

ANNUAL REPORT OF PPF BANKA A.S.

2017

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INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Clients, Partners and Colleagues,

Looking back at PPF's results for the past year, we have to state that 2017 was another very successful year for our bank. We managed to achieve the best financial results ever, further strengthening our position in the Czech banking market.

In 2017, PPF banka generated the highest net profit in its history (CZK 1.5 billion), representing a return on average equity of 15.83%. In addition, PPF banka improved its capital position, demonstrated by an increase of the capital adequacy ratio from 15.86% in December 2016 to 16.22% at the end of 2017. The Bank's above-average profitability and good capital position are good news for both our main shareholders: the Capital City of Prague and the PPF Group.

What contributed the most to our 2017 results?

We increased the volume of loans granted to clients by 12% to CZK 33.2 billion, showing above-average growth in this indicator compared with the rest of the Czech banking market while maintaining our operations' high effectiveness. PPF banka's general administrative expenses in 2017 accounted for only 0.4% of total assets, which is half of what is reported by the Czech banking market.

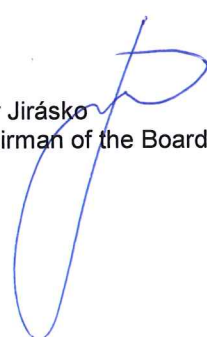
PPF banka became the most active dealer with Czech government bonds on the primary market in 2017 and ranked first in the summary evaluation by the Czech Ministry of Finance. Of all primary bond market makers, PPF banka helped the Czech Republic place on the market the largest number of government bonds used by the Ministry of Finance of the CR to finance the state debt.

I am personally also very happy that the Bank as the administrator successfully organised the issue of subordinated bonds of PPF Financial Holdings B. V. totalling CZK 4 billion.

We also managed to achieve other goals we had set for ourselves. We significantly strengthened our IT systems allowing a more effective use of our database. We also completed a number of projects arising from regulatory requirements or the need to enhance the Bank's internal processes (such as IFRS9, PSD2, MiFID II).

And finally, in 2017 we defined our new corporate identity and subsequently created a web presentation that fully meets newest trends and technical requirements.

PPF banka's excellent financial results and all other last year's successes resulted in the strengthening of PPF banka's position as a reliable partner in the world of finance. For that, I would like to thank our shareholders, providing support and strategic management services, and our employees, contributing to PPF banka's results with their every-day work effort and professionalism.



Petr Jirásko
Chairman of the Board of Directors

KEY NON-CONSOLIDATED FINANCIAL INFORMATION

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

Profit before tax

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

Total assets

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

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

In millions of CZK	2017	2016
Assets		
Cash and balances with central banks	157,926	60,032
Assets held for trading	8,919	9,987
Available-for-sale assets	28,981	31,080
Receivables from banks	3,355	5,437
Receivables from customers	33,236	29,632
Ownership interests	112	71
Other assets	412	386
Total assets	232,941	136,625
Equity and liabilities		
Deposits from banks	38,963	6,819
Deposits from customers	157,384	103,060
Debt securities issued	3,090	2,622
Financial liabilities held for trading	12,936	10,546
Subordinated liabilities	1,459	1,458
Registered capital	769	769
Other components of equity	9,375	7,979
Other liabilities	8,965	3,372
Total equity and liabilities	232,941	136,625
Income statement**		
Net interest income	2,457	1,808
Net fee and commission income	129	164
Net gain on trading and dividend income	625	477
General administrative expenses	-953	-760
Impairment losses	-177	-38
Other operating profit or loss	-173	-178
Income tax expense	-387	-269
Profit or loss for the year	1,521	1,204

Key ratios		
Classified client loans/total client loans	13.54%	16.53%
Total capital ratio	16.22%	15.86%
ROAA	0.71%	0.93%
ROAE	15.83%	14.75%
Assets per employee (in CZK million)*	1,026	624
Administrative expenses per employee (in CZK million)*	4	3
Net profit per employee (in CZK million)*	7	5

* According to the Czech National Bank's methodology

COMPANY PROFILE

General information

Company name:	PPF banka a.s.
Legal form:	joint-stock company
Registered office:	Evropská 2690/17, Praha 6, 160 41, Czech Republic
Ident. No.:	47116129
Registration court:	Municipal Court in Prague, section B, insert 1834
Date of incorporation:	31 December 1992

Date and method of establishment

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

Registered capital:	CZK 769 million
Equity:	CZK 10,144 million
Total assets:	CZK 232,941 million
Shares:	non-registered, ordinary, dematerialised shares maintained in the Central Securities Depository Prague

Note: data at 31 December 2017

Principal activities

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

PPF banka is a member of:

Czech Banking Association
Czech Institute of Internal Auditors
Union of Banks and Insurance Companies
Prague Chamber of Commerce
Prague Stock Exchange
Chamber for Economic Relations with the CIS, and
Bank Card Association

Shareholder structure

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

Precise web address of PPF banka's mandatory disclosures:

<http://www.ppfbanka.cz/cz/servis-pro-investory-a-analytiky/povinne-uverejnovane-informace/udaje-uverejnovane-ctvrtletne.html>

GOVERNING BODIES

Board of directors

Petr Jirásko

Chairman of the board of directors of PPF banka since 14 October 2013

Chief Executive Officer

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

Jaroslava Studenovská

Vice-chair of the board of directors since 9 November 2016 (member of the board of directors since 16 April 2012)

Managing Director of Operations

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

Miroslav Hudec

Member of the board of directors since 1 May 2016

Managing Director of Financial Management

Born in 1966, Miroslav Hudec graduated from the Institute of Chemical Technology in Pardubice, majoring in Industry Economics and Management. He headed the financial departments at Monokrystal Turnov a.s. and Šroubárna Turnov a.s. Later, he worked at Česká spořitelna as the head of the internal bank and held various positions in the company's Finance Division. Prior to joining PPF banka a.s., Miroslav worked as the Head of Controlling and Deputy Chief Financial Officer at Credit Lyonnais bank Praha and held the same position at Credit Agricole bank Praha. He has worked at PPF banka since 1 September 2012 as an adviser to the Chief Executive Officer. He became Managing Director of Financial Management in January 2014 and a member of the board of directors in May 2016.

Gabriela Mošovská

Member of the board of directors since 2 November 2016

Managing Director of Risk Management

Born in 1972, Gabriela received part of her education in Moscow and graduated from the University of Economics in Economic Policy. While still a student, she worked as analyst at Lifo a.s., an investment company, later at the Česká pojišťovna a.s. group as senior analyst and then as a member of the board of directors at Tesla Votice a.s. Between 1998 and 2004, she worked in the Risk Management Division of Raiffeisen Bank Praha a.s., her most recent position being the Head of Corporate Analysis. She obtained her MBA degree from Sheffield Hallam University in the UK in 2005. From 2004 she worked at Raiffeisen International Bank-Holding AG in Vienna in various positions, the most recent of which was the Deputy Head of Network Credit Management & Team Coordinator CIS, until her parental leave in 2007. From 2008 she worked at Raiffeisen Bank International AG as Director Credit Risk – Construction and Real Estate. She has been the Managing Director of Risk Management at PPF banka a.s. since January 2016. In November 2016 she became a member of the board of directors.

Igor Kottman

Member of the board of directors since 2 November 2016

Managing Director of Sales

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

Supervisory board

Ladislav Chvátal

Chairman of the supervisory board since 20 August 2015 (member of the supervisory board since 29 April 2015)

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

Petr Lachnit

Vice-chairman of the supervisory board since 20 August 2015 (member of the supervisory board since 29 April 2015)

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

Tomáš Kaplan

Member of the supervisory board since 29 April 2015

Born in 1972, Tomáš graduated from Charles University's Faculty of Law, majoring in Law and Jurisprudence. In 1997 he interned at a law firm in Germany. Since graduation in 1997, he has been engaged in providing legal services; in 2001, he passed the Bar examinations and is recorded in the register of lawyers maintained by the Czech Bar Association. In his legal practice he focuses on legal relations to real estate, financial law, public procurement law, law in commercial relationships, and insolvency law.

Bohuslav Samec

Member of the supervisory board since 16 January 2009

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

Lenka Baramová

Member of the supervisory board since 7 January 2009

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

Martin Hýbl

Member of the supervisory board since 2 June 2011

Born in 1974, Martin Hýbl graduated from the Trade and Business Faculty of the Silesian University, Karviná, majoring in Business Economics. In 1998, he joined ČP Leasing a.s. and progressively held the positions of financial analyst, head of financial management, Chief Financial Officer and member of the board of directors. Between 2003 and 2005, he worked at PPF Group in various financial management positions. Since 2005, he has been with PPF banka a.s., initially heading the HC Treasury Department and currently the head of banking services for institutional and corporate clients. He is not a member of a governing body of any other companies.

Audit committee

Jitka Mašátová

Chair of the audit committee

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

Valdemar Linek

Vice-chairman of the audit committee

Born in 1971, Valdemar Linek graduated from the University of Economics in Prague, majoring in corporate economics and accounting and corporate financial management. He also completed a postgraduate two-semester course in Internationally Accepted Accounting Standards and is a certified balance sheet accountant. After graduating from the University of Economics in Prague, he joined the audit firm HZ Praha, spol. s r.o., where he worked as Director of Auditors from 1997. Since 2003 he has been a member and partner at NEXIA AP a.s., where he specialises in statutory audit, economic, financial, accounting and tax advisory, due diligence, forensic investigations, financial management analyses and other analytical activities.

Bohuslav Samec

Member of the audit committee

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

Top management

Petr Jirásko

Chief Executive Officer since 14 October 2013

Gabriela Mošovská

Managing Director of Risk Management since 1 January 2016

Jaroslava Studenovská

Managing Director of the Operations Division since 1 May 2007

Karel Tregler

Managing Director of Financial Markets since 1 January 2014

Igor Kottman

Managing Director of the Sales Division since 11 January 2016

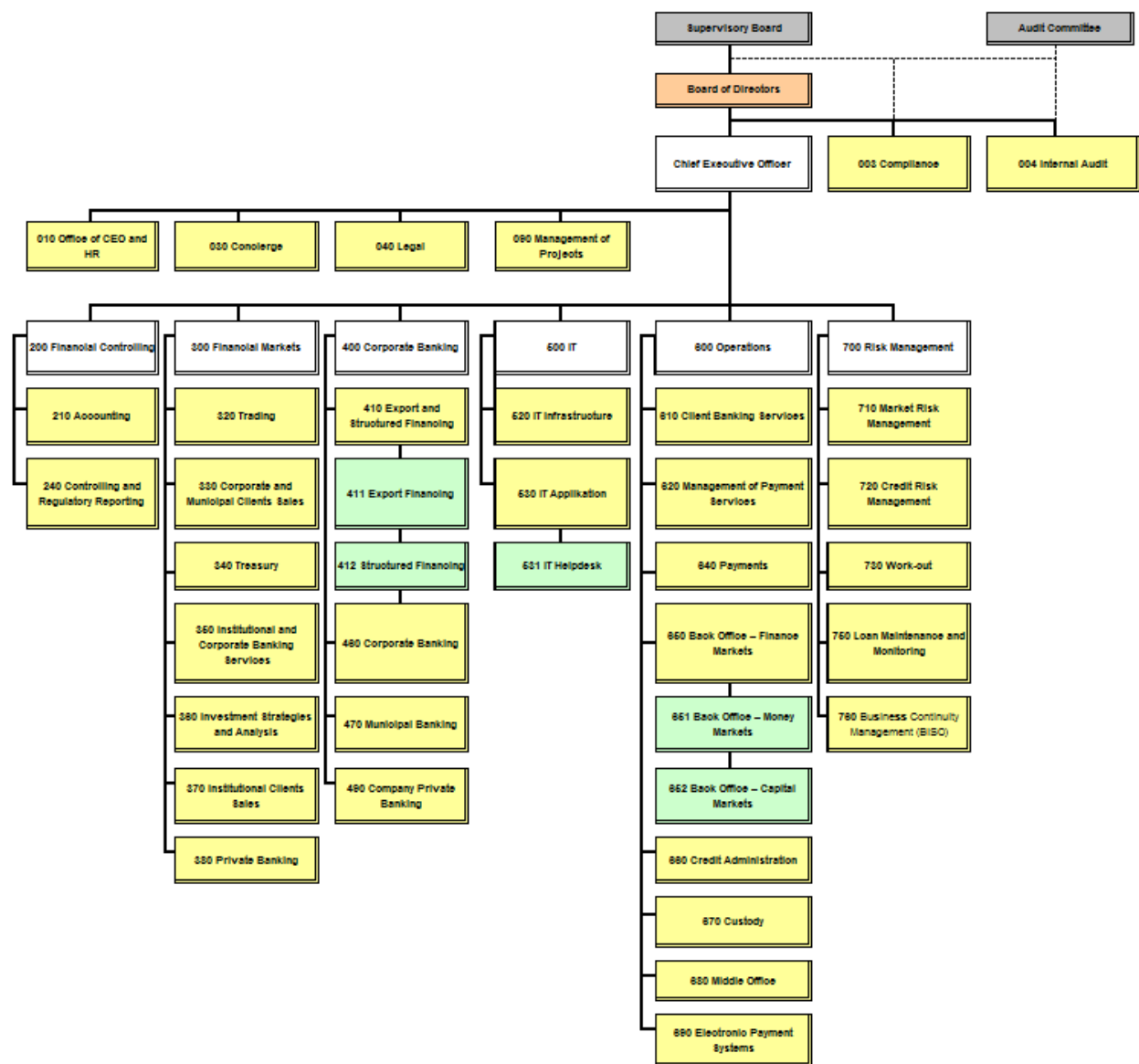
Miroslav Hudec

Managing Director of Financial Management since 1 January 2014

Tomáš Janota

Managing Director of IT since 1 August 2013

ORGANISATIONAL STRUCTURE OF PPF BANKA A.S.



REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS ACTIVITY AND ASSETS

Macroeconomic development in the Czech Republic

2017 was a year full of positive surprises for the Czech economy. Overall, the GDP increased by 4.5% compared with 2016, the same as in 2015 when growth was primarily driven by the final drawdown of European funds, whereas in 2017 it was driven by domestic factors such as personal consumption and investment. It is the very good situation in the labour market with a record-low unemployment rate and wage growth that mainly contribute to consumption. Investments also to some extent respond to the labour market, as the shortage of labour forces corporations to invest in technology and equipment. Higher investment should also theoretically bring higher productivity in the future, thus helping the Czech economy grow further. In contrast, the contribution of foreign trade to growth gradually decreased during the year as imports owing to higher domestic consumption were growing. Although exports grew significantly throughout the year, foreign trade's contribution to overall growth was only 0.1% in the fourth quarter.

The supply side of the economy did not change significantly. Industrial production continued to play a main role, with the processing industry contributing two percentage points to growth similarly as in 2016, while the service sector showed better results in 2017 than in 2016. Services grew by one percentage point primarily in financial services and telecommunications and due to heavy domestic demand for trade, restaurant services and transport. In contrast, the construction industry sector did not overcome last year's decline, especially because of the lack of infrastructural projects co-financed from European funds. Only 12.2% of funds from the 2014-2020 programme period were accounted for as at 31 December 2017.

The situation in the labour market remains positive, with the lowest unemployment in the whole of the European Union for the last two years. According to the Czech Statistical Office, at the end of 2017, the unemployment rate in the Czech Republic fell to 2.4%. The employment rate is also growing. According to the Czech Statistical Office, the proportion of employed persons in 2017 was again at record high 74.5%. Low unemployment and the growing number of vacant jobs (currently 230 thousand) are, according to corporations and relevant boom indicators, the main obstructions to their growth, since corporations cannot employ sufficient numbers of staff. This situation also increases wage pressures.

In 2017, inflation stayed within the upper half of the target range, mainly owing to prices of foods and the implementation of the electronic reporting of sales, causing higher prices in catering and accommodation services. Inflation growth is also being fuelled by heavy domestic demand and wage pressures. But the situation in the Eurozone, in which inflation

continues to be well below the ECB's target and stronger inflation pressures remain at a distance, at least for now, functions as an anti-inflationary measure. At the end of 2017, inflation began to gradually fall, but only due to the statistical effect of a higher comparable base and, consequently, the overall picture did not really change.

The prospering economy and above-target inflation allowed the CNB to adopt stricter monetary conditions. In April, after more than four years, the CNB terminated the regime of interventions and restored a free-flow FX regime. Owing to the overbought Czech crowns, the CNB's subsequent gains were not dramatic and the CNB thus had a chance to increase interest rates: the basic fourteen-day repo rate was increased twice from 0.05 to 0.5% in 2017. To again extend spreads between the repo rate, Lombard rate and discount rate, the CNB increased the Lombard rate from 0.25% to 1% and kept the discount rate unchanged at 0.05%. The CNB maintains foreign exchange reserves, accumulated by the central bank over a period of FX liability to record-high values (almost 70% of GDP), and their amount (which falls only as the Czech crown strengthens) is of no concern to the CNB.

The fiscal situation continues to be favourable despite the fact that the Czech Republic posted a deficit of CZK 6.2 billion in 2017 as opposed to the budget surplus for 2016. The deficit is by CZK 53.8 billion lower than planned but a surplus would have been appropriate when considering the strong economic growth in 2017. However, the overall indebtedness of the Czech Republic remains relatively low, at 32.6% of GDP.

2017's favourable economic situation also had an effect on the banking sector. The total volume of loans provided by banks at the end of 2017 rose by 4.6% year-on-year, to CZK 3,085 billion. Loans to households increased by 7.7% year-on-year, despite the CNB's macro-prudential measures.

Loans to non-financial businesses, totalling CZK 1,022 billion at the end of 2017 (up 4.8% from the previous year), increased as well. As in 2016, foreign currency loans were again used in 2017 as a form of foreign exchange hedge against the strengthening of the Czech crown after the end of foreign exchange intervention period. Foreign currency loans grew by 11%; CZK-denominated loans by 2%.

The overall quality of the loan portfolio remained favourable. In the third quarter of 2017, the proportion of non-performing loans decreased by one percentage point to 3.8% compared with the same period of the last year.

PPF BANKA'S FINANCIAL PERFORMANCE IN 2017

2017 was a year of best-ever performance for PPF banka. Profit after tax in 2017 was CZK 1,521 million, exceeding the result for 2016 by CZK 317 million. Equity increased by almost 16%, to CZK 10,144 million. Compared with the end of 2016, the volume of receivables from customers increased by 12% and total assets grew to CZK 232 billion.

Net interest income increased by 36% year-on-year, to CZK 2,457 million. The effect of the CNB's rise of the repo rate at the end of 2017 and the pressure arising from a surplus of the Czech crown resulted in an increase in total assets, an increase in interest income (26%) and a decrease in interest expense (-9%). Net fee and commission income decreased by 20% in 2017, to CZK 129 million, as a result of lower transaction fees from customers. In 2017, PPF banka reported a net gain from financial operations of CZK 625 million, showing a 31% rise compared with 2016. These excellent results are primarily due to trading with securities and favourable conditions in the Czech market, especially the strengthening of the local currency.

As a result of the above, total operating income for 2017 exceeded total operating income for 2016 by 31%.

Losses arising from the impairment of receivables and guarantees for 2017 were CZK 177 million compared with CZK 38 million incurred in 2016. The effect on a year-on-year increase is the same for both losses from the impairment of receivables and the impairment of guarantees, totalling CZK 60 million.

An increase in general administrative expenses of CZK 193 million for 2017 compared with 2016 was primarily due to the following: a rise in lease expenses, a provision for litigations and the application of a limit to the tax deductibility of granting donations, resulting in a higher tax base for 2017. Other operating expenses for 2017, the most significant part of which was a contribution to the crisis resolution fund, were similar to 2016. The ratio of administrative expenses to total operating income (excluding losses from the impairment of receivables and guarantees) slightly decreased to 29%, as compared with 31% in 2016, showing a positive trend.

Cash and balances with central banks totalled CZK 158 billion in 2017, as compared with CZK 60 billion in 2016. The significant increase in balances with central banks is due to the current economic situation, i.e. the end of the FX floor for the Czech crown and growing interest rates.

Receivables from customers increased by 12% year-on-year to CZK 33 billion, especially in the non-financial organisation sector.

The gross amount of non-performing loans increased to CZK 4.7 billion, as compared with CZK 4.3 billion in 2016. The non-performing loan ratio currently amounts to 13.8%, showing a slight decrease compared with the end of 2016. However, this percentage does not accurately reflect the risk borne by PPF banka, as the category of non-performing loans contains loans covered by EGAP insurance. The non-performing loan ratio is calculated

based on gross exposure per client, and EGAP insurance is not considered. After adjusting the volume of non-performing loans for EGAP insurance (for non-performing loans and loans insured by EGAP, the insurance value is deducted from gross exposure), the ratio of non-performing loans to total loans provided equals 6.8%. The actual credit portfolio exposure is thus significantly lower.

In 2017, PPF banka generated profit before tax of CZK 1,908 million, up CZK 435 million from 2016. The increase of up to 30% compared with 2016 can be primarily attributed to above-standard operating income for 2017.

Last year, PPF banka paid income tax of CZK 387 million.

Deposits from customers are the primary source of financing. The volume of funds in client accounts totalled CZK 157 billion. The massive increase in deposits repayable on demand is attributable to non-resident businesses and the public sector. The year-on-year increase in term deposits is attributable to the public sector segment but mostly to the financial services segment. Financial liabilities held for trading increased by CZK 2.3 billion, to CZK 12.9 billion, from the end of 2016.

Return on equity was 15.83% in 2017, and total capital ratio at 31 December 2017 was 16.22%.

PPF banka carried on with its charity projects in 2017 and continues to regard corporate social responsibility as one of its fundamental values.

PPF banka's business activity in 2017

PPF banka's activity in the financial markets

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

As in previous years, PPF banka was actively involved in the Czech government bond market, coming first in the Czech Ministry of Finance's ranking of primary bond dealers. Of all the primary dealers, PPF banka helped the Czech Republic market the highest volume of newly issued government bonds.

Overview of PPF banka's securities trading volumes:

In billions of CZK	2017	2016	2015
<i>Domestic bonds</i>	126.7	228.6	161.5
<i>Foreign bonds</i>	21.5	37.4	19.4
Total bonds	148.2	266.0	180.9
<i>Domestic securities</i>	2.5	2.1	0.9
<i>Foreign securities</i>	2.0	6.8	4.0
Total securities	4.5	8.9	4.9
Total	152.7	274.9	185.8

For corporate bonds, PPF banka organised an issue of subordinated debt of PPF Financial Holdings totalling CZK 4 billion at the end of 2017, acting as the principal issue manager and administrator. In early 2017, PPF banka arranged a private issue of bonds of Home Credit totalling CZK 2 billion. During the year, we issued a number of structured finance products to accommodate the needs of our private banking clients.

In the foreign exchange market, a slight decrease in the traded volume in 2016 was balanced out in 2017. We traded record-high volumes in both spot and derivatives markets. The distribution and timing of PPF banka's transactions in the foreign exchange market is shown in the table below.

In billions of CZK	2017	2016	2015
FX spot	244.2	166.7	178.5
FX derivatives	468.8	373.1	425.3
Total	713.0	539.8	603.8

With respect to interest rate derivatives, PPF banka significantly increased the volume of activities in this area, primarily as a result of the revival of the market with CZK FRA instruments and higher demand for interest rate risk hedging from our clients.

