Cash inflow	Gain (loss) on disposal/liquidation
J&T Global Finance I., B.V.	1.1.2016	17	17	13
J&T Global Finance II., B.V.	1.1.2016	18	18	(5)
J&T Cafe, s.r.o.	1.1.2016	4	4	(1)
ART FOND - Stredoeurópský fond súčasného umenia, a.s.	24.2.2016	281	281	11
ABS Property Limited	31.5.2016	2,173	2,173	459
Total		2,493	2,493	477

On 1 January 2017 PB IT, a.s. v likvidácii entered into liquidation, which is to be completed by the end of the year by selling of the remaining assests of this company.

(b) Effect of disposals

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

Effect of disposals in 2017

<i>In thousands of EUR</i>	Total effect
Cash and cash equivalents	123
Current tax assets	77
Other liabilities and trade payables	(5)
Non-controlling interests	(12)
Net assets and liabilities	183
Other assets acquired	183
Sales price	-
Profit on disposal	-
Consideration received, satisfied in cash	-
Cash disposed of	(123)
Net cash outflow	(123)

Effect of disposals in 2016*In thousands of EUR*

	ABS Property Limited	Other	Total effect
Cash and cash equivalents	16	346	362
Financial assets available for sale	-	103	103
Trade receivables and other assets	571	3	574
Current tax assets	-	3	3
Intangible assets	-	2	2
Property, plant and equipment	5,469	316	5,785
Deferred tax assets	948	-	948
Deposits and loans from banks	(2,281)	-	(2,281)
Deposits and loans from customers	(2,666)	-	(2,666)
Other liabilities	(73)	(10)	(83)
Non-controlling interests	-	(423)	(423)
Net assets and liabilities	1,984	340	2,324
Receivables sold in related transaction	-	2	2
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	(270)	(40)	(310)
Sales price	2,173	320	2,493
Gain on disposal	459	18	477
Consideration received, satisfied in cash	2,173	320	2,493
Cash disposed of	(16)	(346)	(362)
Net cash inflow (outflow)	2,157	(26)	2,131

In thousands of EUR

	30 June 2017	30 June 2016
Interest income		
Loans and advances to banks and customers	174,792	173,767
Bonds and other fixed income securities	18,123	22,326
Repo transactions	3,872	4,125
Bills of exchange	2,063	6,417
Receivables from central banks	744	564
Other	5,445	7,013
Total interest income	205,039	214,212
Interest expense		
Deposits and loans from banks and customers	(35,257)	(63,576)
Bonds and other securities with fixed interest rate	(12,637)	(12,975)
Bills of exchange	(475)	(749)
Hedging derivatives	(544)	(398)
Repo transactions	(221)	(56)
Other	(1,266)	(4,211)
Total interest expense	(50,400)	(81,965)
Total net interest income	154,639	132,247

5. Net interest income

Interest income from financial assets that are not at fair value through profit or loss for the half-year ended 2017 was EUR 202,178 thousand (half-year ended 30 June 2016: EUR 210,355 thousand). Interest expense from financial liabilities that are not at fair value through profit or loss as at 30 June 2017 was EUR 49,856 thousand (30 June 2016: EUR 81,169 thousand). Interest expense from hedging derivatives includes accrued interest from interest rate derivatives used to hedge interest rate risk.

6. Net fee and commission income*In thousands of EUR*

	30 June 2017	30 June 2016
Fee and commission income		
Fees on assets under management	13,485	10,151
Fees on administration and payment transactions	13,320	14,374
Fees on financial instrument operations	5,272	6,099
Fees on bond issue	4,425	3,439
Fees on promises and guarantees	2,335	2,298
Fees on custody, administration and depositing of valuables	2,198	1,372
Intermediation fees	2,945	2,414
Other fees and commission income	10,587	10,246
Total fee and commission income	54,567	50,393
Fee and commission expense		
Intermediation fees	(6,336)	(5,909)
Fees on payment transaction	(3,980)	(5,194)
Fees on financial instrument operations	(2,574)	(2,748)
Other fees and commission expenses	(3,294)	(2,634)
Total fee and commission expense	(16,184)	(16,485)
Total net fee and commission income	38,383	33,908

Other fees and commission income and expenses include a large number of sundry items that are not significant on an individual basis.

7. Net dealing profit*In thousands of EUR*

	30 June 2017	30 June 2016
Realised and unrealised gains (losses) on financial instruments at fair value	(12,360)	28,166
Realised and unrealised gains (losses) from receivables	3,571	(6,262)
Dividend income	1,173	783
Exchange rate differences	33,439	(14,751)
Total net dealing profit	25,823	7,936

The majority of losses on financial instruments as at 30 June 2017 arises from currency derivatives in amount of EUR 16,677 thousand and profit from changes in fair value of non-derivat interest rate instrument in amount of EUR 6,358 thousand.

Realised and unrealised gains (losses) on financial instruments at fair value include gains and losses from hedging. The losses on the hedged items attributable to the hedged risks amount to EUR 1,308 thousand (30 June 2016: loss of EUR 20 thousand). The gains on the hedging instruments amount to EUR 1,328 thousand (30 June 2016: nil). The majority of gains on financial instruments as at 30 June 2016 were generated from the Group's investment in shares of Energochemica in amount of EUR 7,498 thousand and from trading with currency derivatives in amount of EUR 8,795 thousand.

8. Other operating income

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Revenues (premium) of insurance companies	4,309	3,902
Revenues from services and consulting	4,177	4,758
Rental income from investment property	470	497
Income from rented aircraft and other operating leases	288	570
Other rental income	141	125
Gain on disposal of property, plant and equipment and intangible assets, net	115	416
Gain from receivables written off	-	309
Gain on the disposal of subsidiaries, joint ventures and associates (Note 4.2)	-	516
Change in impairment of receivables and inventories	-	286
Other income	3,716	6,174
Total other operating income	13,216	17,553

Other income includes a large number of sundry items that are not significant on an individual basis.

9. Personnel expenses

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Wages and salaries	36,476	29,873
Compulsory social security contributions	11,409	9,645
Other social expenses	903	877
Total personnel expenses	48,788	40,395

The weighted average number of employees during the first half of 2017 was 2,399 (half-year ended 30 June 2016: 2,323), out of which executives represent 163 employees (half-year ended 30 June 2016: 156).

10. Other operating expenses

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Rent expenses	8,118	7,484
Advertising expenses	7,610	4,830
Mandatory fees paid by financial institutions	5,674	5,813
Tax on financial transactions	4,635	5,258
Repairs and maintenance expenses	4,463	4,179
Change in impairment of receivables and inventories	3,407	-
Communication expenses	3,286	3,023
Consulting expenses	3,193	2,554
Insurance technical provisions and claims	2,474	2,131
Materials	1,737	1,515
Sponsoring and gifts	1,137	1,106
Transport and accommodation, travel expenses	985	881
Property and other taxes	942	667
Outsourcing	765	866
Training, courses and conferences	428	648
Energy	165	112
Other operating expenses	10,319	5,603
Total other operating expenses	59,338	46,970

Other operating expenses include a large number of sundry items that are not significant on an individual basis.

11. Income tax

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Current tax expense		
Current year	(17,001)	(14,198)
Adjustments for prior periods	186	(120)
Withheld on interest	(15)	(20)
	(16,830)	(14,338)
Deferred tax expense		
Origination and reversal of temporary differences	(1,920)	(4,893)
	(1,920)	(4,893)
Total income tax expense	(18,750)	(19,231)

The corporate income tax rate in the Czech Republic for 2017 and 2016 is 19%. The corporate income tax rate in Slovakia for 2016 was 22% and has decreased to 21% in 2017.

*(i) Reconciliation of the effective tax rate**In thousands of EUR*

	30 June 2017		30 June 2016	
	%		%	
Profit before tax		84,658		57,307
Income tax at 19% (2016: 19%)	(19.0)	(16,085)	(19.0)	(10,888)
Effect of tax rates in foreign jurisdictions	(1.2)	(1,024)	(2.4)	(1,360)
Non-deductible expenses	(12.1)	(10,247)	(20.2)	(11,557)
Non-taxable income	10.7	9,053	11.3	6,501
Tax withheld on interest	0.0	(15)	0.0	(20)
Recognition of previously unrecognised tax losses	0.1	86	0.2	111
Current year tax losses for which no deferred tax asset was recognised	(0.7)	(593)	(3.3)	(1,898)
Tax licence	0.0	(3)	0.0	-
Deferred tax – current period adjustment for DT recognized in prior period	(0.1)	(60)	0.0	-
Tax charges over provided in prior years	0.2	138	(0.2)	(120)
Change in tax rate	0.0	-	0.0	-
Total income tax expense	(22.1)	(18,750)	(33.6)	(19,231)

*(ii) Income tax recognized in other comprehensive income**In thousands of EUR*

	30 June 2017			30 June 2016		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Foreign exchange translation differences	8,172	-	8,172	9,954	-	9,954
Change in fair value of financial assets available for sale	5,339	(1,046)	4,293	7,691	(1,300)	6,391
Share of other comprehensive income of equity accounted investees	24	-	24	65	-	65
Total	13,535	(1,046)	12,489	17,710	(1,300)	16,410

*(iii) Movements in deferred tax balances during the year**In thousands of EUR*

	Balance at 1 January 2017	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange translation differences	Disposals	Balance at 30 June 2017
Property, plant and equipment	(290)	214	-	5	-	(71)
Intangible assets	(17,192)	1,301	-	(7)	-	(15,898)
Investment property	(2,985)	13	-	142	-	(2,830)
Impairment of trade receivables and other assets	73	(2)	-	-	-	71
Financial assets available for sale	(2,927)	(490)	(1,046)	(22)	-	(4,485)
Financial assets held to maturity	(3,785)	470	-	1	-	(3,314)
Employee benefits (IAS 19)	935	(234)	-	-	-	701
Unpaid interest, net	(25)	-	-	-	-	(25)
Financial assets at fair value through profit or loss	(35)	(120)	-	10	-	(145)
Loans and borrowings	8,992	319	-	104	-	9,415
Provisions	1,028	(191)	-	144	-	981
Derivatives	129	(103)	-	1	-	27
Tax losses	4,219	(3,380)	-	(24)	-	815
Other temporary differences	6,431	283	-	(84)	-	6,630
Total	(5,432)	(1,920)	(1,046)	270	-	(8,128)

	Balance at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange translation differences	Disposals	Balance at 30 June 2016
Property, plant and equipment	(1,618)	209	-	-	640	(769)
Intangible assets	(20,922)	1,291	-	7	-	(19,624)
Investment property	(2,373)	-	-	(304)	-	(2,677)
Impairment of trade receivables and other assets	24	61	-	-	-	85
Financial assets available for sale	(4,910)	-	(1,193)	8	-	(6,095)
Financial assets held to maturity	(5,213)	622	-	-	-	(4,591)
Employee benefits (IAS 19)	696	(176)	-	-	-	520
Unpaid interest, net	(35)	2	-	-	-	(33)
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Loans and borrowings	10,964	(55)	-	-	-	10,909
Provisions	4,527	(1,193)	-	(11)	-	3,323
Tax losses	9,181	(3,516)	-	50	(1,588)	4,127
Other temporary differences	2,247	(1,326)	-	(2)	-	919
Total	(7,432)	(4,081)	(1,193)	(252)	(948)	(13,906)

12. Cash and cash equivalents*In thousands of EUR*

	30 June 2017	31 December 2016
Cash and cash equivalents at amortised cost		
Loans and advances to central banks	2,145,707	719,664
Current accounts with banks	82,502	84,348
Cash on hand	60,113	42,513
Current accounts with central banks	43,602	49,700
Loans and advances to other banks	16,048	38,953
Total cash and cash equivalents	2,347,972	935,178

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

13. Financial assets and liabilities at fair value through profit or loss**13.1. Financial assets at fair value through profit or loss***In thousands of EUR*

	30 June 2017	31 December 2016
Non-derivative financial assets at fair value through profit or loss		
Bonds	122,444	151,727
Shares	21,017	21,151
Other financial assets	1,133	1,368
Total trading portfolio	144,594	174,246
Shares	5,507	437
Other financial assets	4,289	4,088
Total investing portfolio	9,796	4,525
	154,390	178,771
Trading derivatives		
Currency contracts	8,928	5,717
Option contracts for share purchase	4,984	4,754
Option contracts for commodity purchase	8	-
	13,920	10,471
Hedging derivatives		
Forward currency contracts	2,877	3
	2,877	3
Total financial assets at fair value through profit or loss	171,187	189,245

Debentures for trading as at 30 June 2017 comprise mainly Czech government bonds of EUR 36,347 thousand (31 December 2016: EUR 68,085 thousand) and Russian government bonds of EUR 17,558 thousand (31 December 2016: EUR 14,762 thousand). As at 31 December 2016 bonds of EUROVEA, a.s. totalled EUR 30,818 thousand, however as at 30 June 2017 the majority of these bonds had been sold and thus they totalled only EUR 99 thousand as at the date.

Income from debt and other fixed-rate instruments is recognised in interest income. As at 30 June 2017 the weighted average interest rate on bonds was 4.10% (31 December 2016: 4.68%). Pledged shares total EUR 17 thousand (31 December 2016: EUR 17 thousand).

The Group uses fair value hedge to cover the foreign currency exposure to changes in fair value of financial assets available for sale and investment in equity accounted investees over the hedging period. The Group uses currency forwards as hedging instruments.

Furthermore, the Group uses hedging derivatives to hedge the fair value of recognized assets (bonds with fixed income denominated in euros). The Group also uses interest rate swaps to hedge the changes in fair value caused by changes in risk-free interest rates.

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

As at 30 June 2017

<i>In thousands of EUR</i>	Shares	Bonds	Other financial assets	Total
Fair value of non-derivative financial assets at fair value through profit or loss				
Level 1 – quoted market prices	20,813	122,444	2,810	146,067
Level 2 – derived from quoted prices	-	-	1,330	1,330
Level 3 – calculated using valuation techniques	5,711	-	1,282	6,993
	26,524	122,444	5,422	154,390
Fair value of derivatives				
Level 1 – quoted market prices				3,026
Level 2 – derived from quoted prices				13,771
				16,797
Total financial assets at fair value through profit or loss				171,187

As at 31 December 2016

<i>In thousands of EUR</i>	Shares	Bonds	Other financial assets	Total
Fair value of non-derivative financial assets at fair value through profit or loss				
Level 1 – quoted market prices	20,881	150,017	3,804	174,702
Level 2 – derived from quoted prices	-	-	565	565
Level 3 – calculated using valuation techniques	707	1,710	1,087	3,504
	21,588	151,727	5,456	178,771
Fair value of derivatives				
Level 2 – derived from quoted prices				10,474
				10,474
Total financial assets at fair value through profit or loss				189,245

(ii) Detail of fair value measurement in Level 3

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

In thousands of EUR

	Shares	Bonds	Other financial assets	Total
Balance at 1 January 2017	707	1,710	1,087	3,504
Total gains recognized in profit or loss	35	-	63	98
Additions	5,083	-	132	5,215
Disposals	(123)	-	-	(123)
Transfer to Level 1	-	(1,710)	-	(1,710)
Effect of movements in foreign exchange	9	-	-	9
Balance at 30 June 2017	5,711	-	1,282	6,993
Balance at 1 January 2016	577	3,592	786	4,955
Total gains (losses) recognized in profit or loss	(3)	70	26	93
Additions	3	4,988	-	4,991
Disposals	(63)	(1,055)	-	(1,118)
Transfer to Level 1	-	(321)	-	(321)
Transfer to Level 3	-	186	-	186
Interest income less interest received	-	101	-	101
Effect of movements in foreign exchange	199	(59)	(16)	124
Balance at 30 June 2016	713	7,502	796	9,011

Based on changes in market conditions for some financial instruments, market prices for these instruments became available as at 30 June 2017. These bonds amounting to EUR 1,710 thousand (30 June 2016: EUR 321 thousand) were therefore transferred from Level 3 to Level 1. During the period ended 30 June 2017 there were no bonds transferred from Level 1 to Level 3 (30 June 2016: EUR 186 thousand).