In billions of CZK	2017	2016	2015
IR derivatives	160.3	45.0	26.0

Corporate banking and the public sector

In 2017, our corporate banking efforts continued to focus on developing and enhancing relationships with our key clients in segments in which we have long specialised. These primarily include the following sectors: manufacturing, energy (both in the CR and abroad), engineering, food processing, logging and wood processing, as well as wholesale and retail, within which we carried out new acquisitions. We also further developed our activities in the segment of financial institutions, loan providers and lease companies. We also continued to seek new attractive real estate deals, the share of which has significantly supported our portfolio's growth and stability.

In 2017, PPF banka's export and structured finance activities continued to focus on providing services to clients in the Czech Republic, the Commonwealth of Independent States (CIS) and Central and Eastern Europe. The Bank also provides services to Czech exporters expanding abroad, and helps Czech and foreign investors finance projects and acquisitions. In 2017, the Bank continued to finance a range of major structured finance transactions in Europe and Asia designed to support its clients' development and acquisition activities. In 2017, PPF banka significantly supported the expansion of Home Credit group in Asia.

We continued to develop our cooperation with the public sector in 2017, following the good results achieved in this area in previous years. We systematically worked to strengthen PPF banka's position within the segment. We substantially expanded our

customer portfolio, acquiring new significant clients from the public sector including regions.

The Smart City phenomenon and comprehensive intelligent solutions designed to deal with city life strongly resonate within the public administration and, consequently, in 2017 we offered selected clients an opportunity to use the PPF Group's complementary skills and the innovative Smart City agenda solution.

We are strongly aware of the advance of digitisation that our clients have on their agendas, hence we are increasingly promoting electronic forms of communication. We therefore commenced the modernisation of our internet banking services. We believe that the new internet banking system will enhance the quality of communication between our customers and the Bank and simplify the payment system, helping our clients administer their finances in a more effective manner.

All our corporate banking activities and public sector services were conducted based on a high level of cooperation with our clients, the professionalism of our team and a high-quality product offer, while aiming to maintain the high quality of our loan portfolio. We are proud that we are able to provide professional banking services to clients from the municipal sphere. We are powerfully motivated to carry on our work to make our clients proud that they are PPF banka's clients.

Private banking for individuals

PPF banka's private banking division specialises in serving our most demanding private clients and the provision of investment services. We pride ourselves on the quality of our team of experienced private bankers, expert knowledge and ability to listen to our clients. 2017 was in many respects an entirely exceptional year for us when considering our results, the successful implementation of new regulations and significant events occurring in the financial markets. We continued to seek attractive opportunities for our clients and provided support to the PPF Group with the issue of subordinated bonds of PPF Financial Holdings.

Our long-term strategy continues to be based on providing a tailored professional approach, building mutual trust and focusing on client satisfaction. We will continue to focus on building these values in the coming years, offering our clients a completely different view of banking services.

Information technology and security

2017 was influenced by the banking sector regulation requirements. The Bank also adopted a strategy for the development of information systems over the following three years.

The Bank's new IT strategy reflects the banking sector's main trends: strengthening of IT security standards, digitisation of processes and the ability to adapt to regulatory requirements. Throughout the year, we paid attention to the definition of requirements on the Bank's IT architecture connected with servicing clients. At the end of the year, the Bank introduced changes associated with the implementation of MIFID 2 and PSD2 regulatory requirements and launched a new web presentation. In the first half of 2017, a new EWS system, providing automatic support to processes associated with the monitoring of the credit portfolio, and a new version of the Kondor system, introducing new functions and a

database platform with standard support functions, were implemented. The project of upgrading the main banking system successfully underwent integration testing.

For the IT infrastructure, the Bank managed to optimise expenses associated with the operation of backups using a new licence model. The restoration of data centres continued with the reconstruction of a primary server room and the replacement of network technologies with a new generation. In 2017, we commenced the process of migration of virtualised workstations to the Windows 10 operational system, allowing new security functionalities and better scalability of system resources for individual workstations.

The area of IT security showed minor improvements in access management, security mechanism testing and control over compliance with security policy. The Security and Operational Risk Management department cooperated on a number of pending projects such as PSD2, GDPR, Multichannel and SWIFT security.

One major security incident – a four-hour outage of employees' virtual desktops – occurred last year. Other security incidents and events did not have a significant impact on the Bank and were eliminated as they occurred.

Human resources and personnel strategy

PPF banka's human resources strategy aims to establish compliance with the Bank's business strategy and the strategy of the PPF Group, which includes the Bank. Considering current human resource management trends, in 2017 we focused on identifying key areas that would be treated as priorities in the given period and in the medium-term.

These priorities include, among other things, internal communication and cooperation support through development activities, aimed to enhance effectiveness throughout the organisation. Another key area is employee remuneration and motivation, company culture promotion, human resources process simplification, etc.

On the labour market, in 2017 the Bank was again a highly sought-after employer for job seekers. Recruitment proceedings are designed in a manner to meet the requirements for professional qualification, professionalism and personal qualities necessary for the performance of work while maintaining natural employee diversity.

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

PPF banka's remuneration principles, reflecting regulatory requirements set by law, have been determined by the board of directors as well as approved by the supervisory board. Their definition takes into consideration PPF banka's performance and links to possible risks. In accordance with applicable regulations, compliance with these principles is reviewed annually by the internal audit department, which reports its findings to the supervisory board and the board of directors.

Only approved monetary remuneration was paid out in 2017. Remuneration in kind was not provided.

Audit and non-audit services

Fees paid to the external auditor for services provided in 2017 amounted to CZK 5.8 million (2016: CZK 6.8million).

Audit and non-audit services provided to PPF banka a.s. and its subsidiaries by external auditor, or affiliates of external auditor, are stated in table below:

PPF banka a.s.:

In millions of CZK	2017	2016
audit services	5,8	6,8
other assurance services	1,7	0,4
advisory services	1,8	2,2
total	9,3	9,4

Subsidiaries of PPF banka a.s.:

In millions of CZK	2017	2016
audit services	0,6	0,8
other assurance services	-	0,2
consultancy services	-	-
total	0,6	1,0

Corporate social responsibility

PPF banka regularly donates to THE KELLNER FAMILY FOUNDATION, which supports, among other things, educational projects for talented pupils and students from socially disadvantaged families and children's homes. PPF banka also partakes in the operation of a Bilingual Nursery for the Hearing-Impaired.

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

Other information

In 2017 and 2016, the Company incurred no expenditure on research and development or environmental protection.

The Company has no branch abroad.

The company did not obtain any own shares.

Risk management methods and objectives

The risk management methods and objectives are described in detail in Financial part of the Annual report, on individual as well as consolidated basis

Subsequent events

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

Proposal for the distribution of profit for 2017

PPF banka generated profit after tax of CZK 1,520,659,699.95.

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

transfer to the social fund	CZK 2,000,000.00
transfer to retained profits	CZK 1,518,659,699.95

Prague, 9 April 2018

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

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



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

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

Report on the Audit of the Separate financial statements

Opinion

We have audited the accompanying separate financial statements of PPF banka a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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



Key Audit Matters

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

Loss allowances for loans and receivables to customers

Key audit matter	How the audit matter was addressed
We focused on this matter because of the highly subjective and complex judgements made by the Bank's management in determining the necessity for and then estimating the size of loss allowances against loans. Loss allowances for loans and receivables to customers at CZK 1,067 million as at 31 December 2017 represent an estimate of the impairment losses incurred within loans and receivables to customers at the balance sheet date in accordance with standard IAS 39 Financial instruments: recognition and measurement. To identify whether objective evidence of impairment exists for the loan exposure, the Bank has set a series of criteria to identify objective impairment evidence. This includes observable data about events such as, among other things, financial difficulties of the client, delinquency in contractual principal or interest payments, insolvency or other restructurings of the loan, worsened financial performance of the borrower. Based on these criteria, the entire loan portfolio is divided into non-impaired loans and impaired loans. For impaired loans, loss allowances are calculated based on the discounted cash flow method. The key judgment for allowances is determining future cash repayments of these loans, taking into account the estimated value and timing of cash flows as well as estimating the recoverable value of the underlying collateral.	To address this key audit matter, we performed, among other things, the procedures outlined below: We critically assessed and challenged the Bank's credit policies and evaluated the processes for identifying impairment indicators as well as the categorisation of receivables according to these policies. We tested the design, implementation and operating effectiveness of system-based and manual controls over the identification and timely recognition of impaired loans, such as controls relating to the appropriate categorisation of receivables (non-impaired loans, impaired loans), the matching of borrower's repayments to loan instalments and the calculation of days past due of loans, appropriate collateral valuation etc. Testing was performed through inquiries in combination with observation, inspection and re-calculation. For a sample of impaired loans, we considered the latest developments in relation to the borrower, any existence of impairment triggers and the basis for measuring the loss allowance. Furthermore, we examined the estimated cash flows from the impaired borrowers. In particular, we also challenged the key assumptions in relation to both the amount and timing of estimated cash flows. We performed analytical procedures over the development of loans and related loss allowances during 2017 from a time and structure perspective. We assessed the adequacy of the Bank's disclosures on the loss allowances and the

**Key audit matter****How the audit matter was addressed**

For further information, please refer to Note 3 (Summary of significant accounting policies) and Notes 16, 2 and 39 (additional information to captions in statement of financial position and statement of comprehensive income).

related credit risk management in the notes to the separate financial statements.

Other Information

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

The Company has not prepared an annual report as at 31 December 2017, as it includes the respective information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

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

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

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



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

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

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

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



Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 26 April 2017 and our uninterrupted engagement has lasted for 19 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 9 April 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the separate financial statements of PPF banka a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
9 April 2018


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


Jindřich Vašina
Partner
Registration number 2059

PPF banka a.s.
Individual Statement of Comprehensive Income
For the year ended 31 December 2017

<i>In millions of CZK</i>	Note	2017	2016
Interest and similar income	6	2,902	2,299
Interest expense and similar charges	6	(445)	(491)
Net interest and similar income		2,457	1,808
Dividend income		0	1
Fee and commission income	7	183	219
Fee and commission expense	7	(54)	(55)
Net fee and commission income		129	164
Net income from financial operations	8	625	476
Other operating income	9	6	2
<i>Operating income</i>		<i>3,217</i>	<i>2,451</i>
General administrative expenses	10	(953)	(760)
Impairment (loss)/reversal	23	(177)	(38)
Other operating expenses	11	(179)	(180)
<i>Operating expenses</i>		<i>(1,309)</i>	<i>(978)</i>
Profit before income tax		1,908	1,473
Income tax expense	20	(387)	(269)
Net profit for the year		1,521	1,204

PPF banka a.s.
Individual Statement of Comprehensive Income
For the year ended 31 December 2017

Other comprehensive income

Items that are or may be reclassified to profit or loss

Fair value reserve (AFS financial assets):	(152)	214
Net change in fair value	(27)	369
Net amount transferred to profit or loss	(125)	(155)
<i>Deffered tax</i>	29	(41)
Other comprehensive income for the period	(123)	173
Total comprehensive income for the period	1,398	1,377

The notes on pages 8 to 92 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 9 April 2018.

Signed on behalf of the Board of Directors by:

Petr Jirásko

Miroslav Hudec

PPF banka a.s.
Individual Statement of Financial Position
As at 31 December 2017

In millions of CZK

	Note	31.12. 2017	31.12. 2016
Assets			
Cash and balances with the central bank	12	157,926	60,032
Trading assets	13	8,919	9,987
Financial assets available for sale	14	28,981	31,080
Loans and advances to banks	15	3,355	5,437
Loans and advances to customers	16	33,236	29,632
Investments in subsidiaries	17	112	71
Property, plant and equipment	18	36	29
Intangible assets	19	96	57
Other assets	22	280	300
Total assets		232,941	136,625
Liabilities			
Deposits from banks	24	38,963	6,819
Deposits from customers	25	157,384	103,060
Debt securities issued	26	3,090	2,622
Trading liabilities	27	12,936	10,546
Income tax liabilities	28	114	36
Deferred tax liabilities	20	133	164
Provisions	30	182	52
Other liabilities	29	8,536	3,120
Subordinated liabilities	31	1,459	1,458
Total liabilities		222,797	127,877
Shareholders' equity			
Issued capital	33	769	769
Share premium	33	412	412
Retained earnings		8,418	6,899
Fair value reserve	34	545	668
Total shareholders' equity		10,144	8,748
Total liabilities and shareholders' equity		232,941	136,625

PPF banka a.s.
Individual Statement of Cash Flows
For the year ended 31 December 2017

In millions of CZK

	2017	2016
Cash flows from operating activities		
Profit before income tax	1,908	1,473
Adjustments for:		
Depreciation and amortisation	31	27
Foreign exchange gain/loss	3	38
Net impairment loss on investment securities	-	-
Net impairment loss on loans and advances	177	38
Net interest income	(2,457)	(1,808)
Revaluation of financial assets and liabilities through profit and loss	624	65
Net gain/loss on trading assets	(335)	-
Net gain/loss on debt securities issued at fair value through profit or loss	(1)	-
Net gain/loss on the sale of available-for-sale securities	(123)	(155)
Dividends on trading securities	-	(1)
Other adjustments	(125)	173
Operating profit before the change in operating assets and liabilities	(298)	(150)
Changes in:		
Balances with Central bank	(213)	(69)
Trading assets	1,068	5,265
Loans and advances to banks	2,528	(1,577)
Loans and advances to customers	(3,634)	(3,836)
Other assets	20	455
Trading liabilities	2,390	785
Deposits from banks	32,144	5,160
Deposits from customers	54,324	44,532
Other liabilities and provisions	5,416	(3,039)
	93,745	47,526
Interest received	2,849	2,224
Interest paid	(344)	(413)
Income taxes paid	(342)	(310)
Net cash used in operating activities	95,908	49,027
Cash flow from investing activities		
Acquisition of investment securities	(11,767)	(8,336)
Proceeds from sale of investment securities	13,734	3,629
Acquisition of property and equipment	(22)	(8)
Acquisition of intangible assets	(55)	(22)
Acquisition of subsidiaries	(41)	(15)
Net cash used in investing activities	1,849	(4,752)

PPF banka a.s.
Individual Statement of Cash Flows
For the year ended 31 December 2017

Cash flow from financing activities		
Proceeds from issue of debt securities	554	970
Repayment of debt securities	(187)	(17,984)
Net cash from financing activities	367	(17,014)
Net increase/(decrease) in cash and cash equivalents	98,124	27,261
Cash and cash equivalents at 1 January	58,679	31,440
Effect of exchange rate fluctuations on cash and cash equivalents held	(2)	(22)
Cash and cash equivalents at 31 December (see Note 39 (f))	156,805	58,679

PPF banka a.s.
Individual Statement of Changes in Equity
For the year ended 31 December 2017

In millions of CZK

	Issued capital	Share Premium	Fair value Reserve	Retained Earnings	Total Equity
Balance at 1 January 2017	769	412	668	6,899	8,748
Total comprehensive income for the period					
Profit for 2017	-	-	-	1,521	1,521
Other liabilities "social fund"	-	-	-	(2)	(2)
Other comprehensive income					
Changes in fair value on available-for-sale financial assets, net of tax	-	-	(123)	-	(123)
Total comprehensive income for the period	769	412	545	8,418	10,144
Transactions with owners, contribution and distribution to owners					
Dividends paid	-	-	-	-	-
Balance at 31 December 2017	769	412	545	8,418	10,144

PPF banka a.s.
Individual Statement of Changes in Equity
For the year ended 31 December 2017

In millions of CZK

	Issued capital	Share Premium	Fair value reserve	Retained Earnings	Total Equity
Balance at 1 January 2016	769	412	495	5,697	7,373
Total comprehensive income for the period					
Profit for 2016					
Other liabilities "social fund"	-	-	-	1,204	1,204
	-	-	-	(2)	(2)
Other comprehensive income					
Changes in fair value on available-for-sale financial assets, net of tax	-	-	173	-	173
Total comprehensive income for the period	769	412	668	6,899	8,748
Transactions with owners, contribution and distribution to owners					
Dividends paid	-	-	-	-	-
Balance at 31 December 2016	769	412	668	6,899	8,748

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

1. INTRODUCTION

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

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

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

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

The ultimate controlling entity of the Bank is PPF Group N.V. with registered office in the Netherlands, Amsterdam, Strawinskylaan 933, PSČ: 1077XX, IČ: 33264887.

The registered office of the Bank:

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

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

2. STATEMENT OF COMPLIANCE

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

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements are discussed in Note 5 and estimates with a significant risk of material adjustment in the next year regarding the standards that are not yet effective and are relevant for the financial statements are discussed in Note 4.

Individual financial statements have been prepared on the going concern principle. Beside Individual financial statements Bank prepares Consolidated financial statements which includes companies stated in point 17.

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Functional currency

The separate financial statements are presented in Czech Crown (CZK) which is the Bank's functional currency.

(ii) Foreign currency transactions

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

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Classification

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

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

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

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

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

Available-for-sale financial assets are financial assets that are not held for trading purposes, designated by the Bank, or held to maturity, neither are they classified as loans and receivables. Available-for-sale financial instruments include debt, equity and other investments.

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Recognition

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

(iii) Measurement

Financial instruments are measured initially at fair value increased by transaction costs except for financial instruments measured at fair value through profit or loss, where the transaction costs are expensed immediately.

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

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

(iv) Fair value measurement principles

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

Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework

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

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

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

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

Significant valuation issues are reported to the Bank Audit Committee.

(v) Gains and losses on subsequent measurement

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(vi) Specific financial instruments

Cash and balances with the central bank

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

Loans and advances to banks and customers

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

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

Debt securities issued

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

Subordinated liabilities

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

(vii) Financial Derivatives

For presentation purposes derivatives are split into

- derivatives held for trading; and
- hedging derivatives.

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

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(viii) Embedded Derivatives

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

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

(d) Derecognition

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

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

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

(e) Repurchase transactions

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Offsetting

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

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

(g) Impairment

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

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

Loans and advances and held-to-maturity investments

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

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

The Bank does not recognize provisions on a portfolio basis.

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income as they accrue, using the effective yield of the asset or the applicable floating rate. Interest income and expenses includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(i) Fee and commission income

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

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

(j) Penalty fees

Penalty fees that has not been claimed or that has been waived is excluded from profit or loss.

(k) Net income from financial operations

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

(l) Dividend income

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

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

Buildings	10 – 30 years
Other	1 – 5 years

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

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

(n) Intangible assets

Software and other intangible assets

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

(o) Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time. Provisions are recognised when:

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

(p) Income taxes

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial guarantees

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

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2017, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations.

IFRS 9 Financial Instruments (effective from 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Bank will apply IFRS 9 as issued in July 2014 initially on 1 January 2018. Based on assessments undertaken to date, the estimated adjustment of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2018 related to impairment requirements (see (ii)) is a reduction in the range of MCZK 200-250.

The above assessment is preliminary and the actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- although parallel runs (of both models according to IAS 39 and IFRS 9) were carried out in the second half of 2017, the new systems and associated controls in place have not been operational and tested for a more extended period; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Bank finalizes its first financial statements that include the date of initial application.

(i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

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

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

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Notes to the Individual Financial Statements

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

A financial asset is classified into one of these categories on initial recognition, see below.

Business model assessment

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

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

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

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

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

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

Most of the Bank's loans and receivables contain prepayment features.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Impact assessment

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows:

- Trading assets and derivative assets held for risk management, which are classified as held-for-trading and measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9.
- Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 will be measured at amortised cost under IFRS 9.
- Debt investment securities that are classified as available-for-sale under IAS 39, will under IFRS 9 be measured at amortised cost or FVOCI, depending on the particular circumstances.
- Equity investment securities that are classified as available-for-sale under IAS 39 will be designated as at FVOCI under IFRS 9 as they are held for long-term strategic purposes.

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

The Bank has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes do not have any significant impact on the Bank's equity.

(i) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining amount of the change in the fair value will be presented in profit or loss.

The Bank has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes do not have significant impact on the Bank's equity.

(ii) Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments.

However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. Under IFRS 9, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss. Under IAS 39, the Bank does not recognise any gain or loss in profit or loss on modifications of financial liabilities and non-distressed financial assets that do not lead to their derecognition.

The Bank has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes do not have significant impact on the Bank's equity.

(iii) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

(iv) Transition

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

The Bank will 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 generally be recognised in retained earnings as at 1 January 2018.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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 of certain investments in equity instruments not held for trading as at FVOCI.
- For a financial liability designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under IFRS9, no impairment loss is recognised on equity investments.

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

The Bank will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade"; and
- other financial instruments (other than lease receivables) and other assets for which credit risk has not increased significantly since initial recognition and days past due less or equal to 30 days. The significant deterioration is defined as a downgrade by 2 notches and more from the origination of the asset.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

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

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

Definition of default

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

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

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

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

Credit risk grades

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

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

Credit risk grades will be primary inputs into the determination of the probability of default (PD) development for exposures.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

Determining whether credit risk has increased significantly

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

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

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

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

The Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition if the credit risk grade at the reporting date is determined to have increased – since initial recognition – by 2 notches or more.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. overdrafts), the date when the facility was firstly used could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

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

Modified financial assets

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

Under IFRS 9, when the terms of a financial asset are modified due to borrowers financial difficulties and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly should reflect comparison of:

- the credit risk grade as at the reporting date based on modified terms; with
- the credit risk grade based on data on initial recognition and terms of original contract.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Inputs into measurement of ECLs

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

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived – alone or together – from internally developed statistical models based on own historical data or derived from available market data.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties where there is not enough internally available data for statistical modelling. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Bank will estimate LGD parameters based on history of recovery rates of claims against defaulted counterparties. If there is not enough internally available data for statistical modelling, the Bank will use market data and market standards when assessing LGD parameters.

EAD represents the exposure in the event of default. The Bank will derive the EAD from the current exposure to the counterparty. The EAD of a financial asset will be the gross carrying amount at default.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

If modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;

The groupings will be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information will be used to supplement the internally available data.

Forward-looking information

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

The Bank plans – based on data availability and credibility of sources – using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers may include variables such as interest rates, unemployment rates, GDP forecasts and other.

Impact assessment

The most significant impact on the Bank's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model.

The Bank has estimated that, on the adoption of IFRS 9 at 1 January 2018, the impact of the increase in loss allowances (before tax) will be MCZK 200-250.

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

Impact on capital planning

The Bank applies the standardized approach for calculation of capital requirement for credit risk. Calculation is based on the net exposure value, i.e. the gross exposure net of provisions. IFRS 9 implements, among others, an impairment model based on expected credit losses which replaces an incurred credit losses approach within IAS 39. It is expected under IFRS 9 to increase the loss allowances associated with individual assets, and therefore the resulting net exposure and the capital requirement will fall. However, this reduction in the capital requirement will be outweighed by the one-for-one deduction of the increased IFRS 9 loss allowance from common equity tier 1. Ultimately the capital ratio will decrease.

Regulation (EU) 2017/2395 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 (CRR) by article 473a Introduction of IFRS 9 defines five-year transitional period and provides transitional arrangements. These allow spread in time a negative impact of expected credit losses on capital resources. Banks can include in their Common Equity Tier 1 capital a portion of the increased expected credit loss provisions for a transitional period. The portion of expected credit loss provisions that can be included in Common Equity Tier 1 capital decrease over time down to zero to ensure the full implementation of IFRS 9 on the day immediately after the end of the transitional period. The bank has decided to adopt the transitional arrangements.

The Bank's assessment indicates that the impact of the implementation of IFRS 9 will be a reduction in total capital ratio at 1 January 2018 of approximately 0.26 p.p. before adjustments for phasing in, and a reduction in total capital ratio of approximately 0.01 p.p. as after adjustments for phasing in.

IFRS 15 *Revenue from contracts with customers* (Effective for annual periods beginning on or after 1 January 2018).

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

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

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

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to:

- identify a performance obligation – the promise to transfer a good or a service to a customer – in a contract;

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Notes to the Individual Financial Statements

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

The amendments also provide entities with two additional practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities using the full retrospective method only).
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

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

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

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

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

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

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

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

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

Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

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

IFRIC 22 (Effective for annual periods beginning on or after 1 January 2018)

This Standard provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

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

IFRIC 23 (Effective for annual periods beginning on or after 1 January 2019)

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

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

IFRS 2 (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The Improvements to IFRSs (2015-2017) (Effective for annual periods beginning on or after 1 January 2019) contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 *Business Combinations*;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 *Joint Arrangements*;
- clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognised past transactions or events that generated distributable profits; and
- clarify that the entity should eliminate loans received specifically for the purpose of obtaining a qualifying asset from funds it generally borrows, until substantially all activities necessary to prepare that asset for its intended use or sale are complete, because loans received specifically for the purpose of obtaining a qualifying asset should not relate to the loan originally received with the specific goal to obtain a qualifying asset, if the asset is ready for its intended use or sale.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Impairment of loans and receivables

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

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

The Bank first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loan or receivable that is not individually significant. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

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

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

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

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Notes to the Individual Financial Statements

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(ii) Change in accounting policy

There were no changes in accounting policies during the year 2017 and 2016.

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

In 2017 and 2016 the Bank did not identify any changes of financial reporting standards that would affect the Bank's financial statements.

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

6. NET INTEREST INCOME AND SIMILAR INCOME

	2017 MCZK	2016 MCZK
Interest and similar income		
Cash and balances with the central bank	242	23
Loans and advances to banks	105	64
Loans and advances to customers	1,746	1,480
Of which:		
Not paid interest income from impaired loans	49	3
Not paid interest income from loans with forbearance	40	1
Debt securities	809	732
	2,902	2,299
Interest expense and similar charges		
Deposits from banks	73	(21)
Deposits from customers	(194)	(160)
Debt securities issued and short sales	(232)	(218)
Subordinated liabilities	(92)	(92)
	(445)	(491)
Net interest income	2,457	1,808

The Bank did not waive any interest on late payment during years 2017 and 2016.

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

7. NET FEE AND COMMISSION INCOME

	2017 MCZK	2016 MCZK
Fee and commission income		
Transaction fee with clients	95	146
Fees from guarantees provided	16	24
Fees from administration of shares/bonds issue	25	4
Transaction fee with banks	4	4
Other	43	41
	183	219
Fee and commission expense		
Transaction fee with other counterparties	(41)	(41)
Transaction fee with banks	(13)	(14)
	(54)	(55)
Net fee and commission income	129	164

8. NET INCOME FROM FINANCIAL OPERATIONS

	2017 MCZK	2016 MCZK
Net profit/(loss) from securities/FX trading	2,002	576
Of which:		
Available-for-sale securities	125	155
Trading securities	106	191
FX trading	1,771	230
Net profit/(loss) from derivatives	(1,377)	(100)
	625	476

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For the year ended 31 December 2017

10. GENERAL ADMINISTRATIVE EXPENSES

	2017 MCZK	2016 MCZK
Personal expenses		
Wages and salaries	(238)	(239)
Social expenses	(70)	(73)
Responsibility insurance, Pension insurance	(3)	(2)
Remuneration paid to Key management personel*	(40)	(39)
	(351)	(353)
Other general operating expenses		
Gifts	(190)	(139)
Consultancy services	(134)	(108)
Other	(278)	(160)
	(602)	(407)
	(953)	(760)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Bank in the years 2017 and 2016 was as follows:

	2017	2016
Board of Directors	5	3
Supervisory Board **	6	6
Executives	2	4
Employees **	225	210

*Remuneration paid to Key management personel include remuneration paid to Board of Directors, Supervisory Board and Executives.

**Two employees are also members of Supervisory Board, therefore included in both number of employees and members of Supervisory Board.

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For the year ended 31 December 2017

11. OTHER OPERATING EXPENSES

	2017 MCZK	2016 MCZK
Payment to Resolution Fund	(145)	(148)
Depreciation of fixed assets	(31)	(27)
Payment to Deposit Insurance Fund	(1)	(2)
Payment to Guarantee Fund	(2)	(1)
Other	-	(2)
	(179)	(180)

12. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2017 MCZK	31.12.2016 MCZK
Cash on hand	34	70
Balances with the central bank	1,975	1,762
Term deposits with the central bank	2,000	50,500
Reverse repo with the central bank	153,917	7,700
	157,926	60,032

At 31 December 2017 cash and balances with the central bank included balances with the central bank amounting to MCZK 1,975 (31.12.2016: MCZK 1,762) representing the obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserves is measured using the monthly average of daily closing balances. These funds are not available for the Bank's daily business.

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

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For the year ended 31 December 2017

13. TRADING ASSETS

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

	31.12.2017 MCZK	31.12.2016 MCZK
Bonds and notes issued by:		
Government	4,679	7,513
Corporate	480	615
Shares and other equity instruments issued by:		
Other issuers	-	-
Positive fair value of derivatives:		
Interest rate contracts	1,696	958
Currency contracts	2,064	901
Of which:		
Listed instruments	5,059	8,266
Unlisted instruments	3,860	1,721
	8,919	9,987

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

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For the year ended 31 December 2017

14. FINANCIAL ASSETS AVAILABLE FOR SALE

	31.12.2017 MCZK	31.12.2016 MCZK
Bonds and notes issued by:		
Government	11,496	15,125
Corporate bonds	14,206	12,712
Corporate bills of exchange	3,227	3,188
Shares and other equity instruments issued by:		
Other issuers	52	55
Of which:		
Listed instruments	23,134	27,891
Unlisted instruments	5,847	3,189
	28,981	31,080

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

15. LOANS AND ADVANCES TO BANKS

	31.12.2017 MCZK	31.12.2016 MCZK
Loans to banks	182	247
Money market transactions	2,319	4,782
Other (nostro / current account balances)	854	409
Net loans and advances to banks	3,355	5,437

During 2017 and 2016 the Bank did not create or release any impairment to loans and advances to banks.

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16. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2017 MCZK	31.12.2016 MCZK
Total loans and advances to customers	34,303	30,669
Impairment loss on loans and advances to customers	(1,067)	(1,037)
Net loans and advances to customers	33,236	29,632

Analysis of credit risk concentration according to industry sector and geography is described in Note 39.

Specific allowances for impairment:

	2017 MCZK	2016 MCZK
As at 1 January	1,037	1,026
Impairment losses recognised in the statement of comprehensive income	211	330
Reversal of impairment of loans to customers	(83)	(292)
Use of impairment on loans and receivables	(59)	(35)
Exchange difference	(39)	8
	30	11
As at 31 December	1,067	1,037

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For the year ended 31 December 2017

17. INVESTMENTS IN SUBSIDIARIES

The Bank control the following subsidiaries:

	Principal place of business	31.12.2017 Share (%)	31.12.2016 Share (%)	31.12.2017 MCZK	31.12.2016 MCZK
Ruconfin B.V.	RU	100%	100%	51	51
PPF Financial Consulting s.r.o.	CZ	100%	100%	5	5
PPF Co3 B.V.	IND, RI, PH	100%	100%	56	15
Investment in subsidiaries				112	71

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

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

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

The Bank held no interest participation with significant influence in 2017 and 2016.

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT

MCZK	Low value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not in use yet	Total
Cost						
At 1 January 2016	3	16	16	108	-	143
Additions	2	-	-	6	-	8
Disposals	-	-	-	(13)	-	(13)
At 31 December 2016	5	16	16	101	-	138
At 1 January 2017	5	16	16	101	-	138
Additions	-	1	1	16	5	23
Disposals	(2)	(4)	(5)	(22)	-	(33)
At 31 December 2017	3	13	12	95	5	128
Depreciation						
At 1 January 2016	3	1	16	93	-	113
Additions	-	1	-	8	-	9
Disposals	-	-	-	(13)	-	(13)
At 31 December 2016	3	2	16	88	-	109
At 1 January 2017	3	2	16	88	-	109
Additions	-	4	-	10	-	14
Disposals	-	(4)	(5)	(22)	-	(31)
At 31 December 2017	3	2	11	76	-	92
Net book value						
At 31 December 2016	2	14	-	13	-	29
At 31 December 2017	0	11	1	19	5	36

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19. INTANGIBLE ASSETS

MCZK	Software	Total
Cost		
At 1 January 2016	331	331
Additions	22	22
Disposals	-	-
At 31 December 2016	353	353
At 1 January 2017	353	353
Additions	71	71
Disposals	(16)	(16)
At 31 December 2017	408	408
Amortisation		
At 1 January 2016	278	278
Additions	18	18
Disposals	-	-
At 31 December 2016	296	296
At 1 January 2017	296	296
Additions	16	16
Disposals	-	-
At 31 December 2017	312	312
Net book value		
At 31 December 2016	57	57
At 31 December 2017	96	96

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20. DEFERRED TAX LIABILITY/ASSET AND INCOME TAX

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes the Bank uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2017 and 2016 the tax rate in the Czech Republic was 19%).

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

	31.12.2017 MCZK	31.12.2016 MCZK
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	18	16
Deferred tax assets	18	16
Deferred tax liabilities		
Deferred tax liability from financial assets available for sale	(128)	(157)
Deferred tax liability from penalty interest not yet collected	(23)	(23)
Deferred tax liabilities	(151)	(180)
Net deferred tax assets (liabilities)	(133)	(164)

The amount of deferred tax relating to changes in the tax rate applicable for the deferred tax calculation is MCZK 0 (2016: MCZK 0). There was no unrecognized item related to deferred tax.

At 31 December 2017 the Bank recorded receivables from customers of penalty interest not yet collected of MCZK 119 (31.12.2016: MCZK 118), where the relevant income is not taxable. Therefore, the Bank created a deferred tax liability of MCZK 23 (31.12.2016: MCZK 23), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2017 in the amount of MCZK 29 (31.12.2016: MCZK 41) was included in Bank's equity through an adjustment to "Fair value reserve".

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20. DEFERRED TAX LIABILITY/ASSET AND INCOME TAX (CONTINUED)

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

	2017	2016
Income tax - current	(384)	(277)
Income tax - related to prior years	(5)	(1)
Income tax - deferred	2	9
Income tax expense	(387)	(269)

Effective tax rate calculation:

	2017 Tax basis MCZK	2017 Tax MCZK	2016 Tax basis MCZK	2016 Tax MCZK
Tax rate		19,0%		19,0%
Profit from operations (before taxation)	1,908		1,473	
Computed taxation using applicable tax rate		363		280
Tax non-deductible expenses	528	100	378	72
Non-taxable income	(236)	(45)	(252)	(48)
Other items	(153)	(29)	(137)	(26)
Income tax (expense)/income - current		(389)		(278)
Effective tax rate		20,4%		18,9%

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21. OPERATING LEASING

Non-cancellable operating lease rentals are payable as follows:

	2017 MCZK	2016 MCZK
Less than one year	33	39
Between one and five years	4	44
More than five years	3	-
Total	40	83

The Bank leases branch and office premises under operating leases. The leases typically run for a period of up to 10 years, with an option to renew the lease after that date. The operating leasing expense was MCZK 40 in 2017 (2016: MCZK 26).

22. OTHER ASSETS

	31.12.2017 MCZK	31.12.2016 MCZK
Clearing with securities market	54	48
Prepaid expenses and accrued revenues	29	20
Cash collateral to payment cards	156	188
Other	41	44
Impairment loss on Other assets	-	-
	280	300

23. IMPAIRMENT LOSSES

	2017 MCZK	2016 MCZK
Creation of allowances – loans and advances to customers	211	330
Release of allowances – loans and advances to customers	(83)	(292)
Use of allowances – loans and advances to customers	(59)	(35)
Write-offs of allowances/assignment – loans and advances to customers	58	47
Creation of provisions – off-balance sheet assets	56	1
Release of provisions – off-balance sheet assets	(6)	(13)
Use of provisions – off-balance sheet assets	-	-
	177	38

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24. DEPOSITS FROM BANKS

	31.12.2017 MCZK	31.12.2016 MCZK
Deposits from banks	38,531	5,938
Other (loro account balances)	432	881
	38,963	6,819

25. DEPOSITS FROM CUSTOMERS

	31.12.2017 MCZK	31.12.2016 MCZK
Payable on demand		
Corporate customers:		
Financial services	554	1,111
Non-financial institutions	9,982	7,909
Insurance institutions	71	120
Non-profit organisations	300	311
Individuals - entrepreneurs	203	65
Public sector	40,309	26,601
Resident individuals	1,187	1,773
Non-residents:		
Corporate	32,085	37,468
Individuals	1,621	2,427
Total payable on demand	86,312	77,785
Term deposits		
Corporate customers:		
Financial services	39,272	3,494
Non-financial institutions	8,733	6,154
Insurance institutions	6,792	1,907
Non-profit organisations	83	11
Individuals - entrepreneurs	-	141
Public sector	13,019	12,270
Resident individuals	34	45
Non-residents:		
Corporate	2,277	355
Individuals	862	898
Total term deposits	71,072	25,275
	157,384	103,060

Interest is recognised in item Interest expense and similar charges.

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26. DEBT SECURITIES ISSUED

			31.12.2017 MCZK	31.12.2016 MCZK
Financial institutions			2,797	2,313
Non-financial institutions			260	277
Public sector			29	29
Non-resident individuals			-	-
Resident individuals			4	3
			3,090	2,622
	interest	maturity	31.12.2017 MCZK	31.12.2016 MCZK
Investment certificates	fixed	2018 - 2020	2,447	2,312
Investment certificates	variable	2022	350	-
Issued notes	fixed	2018 - 2019	293	310
			3,090	2,622

The Bank has not had any defaults of principal or interest or other breaches with respect to its debt securities issued during the years ended 31 December 2017 and 2016.

27. TRADING LIABILITIES

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

		31.12.2017 MCZK	31.12.2016 MCZK
Negative fair value of derivatives:			
Interest rate contracts		1,495	830
Currency contracts		1,950	1,025
Liabilities from short sales of securities		9,491	8,691
		12,936	10,546

28. INCOME TAX LIABILITIES

As of 31 December 2017 a tax liability of MCZK 384 (31.12.2016: MCZK 277) is offset against income tax advances totalling MCZK 266 (31.12.2016: MCZK 213) and tax paid abroad amounting to MCZK 4 (31.12.2016: MCZK 28).

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29. OTHER LIABILITIES

	31.12.2017 MCZK	31.12.2016 MCZK
Blocked accounts	7,756	2,309
Liabilities from clearing	520	534
Payables to suppliers	170	149
Other liabilities to employees	17	15
Accrued expenses and deferred income	17	14
Social and health insurance	6	6
Liabilities from securities transactions	2	1
Other payables	48	92
	8,536	3,120

Blocked accounts chiefly consist of collateral deposits for derivatives totalling MCZK 5,790 (31.12.2016 MCZK 2,195).

30. PROVISIONS

MCZK	Provisions for provided guarantees	Legal provisions	Other provisions	Total
Provisions at 1 January 2017	4	48	-	52
Creation	56	70	10	136
Use	-	-	-	-
Release	(6)	-	-	(6)
Effect on profit for the year	50	70	10	130
Provisions at 31 December 2017	54	118	10	182
Provisions at 1 January 2016	16	41	-	57
Creation	1	7	-	8
Use	-	-	-	-
Release	(13)	-	-	(13)
Effect on profit for the year	(12)	7	-	(5)
Provisions 31 December 2016	4	48	-	52

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

The creation of legal provisions represents mainly an ancillary action of the insolvency trustee concerning the alleged ineffective legal action of the debtor towards the Bank.

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31. SUBORDINATED LIABILITIES

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

	MCZK	Year of maturity	31.12.2017	31.12.2016
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%		2023	1,459	1,458
			1,459	1,458

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

The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated debt during the years ended 31 December 2017 and 2016.

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32. REPURCHASE AND RESALE AGREEMENTS

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

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

	Carrying amounts of receivables	Fair value of assets held as collateral
	MCZK	MCZK
Loans and advances at 31 December 2017:		
to banks (CNB included)	153,917	151,544
to clients	-	-
Loans and advances at 31 December 2016:		
to banks (CNB included)	8,563	8,404
to clients	1,598	2,263

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

	Carrying amounts of liabilities	Fair value of assets given as collateral
	MCZK	MCZK
Deposits at 31 December 2017:		
to banks	37,799	41,697
to clients	45,390	44,444
Deposits at 31 December 2016:		
to banks	5,204	6,341
to clients	1,599	1,567

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33. ISSUED CAPITAL

	Number of shares	Nominal value Kč	Registered capital MCZK
As at 31 December 2017:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2016:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2017 was as follows:

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

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Bank as at 31 December 2017 or 31 December 2016.

The Bank has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares.

All shares of the Bank were fully paid. Share premium amounts to MCZK 412 (31.12.2016: MCZK 412).

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34. NATURE AND PURPOSE OF RESERVES

Fair value reserve

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

35. DIVIDENDS PAID

No dividends were paid by the Bank in 2017 and 2016.

36. PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

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

MCZK	Net profit for the year
Net profit for the year 2017	1,521
Proposed allocation of profit for 2017:	
Transfer to social funds	(2)
Transfer to retained earnings	(1,519)
	-

Social fund is part of Other liabilities.

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37. OFF BALANCE SHEET ITEMS

(a) Commitments and contingent liabilities

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

	31.12.2017 MCZK	31.12.2016 MCZK
Guarantees issued	1,706	2,380
Undrawn credit commitments	7,948	5,566
Letters of credit	31	35
	9,685	7,981

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

(b) Off-balance sheet financial instruments

MCZK	Notional value		Fair value	
	31.12. 2017	31.12. 2016	31.12. 2017	31.12. 2016
<i>Derivatives</i>				
Interest Rate Swaps	134,216	88,861	101	(10)
Interest Rate Forwards	44,100	-	3	-
Foreign Exchange derivatives			103	(124)
Purchase	259,783	144,027		
Sale	259,759	144,151		
Options	2,523	1,432	9	-
Other derivatives			99	138
Purchase	470	528		
Sale	465	533		
			315	4

Other derivatives consisted of futures (2016: futures).

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37. OFF BALANCE SHEET ITEMS (CONTINUED)

(c) Residual maturity of derivatives

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2017						
Interest Rate Swaps	901	13,360	60,034	59,921	-	134,216
Interest Rate Forwards	-	44,100	-	-	-	44,100
FX derivatives (purchase)	70,041	59,036	130,706	-	-	259,783
FX derivatives (sale)	70,043	59,077	130,639	-	-	259,759
Options	1,191	1,132	200	-	-	2,523
Other derivatives (purchase)	470	-	-	-	-	470
Other derivatives (sale)	465	-	-	-	-	465
As at 31 December 2016						
Interest Rate Swaps	1,906	8,324	51,674	26,957	-	88,861
FX derivatives (purchase)	58,823	78,115	7,089	-	-	144,027
FX derivatives (sale)	58,828	78,122	7,201	-	-	144,151
Options	-	-	1,432	-	-	1,432
Other derivatives (purchase)	528	-	-	-	-	528
Other derivatives (sale)	533	-	-	-	-	533

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38. FAIR VALUE DISCLOSURES

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

As at 31 December 2017

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and balances with the central bank	4,009	153,917	-	157,926	157,926
Loans and advances to banks	-	3,355	-	3,355	3,355
Loans and advances to customers	-	-	33,099	33,099	33,236
<i>Financial liabilities</i>					
Deposits from banks	-	38,963	-	38,963	38,963
Deposits from customers	-	157,384	-	157,384	157,384
Debt securities issued	-	2,906	-	2,906	3,090
Subordinated liabilities	-	1,499	-	1,499	1,459

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38. FAIR VALUE DISCLOSURES (CONTINUED)

As at 31 December 2016

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and balances with the central bank	52,332	7,700	-	60,032	60,032
Loans and advances to banks	-	5,437	-	5,437	5,437
Loans and advances to customers	-	-	29,564	29,564	29,632
<i>Financial liabilities</i>					
Deposits from banks	-	6,819	-	6,819	6,819
Deposits from customers	-	103,060	-	103,060	103,060
Debt securities issued	-	2,622	-	2,622	2,622
Subordinated liabilities	-	1,498	-	1,498	1,458

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

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and balances with the central bank

For cash and cash equivalent assets, the carrying value is deemed to be equal to the fair value.

Loans and advances to banks

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

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38. FAIR VALUE DISCLOSURES (CONTINUED)

Loans and advances to customers

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

Deposits from banks

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

Deposits from customers

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

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

Debt securities issued

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

Subordinated liabilities

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

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38. FAIR VALUE DISCLOSURES (CONTINUED)

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

	Level 1	Level 2	Level 3	Total
MCZK				
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	4,960	198	-	5,158
Derivatives held for trading	99	3,662	-	3,761
Available-for-sale securities	23,134	5,795	52	28,981
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	9,491	-	-	9,491
Derivatives held for trading	-	3,445	-	3,445
MCZK				
As at 31 December 2016				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	8,127	-	-	8,127
Derivatives held for trading	138	1,722	-	1,860
Available-for-sale securities	24,194	6,831	55	31,080
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	8,691	-	-	8,691
Derivatives held for trading	-	1,855	-	1,855

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38. FAIR VALUE DISCLOSURES (CONTINUED)

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

MCZK	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2017	29,632	55	29,687
Profit and loss from revaluation	-	-	-
In profit or loss	-	-	-
In other comprehensive income	-	(3)	(3)
Purchases	-	-	-
Sales	-	-	-
New/ maturity	3,604	-	3,604
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Transfers between portfolios	-	-	-
Balance as at 31 December 2017	33,236	52	33,288

MCZK	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2017	8,374	-	8,374
Profit and loss from revaluation	-	-	-
In profit or loss	-	-	-
In other comprehensive income	-	-	-
Purchases	-	-	-
Sales	-	-	-
New/ maturity	3,958	-	3,958
Transfers into Level 3	17,300	55	17,355
Transfers out of Level 3	-	-	-
Transfers between portfolios	-	-	-
Balance as at 31 December 2017	29,632	55	29,687

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

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

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39. RISK MANAGEMENT DISCLOSURE

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

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk

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

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

Managing credit risk at individual level

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

When determining creditworthiness, the Bank also specifies the likelihood of a client's default and what the expected loss relating to the Bank's potential engagement in respect to the client may be. An internal rating level is attributed to each client representing a credit risk to the Bank, representing the exposure both in terms of the investment and business portfolio. Assessed exposures include both balance sheet and off-balance sheet exposures. The internal rating system comprises 14 rating levels (A1-A4, B1-B6, C1-C4). Clients with doubtful receivables must always be assigned a C2-C4 level.