Further, allotment certificates at fair value through profit or loss amounting to EUR 811 thousand were transferred from Level 1 to Level 2 during the period ended 30 June 2017 (half-year ended 30 June 2016: nil). There were no other transfers between Level 1 and Level 2 of the fair value hierarchy in the first half of 2017 and 2016.

13.2. Financial liabilities at fair value through profit or loss*In thousands of EUR*

	30 June 2017	31 December 2016
Non-derivative financial liabilities at fair value through profit or loss		
Other financial liabilities at fair value	3,612	4,328
	3,612	4,328
Trading derivatives		
Forward currency contracts	21,162	5,660
Cross currency swaps	326	14
Commodity derivatives	44	154
	21,532	5,828
Hedging derivatives		
Interest rate swaps	2,398	5,063
Forward currency contracts	-	343
	2,398	5,406
Total financial liabilities at fair value through profit or loss	27,542	15,562

The Group uses fair value hedge to cover the foreign currency exposure to changes in fair value of financial assets available for sale and investment in equity accounted investees over the hedging period. The Group uses currency forwards as hedging instruments.

Furthermore, the Group uses hedging derivatives to hedge the fair value of recognized assets (bonds with fixed income denominated in euros). The Group also uses the interest rate swaps to hedge the changes in fair value caused by changes in risk-free interest rates.

(i) Fair value measurement of financial liabilities at fair value through profit or loss*In thousands of EUR*

	30 June 2017	31 December 2016
Fair value of non-derivative financial liabilities at fair value through profit or loss		
Level 1 – quoted market prices	3,612	4,328
	3,612	4,328
Fair value of derivatives		
Level 2 – derived from quoted prices	23,930	11,234
	23,930	11,234
Total financial liabilities at fair value through profit or loss	27,542	15,562

There were no transfers of financial liabilities at fair value through profit or loss between Level 1, Level 2 or Level 3 of the fair value hierarchy during the six months ended 30 June 2017 and the year 2016.

14. Financial assets available for sale*In thousands of EUR*

	30 June 2017	31 December 2016
Shares	22,864	21,668
Investments funds units	367,169	365,320
Bonds	831,574	890,412
Total financial assets available for sale	1,221,607	1,277,400

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

30 June 2017

In thousands of EUR

	Shares	Investment funds units	Bonds	Total
Level 1 – quoted market prices	11,358	3	645,413	656,774
Level 2 – derived from quoted prices	5,112	359,593	78,916	443,621
Level 3 – calculated using valuation techniques	6,394	7,573	107,245	121,212
	22,864	367,169	831,574	1,221,607

31 December 2016

In thousands of EUR

	Shares	Investment funds units	Bonds	Total
Level 1 – quoted market prices	11,321	4,172	731,491	746,984
Level 2 – derived from quoted prices	5,243	360,921	76,235	442,399
Level 3 – calculated using valuation techniques	5,104	227	82,686	88,017
	21,688	365,300	890,412	1,277,400

Financial assets available for sale comprise primarily bonds, investment funds units and shares as at 30 June 2017 and 31 December 2016. Bonds as at 30 June 2017 comprise Slovak government bonds in the amount of EUR 107,542 thousand (31 December 2016: EUR 171,091 thousand), Polish government bonds of EUR 100,552 thousand (31 December 2016: EUR 124,382 thousand), Czech government bonds of EUR 70,746 thousand (31 December 2016: EUR 72,813 thousand), bonds of Starland Holding a.s. of EUR 69,152 thousand (31 December 2016: EUR 67,447 thousand) and bonds of Tatry mountain resorts, a.s. of EUR 45,753 thousand (31 December 2016: EUR 72,830 thousand).

As at 30 June 2017 the weighted average interest rate on bonds was 3.51% (31 December 2016: 3.72%). The maturity of the bonds is between 2017 and 2047. Bonds with maturity in 2047 are in the amount of EUR 2,653 thousand (31 December 2016: nil).

Shares as at 30 June 2017 comprise primarily ČEZ, a.s. of EUR 5,016 thousand (31 December 2016: EUR 5,253 thousand) and shares of Tatry mountain resorts, a.s. in amount of EUR 4,823 thousand (31 December 2016: EUR 4,686 thousand).

Investment fund units as at 30 June 2017 and 31 December 2016 comprise primarily funds that focus on the real estate development.

(ii) Detail of fair value measurement in Level 3

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

<i>In thousands of EUR</i>	Equity instruments	Bonds	Total
Balance at 1 January 2017	5,331	82,686	88,017
Total gains recognized in other comprehensive income	77	69	146
Total losses for the period recognised in profit or loss	(154)	(2,650)	(2,804)
Additions	1,525	7,687	9,212
Transfer from Level 1	246	13,843	14,089
Transfer from Level 2	6,799	-	6,799
Interest income less interest received	-	2,792	2,792
Effect of movements in foreign exchange	143	2,818	2,961
Balance at 30 June 2017	13,967	107,245	121,212
Balance at 1 January 2016	36,069	143,388	179,457
Total gains recognised in other comprehensive income	1,549	2,011	3,560
Total gains for the period recognised in profit or loss	1,220	443	1,663
Additions	1,953	4,156	6,109
Disposals	(4,691)	(53,880)	(58,571)
Interest income less interest received	-	(850)	(850)
Effect of movements in foreign exchange	(19)	(227)	(246)
Balance at 30 June 2016	36,081	95,041	131,122

Based on changes in market conditions for some financial instruments, quoted market prices for these instruments were not available as at 30 June 2017. Financial instruments amounting to EUR 14,089 thousand were therefore transferred from Level 1 to Level 3 and financial instruments amount to EUR 6,799 were transferred from Level 2 to Level 3 as at that date (30 June 2016: nil). Equity instruments amounting to EUR 4,213 thousand were transferred from Level 1 to Level 2 during the period ended 30 June 2017 (half-year ended 30 June 2016: nil). There were no other transfers between Level 1 and Level 2 of the fair value hierarchy in the first half of 2017 and 2016.

15. Financial assets held to maturity

<i>In thousands of EUR</i>	30 June 2017	31 December 2016
Slovak government bonds	268,741	342,975
Government bonds of other European Union countries	7,456	7,513
Financial institution and corporate bonds	27,615	48,306
Bills of exchange	2,489	6,578
Total financial assets held to maturity	306,301	405,372

Government bonds of other European Union countries as at 30 June 2017 comprise mainly Italian government bonds in amount of EUR 5,088 thousand (31 December 2016: EUR 5,105 thousand). Bonds of Financial institution and corporate bonds comprise mainly bonds listed on stock exchanges - Tatra banka, a.s. in amount of EUR 14,995 thousand (31 December 2016: EUR 14,991 thousand) and Slovenská sporiteľňa, a.s. in amount of EUR 6,003 thousand (31 December 2016: EUR 6,004 thousand). MOL Hungarian Oil and Gas bond matured during the first half of 2017 (31 December 2016: EUR 22,820 thousand).

16. Disposal group held for sale*In thousands of EUR*

	30 June 2017	31 December 2016
Financial assets available for sale	4,104	3,978
Property, plant and equipment	10,189	4,167
Total assets	14,293	8,145

Property, plant and equipment is represented by collateralized assets provided to secure loan receivables. Such assets are to be sold within one year to satisfy receivables from the defaulted loans.

Financial assets available for sale classified as held for sale stand for equity instruments of J&T Ostravice Active Life UPF. Sale of J&T Ostravice Active Life UPF was delayed by approval process of land plan that is out of the Group's control. Approving of the land plan is an inevitable condition to run the entity's activities and commence the sale.

The Group recognized no cumulative expense accumulated in other comprehensive income relating to the disposal group held for sale (half-year ended 30 June 2016: EUR 31,291 thousand).

During the year 2015, the Group signed an agreement with a third party on sale of 50% interest in J&T Bank, a.o. (Moscow), therefore the Group classified this subsidiary as a disposal group held for sale as at 30 June 2016.

In the second half of 2016, however, the agreement was cancelled and the Group does not intend to sell its interest in J&T Bank, a.o. anymore. Therefore, the assets and liabilities classified as held-for-sale as at 30 June 2016 do not meet the criteria for such classification already as at 31 December 2016 and consequently as at 30 June 2017.