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Credit risk management at the portfolio level

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

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

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

To determine the impairment loss, the Bank applies the method of discounting estimated future cash flows. The loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate is the effective interest rate ascertained upon the establishment of the receivable. The Bank classifies its receivables from financial activities on a monthly basis in line with the relevant decree of the CNB.

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of not impaired and individually impaired assets by risk grade.

Loans and advances to banks

	31.12.2017		31.12.2016	
MCZK	Gross	Net	Gross	Net
Not impaired <i>Standard</i>	3,355	3,355	5,437	5,437
Total	3,355	3,355	5,437	5,437

There was no accrued interest to individually impaired loans and advances to banks as at 31 December 2017 and 2016.

Loans and advances to customers (individually impaired)

	31.12.2017		31.12.2016	
MCZK	Gross	Net	Gross	Net
<i>Standard</i>	28,503	28,503	25,600	25,600
<i>Watched</i>	1,076	1,076	769	769
<i>Sub-standard</i>	1,157	1,157	1,965	1,890
<i>Doubtful</i>	543	484	100	39
<i>Loss loans</i>	3,024	2,016	2,235	1,334
Total	34,303	33,236	30,669	29,632

The accrued interests to individually impaired loans and advances to customers represented as at 31 December 2017 MCZK 160 (31.12.2016: MCZK 23).

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Loans and advances to customers

	2017	2016
	MCZK	MCZK
Gross		
Not impaired	30,736	26,373
Due	30,519	26,032
Past due 1 – 90 days	215	338
Past due 91 – 360 days	-	3
Past due more than 360 days	2	-
Impaired	3,567	4,296
Allowances for impairment	(1,067)	(1,037)
Net	33,236	29,632
Total	33,236	29,632

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Other assets – Past due, but not impaired

As at 31 December 2017 the Bank reported MCZK 0 of Other assets as “Past due, but not impaired” (31.12.2016: MCZK: 5).

Evaluation of collateral

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

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

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

Loans with renegotiated terms and the Bank’s forbearance policy

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

In 2014, the Bank implemented new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Bank has decided to grant a concession to a debtor. A forbearance measure can be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

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

	31.12.2017 MCZK	31.12.2016 MCZK
Not impaired	30,736	26,369
Of which:		
Loans and advances to customers with forbearance:	1,140	-
Impaired	2,500	3,263
Of which:		
Loans and advances to customers with forbearance:	1,541	2,004
Total	33,236	29,632

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

	31.12.2017 MCZK	31.12.2016 MCZK
Loans and advances to customers without forbearance:	30,555	27,628
Residents:		
Financial institutions	1,723	1,545
Non-financial institutions	13,365	11,477
Households/Individuals	192	236
Public sector	-	21
Non-residents	15,275	14,349
Loans and advances to customers with forbearance:	2,681	2,004
Residents:		
Financial institutions	-	-
Non-financial institutions	-	31
Households/Individuals	-	-
Public sector	-	-
Non-residents	2,681	1,973
Total	33,236	29,632

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For the year ended 31 December 2017

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

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

	31.12.2017	31.12.2016
	MCZK	MCZK
Bank guarantees	2,685	3,579
Property	9,007	7,970
Unsecured	21,544	18,093
Total	33,236	29,632

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

	31.12.2017	31.12.2016
	MCZK	MCZK
Bank guarantees	2,614	3,282
Property	1,510	635
Unsecured	609	115
Total	4,733	4,032

Concentration of credit risks

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

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

The Bank did not exceed any exposure limits towards individual debtors or related parties.

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Since 2014, the Bank has been calculating the capital requirement for credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

Concentration of credit risks according to economic sector/industry

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Financial institutions	3,355	5,437	11,435	7,800	12,001	12,282
Public sector	-	-	-	21	16,174	22,638
Non-financial institutions	-	-	21,544	21,489	5,912	4,233
Of which: Real estate	-	-	10,377	10,814	-	-
Households/Individuals	-	-	257	322	-	-
	3,355	5,437	33,236	29,632	34,087	39,153

Concentration of credit risks according to geographical sectors

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Czech Republic	427	1,996	15,279	13,311	19,570	27,355
Slovak Republic	-	-	803	477	-	-
Russia	453	678	1,985	2,973	136	316
Republic of Cyprus	-	-	1,299	2,228	-	-
Vietnam	-	-	439	604	-	-
Netherlands	-	132	8,827	2,685	3,222	2,821
United Kingdom	412	1,116	591	557	864	1,019
Republic of Maldives	-	-	755	1,201	-	-
Georgia	-	-	390	429	-	-
Hungary	-	-	730	692	-	-
Romania	-	-	1,140	1,197	-	-
Luxembourg	-	-	520	541	2,499	1,981
United States of America	942	557	-	-	1,473	1,002
Germany	266	126	-	-	472	392
France	473	477	-	-	128	135
Belarus	182	247	-	-	-	-
United Mexican States	-	-	-	-	621	-
Ireland	-	-	-	-	755	578
Turkey	-	-	-	-	544	129
Other	200	108	478	2,737	3,803	3,425
	3,355	5,437	33,236	29,632	34,087	39,153

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Concentration of credit risks according to rating

MCZK	Loans and advances to banks		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
AAA - BBB	2,235	3,488	23,955	27,963
BB	932	1,555	6,241	6,372
B	188	394	3,891	4,818
CCC - C	-	-	-	-
D	-	-	-	-
	3,355	5,437	34,087	39,153

Maximum credit exposure

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Carrying amount	3 355	5 437	33 236	29 632	34 087	39 153

MCZK	Commitments, guarantees and letters of credit	
	31.12.2017	31.12.2016
Amount committed/guaranteed	9 685	7 981

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(b) Liquidity risk

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(b) Liquidity risk (continued)

Residual maturity of the Bank's assets and liabilities

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Cash and balances with the central bank	157,926	-	-	-	-	157,926
Trading assets	844	437	1,428	6,210	-	8,919
Financial assets available for sale	3,298	2,382	11,223	12,026	52	28,981
Loans and advances to banks	3,200	26	129	-	-	3,355
Loans and advances to customers	2,748	4,805	20,649	3,801	1,233	33,236
Investments and other assets	-	-	-	-	524	524
Total	168,016	7,650	33,429	22,037	1,809	232,941
Deposits from banks	38,963	-	-	-	-	38,963
Deposits from customers	135,662	15,760	3,957	2,005	-	157,384
Debt securities issued	805	140	2,145	-	-	3,090
Trading liabilities	538	457	3,978	7,963	-	12,936
Tax and other liabilities and provisions	8,564	114	-	-	287	8,965
Subordinated liabilities	-	66	-	1,393	-	1,459
Shareholders' equity	-	-	-	-	10,144	10,144
Total	184,532	16,537	10,080	11,361	10,431	232,941
At 31 December 2016						
Cash and balances with the central bank	60,032	-	-	-	-	60,032
Trading assets	607	426	916	8,038	-	9,987
Financial assets available for sale	486	4,754	13,376	12,412	52	31,080
Loans and advances to banks	5,219	27	191	-	-	5,437
Loans and advances to customers	3,134	4,287	13,950	7,239	1,022	29,632
Investments and other assets	-	-	-	-	457	457
Total	69,478	9,494	28,433	27,689	1,531	136,625
Deposits from banks	4,161	2,658	-	-	-	6,819
Deposits from customers	84,513	15,824	2,723	-	-	103,060
Debt securities issued	-	276	2,346	-	-	2,622
Trading liabilities	502	347	3,183	6,514	-	10,546
Tax and other liabilities and provisions	3,032	36	-	-	304	3,372
Subordinated liabilities	-	66	-	1,392	-	1,458
Shareholders' equity	-	-	-	-	8,748	8,748
Total	92,208	19,207	8,252	7,906	9,052	136,625

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(b) Liquidity risk (continued)

Residual maturity of the Bank's assets and liabilities

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Commitments provided	3,736	3,236	928	48	-	7,948
Guarantees provided	381	85	244	211	-	921
Total	4,117	3,321	1,172	259	-	8,869
At 31 December 2016						
Commitments provided	3,259	3,863	1,455	180		8,757
Guarantees provided	525	107	276	481		1,389
Total	3,784	3,970	1,731	661	-	10,146

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Deposits from banks	38,962	-	-	-	-	38,962
Deposits from customers	135,637	15,795	3,980	2,033	-	157,445
Debt securities issued	805	140	2,146	-	-	3,091
Trading liabilities	538	457	3,978	7,963	-	12,936
Subordinated liabilities	-	91	364	1,484	-	1,939
Total	175,942	16,483	10,468	11,480	-	214,373
At 31 December 2016						
Deposits from banks	4,161	2,658	-	-	-	6,819
Deposits from customers	84,515	15,844	2,740	-	-	103,099
Debt securities issued	-	277	2,346	-	-	2,623
Trading liabilities	552	347	3,183	6,514	-	10,596
Subordinated liabilities	-	66	364	1,598	-	2,028
Total	89,228	19,192	8,633	8,112	-	125,165

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Trading

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

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

Value at risk

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

MCZK	31 December 2017	Average for 2017	31 December 2016	Average for 2016
VaR of interest instruments	9	13	11	13
VaR of currency instruments	2	4	1	4
VaR of equity instruments	-	-	-	2

Stress testing

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

i) Currency risk

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

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

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

Currency risk exposure

MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2017						
Monetary assets	184,379	32,450	13,606	1,180	1,082	232,697
Monetary liabilities	174,551	32,496	13,490	1 180	1,080	222,797
Net exposure	9,828	(46)	116	-	2	
MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2016						
Monetary assets	102,067	16,880	13,911	1,238	2,368	136,464
Monetary liabilities	93,570	16,891	13,806	1,238	2,372	127,877
Net exposure	8,497	(11)	105	-	(4)	

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For the year ended 31 December 2017

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

ii) Interest rate risk

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

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

Interest sensitivity of the Bank's assets and liabilities

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Cash and balances with the central bank	157,926	-	-	-	-	157,926
Trading assets	844	1,775	1,398	4,902	-	8,919
Financial assets available for sale	5,037	12,365	8,894	2,633	52	28,981
Loans and advances to banks	3,355	-	-	-	-	3,355
Loans and advances to customers	14,335	6,718	10,301	126	1,756	33,236
Investments and other assets	-	-	-	-	524	524
Total	181,497	20,858	20,593	7,661	2,332	232,941
Deposits from banks	38,963	-	-	-	-	38,963
Deposits from customers	135,661	15,761	3,957	2,005	-	157,384
Debt securities issued	805	140	2,145	-	-	3,090
Trading liabilities	539	5,027	3,574	3,796	-	12,936
Tax and other liabilities and provisions	8,383	-	-	-	582	8,965
Subordinated liabilities	-	66	-	1,393	-	1,459
Shareholders' equity	-	-	-	-	10,144	10,144
Total	184,351	20,994	9,676	7,194	10,726	232,941
Gap	(2,854)	(136)	10,917	467	(8,394)	-
Cumulative gap	(2,854)	(2,990)	7,927	8,394	-	-
At 31 December 2016						
Cash and balances with the central bank	60,032	-	-	-	-	60,032
Trading assets	609	2,355	916	6,107	-	9,987
Financial assets available for sale	5,487	13,288	11,062	1,191	52	31,080
Loans and advances to banks	5,437	-	-	-	-	5,437
Loans and advances to customers	17,811	5,472	4,436	887	1,026	29,632
Investments and other assets	-	-	-	-	457	457
Total	89,376	21,115	16,414	8,185	1,535	136,625
Deposits from banks	4,161	2,658	-	-	-	6,819
Deposits from customers	84,514	15,824	2,722	-	-	103,060
Debt securities issued	-	276	2,346	-	-	2,622
Trading liabilities	502	347	3,183	6,514	-	10,546
Tax and other liabilities and provisions	2,978	-	-	-	394	3,372
Subordinated liabilities	-	66	-	1,392	-	1,458
Shareholders' equity	-	-	-	-	8,748	8,748
Total	92,155	19,171	8,251	7,906	9,142	136,625
Gap	(2,779)	1,944	8,163	279	(7,607)	-
Cumulative gap	(2,779)	(835)	7,328	7,607	-	-

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

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

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

Effective yield information

The effective yields on significant categories of financial assets and liabilities of the Bank as at 31 December 2017 and 2016 were as follows:

In %	2017	2016
<i>Financial assets</i>		
Cash and balances with the central bank	0.49	0.05
Trading assests*	1.44	2.14
Financial assets available for sale*	2.53	2.23
Loans and advances to banks	0.77	0.94
Loans and advances to customers	5.84	4.99
<i>Financial liabilities</i>		
Deposits from banks	-0.53	0.30
Deposits from customers	-1.02	0.16
Debt securities issued	0.60	0.05
Trading liabilities	1.82	1.80

Note:

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

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

Basis point value

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

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

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

As at 31 December 2016 BPVs for individual currencies were as follows:

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

Stress testing

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

MCZK	2017		2016	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	300	417	329	238
Average for the period	232	308	186	112
Maximum for the period	333	417	329	238
Minimum for the period	80	196	27	51

iii) Equity risk

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

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

iv) Settlement risk

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

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

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(d) Operational risk

Operational risks

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

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

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

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

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

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(d) Operational risk (continued)

Other risks

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

The Compliance department performs activities whose purpose is to achieve accord of the Bank's internal policies and processes with external regulations. The main compliance activities is to ensure compliance of internal guidelines, external standards, mutual compliance of internal guideliness, compliance of Bank's activities with internal guidelines and external standards and ongoing monitoring of compliance of legal obligations and responsibilities arising from the internal regulations of the Bank, to establish preconditions for achieving this accord, to establish preconditions for fair provision of services to customers and to refrain from giving preferential treatment to the Bank and its employees compared to the customers, to prevent conflict of interest, and to mitigate acts which would result in the market abuse. It further performs anti money laundering and combatting financial terrorism activities (AML-CFT) and controls these activities and handles claims and complaints.

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(e) Capital management

Regulatory capital

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

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

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

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

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

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

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

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

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(e) Capital management (continued)

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

MCZK	Regulatory capital	Equity
At 31 December 2017		
Issued capital	769	769
Share premium	412	412
Retained earnings	6,896	8,418
Profit/(Loss)	1,338	-
Other comprehensive income	545	545
Other reserves	-	-
Less value adjustment due to the requirements for prudent valuation	(50)	-
Less intangible assets	(96)	-
Tier 1 capital	9,814	
Total Equity		10,144
Tier 2 capital		
Qualifying subordinated liabilities	1,393	
Total regulatory capital	11,207	
At 31 December 2016		
Issued capital	769	769
Share premium	412	412
Retained earnings	5,695	6,899
Other comprehensive income	668	668
Other reserves	-	-
Less value adjustment due to the requirements for prudent valuation	(51)	-
Less intangible assets	(57)	-
Tier 1 capital	7,436	
Total Equity		8,748
Tier 2 capital		
Qualifying subordinated liabilities	1,391	
Total regulatory capital	8,827	

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

Capital adequacy ratios are following:

%	2017	2016
Tier 1 common capital ratio	14.20%	13.36%
Tier 1 capital ratio	14.20%	13.36%
Total capital ratio	16.22%	15.86%

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

MCZK	Exposure	Capital requirement
At 31 December 2017		
Central Government	301	24
Local Government	6	1
Institutions	6,240	499
Businesses	41,665	3,333
Retail sector	17	2
Exposures pledged by properties	98	8
Exposures in default	1,957	157
High risk exposures	4,354	348
Equities	164	13
Other exposures	329	26
Total	55,131	4,411
At 31 December 2016		
Central Government	228	19
Local Government	7	1
Institutions	4,088	327
Businesses	39,179	3,134
Retail sector	16	1
Exposures pledged by properties	143	11
Exposures in default	251	20
High risk exposures	2,097	168
Equities	126	10
Other exposures	348	28
Total	46,483	3,719

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(e) Capital management (continued)

MCZK	2017	2016
Capital requirements for credit risk	4,411	3,719
Capital requirements for market risks	530	340
- for general interest rate risks of trading portfolio	445	318
- for general equity risks of trading portfolio	-	-
- for foreign exchange risks	85	22
Capital requirements for settlement risks	-	-
Capital requirements for operational risks	340	330
Capital requirements for credit valuation adjustment risk	247	63
Total capital requirements	5,528	4,452

CNB requires each bank or banking group:

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

Capital allocation

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

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(f) Components of cash flow statement

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

MCZK	31.12.2017	31.12.2016
Cash on hand	34	70
Unrestricted balances with the central bank	2,000	50,500
Nostro account balances	854	409
Reverse repo with the central bank	153,917	7,700
Total	156,805	58,679

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

40. RELATED PARTY TRANSACTIONS

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

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

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

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

(a) Transaction with the parent company

Below stated balances are included in statement of financial position and represented transactions with the parent company:

	31.12.2017	31.12.2016
	MCZK	MCZK
Deposits from customers	(5,996)	(5,068)
Total	(5,996)	(5,068)

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

PPF banka a.s.

Notes to the Individual Financial Statements

For the year ended 31 December 2017

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transaction with the parent company

Below stated figures are included in statement of comprehensive income and represented transactions with the parent company:

	2017 MCZK	2016 MCZK
Fee and commission income	1	2
Total	1	2

Below stated balances are included in statement of financial position and represented transactions with other related parties:

	31.12.2017 MCZK	31.12.2016 MCZK
Trading assets	633	745
Financial assets available for sale	2,169	2,112
Loans and advances to banks	742	146
Loans and advances to customers	8,297	5,561
Other assets	13	8
Deposits from customers	(17,775)	(17,473)
Deposits from banks	(399)	(552)
Trading liabilities	(723)	(107)
Debt securities issued	(166)	-
Other liabilities	(435)	(847)
Subordinated liabilities	(758)	
Total	(8,402)	(10,407)

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transaction with other related parties

Below stated figures are included in statement of comprehensive income and represented transactions with other related parties:

	2017 MCZK	2016 MCZK
Interest expense and similar income	720	575
Interest expense and similar charges	(66)	(39)
Fee and commission income	46	60
Fee and commission expense	-	-
Net trading income	(611)	(699)
Net impairment losses on financial assets	-	(17)
Other operating income	1	1
General administrative expenses	(153)	(112)
Total	(63)	(231)

(c) Key management personnel

Below stated balances are included in statement of financial position and represented transactions with Key management personnel:

MCZK	31.12.2017	31.12.2016
Deposits from customers	(28)	(34)

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

Below stated balances are included in statement of other comprehensive income and represented transactions with Key management personnel:

MCZK	2017	2016
Net income from financial operations	(1)	-

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Notes to the Individual Financial Statements

For the year ended 31 December 2017

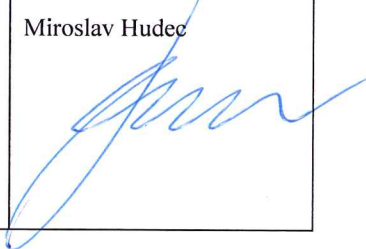
40. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Off balance sheet items

As a related party transaction, as at 31 December 2017 the Bank provided a credit commitment to related parties of MCZK 2,872 (31.12.2016: MCZK 1,456), guarantee commitment of MCZK 0 (31.12.2016: MCZK 100) and guarantee in the amount of MCZK 1 (31.12.2016: MCZK 0).

41. SUBSEQUENT EVENTS

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

Date: 9 April 2018	Stamp and signature of the statutory body of the Bank:  PPF banka a.s. Evropská 2690/17 P.O. BOX 177 160 41 Praha 6 DIČ CZ47116129	Individual responsible for accounting: Lenka Němcová 	Individual responsible for financial statements: Miroslav Hudec 
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Report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity for 2017

In accordance with Section 82 et seq. of Act No 90/2012 Coll., on Companies and Cooperatives, as amended, (“AoC”), PPF banka a.s., with its registered office at Evropská 2690/17, Prague 6, postcode 160 00, ID# 47116129, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, file number 1834 (“the Company”) – has the obligation to prepare the following report on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity (“Report on Relations”) for the accounting period from 1 January 2017 to 31 December 2017 (“the Accounting Period”).

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

According to the information of the board of directors, in which the Company’s statutory body, to the best of its knowledge, found no incompleteness, the structure is set out in Appendix No. 1 of this Report on Relations.