In 2016, all relevant assets and liabilities originally classified as held-for-sale but ceasing to meet the criteria for such classification were accounted for at the lower of their recoverable amount and the carrying amount that would have been recognized had the disposal group never been classified as held-for-sale.

17. Loans and advances to banks*In thousands of EUR*

	30 June 2017	31 December 2016
Other loans and advances to banks	2,490,733	778,208
Obligatory minimum reserves deposited in central banks	126,971	93,914
Other deposits in central banks	-	327,150
Term deposits	4,699	4,892
Total loans and advances to banks	2,622,403	1,204,164

The majority of Other loans and advances to banks represent reverse repurchase operations concluded with central banks (30 June 2017: EUR 2,481,216 thousand; 31 December 2016: 740,172 thousand).

Obligatory minimum reserves represent the obligatory minimum reserves maintained by J&T BANKA, a.s., J&T Bank, a.o., Poštová banka, a.s. and VABA d.d. banka Varaždin under regulations of the relevant regulatory authorities.

The obligatory minimum reserve for J&T BANKA, a.s. is calculated as 2% of primary deposits with a maturity of less than two years. These obligatory minimum reserves are interest earning.

The obligatory minimum reserve for J&T Bank, a.o. is calculated as sum of 5% of deposits denominated in RUB, 6% of individual deposits denominated in foreign currency and 7% of nonresidents' corporate deposits and other liabilities denominated in foreign currency minus average calculated sum of weighted deposits. Besides, the average calculated sum of deposits is kept on the bank's current account deposited in Central Bank of Russian Federation. In the case of J&T Bank, a.o., the obligatory minimum reserve is not bearing any interest.

The obligatory minimum reserve for Poštová banka, a.s. is calculated as 1% of primary deposits with maturity of less than two years and is interest bearing.

The obligatory minimum reserve for VABA d.d. banka Varaždin is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilities excluding balances with specified banks. The obligatory reserve is calculated as 12% of the above and is not bearing any interest.

18. Loans and advances to customers

In thousands of EUR

	30 June 2017	31 December 2016
Loans and advances to customers	5,843,931	5,903,281
Less allowance for impairment of loans	(243,429)	(245,766)
Net loans and advances to customers	5,600,502	5,657,515

19. Impairment of loans

In thousands of EUR

	Individually assessed	Collectively assessed	Total
Balance at 1 January 2017	153,896	91,870	245,766
Creation	32,007	19,403	51,410
Release	(17,316)	(9,247)	(26,563)
Use	(17,710)	(10,643)	(28,353)
Effect of movements in foreign exchange	1,166	3	1,169
Balance at 30 June 2017	152,043	91,386	243,429

In thousands of EUR

	Individually assessed	Collectively assessed	Total
Balance at 1 January 2016	96,148	65,173	161,321
Creation	29,719	21,644	51,363
Release	(11,364)	(10,813)	(22,177)
Use	(3,643)	-	(3,643)
Effect of movements in foreign exchange	(47)	8	(39)
Balance at 30 June 2016	110,813	76,012	186,825

20. Trade receivables and other assets*In thousands of EUR*

	30 June 2017	31 December 2016
Purchased receivables	35,980	34,926
Trade receivables	17,431	20,744
- <i>brutto</i>	23,519	26,021
- <i>allowance</i>	(6,088)	(5,277)
Securities settlement balances	13,057	42,608
Receivables from sale and partial sale of investments and subsidiaries	5,400	5,400
Expected proceeds from liquidation	8,433	8,506
- <i>brutto</i>	9,578	9,661
- <i>allowance</i>	(1,145)	(1,155)
Receivables from insurance and reinsurance	729	754
- <i>brutto</i>	1,251	1,338
- <i>allowance</i>	(522)	(584)
Other tax receivables	1,027	1,101
Other receivables	47,067	44,042
- <i>brutto</i>	47,923	44,823
- <i>allowance</i>	(856)	(781)
Total receivables presented under risk management	129,124	158,081
Prepayments	17,314	18,064
Advance payments	3,677	2,925
- <i>gross</i>	3,677	2,926
- <i>allowance</i>	-	(1)
Inventories	627	713
Total non-financial receivables and other assets	21,618	21,702
Total trade receivables and other assets	150,742	179,783

Other receivables as at 30 June 2017 include other individually insignificant items, such as collateral received for the purposes of derivative trading etc.

21. Investments in equity accounted investees*In thousands of EUR*

	30 June 2017	31 December 2016
Interests in joint ventures	-	644
Interest in associate	388	380
Total interests in equity accounted investees	388	1,024

Joint ventures

The Group has interest in two individually immaterial joint ventures established by contractual agreement. The Group has a residual interest in the net assets of these joint ventures.

The table analyses, in aggregate, the share of profit and other comprehensive income of these joint ventures:

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Share of:		
Loss from continuing operations	(661)	(728)
Other comprehensive income	17	66
Total share of comprehensive income from joint ventures	(644)	(662)

Reconciliation of summarized financial information:

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Opening net assets value (100%)	1,288	1,791
Effect of additional investment	-	2,928
Loss for the period	(1,322)	(1,455)
Other comprehensive income	34	132
Closing net assets value (100%)	-	3,396
Interests in joint ventures (50%)	-	1,698

22. Investment property

<i>In thousands of EUR</i>	2017	2016
Balance at 1 January	7,656	5,670
Additions	113	-
Transfer to property, plant and equipment	(65)	-
Effect of movement in foreign exchange	(362)	726
Balance at 30 June	7,342	6,396

Investment property as at 30 June 2017 includes buildings in amount of EUR 7,342 thousand (30 June 2016: buildings in amount of EUR 6,396 thousand).

No investment property was subject to pledges as at 30 June 2017 and 2016.

23. Intangible assets

<i>In thousands of EUR</i>	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
Cost					
Balance at 1 January 2016	41,757	89,318	84,937	55,794	271,806
Additions	-	-	-	3,169	3,169
Disposals	(8,572)	-	-	(1,008)	(9,580)
Effect of movements in foreign exchange	517	-	(886)	164	(205)
Balance at 30 June 2016	33,702	89,318	84,051	58,119	265,190
Balance at 1 January 2017	37,432	89,318	86,407	65,460	278,617
Additions	-	-	-	8,311	8,311
Acquisitions through business combinations	119	-	-	28	147
Transfers from tangible assets	-	-	-	15	15
Disposals	-	-	-	(2,480)	(2,480)
Effect of movements in foreign exchange	(244)	-	(3,378)	718	(2,904)
Balance at 30 June 2017	37,307	89,318	83,029	72,052	281,706
Amortization and impairment losses					
Balance at 1 January 2016	(20,311)	(16,541)	(62,024)	(27,566)	(126,442)
Amortization charge for the half-year	-	(3,308)	(2,990)	(4,215)	(10,513)
Disposals	8,569	-	-	43	8,612
Effect of movements in foreign exchange	(506)	-	883	(174)	203
Balance at 30 June 2016	(12,248)	(19,849)	(64,131)	(31,912)	(128,140)
Balance at 1 January 2017	(15,964)	(23,158)	(70,995)	(36,254)	(146,371)
Amortization charge for the half-year	-	(3,308)	(2,943)	(4,326)	(10,577)
Disposals	-	-	-	5	5
Effect of movements in foreign exchange	282	-	3,384	(508)	3,158
Balance at 30 June 2017	(15,682)	(26,466)	(70,554)	(41,083)	(153,785)
Carrying amount					
At 1 January 2016	21,446	72,777	22,913	28,228	145,364
At 30 June 2016	21,454	69,469	19,920	26,207	137,050
At 1 January 2017	21,468	66,160	15,412	29,206	132,246
At 30 June 2017	21,625	62,852	12,475	30,969	127,921

As at 30 June 2017 nor 2016 no impairment loss was recorded for goodwill.

Assets under development and borrowing costs

As at 30 June 2017 the cost of intangible assets under development (included in Software and Other intangible assets) was EUR 1,446 thousand (30 June 2016: EUR 507 thousand).

24. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Aircraft and related flight equipment	Fixtures, fittings and equipment	Total
Cost				
Balance at 1 January 2016	39,268	11,356	29,679	80,303
Additions	317	-	2,370	2,687
Disposals	(316)	-	(631)	(947)
Disposals of subsidiaries	-	(11,356)	(316)	(11,672)
Effect of movements in foreign exchange	1,934	-	37	1,971
Balance at 30 June 2016	41,203	-	31,139	72,342
Balance at 1 January 2017	38,265	-	32,416	70,681
Additions	974	-	3,767	4,741
Transfers from investment property	65	-	-	65
Transfers to intangible assets	-	-	(15)	(15)
Transfer between categories	862	-	(862)	-
Disposals	(1,217)	-	(1,626)	(2,843)
Effect of movements in foreign exchange	(609)	-	168	(441)
Balance at 30 June 2017	38,340	-	33,848	72,188
Depreciation and impairment losses				
Balance at 1 January 2016	(4,325)	(5,479)	(16,235)	(26,039)
Depreciation charge for the half-year	(819)	(125)	(2,909)	(3,853)
Impairment	(1,424)	(283)	-	(1,707)
Disposals	-	-	561	561
Disposals of subsidiaries	-	5,887	-	5,887
Effect of movements in foreign exchange	(535)	-	(40)	(575)
Balance at 30 June 2016	(7,103)	-	(18,623)	(25,726)
Balance at 1 January 2017	(7,549)	-	(19,181)	(26,730)
Depreciation charge for the half-year	(978)	-	(2,417)	(3,395)
Impairment	203	-	-	203
Disposals	163	-	1,077	1,240
Disposals of subsidiaries	-	-	-	-
Effect of movements in foreign exchange	54	-	(73)	(19)
Balance at 30 June 2017	(8,107)	-	(20,594)	(28,701)
Carrying amount				
At 1 January 2016	34,943	5,877	13,444	54,264
At 30 June 2016	34,100	-	12,516	46,616
At 1 January 2017	30,716	-	13,235	43,951
At 30 June 2017	30,233	-	13,254	43,487

Assets under construction and borrowing costs

As at 30 June 2017 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 666 thousand (30 June 2016: EUR 723 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the half-year (half-year ended 30 June 2016: nil).

25. Deposits and loans from banks*In thousands of EUR*

	30 June 2017	31 December 2016
Term deposits from banks	21,957	21,915
Received loans from repurchase agreements	1,250,270	3,360
Other received loans	78,789	67,877
Total deposits and loans from banks	1,351,016	93,152

26. Deposits and loans from customers*In thousands of EUR*

	30 June 2017	31 December 2016
Deposits and loans from customers		
Term and escrow deposits	4,332,178	4,917,650
Deposits payable on demand	3,596,093	2,538,431
Received loans from repurchase agreements	660,364	1,516
Other received loans	26,000	19,267
	8,614,635	7,476,864
Issued debt securities at amortised cost		
Issued bills of exchange and loan notes	78,182	69,059
	78,182	69,059
Total	8,692,817	7,545,923

27. Issued bonds

<i>In thousands of EUR</i>	Original currency	Interest rate	Maturity date	30 June 2017	31 December 2016
Bonds listed on Bratislava Stock Exchange	EUR	6.00%	21.6.2016	26	41
Bonds listed on Prague Stock Exchange	CZK	5.20%	15.9.2017	198,864	196,556
Bonds listed on Bratislava Stock Exchange	EUR	5.25%	12.12.2018	147,364	145,495
Bonds listed on Bratislava Stock Exchange	EUR	3.80%	29.10.2019	72,752	75,982
Bonds listed on Bratislava Stock Exchange	CZK	3.00%	25.11.2019	109,963	109,641
Total issued bonds				528,969	527,715

In June 2013 the Group issued 100,000 pieces of bonds with a nominal value of EUR 1,000 per piece. The bonds were listed and traded on the Bratislava Stock Exchange. These bonds were repaid in June 2016, the remaining amount of EUR 26 thousand comprises unclaimed amount of bonds.

Furthermore in December 2013 the Group issued another 10,000 pieces of bonds with nominal value of EUR 1,000 per piece that were placed privately and were not traded on any regulated market. These bonds were fully repaid in December 2016.

In September 2014 the Group issued 1,481 pieces of bonds with nominal value of CZK 3,000 thousand per piece, that are traded on the Prague Stock Exchange and in December 2014 another 150,000 pieces of bonds with nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange.

In April 2016 the Group issued another 100,000 pieces of bonds with nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange and in November 2016 another 1,000 pieces of bonds with nominal value of CZK 3,000 thousand per piece, that are traded on the Prague Stock Exchange.

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

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the periods ended 30 June 2017 and 31 December 2016.

The total carrying amount of the bonds issued does not include the amount of the bonds held by companies within the Group.

28. Subordinated debt

	30 June 2017	31 December 2016
Subordinated debt at amortised cost	57,163	56,402

As at 30 June 2017 subordinated debt includes floating rate subordinated notes issued by J&T BANKA, a.s. with initial amount of EUR 25 million (31 December 2016: EUR 25 million) with maturity in 2022, floating rate subordinated notes issued by J&T FINANCE GROUP SE with initial amount of EUR 3 million (31 December 2016: EUR 3 million).

Other subordinated debt as at 30 June 2017 includes fixed interest subordinated term deposits in total initial amount of EUR 28 million (31 December 2016: EUR 28 million) with maturity between years 2019 - 2025 (31 December 2016: 2019 - 2025).

Floating rate subordinated notes are based on 3 months EURIBOR. The weighted average interest rate on the subordinated debt as at 30 June 2017 was 4.92% (31 December 2016: 4.83%).

29. Other liabilities

<i>In thousands of EUR</i>	30 June 2017	31 December 2016
Payables to clients from securities trading	240,219	136,312
Employee benefits	31,834	35,684
Securities settlement balances	14,733	26,041
Trade payables	5,202	9,366
Uninvoiced supplies	12,693	6,067
Other liabilities	35,874	35,307
Total other liabilities presented under risk management	340,555	248,777
Advance payments received	33,434	33,358
Deferred income	2,595	2,495
Total non-financial other liabilities	36,029	35,853
Total	376,584	284,630

Other liabilities include a large number of sundry items that are not significant on an individual basis.

30. Provisions

<i>In thousands of EUR</i>	Insurance contracts	Other	Total
Balance at 1 January 2016	11,099	13,842	24,941
Provisions recorded during the period	5,048	3,083	8,131
Provisions used during the period	(1,121)	(1,341)	(2,462)
Provisions reversed during the period	(2,628)	(2,021)	(4,649)
Foreign exchange gain	-	(28)	(28)
Balance at 30 June 2016	12,398	13,535	25,933
Balance at 1 January 2017	13,798	9,766	23,564
Provisions recorded during the period	5,227	1,298	6,525
Provisions used during the period	(1,486)	(343)	(1,829)
Provisions reversed during the period	(2,390)	(2,385)	(4,775)
Foreign exchange gain	-	87	87
Balance at 30 June 2017	15,149	8,423	23,572

Provisions for insurance contracts include provision for life insurance in amount of EUR 13,532 thousand (30 June 2016: EUR 10,909 thousand) and provision for unearned premiums of EUR 479 thousand (30 June 2016: EUR 476 thousand).

Other provisions include mainly provision for commitments and granted guarantees in the amount of EUR 5,546 thousand (30 June 2016: EUR 5,740 thousand) and provision for a clients benefit programme (Magnus) of EUR 1,125 thousand (30 June 2016: EUR 5,052 thousand).

31. Deferred tax assets and liabilities**31.1. Unrecognised deferred tax assets**

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

<i>In thousands of EUR</i>	30 June 2017	31 December 2016
Tax losses carried forward	5,158	2,435

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

<i>In thousands of EUR</i>	2018	2019	2020	2021	After 2021
Tax losses	684	1,239	112	112	3,011

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

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

31.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

In thousands of EUR

	30 June 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	421	492	272	562
Intangible assets	211	16,109	217	17,409
Investment property	-	2,830	-	2,985
Impairment of trade receivables and other assets	71	-	73	-
Financial assets available for sale	148	4,633	709	3,636
Financial assets held to maturity	-	3,314	14	3,799
Employee benefits (IAS 19)	701	-	935	-
Unpaid interest, net	-	25	-	25
Financial assets at fair value through profit or loss	-	145	-	35
Loans and borrowings	11,814	2,399	11,688	2,696
Provisions	981	-	1,028	-
Derivates	27	-	129	-
Tax losses	815	-	4,219	-
Other temporary differences	6,684	54	6,431	-
	21,873	30,001	25,715	31,147
Netting ¹	(17,447)	(17,438)	(20,238)	(20,238)
Total	4,426	12,563	5,477	10,909

¹ Netting - gross deferred tax assets and liabilities were netted for each individual subsidiary of the Group when applicable.

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

32. Shareholders' equity**(i) Share capital and share premium**

In 2016 J&T FINANCE GROUP SE bought back its own shares from its majority shareholders in the total nominal value of CZK 1,960,442,300. The difference between the purchase price and the nominal value was recorded in retained earnings. The purchase price was partially netted with the outstanding balance of the loan previously provided to the shareholders by J&T FINANCE GROUP SE.

After the purchase the shares were withdrawn by the Company and the share capital decreased from CZK 17,740,750,488 to CZK 15,780,308,188. The reason for the transaction was the optimization of the shareholders' structure of J&T FINANCE GROUP SE according to business agreements between the original shareholders and the CEFC group. The transaction lead to a change in the ownership structure as presented in the table below.

The structure of the shareholders as at 30 June 2017 was as follows:

	Ownership %	Voting rights %
Ing. Jozef Tkáč	45.05	45.05
Ing. Ivan Jakabovič	45.05	45.05
CEFC Shanghai International Group Limited	5.40	5.40
CEFC Hainan International Holdings Co., Ltd.	4.50	4.50
Total	100.00	100.00

The structure of the shareholders as at 30 June 2016 was as follows:

	Ownership %	Voting rights %
Ing. Jozef Tkáč	45.60	45.60
Ing. Ivan Jakabovič	45.60	45.60
CEFC Shanghai International Group Limited	4.80	4.80
CEFC Hainan International Holdings Co., Ltd.	4.00	4.00
Total	100.00	100.00

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 30 June 2017 consists of 10 ordinary shares with a par value of CZK 200 thousand, 13,778,752 ordinary shares with a par value of CZK 1 thousand and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders.

(ii) Non-distributable reserves

Non-distributable reserves include the legal reserve fund of the Parent Company and post-acquisition increases in subsidiaries' legal reserves. The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations.

Since 1 January 2014, the creation of a legal reserve fund in the Czech Republic is not required.

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

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

In Croatia creation of a legal reserve fund is required at a minimum of 20% of net profit (annually) and up to a minimum of 5% of the registered share capital.

(iii) Translation reserve

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

(iv) Other reserves and funds

Other reserves comprise changes in the fair value of financial assets available for sale.

In 2016, J&T BANKA, a.s. sold to its investors subordinated unsecured certificates with nominal value of EUR 5 thousand and CZK 100 thousand and no maturity date in the amount of EUR 20,595 thousand. These instruments are disclosed as Other capital instruments in the condensed consolidated statement of changes in equity. These certificates bear 9% or 10% annual yield, subject of approval, distributed quarterly from retained earnings, and are listed on the Prague Stock Exchange. The amount of issue, that combines characteristics of equity and debt instruments is following: issue I approved by the Czech National Bank ("CNB") on 19 June 2014 is CZK 1,000,000 thousand (EUR 37,006 thousand), issue II approved by CNB on 12 September 2015 is CZK 1,000,000 thousand (EUR 37,006 thousand) and issue III approved on 11 December 2015 is EUR 50,000 thousand. CNB stipulated that these instruments are equity instruments and thus they comply with the requirements to be recognised as additional capital AT1, part of regulatory capital tier 1 (see also Note 35. Capital management).

In 2016 J&T FINANCE GROUP SE also issued and sold subordinated unsecured certificates with nominal value of EUR 100 thousand and no maturity date in the amount of EUR 200,000 thousand. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. These certificates bear 9% (first 2 years) and 5% (subsequently) annual yield, subject of approval, distributed semi-annually from retained earnings. Following the approval by the Czech National Bank (CNB) on 21 April 2016, these instruments also comply with the requirements to be recognized as additional capital AT1.

In 2014, the Board of Directors of J&T Banka, a.s. approved new special purpose capital fund (Perpetuity fund), covering distribution of yield generated by the certificates described above. In 2016, another Perpetuity fund for distribution of yield from similar certificates was created by J&T FINANCE GROUP SE in amount of EUR 18,000 thousand as well. Both funds are part of retained earnings and distribution of income from the funds complies with the prospectus of the capital instruments.

Total amount of yield paid in the first half of 2017 was EUR 13,005 thousand (half-year ended 30 June 2016: EUR 3,747 thousand) and is presented as distribution of retained earnings in the consolidated statement of changes in equity.

33. Non-controlling interests

In thousand of EUR

	30 June 2017	31 December 2016
Equity Holding, a.s.	20,568	19,568
Poštová banka, a.s.	9,869	9,740
J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a. s.	5,111	5,097
Vaba d.d. banka Varaždin	3,307	3,453
Poštová poist'ovňa, a. s.	3,003	3,189
PBI, a.s.	2,412	2,054
Other	(85)	28
Total non-controlling interests	44,185	43,129

The following table summarizes the information relating to Equity Holding, a.s. and Poštová banka, a.s., the Group's subsidiaries that have material non-controlling interests before any intra-group eliminations:

30 June 2017

<i>In thousand of EUR</i>	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Assets	55,120	4,321,739		
Liabilities	66	3,682,021		
Goodwill attributable to the Group	-	20,033		
Net assets excluding Goodwill attributable to the Group	55,054	619,685		
Non-controlling interest's percentage	37.36%	3.28%		
Non-controlling interest	20,568	20,349		
Indirect non-controlling interest¹	-	(10,480)		
Carrying amount of non-controlling interest	20,568	9,869	13,748	44,185

¹ The Group owns a 64.46% share in Poštová banka, a.s. through J&T FINANCE GROUP SE and another 32.26% share through the subsidiary PBI, a.s. The group owns a 94.88% share in PBI, a.s. Indirect non-controlling interest in Poštová banka, a.s. relates to the investment of PBI, a.s. in Poštová banka, a.s. held by minority shareholders of PBI, a.s. which is shown as part of non-controlling interest in PBI, a.s.

	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Revenue	1,274	82,694		
Profit	1,009	19,521		
Other comprehensive income	1,667	(5,197)		
Total comprehensive income	2,676	14,324		
Non-controlling interest's percentage	37.36%	3.28%		
Profit (loss) allocated to non-controlling interest	377	641	(60)	958
Other comprehensive income allocated to non-controlling interest	623	(304)	345	664
Cash flows used in operating activities	(10)	444,258		
Cash flows from investing activities	-	78,640		
Cash flows used in financing activities	-	(213)		
Net increase (decrease) in cash and cash equivalents	(10)	522,685		

31 December 2016

<i>In thousand of EUR</i>	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Assets	52,418	4,306,941		
Liabilities	42	3,671,080		
Goodwill attributable to the Group	-	20,033		
Net assets excluding Goodwill attributable to the Group	52,376	615,828		
Non-controlling interest's percentage	37.36%	3.28%		
Non-controlling interest		20,223		
Indirect non-controlling interest²		(10,483)		
Carrying amount of non-controlling interest	19,568	9,740	13,821	43,129

² The Group owns a 64.46% share in Poštová banka, a.s. through J&T FINANCE GROUP SE and another 32.26% share through the subsidiary PBI, a.s. The group owns a 94.88% share in PBI, a.s. Indirect non-controlling interest in Poštová banka, a.s. relates to the investment of PBI, a.s. in Poštová banka, a.s. held by minority shareholders of PBI, a.s. which is shown as part of non-controlling interest in PBI, a.s.

30 June 2016

<i>In thousand of EUR</i>	Equity Holding, a.s.	Poštová banka, a.s.	Other individually immaterial subsidiaries	Total
Revenue	1,276	94,867		
Profit	1,079	24,482		
Other comprehensive income	(204)	1,577		
Total comprehensive income	875	26,059		
Non-controlling interest's percentage	37.36%	1.54%-3.28%		
Profit allocated to non-controlling interest	403	378	(1,640)	(859)
Other comprehensive income allocated to non-controlling interest	(76)	61	27	12
Cash flows from (used in) operating activities	(9)	248,226		
Cash flows from investing activities	-	3,946		
Cash flows used in financing activities	-	(37,984)		
Net increase (decrease) in cash and cash equivalents	(9)	214,188		

The non-controlling interest's percentage in Poštová banka, a.s. changed in May 2016 therefore the profit allocated to non-controlling interest and other comprehensive income allocated to non-controlling interest was calculated using both percentages before and after acquisition.