2. Role of the Company

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

3. Method and means of control

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

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

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

5. Overview of mutual agreements

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

- The following agreements have been concluded with AB 2 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 57279667:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with AB 4 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34186049:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with AB 7 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 57279241:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Accord Research, s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 290 48 974:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with AF Airfueling s.r.o. with its registered in Prague 9, Kbely, Hůlkova 1075/35, POST CODE: 197 00, IDENTIFICATION NUMBER: 02223953:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Air Bank a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 29045371:
 - Commission agent's contract, as amended - scope of performance: financial services
 - Framework agreement on financial market trading – repos, lending of securities, maintaining financial collateral- scope of performance: financial services
 - Framework treasury contract - scope of performance: financial services
 - Confidentiality contract - scope of performance: financial services
 - ISDA Master Agreement, as amended - scope of performance: financial services
 - Reporting Delegation Agreement – Agreement on EMIR reporting - scope of performance: other services
 - Contract with an administrator + special provisions for the contract with an administrator - scope of performance: financial services
 - Contract for opening and maintaining correspondent accounts - scope of performance: financial services
 - Commission agreement on provision and settlement of transactions with investment instruments and on investment instruments administration – scope of performance: financial services
 - Framework agreement on trading on financial market (EMA) - scope of performance: financial services
 - Agreement on securing of service activities - scope of performance: financial services
 - Creditor Accession Undertaking - scope of performance: financial services

- The following agreements have been concluded with Airline Gate 1 s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 02973081:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with ALRIK VENTURES LIMITED with its registered in The Republic of Cyprus, Nicosia, ATHIENITIS CENTENNIAL BUILDING, Themistokli Dervi, 48, office 603, 6 floor, POST CODE:1066, IDENTIFICATION NUMBER: HE318488, byl/a uzavřen/a:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with ANTHEMONA LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE289677:
 - ISDA Master Agreement, as amended - scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with ANTHIAROSE LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE224463:
 - Framework contract on the method for negotiating conditions for carrying out deposit transactions - scope of performance: financial services
 - Commission agent's contract – including appendices - scope of performance: financial services
 - Agreement on Administration of Securites as amended - scope of performance: financial services
 - Standing instruction - Agreement on Administration of Securites - scope of performance: financial services
 - Contract for subscription and purchase of investment certificates – scope of performance: financial services
 - Contract for subscription and purchase of investment certificates – scope of performance: financial services
 - Contract for subscription and purchase of investment certificates – scope of performance: financial services
 - Contract for subscription and purchase of investment certificates – scope of performance: financial services
 - Contract for subscription and purchase of investment certificates – scope of performance: financial services
 - ISDA Agreement, as amended - scope of performance: financial services
 - Contract for subscription and purchase of subordinated bond – scope of performance: financial services
 - Contract for subscription and purchase of subordinated bond (increasing the issue volume) – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
 - Funded Participation Agreement – scope of performance: financial services
 - Confidentiality Agreement – scope of performance: financial services
- The following agreements have been concluded with Areál Ďáblice s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 03762939:
 - Agreement on internal escrow account – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with Art Office Gallery a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 24209627:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with ASTAVEDO LIMITED with its registered in The Republic of Cyprus, Nicosia, ATHIENTIS CENTENNIAL BUILDING, Themistokli Dervi, 48, office 603, 6 floor, 1066, IDENTIFICATION NUMBER: HE316792:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Autotým, s.r.o. with its registered in Prague 4 - Chodov, Hráského 2231/25, POST CODE: 140 01, IDENTIFICATION NUMBER: 03040836:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with B2S Servisní, a.s. v likvidaci with its registered in Prague 9, Českomoravská 2345/17, POST CODE: 190 00, IDENTIFICATION NUMBER: 19013825:
 - Commission agreement on provision and settlement of transactions with investment instruments and on investment instruments administration – scope of performance: financial services
 - Agreement on custody of shares – scope of performance: financial services
- The following agreements have been concluded with Bavella B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 52522911:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Bestsport holding a.s. with its registered in Prague 9, Libeň, Českomoravská 2345/17, POST CODE: 190 00, IDENTIFICATION NUMBER: 06613161:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Bestsport, a.s. with its registered in Prague 9, Českomoravská 2345/17, POST CODE: 190 00, IDENTIFICATION NUMBER: 24214795:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with BONAK a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 05098815:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Bolt Start Up Development a.s. with its registered in Prague 4 - Michle, Za Brumlovkou 266/2, POST CODE: 140 00, IDENTIFICATION NUMBER: 04071336:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with C & R Office Center Two s.r.o. with its registered in Prague 9, Libeň, Českomoravská 2345/17, 190 00, IDENTIFICATION NUMBER: 28227913:
 - General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with CETIN Finance B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 66805589:
 - General agreement on payment and banking services – scope of performance: financial services
 - DEALER AGREEMENT – scope of performance: financial services
- The following agreements have been concluded with CETIN služby s.r.o. with its registered in Prague 3, Žižkov, Olšanská 2681/6, POST CODE: 130 00, IDENTIFICATION NUMBER: 06095577:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with CITY TOWER Holding a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 02650665:
 - General agreement on payment and banking services – scope of performance: financial services
 - Contract for subscription and purchase of bonds – scope of performance: financial services
 - Contract with an administrator - scope of performance: financial services
 - Contract for subscription and purchase of bonds – scope of performance: financial services
 - Commission agreement on provision and settlement of transactions with investment instruments and on investment instruments administration – scope of performance: financial services
- The following agreements have been concluded with COLANDS s.r.o. with its registered in Prague 9, Libeň, Českomoravská 2345/17, POST CODE: 190 00, IDENTIFICATION NUMBER: 03883663:
 - Escrow Agreement – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Comcity Office Holding B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 64411761:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Czech Equestrian Team a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 01952684:
 - General agreement on payment and banking services – scope of performance: financial services
 - Escrow Agreement – scope of performance: financial services
- The following agreements have been concluded with CzechToll s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 06315160:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Česká telekomunikační infrastruktura a.s. with its registered in Prague 3, Olšanská 2681/6, POST CODE: 130 00, IDENTIFICATION NUMBER: 04084063:
 - General agreement on payment and banking services – scope of performance: financial services

- Mandate Contract on Arrangement of Trades in Money-Market and Derivative Investment Instruments – scope of performance: financial services
 - Framework contract on the trading on financial market (EMA) - scope of performance: financial services
 - Internal escrow account E/ 2322290003 contract, scope of performance – escrow account for property purchase price deposit
 - Internal escrow account E/ 2322290003/2 contract, scope of performance – escrow account for property purchase price deposit
- The following agreements have been concluded with DADRIN LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE321173:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Duoland s.r.o. with its registered in Prague 9, Kbely, Hůlkova 896/31, POST CODE: 197 00, IDENTIFICATION NUMBER: 06179410:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Eastern Properties B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 58756566:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with eKasa s.r.o. with its registered in Prague 4 - Michle, Za Brumlovkou 266/2, POST CODE: 140 00, IDENTIFICATION NUMBER: 05089131:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with ELTHYSIA LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE290356:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with ENADOCO LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE316486:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with FACIPERO INVESTMENTS LIMITED with its registered in The Republic of Cyprus, Nicosia, Esperidon 12, 4. patro, POST CODE: 1075, IDENTIFICATION NUMBER: HE232483:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Favour Ocean Limited with its registered in People's Republic of China, Hong Kong, 36/F, Tower 2, 1 Matheson Street, Ca, IDENTIFICATION NUMBER: 1065678:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with FAYDE INVESTMENTS LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE310390:

- o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with FELISTON ENTERPRISES LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE152674:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with FERRYMAT HOLDINGS LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE313289:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with FIGERA LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE251908:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Fodina B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 59400676:
 - o Commission Agreement – scope of performance: financial services
 - o Special Arrangements on Remuneration – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
 - o Global Master Repurchase Agreement – scope of performance: financial services
- The following agreements have been concluded with GALIO INVESTMENTS LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE310260, IDENTIFICATION NUMBER: HE310260:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Garco Group B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34245884:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Gen Office Gallery a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 24209881:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with German Properties B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 61008664:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with GLANCUS INVESTMENTS INC. With its registered office in British Virgin Islands, Road Town, Tortola, Tropic Isle Building, P.O.Box 3423, IDENTIFICATION NUMBER: 1396023:

- Commission agent's contract – including appendices - scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with GRACESPRING LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE208337:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with HC Asia N. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34253829:
 - Framework agreement – scope of performance: financial services
 - Master Agreement as amended – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with HC Broker, s.r.o. with its registered in Brno, Nové sady 996/25, POST CODE: 602 00, IDENTIFICATION NUMBER: 29196540:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with HC Consumer Finance Philippines, Inc with its registered in Philippines, Pasig, 35 patro, Union Bank Plaza, Meralco Ave. cor. Onyx, IDENTIFICATION NUMBER: CS201301354:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with HC Advisory services s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 01487779:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with HC Philippines Holding B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 35024270:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Hofplein Offices (Rotterdam) B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 64398064:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit a.s. with its registered in Brno, Nové sady 996/25, POST CODE: 602 00, IDENTIFICATION NUMBER: 26978636:
 - Framework contract for the establishment and maintenance of current investment account - scope of performance: financial services
 - Contract on cooperation in performing work and providing processing and other services (HC) - scope of performance: other services
 - Confidentiality contract - scope of performance: other services
 - Framework contract for performing foreign exchange spot transactions - scope of performance: financial services

- o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit Asia Limited with its registered in People’s Republic of China, Hong Kong, 36/F, Tower 2, Times Square, 1 Matheson street, IDENTIFICATION NUMBER: 890063:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34126597:
 - o Framework contract on the method for negotiating conditions for carrying out deposit transactions - scope of performance: financial services
 - o Master Agreement – ISDA, as amended - scope of performance: financial services
 - o Commission Agreement - scope of performance: financial services
 - o Agreement with the Administrator + Special Arrangement to the Agreement with the Administrator - scope of performance: financial services
 - o Agreement on Provision of the Issue of the Notes - scope of performance: financial services
 - o Agreement with the Administrator, as amended – scope of performance: financial services
 - o Agreement on promissory note programme arrangement - scope of performance: financial services
 - o Agreement on promissory note programme arrangement - scope of performance: financial services
 - o Agreement on promissory note programme arrangement - scope of performance: financial services
 - o Agreement Related to Offer of the Bond - scope of performance: financial services
 - o Loan agreement No. 30298814 - scope of performance: financial services
 - o Subordination Agreement - scope of performance: financial services
 - o Term Facility Agreement - scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
 - o Commission Agreement on Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments Administration - scope of performance: financial services
- The following agreements have been concluded with Home Credit Group B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 69638284:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit India B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 52695255:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit Indonesia B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 52695557:
 - o General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with Home Credit International a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 60192666:
 - General agreement on payment and banking services – scope of performance: financial services
 - Licence agreement for Oracle scope of licence agreement: ULA Oracle – scope of performance: other services
 - Confidentiality agreement – scope of performance: other services
 - Agreement on licence distribution VMware – scope of performance: licence and support VMware
 - Agreement on employees' business trips costs payment – scope of performance: other services
- The following agreements have been concluded with Home Credit Lab N. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 52695689:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit Slovakia, a.s. with its registered in Slovakia, Piešťany, Teplická 7434/147, POST CODE: 921 22, IDENTIFICATION NUMBER: 36234176:
 - Framework contract on the method for negotiating conditions for carrying out deposit transactions - scope of performance: financial services
 - Contract for subordinated liabilities and rights - scope of performance: financial services
 - Contract on cooperation in performing work and providing processing and other services (HCS) – scope of performance: other services
 - Overdraft loan 90005408 contract, as amended – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Home Credit US Holding, LLC with its registered in United States of America, Delaware, 3500 S Dupont Hwy, Dover, 19901, IDENTIFICATION NUMBER: 5467913:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Horse Arena s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 04479823:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with JARVAN HOLDINGS LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE310140:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with KARMION HOLDINGS LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE312004:
 - General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with Kateřinská Office Building s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 03495663:
 - General agreement on payment and banking services – scope of performance: financial services
 - Termination of General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Langen Property B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 61012777:
 - General agreement on payment and banking services – scope of performance: financial services
 - Framework contract on the trading on financial market (EMA) - scope of performance: financial services
- The following agreements have been concluded with Letiště Praha Letňany, s.r.o. with its registered in Prague 9, Kbely, Hůlkova 1075/35, POST CODE: 197 00, IDENTIFICATION NUMBER: 24678350:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Letňany Air Land s.r.o. with its registered in Prague 9, Kbely, Hůlkova 896/31, POST CODE: 197 00, IDENTIFICATION NUMBER: 06138462:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Letňany Air Logistics s.r.o. with its registered in Prague 9, Kbely, Hůlkova 896/31, POST CODE: 197 00, IDENTIFICATION NUMBER: 06138411:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Letňany eGate s.r.o. with its registered in Prague 9, Kbely, Hůlkova 896/31, POST CODE: 197 00, IDENTIFICATION NUMBER: 06137628:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Letňany Park Gate s.r.o. with its registered in Prague 9, Kbely, Hůlkova 896/31, POST CODE: 197 00, IDENTIFICATION NUMBER: 06138446:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with LINDUS Real s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 29139309:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with LINDUS SERVICES LIMITED with its registered in Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 1066, IDENTIFICATION NUMBER: HE281891 Smlouva o zajištění výplaty protiplnění, předmět plnění finanční služby
 - Commission Agreement on Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments Administration – scope of performance: financial services

- o Special Arrangements on Remuneration – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with LLC Home Credit & Finance Bank with its registered in Russia, Moscow, ul. Pravdy 8, d.8, 125 040, IDENTIFICATION NUMBER: 1027700280937:
 - o Special Bank Account Agreement - RUB - 30230810700001500001 (Shares), – scope of performance: financial services
 - o Agreement on Establishment of Correspondent relations – correspondent account in RUB No. 30231810600000000009, – scope of performance: financial services
 - o Agreement on establishment of Correspondent Relations - KZT - 30113398400000000001, – scope of performance: financial services
 - o Master Agreement + Schedule to the 1992 Master Agreement, – scope of performance: financial services
 - o Framework Treasury Agreement, – scope of performance: financial services
 - o Agency Contract 37-18/005, – scope of performance: financial services
 - o K+ contract for Russia – scope of performance: financial services
 - o Depositary contract - account PO 140103KSB– scope of performance: financial services
 - o Commission Agreement on Provision of Transaction in Investment Instruments - HCFB Moscow, – scope of performance: financial services
 - o Special Bank Account Agreement - RUB - 30230810600001600001 (Bond), – scope of performance: financial services
 - o Agreement on Russian Rubles loro account opening and maintenance procedures for non-resident bank - Rates of Commission Charge, – scope of performance: financial services
 - o Agreement on Administration of Securities, – scope of performance: financial services
 - o Contract for opening and maintaining a CZK correspondent account and terms and conditions of maintaining the account - 2005840171/6000 - Terms and Conditions for Correspondent account in CZK – scope of performance: financial services
 - o Contract for opening and maintaining a EUR correspondent account and terms and conditions of maintaining the account - 2005840200/6000 - Terms and Conditions for Correspondent account in EUR – scope of performance: financial services
 - o Contract for opening and maintaining a USD correspondent account and terms and conditions of maintaining the account - 2005840198/6000 - Terms and Conditions for Correspondent account in USD, – scope of performance: financial services
 - o Uncommitted Loan Facility Agreement – scope of performance: financial services
 - o Agreement No. 20-4-12/001 for brokerage services provision to Legal Entities Non-Resident in the RF – scope of performance: financial services
 - o Transfer Certificate – scope of performance: financial services
 - o Loan Agreement No.: 30073512, 30078312, 30078412, Agreement on Pledge of Receivables and on Future Pledge of Receivables, reg. No: R/30078412, – scope of performance: financial services
 - o Loan Agreement No.: 30125812, – scope of performance: financial services
 - o AGREEMENT ON THE TERMS AND CONDITIONS FOR THE PROVISION OF REPOSITORY SERVICES – scope of performance: financial services
 - o Cash Delivery Request and Indemnity for Acting thereupon in Respect of our Account(s) no.: 2005840200/6000 – scope of performance: financial services
- The following agreements have been concluded with LLC RAV Agro Orel with its registered in Russia, Orel, Komsomolskaya ul. 104, Premises 40, 302 026, IDENTIFICATION NUMBER: 1115741001496:

- o Engagement Letter OOO RAV AGRO-OREL – scope of performance: financial services
 - o Pledge Agreement regarding movable property Reg. No. MP/30343415, as amended – scope of performance: financial services
 - o Agreement on Subordination of Obligations and Rights Reg. No. SA/30343415/1 – scope of performance: financial services
 - o Surety Agreement Reg. No. SA/30343415/2, as amended – scope of performance: financial services
 - o Facility Agreement No. 30343415, as amended – scope of performance: financial services
 - o Mortgage Agreements, as amended – scope of performance: financial services
 - o ISDA 2002 MASTER AGREEMENT, as amended – scope of performance: financial services
- The following agreements have been concluded with Maraflex s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 02415852:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with MICROLIGHT TRADING LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, 1066, IDENTIFICATION NUMBER: HE224515:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Millennium Tower (Rotterdam) B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE:1077XX, IDENTIFICATION NUMBER: 56261330:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Misterine s.r.o. with its registered in Prague 4 - Michle, Za Brumlovkou 266/2, POST CODE: 140 00, IDENTIFICATION NUMBER: 05249899:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with MOETON a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 27864561:
 - o Framework contract for the lease of a vehicle - scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Monheim Property B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 61012521:
 - o General agreement on payment and banking services – scope of performance: financial services
 - o Framework contract on the trading on financial market (EMA) - scope of performance: financial services
- The following agreements have been concluded with Montería, spol. s r.o. with its registered in Prague 4, Hvězdova 1716/2b, POST CODE: 140 00, IDENTIFICATION NUMBER: 27901998:
 - o General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with Moranda, a.s. with its registered in Prague 6, Evropská 1690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 28171934, IDENTIFICATION NUMBER: 28171934:
 - General agreement on payment and banking services – scope of performance: financial services
 - Commission agent's contract for procurement and settlement of investment instrument transactions and a contract for administration of investment instruments - scope of performance: financial services
- The following agreements have been concluded with My Air a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 05479070:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Mystery Services s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 24768103:
 - Contract for employee meals, as amended – scope of performance: other services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Naneva B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 67400639:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Net Gate s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 24765651:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with NIDALEE HOLDING LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 1066, IDENTIFICATION NUMBER: HE310150:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with O2 Czech Republic a.s. with its registered in Prague 4, Za Brumlovkou 266/2, POST CODE: 140 22, IDENTIFICATION NUMBER: 60193336:
 - Framework agreement on payment and banking Services – scope of performance: setting of credit limit for the Company and establishment of bank accounts in CZK, EUR, USD
 - Framework agreement on financial market trading – scope of performance: hedging against financial risk
 - Agreement on provision publicly available services of electronic communications – scope of performance: provision publicly available services of electronic communications, financial services
 - Agreement on provision of cloud, housing and related services – scope of performance: provision of cloud, housing and related Services to second contractual, financial services
 - Agreement on provision of recording system Aculla SIPREC SRS – scope of performance: stating of conditions for provision of recording system to second contractual party and its use for fulfillment of requirements of MiFID regulation, financial services

- o Agreement on provision of services Mobile SIPREC – scope of performance: provision of monitoring services and recording of calls for purposes of fulfillment of requirements of MiFID regulation, financial services
- The following agreements have been concluded with O2 Financial Services s.r.o. with its registered in Prague 4, Za Brumlovkou 266/2, POST CODE: 140 00, IDENTIFICATION NUMBER: 05423716:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with O2 IT Services s.r.o. with its registered in Prague 4 - Michle, Za Brumlovkou 266/2, POST CODE:140 00, IDENTIFICATION NUMBER: 02819678:
 - o Bank guarantee contract No. BZ/30361615, – scope of performance: financial services
 - o Bank guarantee contract No. BZ/30367515, – scope of performance: financial services
 - o Bank guarantee contract No. BZ/30370015, – scope of performance: financial services
 - o Bank guarantee contract No. BZ/30369515, – scope of performance: financial services
 - o Bank guarantee contract No. BZ/30368115, – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with O2 TV s.r.o. with its registered in Prague 4 - Michle, Za Brumlovkou 266/2, POST CODE: 140 00, IDENTIFICATION NUMBER: 03998380:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Office Star Eight a.s. with its registered in Prague 4, Hvězdova 1716/2b, POST CODE. 140 00, IDENTIFICATION NUMBER: 27639177:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with OJSC „Non-banking Credit and Financial Organization „Home Credit“ with its registered in Belarus, Minsk, Odoevskogo 129, 220018, IDENTIFICATION NUMBER:
 - o Contract for opening and maintaining a correspondent account and terms and conditions - 1897260054, - scope of performance: financial services
 - o Framework Treasury Agreement dated 19. 03. 2010 – scope of performance: financial services
- The following agreements have been concluded with Paleos Industries B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 66846919:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 25099345:
 - o Contract on the use of a visual style and the provision of rights for using trademarks – scope of performance: other services
 - o Framework contract for the lease of a vehicle – scope of performance: other services
 - o Contract on the sublease of mobile equipment – scope of performance: other services
 - o Framework contract on the liquidation of data storage devices - scope of performance: financial services
 - o Contract for the provision of services, as amended - scope of performance: financial services

- o Contract for the sublease of non-residential premises – PPF GATE, as amended - scope of performance: financial services
 - o Treasury contract PPF a. s. – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
 - o Contract for the sublease of parking lots - scope of performance: financial services
 - o Contract for the use of parking lots - scope of performance: financial services
- The following agreements have been concluded with PPF A3 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 61684201:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF A4 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 63365391:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Advisory (CR) a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 25792385:
 - o Treasury smlouva PPF Investmens (CR) a.s. – scope of performance: financial services
 - o Commission agent's contract for procurement and settlement of investment instrument transactions - scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Advisory (UK) Limited with its registered in United Kingdom, Witan Gate House, 500-600 Witan Gate West, Milton Keynes, Buckinghamshire, MK9 1SH, IDENTIFICATION NUMBER: 5539859:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Arena 1 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 59009187:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Art a.s. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 63080672:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Beer Bidco B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 67332722:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Beer Holdco 1 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 67330495:
 - o General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with PPF Beer IM Holdco B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 67331378:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Beer Topholdco B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 67420427:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Capital Partners Fund B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 55003982:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF CO 3 B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34360935:
 - General agreement on payment and banking services – scope of performance: financial services
 - Agreement INR 1,875,000,000 Credit Facility + signature specimen, as amended – scope of performance: financial services
 - Agreement dated 29. 09. 2016 INR 2,250,000,000 Credit Facility – scope of performance: financial services
 - Credit Facility Agreement CZK 480,000,000 as amended – scope of performance: financial services
 - Agreement INR 2,500,000,000 Credit Facility as amended – scope of performance: financial services
 - Agreement IDR 30,000,000,000 Credit Facility as amended – scope of performance: financial services
 - Agreement INR 3,750,000,000 Credit Facility – scope of performance: financial services
 - Agreement INR 4,000,000,000 Credit Facility – scope of performance: financial services
 - Agreement dated 1 December 2017 - CZK 750,000,000 Credit Facility – scope of performance: financial services
 - Framework agreement on consultancy and cooperation – scope of performance: financial services
- The following agreements have been concluded with PPF Financial Consulting s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 24225657:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Financial Holdings B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 61880353:
 - General agreement on payment and banking services – scope of performance: financial services
 - Commission Agreement on Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments Administration – scope of performance: financial services

- o Agreement on Group corporate governance – scope of performance: financial services
 - o Agreement on provision of credit risk management services – scope of performance: financial services
 - o Agreement on administration – scope of performance: financial services
- The following agreements have been concluded with PPF Group N. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 33264887:
 - o General agreement - deposits - scope of performance: financial services
 - o ISDA Master Agreement, as amended - scope of performance: financial services
 - o Commission agent's contract – including appendices - scope of performance: financial services
 - o Contract for administration of securities, as amended - scope of performance: financial services
 - o Agreement on Guarantee – scope of performance: financial services
 - o Subordination agreement relating to CZK 3,500,000,000 Framework agreement on provision of land and other banking products – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Healthcare N. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34308251:
 - o Commission agent's contract – including appendices - scope of performance: financial services
 - o Contract for administration of securities - scope of performance: financial services
 - o Contract for assignment of a receivable - scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
 - o ISDA Master Agreement – scope of performance: financial services
- The following agreements have been concluded with PPF Infrastructure B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 65167899:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF PROPERTY LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE189164:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Real Estate Holding B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34276162, byl/a uzavřen/a:
 - o General agreement on payment and banking services – scope of performance: financial services
 - o Commission Agreement on Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments Administration – scope of performance: financial services
 - o Agreement on Promissory Note Programme Arrangement + PoA – scope of performance: financial services
- The following agreements have been concluded with PPF REAL ESTATE LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE188089:

- o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Real Estate s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 41, IDENTIFICATION NUMBER: 27638987:
 - o Commission agent's contract – including appendices - scope of performance: financial services
 - o Agreement on provision of Services – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF reality a.s. with its registered in Prague 6 - Dejvice, Evropská 2690/17, POST CODE 160 41, IDENTIFICATION NUMBER: 29030072:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF SERVICES LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, kancelář 603, 6. patro, POST CODE: 1066, IDENTIFICATION NUMBER: HE92432:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with PPF Telco B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 65167902:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Prague Entertainment Group B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 63600757:
 - o General agreement on payment and banking services – scope of performance: financial services
 - o Escrow Agreements – scope of performance: financial services
- The following agreements have been concluded with PT Home Credit Indonesia with its registered in Republic of Indonesia, Jakarta, Plaza Oleos, 8-9. patro, Jl. TB Simatupang 53A, 125 20, IDENTIFICATION NUMBER: 03.193.870.7-021.000:
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Public Picture & Marketing a.s. with its registered in Prague 4, Hvězdova 1716/2b, POST CODE: 140 00, IDENTIFICATION NUMBER: 25667254:
 - o Contract for the provision of BZ No. 90009006, as amended - scope of performance: financial services
 - o Treasury agreement – scope of performance: financial services
 - o General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Real Estate Russia B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 63458373:
 - o General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with REDLIONE LTD with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE178059:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with RHASKOS FINANCE LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE316591, byl/a uzavřen/a:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Ruconfin B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 55391176:
 - Framework agreement on consultancy, cooperation and provision of services as amended – scope of performance: financial services
 - ISDA Master Agreement, as amended - scope of performance: financial services
 - Termination Arrangement - ISDA Master Agreement, as amended - scope of performance: financial services
 - Mandate contract on arrangement of trades in money market instruments – scope of performance: financial services
 - Termination Arrangement - Mandate contract on arrangement of trades in money market instruments – scope of performance: financial services
 - Subordination agreement relating to CZK 3,500,000,000 Framework agreement on provision of land and other banking products – scope of performance: financial services
 - Agreement on pledge of receivables from bank account reg. no. ZBU/30034911 as amended – scope of performance: financial services
 - Framework agreement on provision of loan and other banking products reg. no. 30034911 as amended – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with RYAZAN INVESTORS COMPANY LIMITED with its registered in The Republic of Cyprus, Nicosia, Esperidon 5, Floor 4, Strovolos 2001, IDENTIFICATION NUMBER: HE180968:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with RYAZAN SHOPPING MALL LIMITED with its registered in The Republic of Cyprus, Nicosia, Esperidon 5, Floor 4, Strovolos 2001, IDENTIFICATION NUMBER: HE180951:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with SALEMONTA LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE161006:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with SEPTUS HOLDING LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE316585:
 - General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with Smart home security s.r.o. with its registered in Prague 4, Michle, Vyskočilova 1326/5, POST CODE: 140 00, IDENTIFICATION NUMBER: 06321399:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with SOTIO a.s. with its registered in Prague 7, Jankovcova 1518/2, POST CODE: 170 00, IDENTIFICATION NUMBER: 24662623:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Sotio N. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 34302290:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with STEPHOLD LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE221908:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with STINCTUM HOLDINGS LIMITED with its registered in The Republic of Cyprus, Nikosie, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE177110:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Sundown s.r.o. v likvidaci with its registered in Petřikov, Radimovice 26, 251 69, IDENTIFICATION NUMBER: 24260479:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with SYLANDER CAPITAL LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE316597:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TALPA ESTERO LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE316502:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TANAINA HOLDINGS LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, POST CODE: 1066, IDENTIFICATION NUMBER: HE318484:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TAPADEO LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE341777:
 - General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with TapMedia s.r.o. with its registered in Prague 4, Michle, Za Brumlovkou 266/2, POST CODE: 140 00, IDENTIFICATION NUMBER: 03853365:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TELISTAN LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE341864:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TIMEWORTH HOLDINGS LTD. with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE187475:
 - ISDA Master Agreement, as amended - scope of performance: financial services
 - Commission Agreement on Provision and Settlement of Transactions with Investment Instruments and on Investment Instruments Administration – scope of performance: financial services
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TOLESTO LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, office 603, 6 floor, POST CODE: 1066, IDENTIFICATION NUMBER: HE322834:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Trilogy Park Holding B.V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 60006609:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Trigon Berlin B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 55440916:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Trigon II B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, Post code: 1077XX, IDENTIFICATION NUMBER: 56068948:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with TROMSON ENTERPRISES LIMITED with its registered in The Republic of Cyprus, Nicosia, Esperidon 12, 4. patro, POST CODE: 1087, IDENTIFICATION NUMBER: HE233665:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with VELTHEMIA LIMITED with its registered in The Republic of Cyprus, Nicosia, Themistokli Dervi, 48, kancelář 608, 6. patro, POST CODE: 1066, IDENTIFICATION NUMBER: HE282891:
 - General agreement on payment and banking services – scope of performance: financial services

- The following agreements have been concluded with Vox Ventures B. V. with its registered in Netherlands, Amsterdam, Strawinskylaan 933, POST CODE: 1077XX, IDENTIFICATION NUMBER: 65879554:
 - General agreement on payment and banking services – scope of performance: financial services
- The following agreements have been concluded with Zonky s.r.o. with its registered in Prague 6, Evropská 2690/17, POST CODE: 160 00, IDENTIFICATION NUMBER: 03570967:
 - General agreement on payment and banking services – scope of performance: financial services
 - Agreement on escrow account reg. nr. 23224000006 – scope of performance: financial services

6. Assessment of whether the Company incurred damage and assessment of its settlement pursuant to Sections 71 and 72 of AoC

All actions described in section 4 of this Report on Relations were performed, and all agreements described in section 5 of this Report on Relations were concluded, at arm's length. Similarly, all supplies provided and received based on these agreements were provided at arm's length. The Company incurred no damage as a result of these actions and agreements.

The Company declares that in the Accounting Period there were no instances of an influential entity or the controlling entity influencing the Company's actions that would result in the Company's actions being decisively and significantly influenced to its detriment. The Company incurred no damage and no assessment of damage settlement within the meaning of Sections 71 and 72 of AoC is thus necessary.

Upon a thorough assessment of the Company's role vis-a-vis the controlling entity and entities controlled by the same controlling entity, the Company's board of directors declares that relations between the Company and the controlling entity and/or entities controlled by the same controlling entity result in no special advantages or disadvantages to the Company.

The Company's role vis-a-vis the controlling entity and entities controlled by the same controlling entity has posed no risk to the Company. Stating whether, how and when damage was or will be settled (within the meaning of Sections 71 and 72 of AoC) is thus not necessary.

The Report on Relations has been prepared to the best of the preparer's knowledge, gained from available supporting materials and documents, and with due managerial care. The information contained in this Report on Relations is accurate and complete.

Prague, 26 March 2018

On behalf of the Company:

Petr Jirásko

Chairman of the Board

Miroslav Hudec

Member of the Board

APPENDIX 1 – STRUCTURE OF RELATIONS WITHIN THE PPF GROUP

List of companies directly or indirectly controlled by the same controlling entity
Controlling entity (person): Ing. Petr Kellner

Comapny name	Identification/ registration number	Country of registration	Method and means of control	Note	Controlled via
AB 2 B.V.	57279667	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 4 B.V.	34186049	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
AB 7 B.V.	57279241	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
Accord Research, s.r.o.	29048974	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Capital Partners Fund B.V.
AF Airfueling s.r.o.	2223953	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 31.5.2017	Prague Entertainment Group B.V.
Air Bank a.s.	29045371	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Airline Gate 1 s.r.o.	2973081	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
ALCAMORA LIMITED v likvidaci	HE 290 379	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	do 29.11.2017	PPF Real Estate Holding B.V.
ALMONDSEY LIMITED	HE 291 856	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.

ALRIK VENTURES LIMITED	HE 318 488	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
ANTHEMONA LIMITED	HE 289 677	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.
ANTHIAROSE LIMITED	HE 224463	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Areál Ďáblice s.r.o.	3762939	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	do 26.4.2017	Office Star Nine s.r.o.
Art Office Gallery a.s.	24209627	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
ASTAVEDO LIMITED	HE 316 792	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Autotým, s.r.o.	3040836	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Lab N.V.
B2S Servisní, a.s. v likvidaci	19013825	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Bestsport holding a.s.	6613161	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 20.11.2017	Prague Entertainment Group B.V.
Bestsport, a.s.	24214795	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED

BONAK a.s.	5098815	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Bolt Start Up Development a.s.	4071336	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
BORACORA LIMITED	HE 251 936	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC. FIGERA LIMITED
Boryspil Project Management Ltd.	34999054	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest		Pharma Consulting Group Ltd.
Bucca Properties Ltd.	1377468	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
C & R Office Center Two s.r.o.	28227913	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 20.6.2017	Bestsport, a.s.
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Carolia Westminster Hotel Limited	9331282	United Kingdom	Entity controlled by the same controlling entity as joint venture by means of an ownership interest	od 27.1.2017	C.W. Investor S.á.r.l.
Celestial Holdings Group Limited	1471389	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CETIN Finance B.V.	66805589	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
CETIN služby s.r.o.	6095577	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 11.5.2017	Česká telekomunikační infrastruktura a.s.

CF Commercial Consulting (Beijing) Limited	78860280-7	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
CITY TOWER Holding a.s.	2650665	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CJSC "Intrust NN"	1065259035896	Russia	Entity controlled by the same controlling entity by means of an ownership interest		STINCTUM HOLDINGS LIMITED
CJSC "Investments trust"	1037739865052	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
«Closed Joint Stock Insurance Company «Asnova Insurance»"	806000245	Belarus	Entity controlled by the same controlling entity by means of an ownership interest		SEPTUS HOLDING LIMITED, TALPA ESTERO LIMITED, RHASKOS FINANCE LIMITED, SYLANDER CAPITAL LIMITED, ENADOCO LIMITED, ASTAVEDO LIMITED
COLANDS s.r.o.	3883663	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 20.6.2017	Bestsport, a.s.
Comcity Office Holding B.V.	64411761	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
CW Investor S.á.r.l.	B211446	Luxembourg	Entity controlled by the same controlling entity as joint venture by means of an ownership interest	od 27.1.2017	Westminster JV a.s.
Czech Equestrian Team a.s.	019 52 684	Czech republic	Entity controlled by the same controlling entity as joint venture by means of an ownership interest		SUNDOWN FARMS LIMITED
CZECH TELECOM Austria GmbH	229578s	Austria	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.

CZECH TELECOM Germany GmbH	HRB 51503	Germany	Entity controlled by the same controlling entity by means of an ownership interest		Česká telekomunikační infrastruktura a.s.
CzechToll s.r.o.	06315160	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 2.8.2017	PPF a.s.
Česká telekomunikační infrastruktura a.s.	040 84 063	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Infrastructure B.V. PPF A3 B.V.
DADRIN LIMITED	HE 321 173	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		TOLESTO LIMITED
De Reling (Dronten) B.V.	58164235	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
DELIFLEX LIMITED v likvidaci	HE 221 768	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	do 1.5.2017	Celestial Holdings Group Limited
DEVEDIACO ENTERPRISES LIMITED	HE 372136	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	od 9.8.2017	TELISTAN LIMITED
DRAK INVESTMENT HOLDINGS LTD	324472	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest	od 10.7.2017	GONDRA HOLDINGS LTD
Duoland s.r.o.	06179410	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 9.6.2017	Prague Entertainment Group B.V.
Eastern Properties B.V.	58756566	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
eKasa s.r.o.	050 89 131	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 17.5.2017	O2 Czech Republic a.s.

ELTHYSIA LIMITED	HE 290 356	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
ENADOCO LIMITED	HE 316 486	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
ETO LICENSING LIMITED	HE 179 386	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	FACIPERO INVESTMENTS LIMITED
EusebiusBS (Arnhem) B.V.	58169778	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
Favour Ocean Limited	1065678	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
FAYDE INVESTMENTS LIMITED	HE 310 390	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	KARMION HOLDINGS LIMITED FIGERA LIMITED
FELISTON ENTERPRISES LIMITED	HE 152674	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	SALEMONTA LIMITED
FERRYMAT HOLDINGS LIMITED	HE 313289	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	KARMION HOLDINGS LIMITED FIGERA LIMITED
FIGERA LIMITED	HE 251 908	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
Filcommerce Holdings, Inc	CS 201 310 129	Philippines	Entity controlled by the same controlling entity by means of an ownership interest	od 5.9.2017 HC Philippines Holdings B.V

FLOGESCO LIMITED	HE 172588	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	od 3.7.2017	Gilbey Holdings Limited
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
FOSOL ENTERPRISES LIMITED	HE 372077	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	od 9.8.2017	DEVEDIACO ENTERPPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
GALIO INVESTMENTS LIMITED	HE 310 260	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED
					FIGERA LIMITED
Garco Group B.V.	34245884	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		GLANCUS INVESTMENTS INC.
Gen Office Gallery a.s.	24209881	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Gilbey Holdings Limited	HE182860	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	od 3.7.2017	BUCCA PROPERTIES LTD.
GLANCUS INVESTMENTS INC.	1396023	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
GONDRA HOLDINGS LTD	324452	Cayman Islands	Entity controlled by the same controlling entity by means of an ownership interest	od 10.7.2017	Salonica Holdings Limited

GRACESPRING LIMITED	HE 208 337	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Celestial Holdings Group Limited
Grandview Resources Corp.	1664098	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	Bavella B.V.
Guangdong Home Credit Number Two Information Consulting Co., Ltd.	91440000767328941H	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit Asia Limited
HC Asia B.V.	34253829	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
HC Broker, s.r.o.	29196540	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit a.s.
HC Consumer Finance Philippines, Inc	CS 201301354	Philippines	Entity controlled by the same controlling entity by means of an ownership interest	HC Philippines Holdings B.V.
HC Advisory services s.r.o.	1487779	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
HC Philippines Holdings B.V.	35024270	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	HC Asia B.V.
HCPH FINANCING 1, INC.	CS 201 727 565	Philippines	Entity controlled by the same controlling entity by means of an ownership interest	od 22.8.2017 HC Philippines Holdings B.V
Hofplein Offices (Rotterdam) B.V.	64398064	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
Home Credit a.s.	26978636	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit International a.s.
Home Credit Asia Limited	890063	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest	HC Asia B.V.

Home Credit B.V.	34126597	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Financial Holdings B.V.
Home Credit Consumer Finance Co., Ltd	91120116636067462H	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Egypt Trade S.A.E.	50614	Egypt	Entity controlled by the same controlling entity by means of an ownership interest		HC Philippines Holdings B.V.
HOME CREDIT EUROPE PLC	7744459	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Home Credit Group B.V.	69638284	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	od 21.9.2017	PPF Financial Holding B.V.
Home Credit India B.V.	52695255	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC047448	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit India B.V., Home Credit International a.s.
HOME CREDIT INDIA STRATEGIC ADVISORY SERVICES PRIVATE LIMITED	U74999HR2017FTC070364	Republic of India	Entity controlled by the same controlling entity by means of an ownership interest	od 16.8.2017	Home Credit India B.V., Home Credit International a.s.
Home Credit Indonesia B.V.	52695557	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		HC Asia B.V.
Home Credit International a.s.	60192666	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Lab N.V.	52695689	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit Slovakia, a.s.	36234176	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.

Home Credit US Holding, LLC	5467913	USA	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Home Credit US, LLC	5482663	USA	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit US Holding, LLC
Home Credit Vietnam Finance Company Limited	307672788	Vietnam	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
HOPAR LIMITED	HE 188 923	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF PROPERTY LIMITED
Horse Arena s.r.o.	044 79 823	Czech republic	Entity controlled by the same controlling entity as joint venture by means of an ownership interest		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest		Ing. Petr Kellner
4Local, s.r.o.	24161357	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		O2 Czech Republic a.s.
INTENS Corporation s.r.o.	28435575	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 17.1.2017	Bolt Start Up Development a.s.
Izotrem Investments Limited	HE 192753	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	od 3.7.2017	Gilbey Holdings Limited
JARVAN HOLDINGS LIMITED	HE 310 140	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V. FIGERA LIMITED
JH Media Services Plus s.r.o.	4002423	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Bestsport, a.s.

Johan H (Amsterdam) B.V.	58163239	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Joint Stock Company "Gorod Molodogo Pokolenija"	1027700473756	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
Joint Stoct Company "Sibzavod Centre"	1035501017221	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC Trust - Invest
JONSA LIMITED	HE 275 110	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited FIGERA LIMITED
JSC Yugo - Vostochnaya promyshlennaya kompaniya "KARTONTARA"	1037700008895	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
JSC HC Kazakhstan	70-700-1910-AO	Kazakhstan	Entity controlled by the same controlling entity by means of an ownership interest	do 13.3.2017	HC Asia B.V.
KARMION HOLDINGS LIMITED	HE 312 004	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Karperstraat (Amsterdam) B.V.	58163883	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Kateřinská Office Building s.r.o.	3495663	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate s.r.o.
Komodor LLC	32069917	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	od 03.7.2017	West Logistic Park LLC
Langen Property B.V.	61012777	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Letiště Praha Letňany, s.r.o.	24678350	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 31.5.2017	Prague Entertainment Group B.V.

Letňany Air Land s.r.o.	06138462	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 31.5.2017	Prague Entertainment Group B.V.
Letňany Air Logistics s.r.o.	06138411	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 31.5.2017	Prague Entertainment Group B.V.
Letňany eGate s.r.o.	06137628	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 31.5.2017	Prague Entertainment Group B.V.
Letňany Park Gate s.r.o.	06138446	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 31.5.2017	Prague Entertainment Group B.V.
LINDUS Real s.r.o.	29139309	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		LINDUS SERVICES LIMITED
LINDUS SERVICES LIMITED	HE 281 891	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Bestsport holding a.s.
LLC Alfa South	1077760158618	Russia	Entity controlled by the same controlling entity by means of an ownership interest	do 3.11.2017	GRACESPRING LIMITED
LLC Alians R	1086627000635	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russia	Entity controlled by the same controlling entity by means of an ownership interest		ALMONDSEY LIMITED LLC Charlie Com
LLC Bonus Center Operations	1127746491861	Russia	Entity controlled by the same controlling entity by means of an ownership interest	do 3.1.2017	LLC Home Credit & Finance Bank
LLC BRAMA	1107746950431	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Comcity Kotelnaya	5157746112959	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Comcity Office Holding B.V.

LLC Delta Com	1137746330358	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Comcity Office Holding B.V. Anthemona Limited
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Bavella B.V.
LLC EI Logistic	1020201302472	Russia	Entity controlled by the same controlling entity by means of an ownership interest	do 8.6.2017 TAPADEO LIMITED
LLC ERKO	1044702180863	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Joint Stock Company "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russia	Entity controlled by the same controlling entity by means of an ownership interest	FAYDE INVESTMENTS LIMITED
LLC Financial Innovations	1047796566223	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC Home Credit & Finance Bank
LLC Home Credit & Finance Bank	1027700280937	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V. Home Credit International a.s.
LLC Home Credit Insurance	1027739236018	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
LLC Home Credit Online	1157746587943	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit Lab N.V.
LLC HOMER SOFTWARE HOUSE	35364346	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	REDLIONE LIMITED Home Credit B.V.
LLC Charlie Com	1137746330336	Russia	Entity controlled by the same controlling entity by means of an ownership interest	ALMONDSEY LIMITED LLC Almondsey
LLC ICC Klokovo	1127746186501	Russia	Entity controlled by the same controlling entity by means of an ownership interest	STEPHOLD LIMITED

LLC In Vino	1052309138628	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC Alfa South
LLC K-Development	1077760004629	Russia	Entity controlled by the same controlling entity by means of an ownership interest	JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russia	Entity controlled by the same controlling entity by means of an ownership interest	GALIO INVESTMENTS LIMITED
LLC Kvartal Togliatti	1056320172567	Russia	Entity controlled by the same controlling entity by means of an ownership interest	PPF PROPERTY LIMITED
LLC LB Orel	1135749000793	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC EASTERN PROPERTIES RUSSIA LLC LB Voronezh
LLC LB Voronezh	1133668033872	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC EASTERN PROPERTIES RUSSIA LLC LB Orel
LLC Logistics - A	1115048002156	Russia	Entity controlled by the same controlling entity by means of an ownership interest	ELTHYSIA LIMITED FIGERA LIMITED
LLC Logistika - Rostov	1167746090236	Russia	Entity controlled by the same controlling entity by means of an ownership interest	FERRYMAT HOLDINGS LIMITED
LLC Logistika - Ufa	1150280069477	Russia	Entity controlled by the same controlling entity by means of an ownership interest	TAPADEO LIMITED
LLC MCC Kupi ne kopi	1027700280640	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
LLC Mitino Sport City	1107746473383	Russia	Entity controlled by the same controlling entity by means of an ownership interest	MICROLIGHT TRADING LIMITED
LLC My Gym	5157746112915	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Comcity Office Holding B.V.

LLC Oil Investments	1167746861677	Russia	Entity controlled by the same controlling entity by means of an ownership interest	ANTHIAROSE LIMITED
LLC PPF Life Insurance	1027739031099	Russia	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russia	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russia	Entity controlled by the same controlling entity by means of an ownership interest	Bavella B.V. Grandview Resources Corp.
LLC RAV Agro Orel	1115741001496	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC RAV Agro
LLC RAV Agro Pro	1033600135557	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC RAV Agro LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC RAV Agro Bavella B.V. Grandview Resources Corp.
LLC RAV Myasoproduct - Orel	1135749001684	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC RAV Molokoprodukt
LLC RAV Niva	1023601232522	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC RAV Agro
LLC RAV Niva Orel	1113668051090	Russia	Entity controlled by the same controlling entity by means of an ownership interest	LLC RAV Agro
LLC Razvitie	1155009002609	Russia	Entity controlled by the same controlling entity by means of an ownership interest	VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russia	Entity controlled by the same controlling entity by means of an ownership interest	PPF REAL ESTATE LIMITED

LLC ROKO	5107746049329	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JONSA LIMITED
LLC ROST Agro	1103601000030	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC RAV Agro
LLC Rutar Invest	1137746325640	Russia	Entity controlled by the same controlling entity by means of an ownership interest	do 19.9.2017	STEPHOLD LIMITED
LLC Skladi 104	5009049271	Russia	Entity controlled by the same controlling entity by means of an ownership interest		GABELLI CONSULANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Trigon II B.V.
LLC Sotio	1117746901502	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Sotio	EIN 35-2424961	USA	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
LLC Spectrum	1097746356806	Russia	Entity controlled by the same controlling entity by means of an ownership interest		NIDALEE HOLDING LIMITED
LLC Strata	7702765300	Russia	Entity controlled by the same controlling entity by means of an ownership interest		VELTHEMIA LIMITED
LLC TGK - Trilogy	1155027001030	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC PPF Real Estate Russia
LLC TK Donskoe	1056102003715	Russia	Entity controlled by the same controlling entity by means of an ownership interest	do 21.07.2017	LLC Trust - Invest
LLC Torgovij complex Lipetskiy	1074823001593	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED

LLC Tower	1117746550020	Russia	Entity controlled by the same controlling entity by means of an ownership interest	do 11.8.2017	PPF Real Estate Holding B.V.
LLC Trilogy Services	1155027007398	Russia	Entity controlled by the same controlling entity by means of an ownership interest		Trilogy Park Holding B.V.
LLC Trust - Invest	1057746391306	Russia	Entity controlled by the same controlling entity by means of an ownership interest		JARVAN HOLDINGS LIMITED
LLC Urozhay	1063627011910	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC Yug
LLC Yug	1083627001567	Russia	Entity controlled by the same controlling entity by means of an ownership interest		LLC LB Voronezh
LvZH (Rijswijk) B.V.	58163999	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Maraflex s.r.o.	2415852	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Millennium Tower (Rotterdam) B.V.	56261330	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
MINIFLEX LIMITED v likvidaci	HE 221 915	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	do 25.8.2017	Celestial Holdings Group Limited
Misterine s.r.o.	5249899	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.
mluvii.com s.r.o.	27405354	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Bolt Start Up Development a.s.