Changes in non-controlling interests without a change in control

There were no changes in non-controlling interests without a change in control in the first half of 2017.

In May 2016, the Group sold a 5.12% share of its subsidiary PBI, a.s. The Group's interest in Poštová banka, a.s. held through the subsidiary PBI, a.s. has decreased as a result of the transaction. The total ownership interest in Poštová banka, a.s. has changed from 98.46% to 96.72%.

In July 2016, the Group increased the share capital of Vaba d.d. banka Varazdin by HRK 76,000 thousand (EUR 10,159 thousand). As a result the ownership share increased from 76.81% to 82.55%.

The table below summarizes changes of non-controlling interests in those companies where no change in control occurred and does not include effect from disposed, newly purchased or established entities with non-controlling interests.

<i>In thousand of EUR</i>	Poštová banka, a.s.	Other immaterial	Total
Non-controlling interest at 1 January 2016	9,034	x	x
Change in Company's ownership interest	653	2,511	3,164
Dividends	(454)	(399)	(853)
Share of comprehensive income	507	(2,121)	(1,614)
Non-controlling interest at 31 December 2016	9,740	x	x

34. Fair value information

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

30 June 2017*In thousands of EUR*

30 June 2017		Fair value			
In thousands of EUR	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	2,347,972	-	2,347,972	-	2,347,972
Financial assets held to maturity	306,301	301,286	28,337	1,400	331,023
Loans and advances to banks	2,622,403	-	2,620,843	-	2,620,843
Loans and advances to customers	5,600,502	-	-	5,889,031	5,889,031
Trade receivables and other financial assets under risk management	129,124	-	129,124	-	129,124
Financial liabilities					
Deposits and loans from banks	1,351,016	-	1,349,246	-	1,349,246
Deposits and loans from customers	8,692,817	-	8,696,723	-	8,696,723
Issued bonds	528,969	528,365	-	-	528,365
Subordinated debt	57,163	-	56,665	-	56,665
Other financial liabilities under risk management	340,555	-	340,555	-	340,555

31 December 2016*In thousands of EUR*

31 December 2016		Fair value			
In thousands of EUR	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	935,178	-	935,178	-	935,178
Financial assets held to maturity	405,372	395,511	30,271	1,919	427,701
Loans and advances to banks	1,204,164	-	1,203,721	-	1,203,721
Loans and advances to customers	5,657,515	-	-	5,795,701	5,795,701
Trade receivables and other financial assets under risk management	158,081	-	157,803	278	158,081
Financial liabilities					
Deposits and loans from banks	93,152	-	93,197	-	93,197
Deposits and loans from customers	7,545,923	-	7,539,018	-	7,539,018
Issued bonds	527,715	531,911	-	-	531,911
Subordinated debt	56,402	-	53,133	-	53,133
Other financial liabilities under risk management	248,777	-	248,777	-	248,777

Estimation of fair values

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

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

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

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

Financial assets held to maturity: Fair value is based on quoted market prices traded in active markets at the statement of financial position date. If not available, the fair value is calculated based on discounted expected future principal and interest cash flows using the appropriate yield curve and risk spread. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of financial assets held to maturity reflect changes in credit status since they were acquired and changes in interest rates in the case of fixed rate instruments.

35. Capital management

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

Consolidated capital adequacy is calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 23 June 2013 as from 1 January 2014. Until 31 December 2013 it was calculated in accordance with regulation of the Central Bank of the Czech Republic Decree No. 123/2007 Coll.

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

- Tier 1 capital, which is divided into:
 - 1, Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit of current year is excluded), accumulated other comprehensive income and non-controlling interests after deduction of goodwill and intangible assets and additional value adjustments;
 - 2, Additional Tier 1 capital (AT1), which can include perpetual instruments issued in accordance with CRR (see Note 32. Shareholders' equity)
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Czech Act on Banks No. 21/1992 and Decree No. 163/2014 Coll. According to this regulation, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP SE as from 1 January 2014 (J&T FINANCE GROUP, a.s. as at 31 December 2013, see Note 1. General information) is defined as the RCG. Different consolidation rules are applicable for RCG's purposes – only companies which have the status of financial institutions as defined by CRR are fully consolidated.

Regulatory Capital

In thousands of EUR

	30 June 2017	31 December 2016
Common equity tier 1 capital (CET1)	1,053,445	1,018,200
Additional tier 1 capital (AT1)	270,842	268,802
Total Tier 1 capital	1,324,287	1,287,002
Supplementary capital (Tier 2)	39,260	43,360
Total regulatory capital	1,363,547	1,330,362

Risk Weighted Assets (RWA)

Credit risk of investment portfolio	7,186,883	7,340,795
Operational risk (BIA)	793,017	655,236
Credit valuation adjustment risk (STA)	4,676	4,546
Credit risk of trading portfolio	692,814	407,767
<i>General and specific interest risk</i>	143,726	160,680
<i>General and specific equity risk</i>	49,341	45,558
<i>Currency risk</i>	499,747	201,529
Total amount of capital requirements	8,677,390	8,408,344

The capital adequacy is calculated for CET 1 capital, Tier 1 capital and total regulatory capital as a portion of the capital to risk weighted assets (RWA). The regulatory capital is calculated as the sum of the common equity tier 1 capital (CET1), additional tier 1 (AT1) and supplementary capital (Tier 2) reduced by deductible items. CET1 capital comprises paid-up share capital, the statutory reserve fund, other equity funds, retained earnings and additional value adjustments. Tier 2 capital comprises subordinated debt approved by the Czech National Bank in an amount of EUR 39,260 thousand (31 December 2016: EUR 43,360 thousand). The deductible items include intangible assets at net book value and net deferred tax liabilities related to these intangible assets.

Capital adequacy ratios

Requirements for capital adequacy ratios as at 30 June 2017 are as follows:

<i>In %</i>	Minimum requirements	Combined buffer requirement	Total requirements
CET1 ratio	4.5	2.62	7.12
Tier 1 ratio	6.0	2.62	8.62
Total regulatory capital ratio	8.0	2.62	10.62

Combined buffer requirement of 2.62% for CET1 consist of capital conservation buffer and specific countercyclical capital buffer. Capital adequacy ratios of RCG as at 30 June 2017 and 31 December 2016 were as follows:

<i>In %</i>	30 June 2017	31 December 2016
Common equity tier 1 (CET1)	12.14	12.11
Tier 1 capital	15.26	15.31
Total regulatory capital ratio	15.71	15.82

36. Assets under management

<i>In thousands of EUR</i>	30 June 2017	31 December 2016
Assets in own-managed funds	2,284,945	1,972,660
Assets with discretionary mandates	260,393	149,791
Other assets under management	2,238,133	2,276,120
Total assets under management (including double counting)	4,783,471	4,398,571

(a) Calculation method

Assets under management comprise all client assets managed or held for investment purposes only. In summary, these include all balances due to customers, fiduciary time deposits and all valued portfolio assets. Custodial assets (assets held solely for transaction and safe-keeping purposes) are not included in assets under management. Assets under management are

measured at fair value for quoted financial instruments. If these are not quoted, debt and equity financial instruments are valued at amortized cost or using common valuation techniques (e.g. pricing models with market inputs as available), respectively.

(b) Assets in own-managed funds

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

(c) Assets with discretionary mandates

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

(d) Other assets under management

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

37. Related parties**Identity of related parties**

The Group has, or had, related party relationships as identified in the following table, either at 30 June 2017 and 31 December 2016 or during the half-years 2017 and 2016:

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

“Ultimate shareholders and companies they control” includes the following: Jakabovič Ivan, Tkáč Jozef, J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o. and KPRHT 19, s.r.o. None of these produce publicly available consolidated financial statements which include the Group.

The summary of balances with related parties during as at 30 June 2017 and 31 December 2016 is as follows:

<i>In thousands of EUR</i>	30 June 2017		31 December 2016	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Ultimate shareholders and companies they control	13	13,100	38,918	1,674
Associates and joint ventures	4,042	2,448	3,287	1,745
Key management personnel of the entity or its parent and companies they control or jointly control	114,128	38,656	265,165	19,203
Total	118,183	54,204	307,370	22,622

There was no provision for doubtful debts due from the “Ultimate shareholders and companies they control” as at 30 June 2017 (31 December 2016: nil).

The summary of transactions with related parties during half-year ended 30 June 2017 and 2016 is as follows:

<i>In thousands of EUR</i>	30 June 2017		30 June 2016	
	Revenues	Expenses	Revenues	Expenses
Ultimate shareholders and companies they control	430	-	1,725	-
Associates and joint ventures	1,392	-	674	471
Key management personnel of the entity or its parent and companies they control or jointly control	5,743	2,935	9,793	313
Total	7,565	2,935	12,192	784

The summary of guarantees with related parties at 30 June 2017 and 31 December 2016 is as follows:

<i>In thousands of EUR</i>	30 June 2017		31 December 2016	
	Guarantees received	Guarantees granted	Guarantees received	Guarantees granted
Ultimate shareholders and companies they control	-	5	-	5
Key management personnel of the entity or its parent and companies they control or jointly control	-	88	7,436	162
Total	-	93	7,436	167

Transactions with directors and key management

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

<i>In thousands of EUR</i>	30 June 2017	30 June 2016
Remuneration	175	260
Loans	216	449

Of the loans to directors and key management, new loans of EUR 4 thousand were granted during the first half of 2017 (half-year ended 30 June 2016: EUR 35 thousand) and EUR 64 thousand was repaid (half-year ended 30 June 2016: EUR 121 thousand).

38. Unconsolidated structured entities

The Group engages in various business activities with structured entities which are companies designed to achieve a specific business purpose and usually designed so that voting or similar rights are not a dominant factor in deciding who controls the entity.

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

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

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

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

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

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

The maximum exposure to loans is reflected by their carrying amounts in the consolidated balance sheet as at 30 June 2017 in amount of EUR 626,685 thousand (31 December 2016: EUR 647,533 thousand) and there was no loss incurred in 2017 in respect of these loans provided (2016: nil). There are no additional contractual arrangements with these entities regarding providing any further funding or guarantees. Liabilities of the unconsolidated structured entities due to other entities are subordinated to liabilities due to the Group.

The total assets value for 5 unconsolidated structured entities, as indication of their size, is EUR 1,121,826 thousand (31 December 2016: EUR 910,803 thousand).

39. Subsequent events

On 27 March 2017, J&T FINANCE GROUP SE received a notice from the Antimonopoly Office of the Slovak Republic about the commencement of administrative proceedings regarding a possible breach of antimonopoly law by an unannounced transaction - the acquisition of a 40% stake in Pantha Rhei, s.r.o. by Diversified Retail Company, a.s. According to the preliminary considerations of the Antimonopoly Office, J&T FINANCE GROUP SE allegedly gained joint control over Pantha Rhei, s.r.o. by exercising rights on behalf of Diversified Retail Company, a.s. without notifying the transaction to the Antimonopoly Office and exercised the rights and duties arising from such control without prior approval of the Antimonopoly Office.

J&T FINANCE GROUP SE denies that it acquired control over Panhta Rhei, s.r.o. and refuses all the alleged breaches. The administrative proceedings have not been concluded at the time of issuance of the financial statements.

J&T Concierge, s.r.o. merged with J&T Services CR, a. s. on 1 July 2017.

On 3 July 2017 J&T Banka entered into agreement to sell its 50% share in PGJT B.V.

On 11 August 2017 J&T FINANCE GROUP SE purchased 100% share in Outsider LLC and 80% share in Saxonwold Ltd. Furthermore, J&T FINANCE GROUP SE established J&T Wine Holding SE on 26 August 2017.

On 8 August 2017 Health Care Financing, a.s. changed its name to J&T Leasingová společnost, a.s.

40. Group entities

The list of the Group entities as at 30 June 2017 and 31 December 2016 is set out below:

Company name	Country of incorporation	June 2017			December 2016	
		Conso- lidated %	Owner- ship interest	Consoli- -dation method	Conso- lidated %	Owner- ship interest
J&T FINANCE GROUP SE	Czech Republic	parent company			parent company	
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
XT-Card a.s.	Czech Republic	32.00	direct	Equity	32.00	direct
J&T Bank, a.o. (J&T Bank ZAO) ¹	Russia	100.00	direct	Full	100.00	direct
TERCES MANAGEMENT LIMITED ²	Cyprus	100.00	direct	Full	100.00	direct
Interznanie OAO ³	Russia	100.00	direct	Full	100.00	direct
PGJT B.V.	Netherlands	50.00	direct	Equity	50.00	direct
MCC PROFIREAL, LLC. (PROFIREAL OOO)	Russia	50.00	direct	Equity	50.00	direct
J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s. ⁴	Czech Republic	88.25	direct	Full	88.25	direct
J&T Banka d.d. (VABA d.d. banka Varaždin)	Croatia	82.55	direct	Full	82.55	direct
Health Care Financing, a.s.	Czech Republic	100.00	direct	Full	-	-
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Bayshore Merchant Services Inc.	British Virgin Islands	100.00	direct	Full	100.00	direct
J&T Bank and Trust Inc.	Barbados	100.00	direct	Full	100.00	direct
J and T Capital, Sociedad Anonima de Capital Variable	Mexico	100.00	direct	Full	100.00	direct
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00	direct	Full	100.00	direct
Equity Holding, a.s.	Czech Republic	62.64	direct	Full	62.64	direct
J&T Global Finance III, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance IV., B.V.	Netherlands	100.00	direct	Full	100.00	direct
J&T Global Finance V., s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance VI, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Global Finance VII., s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Global Finance VIII., s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T Concierge, s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES ČR, a.s.	Czech Republic	100.00	direct	Full	100.00	direct
J&T SERVICES SR, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct
Hotel Kadashevskaya, LLC	Russia	99.90	direct	Full	99.90	direct
PBI, a.s.	Czech Republic	94.88	direct	Full	94.88	direct
Poštová banka, a.s. ⁵	Slovakia	96.72	direct	Full	96.72	direct
Poštová poisťovňa, a.s. (Poist'ovňa Poštovej banky, a.s.)	Slovakia	77.37	direct	Full	77.37	direct
Dôchodková správcovská spoločnosť Poštovej Banky, d.s.s., a.s.	Slovakia	96.72	direct	Full	96.72	direct
PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ.spol., a.s.	Slovakia	96.72	direct	Full	96.72	direct
PB Servis, a.s. (POBA Servis, a. s.)	Slovakia	96.72	direct	Full	96.72	direct
PB PARTNER, a.s.	Slovakia	96.72	direct	Full	96.72	direct
PB Finančné služby, a.s.	Slovakia	96.72	direct	Full	96.72	direct
PB IT, a.s.	Slovakia	-	-	-	96.72	direct
SPPS, a.s.	Slovakia	38.69	direct	Equity	38.69	direct

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

¹The Group owns a 99.945% share in J&T Bank, a.o. through the subsidiary J&T BANKA, a.s. and another 0.055% share through J&T FINANCE GROUP SE.

²The Group owns a 99% share in TERCES MANAGEMENT LIMITED through the subsidiary J&T BANKA, a.s. and another 1% share through the subsidiary J&T Finance, LLC.

³The Group owns a 50% share in Interznanie OAO through the subsidiary TERCES MANAGEMENT LIMITED and another 50% share through the subsidiary J&T Bank, a.o.

⁴The Group owns a 53.08% share in J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST., a.s. through the subsidiary J&T BANKA, a.s. and another 35.17% share through the subsidiary Poštová banka, a.s. (31 December 2016: 53.08% and 35.17%).

⁵The Group owns a 64.46% share in Poštová banka., a.s. through J&T FINANCE GROUP SE and another 32.26% share through the subsidiary PBI, a.s. (31 December 2016: 64.46% through J&T FINANCE GROUP SE and 32.26% through the subsidiary PBI, a.s.).