MOETON a.s.	27864561	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
Monheim Property B.V.	61012521	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		German Properties B.V.
Monchyplein (Den Haag) B.V.	58163603	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.
Montería, spol. s r.o.	27901998	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF FO Management B.V.
MP Holding 2 B.V.	69457018	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	od 25.8.2017	DEVEDIACO ENTERPPRISES LIMITED
Moranda, a.s.	28171934	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
My Air a.s.	5479070	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Air Bank a.s.
Mystery Services s.r.o.	24768103	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
Naneva B.V.	67400639	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
Net Gate s.r.o.	247 65 651	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		PPF a.s.
NIDALEE HOLDING LIMITED	HE 310 150	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		KARMION HOLDINGS LIMITED FIGERA LIMITED
O2 Business Services, a.s.	50087487	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest		O2 Slovakia, s.r.o.

O2 Czech Republic a.s.	60193336	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Telco B.V. PPF A3 B.V.
O2 Family, s.r.o.	24215554	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	O2 Czech Republic a.s.
O2 Financial Services s.r.o.	5423716	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	O2 Czech Republic a.s.
O2 IT Services s.r.o.	2819678	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	O2 Czech Republic a.s.
O2 Slovakia, s.r.o.	35848863	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest	O2 Czech Republic a.s.
O2 TV s.r.o.	3998380	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	O2 Czech Republic a.s.
Office Star Eight a.s.	27639177	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF PROPERTY LIMITED
Office Star Nine, spol. s r. o.	27904385	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF PROPERTY LIMITED
OJSC „Non-banking Credit and Financial Organization „Home Credit“	807000056	Belarus	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
ORIBASE Pharma SAS	499824670	France	Entity controlled by the same controlling entity by means of an ownership interest	PPF Capital Partners Fund B.V.
PACHATA LIMITED	HE 188 914	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	ANTHIAROSE LIMITED

Paleos Industries B.V.	66846919	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
Pharma Consulting Group Ltd.	34529634	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	HOPAR LIMITED FIGERA LIMITED
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Seven Assets Holding B.V.
PPF a.s.	25099345	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF A3 B.V.	61684201	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF A4 B.V.	63365391	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Advisory (CR) a.s.	25792385	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Advisory (UK) Limited	5539859	United Kingdom	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF ADVISORY (UKRAINE) LIMITED	HE 162 172	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Arena 1 B.V.	59009187	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Art a.s.	63080672	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF a.s.

PPF banka a.s.	47116129	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Financial Holding B.V.
PPF Beer Bidco B.V.	67332722	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Beer IM Holdco B.V.
PPF Beer Holdco 1 B.V.	67330495	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Beer IM Holdco B.V.	67331378	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Beer Holdco 1 B.V.
PPF Beer Topholdco B.V.	67420427	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Capital Partners Fund B.V.	55003982	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Co3 B.V.	34360935	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF banka a.s.
PPF Financial Consulting s.r.o.	24225657	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF banka a.s.
PPF Financial Holdings B.V.	61880353	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF FO Management B.V.	34186296	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Holdings S.á r.l.
PPF GATE a.s.	27654524	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	Ing. Petr Kellner PPF Holdings B.V.

PPF Healthcare N.V.	34308251	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Holdings B.V.	34186294	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Holdings S.á r.l.
PPF Holdings S.á r.l.	B 186335	Luxembourg	Entity controlled by the same controlling entity by means of an ownership interest	Ing. Petr Kellner
PPF Infrastructure B.V.	65167899	Netherlands	stejnou ovládající osobou prostřednictvím majetkové účasti	PPF Arena 1 B.V.
PPF PROPERTY LIMITED	HE 189 164	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	GLANCUS INVESTMENTS INC. FIGERA LIMITED
PPF Real Estate Holding B.V.	34276162	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF REAL ESTATE LIMITED	HE 188 089	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
PPF Real Estate s.r.o.	27638987	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V. Figera Limited
PPF reality a.s.	29030072	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
PPF SECRETARIAL LTD	HE 340708	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF SERVICES LIMITED
PPF SERVICES LIMITED	HE 92432	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PPF Telco B.V.	65167902	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Arena 1 B.V.

Prague Entertainment Group B.V.	63600757	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
PT Home Credit Indonesia	09.03.1.64.100335	Republic of Indonesia	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF a.s.
RAVENSBORNE INVESTMENTS LIMITED v likvidaci	HE 188 284	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	do 18.1.2017 Celestial Holdings Group Limited
RC PROPERTIES S.R.L.	12663031	Romania	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate s.r.o.
Real Estate Russia B.V.	63458373	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.
REDLIONE LTD	HE 178 059	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
REPIENO LIMITED	HE 282 866	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V. GLANCUS INVESTMENTS INC.
Retail Star 22, spol. s r.o.	24132161	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V. FIGERA LIMITED
RHASKOS FINANCE LIMITED	HE 316 591	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
Ruconfin B.V.	55391176	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF banka a.s.
RYAZAN INVESTORS COMPANY LIMITED	HE 180 968	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	GLANCUS INVESTMENTS INC.

RYAZAN SHOPPING MALL LIMITED	HE 180 951	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		RYAZAN INVESTORS COMPANY LIMITED
Saint World Limited	1065677	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SALEMONTO LIMITED	HE 161 006	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		BORACORA LIMITED
Salonica Holding Limited	1949492	British Virgin Islands	Entity controlled by the same controlling entity by means of an ownership interest	od 03.07.2017	Petr Kellner
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazachstan	Entity controlled by the same controlling entity by means of an ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371 R.C.S. Chambery	France	Entity controlled by the same controlling entity by means of an ownership interest	od 1.1.2017	Petr Kellner
SEPTUS HOLDING LIMITED	HE 316 585	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit B.V.
Seven Assets Holding B.V.	58163050	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Shenzhen Home Credit Xinch Consulting Co., Ltd.	91440300796638527A	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Favour Ocean Limited
Shenzhen Home Credit Number One Consulting Co., Ltd.	91440300664174257K	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited
SIGURNO LIMITED	HE 172539	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	od 3.7.2017	Gilbey Holdings Limited
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd.	901510100660467589T	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit Asia Limited

SILINE CONSULTING LIMITED	HE 281 961	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
SILLERUD LIMITED v likvidaci	HE 224 392	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	do 25.8.2017	Celestial Holdings Group Limited
Slovak Trade Company, s.r.o. v likvidácii	36659 061	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest	do 25.1.2017	SILINE CONSULTING LIMITED
Smart home security s.r.o.	6321399	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 18.10.2017	Bolt Start Up Development a.s.
SOTIO a.s.	24662623	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Entity controlled by the same controlling entity by means of an ownership interest		Sotio N.V.
Sotio N.V.	34302290	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
STEPHOLD LIMITED	HE 221 908	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		Celestial Holdings Group Limited
STINCTUM HOLDINGS LIMITED	HE 177 110	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		SALEMONTO LIMITED
SUNDOWN FARMS LIMITED	HE 310 721	Republic of Cyprus	Entity controlled by the same controlling entity as joint venture by means of an ownership interest		Vixon Resources Limited Chelton Properties Limited
Sundown s.r.o. v likvidaci	242 60 479	Czech republic	Entity controlled by the same controlling entity as joint venture by means of an ownership interest	do 6.9.2017	SUNDOWN FARMS LIMITED

SYLANDER CAPITAL LIMITED	HE 316 597	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
TALPA ESTERO LIMITED	HE 316 502	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Home Credit B.V.
TANAINA HOLDINGS LIMITED	HE 318 484	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	TOLESTO LIMITED
TANFORD LIMITED	HE 167 324	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Ing. Petr Kellner
TAPADEO LIMITED	HE 341 777	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	KARMION HOLDINGS LIMITED FIGERA LIMITED
TapMedia s.r.o.	3853365	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	od 28.2.2017 Bolt Start Up Development a.s.
TELISTAN LIMITED	HE 341 864	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	Eastern Properties B.V.
Tesco Mobile ČR s.r.o.	29147506	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest	O2 Czech Republic a.s.
Tesco Mobile Slovakia, s.r.o.	36863521	Slovakia	Entity controlled by the same controlling entity by means of an ownership interest	O2 Slovakia, s.r.o.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Group N.V.
TOLESTO LIMITED	HE 322 834	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V. FIGERA LIMITED
Trilogy Park Holding B.V.	60006609	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest	PPF Real Estate Holding B.V.

Trilogy Park Nizhny Novgorod Holding B.V.	67330355	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trigon Berlin B.V.	55440916	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
Trigon II B.V.	56068948	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Real Estate Holding B.V.
TROMSON ENTERPRISES LIMITED	233665	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
UNILEAVE LIMITED v likvidaci	HE 179 204	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		ANTHIAROSE LIMITED
VELTHEMIA LIMITED	HE 282 891	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest		REPIENO LIMITED
Vixon Resources Limited	144 18 84	British Virgin Islands	Entity controlled by the same controlling entity as joint venture by means of an ownership interest		Ing. Petr Kellner (jednáním ve shodě)
Vox Ventures B.V.	65879554	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		PPF Group N.V.
West Logistics Park LLC	35093235	Ukraine	Entity controlled by the same controlling entity by means of an ownership interest	od 3.7.2017	Izotrem Investments Limited
Westminster JV a.s.	5714354	Czech republic	Entity controlled by the same controlling entity as joint venture by means of an ownership interest	od 16.1.2017	PPF a.s.
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Entity controlled by the same controlling entity by means of an ownership interest		Seven Assets Holding B.V.

WOODBERRY LIMITED	HE 181 999	Republic of Cyprus	Entity controlled by the same controlling entity by means of an ownership interest	do 1.5.2017	Celestial Holdings Group Limited
Zonky s.r.o.	035 70 967	Czech republic	Entity controlled by the same controlling entity by means of an ownership interest		Home Credit International a.s.

CONSOLIDATED ENTITIES

PPF bank own shares in three subsidiaries and therefore prepares consolidated financial statements. The Bank consolidates the following subsidiaries:

(Share in %)	2017	2016
Ruconfin B.V.	100%	100%
PPF Financial Consulting s.r.o.	100%	100%
PPF Co3 B.V.	100%	100%

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

In 2012 the Bank also purchased PPF Financial Consulting, s.r.o. for the purpose of entering the segment of municipal client consultations.

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

KEY CONSOLIDATED FINANCIAL INFORMATION

(under International Financial Reporting Standards (IFRS))

Profit before tax

In millions of CZK	
2011	761
2012	1,146
2013	757
2014	1,022
2015	1,442
2016	1,630
2017	2,118

Total assets

In millions of CZK	
2011	67,064
2012	77,064
2013	105,047
2014	108,884
2015	103,517
2016	136,810
2017	233,055

Key consolidated financial information under International Financial Reporting Standards (IFRS)

In millions of CZK	2017	2016
Assets		
Cash and balances with central banks	157,926	60,032
Assets held for trading	8,919	9,987
Available-for-sale assets	33,777	32,639
Receivables from banks	5,163	5,783
Receivables from customers	26,857	27,983
Other assets	413	386
Total assets	233,055	136,810
Equity and liabilities		
Deposits from banks	38,963	6,819
Deposits from customers	157,211	102,937
Debt securities issued	3,090	2,622
Financial liabilities held for trading	12,936	10,546
Subordinated liabilities	1,459	1,650
Registered capital	769	769
Other components of equity	9,613	8,094
Other liabilities	9,014	3,373
Total equity and liabilities	233,055	136,810
Income statement**		
Net interest income	2,548	2,163
Net fee and commission income	167	202
Net gain on trading and dividend income	625	506
General administrative expenses	-978	-776
Impairment losses	-104	-285
Other operating profit or loss	-140	-180
Income tax expense	-439	-274
Profit or loss for the year	1,679	1,356

Key ratios		
Classified client loans/total client loans	20.88 %	18.30 %
ROAA	0.91 %	1.13 %
ROAE	17.45 %	16.77 %
Assets per employee (in CZK million)*	1,027	625
Administrative expenses per employee (in CZK million)*	4	4
Net profit per employee (in CZK million)*	7	6

* According to the Czech National Bank's methodology

FINANCIAL PART



KPMG Česká republika Audit, s.r.o.

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www.kpmg.cz

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PPF banka a.s. and its subsidiaries (together referred as "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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



Key Audit Matters

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

Loss allowances for loans and receivables to customers

Key audit matter	How the audit matter was addressed
We focused on this matter because of the highly subjective and complex judgements made by the Bank's management in determining the necessity for and then estimating the size of loss allowances against loans.	To address this key audit matter, we performed, among other things, the procedures outlined below:
Loss allowances for loans and receivables to customers at CZK 1,102 million as at 31 December 2017 represent an estimate of the impairment losses incurred within loans and receivables to customers at the balance sheet date in accordance with standard IAS 39 Financial instruments: recognition and measurement.	We critically assessed and challenged the Bank's credit policies and evaluated the processes for identifying impairment indicators as well as the categorisation of receivables according to these policies.
To identify whether objective evidence of impairment exists for the loan exposure, the Bank has set a series of criteria to identify objective impairment evidence. This includes observable data about events such as, among other things, financial difficulties of the client, delinquency in contractual principal or interest payments, insolvency or other restructurings of the loan, worsened financial performance of the borrower. Based on these criteria, the entire loan portfolio is divided into non-impaired loans and impaired loans.	We tested the design, implementation and operating effectiveness of system-based and manual controls over the identification and timely recognition of impaired loans, such as controls relating to the appropriate categorisation of receivables (non-impaired loans, impaired loans), the matching of borrower's repayments to loan instalments and the calculation of days past due of loans, appropriate collateral valuation etc. Testing was performed through inquiries in combination with observation, inspection and re-calculation.
For impaired loans, loss allowances are calculated based on the discounted cash flow method. The key judgment for allowances is determining future cash repayments of these loans, taking into account the estimated value and timing of cash flows as well as estimating the recoverable value of the underlying collateral.	For a sample of impaired loans, we considered the latest developments in relation to the borrower, any existence of impairment triggers and the basis for measuring the loss allowance. Furthermore, we examined the estimated cash flows from the impaired borrowers. In particular, we also challenged the key assumptions in relation to both the amount and timing of estimated cash flows.
	We performed analytical procedures over the development of loans and related loss allowances during 2017 from a time and structure perspective.
	We assessed the adequacy of the Bank's disclosures on the loss allowances and the

**Key audit matter****How the audit matter was addressed**

For further information, please refer to Note 3 (Summary of significant accounting policies) and Notes 16, 2 and 39 (additional information to captions in consolidated statement of financial position and consolidated statement of comprehensive income).

related credit risk management in the notes to the consolidated financial statements.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of PPF banka a.s. by the General Meeting of Shareholders on 26 April 2017 and our uninterrupted engagement has lasted for 19 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 9 April 2018 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.



Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of PPF banka a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
9 April 2018

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


Jindřich Vašina
Partner
Registration number 2059

PPF banka a.s.
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

<i>In millions of CZK</i>	Note	2017	2016
Interest and similar income	6	2,997	2,739
Interest expense and similar charges	6	(449)	(576)
Net interest and similar income		2,548	2,163
Dividend income		0	1
Fee and commission income	7	221	257
Fee and commission expense	7	(54)	(55)
Net fee and commission income		167	202
Net income from financial operations	8	625	505
Other operating income	9	39	1
<i>Operating income</i>		<i>3,379</i>	<i>2,872</i>
General administrative expenses	10	(978)	(776)
Impairment (loss)/reversal	23	(104)	(285)
Other operating expenses	11	(179)	(181)
<i>Operating expenses</i>		<i>(1,261)</i>	<i>(1,242)</i>
Profit before income tax		2,118	1,630
Income tax expense	20	(439)	(274)
Net profit for the year		1,679	1,356

PPF banka a.s.
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

Other comprehensive income

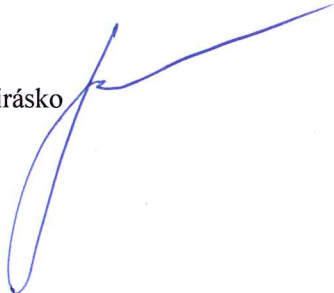
Items that are or may be reclassified to profit or loss

Foreign currency translation differences for foreign operations	(36)	31
Fair value reserve (AFS financial assets):	(151)	214
Net change in fair value	(26)	369
Net amount transferred to profit or loss	(125)	(155)
<i>Deferred tax</i>	29	(41)
Other comprehensive income for the period	(158)	204
Total comprehensive income for the period	1,521	1,560

The notes on pages 8 to 87 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 9 April 2018.

Signed on behalf of the Board of Directors by:

Petr Jirásko



Miroslav Hudec



PPF banka a.s.
Consolidated Statement of Financial Position
As at 31 December 2017

In millions of CZK

	Note	31.12. 2017	31.12. 2016
Assets			
Cash and balances with the central bank	12	157,926	60,032
Trading assets	13	8,919	9,987
Financial assets available for sale	14	33,777	32,639
Loans and advances to banks	15	5,163	5,783
Loans and advances to customers	16	26,857	27,983
Property, plant and equipment	18	36	29
Intangible assets	19	96	57
Other assets	22	281	300
Total assets		233,055	136,810
Liabilities			
Deposits from banks	24	38,963	6,819
Deposits from customers	25	157,211	102,937
Debt securities issued	26	3,090	2,622
Trading liabilities	27	12,936	10,546
Income tax liabilities	28	161	36
Deferred tax liabilities	20	133	164
Provisions	30	182	52
Other liabilities	29	8,538	3,121
Subordinated liabilities	31	1,459	1,650
Total liabilities		222,673	127,947
Shareholders' equity			
Issued capital	33	769	769
Share premium	33	412	412
Retained earnings		8,684	7,007
Foreign currency translation differences for foreign operations		(28)	8
Fair value reserve	34	545	667
Total shareholders' equity		10,382	8,863
Total liabilities and shareholders' equity		233,055	136,810

PPF banka a.s.
Consolidated Statement of Cash Flows
For the year ended 31 December 2017

In millions of CZK

	2017	2016
Cash flows from operating activities		
Profit before income tax	2,118	1,630
Adjustments for:		
Depreciation and amortisation	31	27
Foreign exchange gain/loss	120	(603)
Net impairment loss on investment securities	-	-
Net impairment loss on loans and advances	104	285
Net interest income	(2,548)	(2,163)
Revaluation of financial assets and liabilities through profit and loss	624	65
Net gain/loss on trading assets	(335)	-
Net gain/loss on debt securities issued at fair value through profit or loss	(1)	-
Net gain/loss on the sale of available-for-sale securities	(123)	(155)
Dividends on trading securities	-	(1)
Other adjustments	(160)	173
Operating profit before the change in operating assets and liabilities	(170)	(742)
Changes in:		
Balances with Central bank	(213)	(69)
Trading assets	1,068	5,265
Loans and advances to banks	1,146	(1,891)
Loans and advances to customers	1,324	(1,392)
Other assets	19	444
Trading liabilities	2,390	785
Deposits from banks	32,144	5,161
Deposits from customers	54,274	44,497
Other liabilities and provisions	5,416	(3,043)
	97,398	49,015
Interest received	3,089	2,834
Interest paid	(355)	(505)
Income taxes paid	(347)	(315)
Net cash used in operating activities	99,785	51,029
Cash flow from investing activities		
Acquisition of investment securities	(15,349)	(9,895)
Proceeds from sale of investment securities	13,734	3,629
Acquisition of property and equipment	(22)	(8)
Acquisition of intangible assets	(55)	(22)
Net cash used in investing activities	(1,692)	(6,296)

PPF banka a.s.
Consolidated Statement of Cash Flows
For the year ended 31 December 2017

Cash flow from financing activities		
Proceeds from issue of debt securities	554	970
Repayment of debt securities	(384)	(18,442)
Net cash from financing activities	170	(17,472)
Net increase/(decrease) in cash and cash equivalents	98,263	27,261
Cash and cash equivalents at 1 January	58,679	31,440
Effect of exchange rate fluctuations on cash and cash equivalents held	3	(22)
Cash and cash equivalents at 31 December (see Note 39 (f))	156,945	58,679

PPF banka a.s.
Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

In millions of CZK

	Issued capital	Share Premium	Translation Reserve	Fair value Reserve	Retained Earnings	Total Equity
Balance at 1 January 2017	769	412	8	667	7,007	8,863
Total comprehensive income for the period						
Profit for 2017	-	-	-	-	1,679	1,679
Other liabilities “social fund”	-	-	-	-	(2)	(2)
Other comprehensive income						
Foreign currency translation differences for foreign operations	-	-	(36)	-	-	(36)
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	(122)	-	(122)
Total comprehensive income for the period	769	412	(28)	545	8,684	10,382
Transactions with owners, contribution and distribution to owners						
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2017	769	412	(28)	545	8,684	10,382

PPF banka a.s.
Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

In millions of CZK

	Issued capital	Share Premium	Translation Reserve	Fair value reserve	Retained Earnings	Total Equity
Balance at 1 January 2016	769	412	(23)	494	5,653	7,305
Total comprehensive income for the period						
Profit for 2016	-	-	-	-	1,356	1,356
Other liabilities "social fund"	-	-	-	-	(2)	(2)
Other comprehensive income						
Foreign currency translation differences for foreign operations	-	-	31	-	-	31
Changes in fair value on available-for-sale financial assets, net of tax	-	-	-	173	-	173
Total comprehensive income for the period	769	412	8	667	7,007	8,863
Transactions with owners, contribution and distribution to owners						
Dividends paid	-	-		-	-	-
Balance at 31 December 2016	769	412	8	667	7,007	8,863

PPF banka a.s.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. INTRODUCTION

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

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

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

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

The ultimate controlling entity of the Bank is PPF Group N.V. with registered office in the Netherlands, Amsterdam, Strawinskyalaan 933, PSČ: 1077XX, IČ: 33264887.

The registered office of the Bank:

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

2. STATEMENT OF COMPLIANCE

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

PPF banka a.s.
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are presented in Czech Crowns, which is the Group's functional currency, rounded to the nearest million. The financial statements are prepared on the historical cost basis except for derivative financial instruments, financial assets and liabilities at fair value through profit or loss, and available-for-sale assets.

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements are discussed in Note 5 and estimates with a significant risk of material adjustment in the next year regarding the standards that are not yet effective and are relevant for the financial statements are discussed in Note 4.

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

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

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

In 2012 the Bank also purchased PPF Financial Consulting, s.r.o. for the purpose of entering the segment of municipal client consultations.

The Bank held no interest participation with significant influence in 2017 and 2016.

Therefore, the Bank prepares consolidated financial statements.

PPF banka a.s.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of the control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

PPF banka a.s.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency

(i) *Foreign currency transactions*

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

(ii) *Foreign operations*

The assets and liabilities of foreign operations are translated to Czech crowns at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated to Czech crowns at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the currency translation reserve in equity.

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial consolidated statements of foreign operations.

PPF banka a.s.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

(i) Classification

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

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

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

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

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

Available-for-sale financial assets are financial assets that are not held for trading purposes, designated by the Group, or held to maturity, neither are they classified as loans and receivables. Available-for-sale financial instruments include debt, equity and other investments.

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Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(ii) Recognition

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

(iii) Measurement

Financial instruments are measured initially at fair value increased by transaction costs except for financial instruments measured at fair value through profit or loss, where the transaction costs are expensed immediately.

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

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

(iv) Fair value measurement principles

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

Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation framework

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

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

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

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

Significant valuation issues are reported to the Group Audit Committee.

(v) Gains and losses on subsequent measurement

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

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(vi) Specific financial instruments

Cash and balances with the central bank

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

Loans and advances to banks and customers

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

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

Debt securities issued

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

Subordinated liabilities

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

(vii) Financial Derivatives

For presentation purposes derivatives are split into

- derivatives held for trading; and
- hedging derivatives.

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

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

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

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Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(viii) Embedded Derivatives

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

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

(e) Derecognition

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

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

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

(f) Repurchase transactions

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

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Offsetting

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

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

(h) Impairment

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

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

Loans and advances and held-to-maturity investments

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

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

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

Provisions recognized on a portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and historical record of losses considering significant information about current economic situation. Short term receivables are not discounted.

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Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

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

(i) Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income as they accrue, using the effective yield of the asset or the applicable floating rate. Interest income and expenses includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(j) Fee and commission income

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

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

(k) Penalty fees

Penalty fees that has not been claimed or that has been waived is excluded from profit or loss.

(l) Net income from financial operations

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

(m) Dividend income

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

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

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Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment

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

Buildings	10 – 30 years
Other	1 – 5 years

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

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

(o) Intangible assets

Software and other intangible assets

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

(p) Provisions

Provision means a probable outflow of an uncertain amount and in an uncertain period of time. Provisions are recognised when:

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

(q) Income taxes

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

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial guarantees

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

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE GROUP'S FINANCIAL STATEMENTS

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2017, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations.

IFRS 9 Financial Instruments (effective from 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Group will apply IFRS 9 as issued in July 2014 initially on 1 January 2018. Based on assessments undertaken to date, the estimated adjustment of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 related to impairment requirements (see (ii)) is a reduction in the range of MCZK 300-350.

The above assessment is preliminary and the actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- although parallel runs (of both models according to IAS 39 and IFRS 9) were carried out in the second half of 2017, the new systems and associated controls in place have not been operational and tested for a more extended period; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.

(i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

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

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

A financial asset is classified into one of these categories on initial recognition, see below.

Business model assessment

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

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

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

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

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

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

Most of the Group's loans and receivables contain prepayment features.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Impact assessment

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows:

- Trading assets and derivative assets held for risk management, which are classified as held-for-trading and measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9.
- Loans and advances to Groups and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 will be measured at amortised cost under IFRS 9.
- Debt investment securities that are classified as available-for-sale under IAS 39, will under IFRS 9 be measured at amortised cost or FVOCI, depending on the particular circumstances.
- Equity investment securities that are classified as available-for-sale under IAS 39 will be designated as at FVOCI under IFRS 9 as they are held for long-term strategic purposes.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes do not have any significant impact on the Group's equity.

(i) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining amount of the change in the fair value will be presented in profit or loss.

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes do not have significant impact on the Group's equity.

(ii) Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments.

However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. Under IFRS 9, the Group will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss. Under IAS 39, the Group does not recognise any gain or loss in profit or loss on modifications of financial liabilities and non-distressed financial assets that do not lead to their derecognition.

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, these changes do not have significant impact on the Group's equity.

(iii) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

(iv) Transition

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

The Group will 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 generally be recognised in retained earnings as at 1 January 2018.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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 of certain investments in equity instruments not held for trading as at FVOCI.
- For a financial liability designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

(v) Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under IFRS9, no impairment loss is recognised on equity investments.

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

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade"; and
- other financial instruments (other than lease receivables) and other assets for which credit risk has not increased significantly since initial recognition and days past due less or equal to 30 days. The significant deterioration is defined as a downgrade by 2 notches and more from the origination of the asset.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

Definition of default

Under IFRS 9, the Group will consider a financial asset to be in default when there is available information that:

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

In assessing whether a borrower is in default, the Group will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

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

Credit risk grades

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

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

Credit risk grades will be primary inputs into the determination of the probability of default (PD) development for exposures.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

Determining whether credit risk has increased significantly

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

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

The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if the credit risk grade at the reporting date is determined to have increased – since initial recognition – by 2 notches or more.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. overdrafts), the date when the facility was firstly used could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

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

Modified financial assets

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

Under IFRS 9, when the terms of a financial asset are modified due to borrowers financial difficulties and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly should reflect comparison of:

- the credit risk grade as at the reporting date based on modified terms; with
- the credit risk grade based on data on initial recognition and terms of original contract.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Inputs into measurement of ECLs

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

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived – alone or together – from internally developed statistical models based on own historical data or derived from available market data.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties where there is not enough internally available data for statistical modelling. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group will estimate LGD parameters based on history of recovery rates of claims against defaulted counterparties. If there is not enough internally available data for statistical modelling, the Group will use market data and market standards when assessing LGD parameters.

EAD represents the exposure in the event of default. The Group will derive the EAD from the current exposure to the counterparty. The EAD of a financial asset will be the gross carrying amount at default.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

If modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;

The groupings will be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information will be used to supplement the internally available data.

Forward-looking information

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

The Group plans – based on data availability and credibility of sources – using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers may include variables such as interest rates, unemployment rates, GDP forecasts and other.

Impact assessment

The most significant impact on the Group's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model.

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, the impact of the increase in loss allowances (before tax) will be MCZK 300-350.

Impact on capital planning

The reporting of the Group's regulatory capital on a consolidated basis (for the Bank and its subsidiaries) is not required as, since 2015, reporting and capital management is carried out at the regulated consolidated group of PPF Financial Holdings B.V.

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

IFRS 15 *Revenue from contracts with customers* (Effective for annual periods beginning on or after 1 January 2018).

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

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

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

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to:

- identify a performance obligation – the promise to transfer a good or a service to a customer – in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

The amendments also provide entities with two additional practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities using the full retrospective method only).
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

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

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

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)

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

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

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

IFRIC 22 (Effective for annual periods beginning on or after 1 January 2018)

This Standard provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

IFRIC 23 (Effective for annual periods beginning on or after 1 January 2019)

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

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

IFRS 2 (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

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

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

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

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

The Improvements to IFRSs (2015-2017) (Effective for annual periods beginning on or after 1 January 2019) contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 *Business Combinations*;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 *Joint Arrangements*;
- clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognised past transactions or events that generated distributable profits; and

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4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND ARE RELEVANT FOR THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

- clarify that the entity should eliminate loans received specifically for the purpose of obtaining a qualifying asset from funds it generally borrows, until substantially all activities necessary to prepare that asset for its intended use or sale are complete, because loans received specifically for the purpose of obtaining a qualifying asset should not relate to the loan originally received with the specific goal to obtain a qualifying asset, if the asset is ready for its intended use or sale.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Impairment of loans and receivables

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

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

The Group first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loan or receivable that is not individually significant. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

Objective evidence that a loan or receivable, or a group of loans and receivables, is impaired includes observable data that comes to the attention of the Group about the following loss events:

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(ii) Change in accounting policy

There were no changes in accounting policies during the year 2017 and 2016.

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

In 2017 and 2016 the Group did not identify any changes of financial reporting standards that would affect the Group's financial statements.

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6. NET INTEREST INCOME

	2017 MCZK	2016 MCZK
Interest and similar income		
Cash and balances with the central bank	242	23
Loans and advances to banks	105	64
Loans and advances to customers	1,443	1,869
Of which:		
Not paid interest income from impaired loans	49	3
Not paid interest income from loans with forbearance	40	1
Debt securities	1,207	783
	2,997	2,739
Interest expense and similar charges		
Deposits from banks	73	(27)
Deposits from customers	(193)	(160)
Debt securities issued and short sales	(232)	(218)
Subordinated liabilities	(97)	(171)
	(449)	(576)
Net interest income	2,548	2,163

The Group did not waive any interest on late payment during years 2017 and 2016.

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7. NET FEE AND COMMISSION INCOME

	2017 MCZK	2016 MCZK
Fee and commission income		
Transaction fee with clients	95	146
Fees from guarantees provided	16	24
Fees from administration of shares/bonds issue	25	4
Transaction fee with banks	4	4
Custody fee	18	22
Other	63	57
	221	257
Fee and commission expense		
Transaction fee with other counterparties	(41)	(41)
Transaction fee with banks	(13)	(14)
	(54)	(55)
Net fee and commission income	167	202

8. NET INCOME FROM FINANCIAL OPERATIONS

	2017 MCZK	2016 MCZK
Net profit/(loss) from securities/FX trading	2,002	605
Of which:		
Available-for-sale securities	125	155
Trading securities	106	191
FX trading	1,771	259
Net profit/(loss) from derivatives	(1,377)	(100)
	625	505

9. OTHER OPERATING INCOME

Other operating income is earned from providing the collateral, reinvicing and other similar income.

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10. GENERAL ADMINISTRATIVE EXPENSES

	2017 MCZK	2016 MCZK
Personal expenses		
Wages and salaries	(238)	(239)
Social expenses	(70)	(73)
Responsibility insurance, Pension insurance	(3)	(2)
Remuneration paid to Key management personel*	(40)	(39)
	(351)	(353)
Other general operating expenses		
Gifts	(190)	(139)
Consultancy services	(134)	(108)
Other	(303)	(176)
	(627)	(423)
	(978)	(776)

The average number of employees, members of the Board of Directors, Supervisory Board and executives of the Group in the years 2017 and 2016 was as follows:

	2017	2016
Board of Directors	5	3
Supervisory Board **	6	6
Executives	2	4
Employees **	225	212

*Remuneration paid to Key management personel include remuneration paid to Board of Directors, Supervisory Board and Executives.

**Two employees are also members of Supervisory Board, therefore included in both number of employees and members of Supervisory Board.

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11. OTHER OPERATING EXPENSES

	2017 MCZK	2016 MCZK
Payment to Resolution Fund	(145)	(148)
Depreciation of fixed assets	(31)	(27)
Payment to Deposit Insurance Fund	(1)	(2)
Payment to Guarantee Fund	(2)	(1)
Other	-	(3)
	(179)	(181)

12. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2017 MCZK	31.12.2016 MCZK
Cash on hand	34	70
Balances with the central bank	1,975	1,762
Term deposits with the central bank	2,000	50,500
Reverse repo with the central bank	153,917	7,700
	157,926	60,032

At 31 December 2017 cash and balances with the central bank included balances with the central bank amounting to MCZK 1,975 (31.12.2016: MCZK 1,762) representing the obligatory minimum reserves. Compliance with the requirement to hold a certain level of obligatory minimum reserves is measured using the monthly average of daily closing balances. These funds are not available for the Group's daily business.

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

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13. TRADING ASSETS

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

	31.12.2017 MCZK	31.12.2016 MCZK
Bonds and notes issued by:		
Government	4,679	7,513
Corporate	480	615
Shares and other equity instruments issued by:		
Other issuers	-	-
Positive fair value of derivatives:		
Interest rate contracts	1,696	958
Currency contracts	2,064	901
Of which:		
Listed instruments	5,059	8,266
Unlisted instruments	3,860	1,721
	8,919	9,987

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

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14. FINANCIAL ASSETS AVAILABLE FOR SALE

	31.12.2017 MCZK	31.12.2016 MCZK
Bonds and notes issued by:		
Government	11,496	15,125
Corporate bonds	19,002	14,271
Corporate bills of exchange	3,227	3,188
Shares and other equity instruments issued by:		
Other issuers	52	55
Of which:		
Listed instruments	23,134	27,891
Unlisted instruments	10,643	4,748
	33,777	32,639

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

15. LOANS AND ADVANCES TO BANKS

	31.12.2017 MCZK	31.12.2016 MCZK
Loans to banks	182	247
Money market transactions	2,319	4,782
Other (nostro / current account balances)	994	468
Escrow accounts*	1,668	286
Net loans and advances to banks	5,163	5,783

* The Group provides a cash collateral to banks in order to secure financing of related parties.

During 2017 and 2016 the Group did not create or release any impairment to loans and advances to banks.

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16. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2017 MCZK	31.12.2016 MCZK
Total loans and advances to customers	27,959	29,283
Impairment loss on loans and advances to customers	(1,102)	(1,300)
Net loans and advances to customers	26,857	27,983

Analysis of credit risk concentration according to industry sector and geography is described in Note 39.

Specific allowances for impairment:

	2017 MCZK	2016 MCZK
As at 1 January	1,037	1,026
Impairment losses recognised in the statement of comprehensive income	211	330
Reversal of impairment of loans to customers	(83)	(292)
Use of impairment on loans and receivables	(59)	(35)
Exchange difference	(39)	8
	30	11
As at 31 December	1,067	1,037

Collective allowances for impairment:

	2017 MCZK	2016 MCZK
As at 1 January	263	589
Impairment losses recognised in the statement of comprehensive income	49	358
Reversal of impairment of loans to customers	(123)	(111)
Use of impairment on loans and receivables	(141)	(661)
Exchange difference	(13)	88
	(228)	(326)
As at 31 December	35	263

The consumer loans portfolio is subject to estimation uncertainty as the identification on the individual contract level is not practical due to the large amount of such exposures. The Group has estimated the impairment on loans to customers in accordance with the accounting policy described in Note 5) i. Changes in collection estimates could significantly affect the impairment losses recognised.

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16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The Company creates the collective impairment losses based on the probability of default and loss given default ("LGD"). A change of the LGD parameter by +/- 10%, would result in a change in the allowance for impairment as at 31 December 2017 by +/- CZK 3 million (2016: CZK 26 million).

17. COMPANIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

The Bank consolidates the following subsidiaries:

	Principal place of business	31.12.2017 Share (%)	31.12.2016 Share (%)
Ruconfin B.V.	RU	100%	100%
PPF Financial Consulting s.r.o.	CZ	100%	100%
PPF Co3 B.V.	IND, RI, PH	100%	100%

Investment in subsidiaries

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

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

In 2016 Bank purchased shares of PPF Co3 B.V. with the aim of entering the consumer credit segment in Asia. The Bank purchased 100% share in the company for cash consideration of CZK 8.6 million. The estimated fair value of the company was deemed to be equal to the cash consideration paid. No goodwill has been recognized.

The Bank held no interest participation with significant influence in 2017 and 2016.

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18. PROPERTY, PLANT AND EQUIPMENT

MCZK	Low value fixed assets	Building	Furniture and fittings	Equipment	Fixed assets not in use yet	Total
Cost						
At 1 January 2016	3	16	16	108	-	143
Additions	2	-	-	6	-	8
Disposals	-	-	-	(13)	-	(13)
At 31 December 2016	5	16	16	101	-	138
At 1 January 2017	5	16	16	101	-	138
Additions	-	1	1	16	5	23
Disposals	(2)	(4)	(5)	(22)	-	(33)
At 31 December 2017	3	13	12	95	5	128
Depreciation						
At 1 January 2016	3	1	16	93	-	113
Additions	-	1	-	8	-	9
Disposals	-	-	-	(13)	-	(13)
At 31 December 2016	3	2	16	88	-	109
At 1 January 2017	3	2	16	88	-	109
Additions	-	4	-	10	-	14
Disposals	-	(4)	(5)	(22)	-	(31)
At 31 December 2017	3	2	11	76	-	92
Net book value						
At 31 December 2016	2	14	-	13	-	29
At 31 December 2017	0	11	1	19	5	36

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19. INTANGIBLE ASSETS

MCZK	Software	Total
Cost		
At 1 January 2016	331	331
Additions	22	22
Disposals	-	-
At 31 December 2016	353	353
At 1 January 2017	353	353
Additions	71	71
Disposals	(16)	(16)
At 31 December 2017	408	408
Amortisation		
At 1 January 2016	278	278
Additions	18	18
Disposals	-	-
At 31 December 2016	296	296
At 1 January 2017	296	296
Additions	16	16
Disposals	-	-
At 31 December 2017	312	312
Net book value		
At 31 December 2016	57	57
At 31 December 2017	96	96

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20. DEFERRED TAX LIABILITY/ASSET AND INCOME TAX

Deferred taxes are calculated from all temporary differences between the tax and accounting value of assets and liabilities. To determine the recognised deferred taxes the Group uses the income tax rate applicable in the periods in which deferred taxes are expected to be utilised, i.e. 19% for the following years (in 2017 and 2016 the tax rate in the Czech Republic was 19%). Income tax rate applicable for the country of the subsidiaries' registered seat was 25% (2016: 20%) and 25% (2016: 25%).

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

	31.12.2017 MCZK	31.12.2016 MCZK
Deferred tax assets		
Deferred tax asset from wages and unpaid social and health insurance	18	16
Deferred tax assets	18	16
Deferred tax liabilities		
Deferred tax liability from financial assets available for sale	(128)	(157)
Deferred tax liability from penalty interest not yet collected	(23)	(23)
Deferred tax liabilities	(151)	(180)
Net deferred tax assets (liabilities)	(133)	(164)

The amount of deferred tax relating to changes in the tax rate applicable for the deferred tax calculation is MCZK 0 (2016: MCZK 0). There was no unrecognized item related to deferred tax.

At 31 December 2017 the Group recorded receivables from customers of penalty interest not yet collected of MCZK 119 (31.12.2016: MCZK 118), where the relevant income is not taxable. Therefore, the Group created a deferred tax liability of MCZK 23 (31.12.2016: MCZK 23), all of which was recognised.

A change in deferred tax from financial assets available for sale disclosed as at 31 December 2017 in the amount of MCZK 29 (31.12.2016: MCZK 41) was included in Group's equity through an adjustment to "Fair value reserve".

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20. DEFERRED TAX LIABILITY/ASSET AND INCOME TAX (CONTINUED)

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes and the change in deferred taxes.

	2017	2016
Income tax - current	(433)	(277)
Income tax - related to prior years	(8)	(6)
Income tax - deferred	2	9
Income tax expense	(439)	(274)

Effective tax rate calculation:

	2017 Tax basis MCZK	2017 Tax MCZK	2016 Tax basis MCZK	2016 Tax MCZK
Tax rate		19%; 25%; 25%		19%; 20%; 25%
Profit from operations (before taxation)	2,118		1,630	
Computed taxation using applicable tax rate		416		310
Tax non-deductible expenses	528	100	377	72
Non-taxable income	(236)	(45)	(252)	(48)
Other items	(154)	(30)	(268)	(51)
Income tax (expense)/income - current		(441)		(283)
Effective tax rate		20.8%		17.4%

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21. OPERATING LEASING

Non-cancellable operating lease rentals are payable as follows:

	2017 MCZK	2016 MCZK
Less than one year	33	39
Between one and five years	4	44
More than five years	3	-
Total	40	83

The Group leases branch and office premises under operating leases. The leases typically run for a period of up to 10 years, with an option to renew the lease after that date. The operating leasing expense was MCZK 40 in 2017 (2016: MCZK 26).

22. OTHER ASSETS

	31.12.2017 MCZK	31.12.2016 MCZK
Clearing with securities market	54	48
Prepaid expenses and accrued revenues	29	20
Cash collateral to payment cards	156	188
Other	42	44
Impairment loss on Other assets	-	-
	281	300

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23. IMPAIRMENT LOSSES

	2017 MCZK	2016 MCZK
Creation of allowances – loans and advances to customers	260	688
Release of allowances – loans and advances to customers	(206)	(403)
Use of allowances – loans and advances to customers	(200)	(696)
Write-offs of allowances/assignment – loans and advances to customers	200	708
Creation of provisions – off-balance sheet assets	56	1
Release of provisions – off-balance sheet assets	(6)	(13)
Use of provisions – off-balance sheet assets	-	-
	(104)	(285)

24. DEPOSITS FROM BANKS

	31.12.2017 MCZK	31.12.2016 MCZK
Deposits from banks	38,531	5,938
Other (loro account balances)	432	881
	38,963	6,819

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25. DEPOSITS FROM CUSTOMERS

	31.12.2017 MCZK	31.12.2016 MCZK
Payable on demand		
Corporate customers:		
Financial services	554	1,111
Non-financial institutions	9,982	7,909
Insurance institutions	71	120
Non-profit organisations	300	311
Individuals - entrepreneurs	203	65
Public sector	40,309	26,601
Resident individuals	1,187	1,773
Non-residents:		
Corporate	31,912	37,345
Individuals	1,621	2,427
Total payable on demand	86,139	77,662
Term deposits		
Corporate customers:		
Financial services	39,272	3,494
Non-financial institutions	8,733	6,154
Insurance institutions	6,792	1,907
Non-profit organisations	83	11
Individuals - entrepreneurs	-	141
Public sector	13,019	12,270
Resident individuals	34	45
Non-residents:		
Corporate	2,277	355
Individuals	862	898
Total term deposits	71,072	25,275
	157,211	102,937

Interest is recognised in item Interest expense and similar charges.

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26. DEBT SECURITIES ISSUED

			31.12.2017 MCZK	31.12.2016 MCZK
Financial institutions			2,797	2,313
Non-financial institutions			260	277
Public sector			29	29
Resident individuals			4	3
			3,090	2,622

	interest	maturity	31.12.2017 MCZK	31.12.2016 MCZK
Investment certificates	fixed	2018 - 2020	2,447	2,312
Investment certificates	variable	2022	350	-
Issued notes	fixed	2018 - 2019	293	310
			3,090	2,622

The Bank has not had any defaults of principal or interest or other breaches with respect to its debt securities issued during the years ended 31 December 2017 and 2016.

27. TRADING LIABILITIES

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

	31.12.2017 MCZK	31.12.2016 MCZK
Negative fair value of derivatives:		
Interest rate contracts	1,495	830
Currency contracts	1,950	1,025
Liabilities from short sales of securities	9,491	8,691
	12,936	10,546

28. INCOME TAX LIABILITIES

As of 31 December 2017 a tax liability of MCZK 433 (31.12.2016: MCZK 277) is offset against income tax advances totalling MCZK 266 (31.12.2016: MCZK 213) and tax paid abroad amounting to MCZK 6 (31.12.2016: MCZK 28).

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29. OTHER LIABILITIES

	31.12.2017 MCZK	31.12.2016 MCZK
Blocked accounts	7,756	2,309
Liabilities from clearing	520	534
Payables to suppliers	171	149
Other liabilities to employees	17	15
Accrued expenses and deferred income	17	14
Social and health insurance	6	6
Liabilities from securities transactions	2	1
Other payables	49	93
	8,538	3,121

Blocked accounts chiefly consist of collateral deposits for derivatives totalling MCZK 5,790 (31.12.2016 MCZK 2,195).

30. PROVISIONS

MCZK	Provisions for provided guarantees	Legal provisions	Other provisions	Total
Provisions at 1 January 2017	4	48	-	52
Creation	56	70	10	136
Use	-	-	-	-
Release	(6)	-	-	(6)
Effect on profit for the year	50	70	10	130
Provisions at 31 December 2017	54	118	10	182
Provisions at 1 January 2016	16	41	-	57
Creation	1	7	-	8
Use	-	-	-	-
Release	(13)	-	-	(13)
Effect on profit for the year	(12)	7	-	(5)
Provisions 31 December 2016	4	48	-	52

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

The creation of legal provisions represents mainly an ancillary action of the insolvency trustee concerning the alleged ineffective legal action of the debtor towards the bank.

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31. SUBORDINATED LIABILITIES

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

	MCZK	Year of maturity	31.12.2017	31.12.2016
CZK 1,400 million subordinated debt with a mandatory fixed payment of 6.5%		2023	1,459	1,458
RUB 1,700 million subordinated debt with a mandatory fixed payment of 14%		2017	-	192
			1,459	1,650

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

The Group has not had any defaults of principal, interest or other breaches with respect to its subordinated debt during the years ended 31 December 2017 and 2016.

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32. REPURCHASE AND RESALE AGREEMENTS

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

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

	Carrying amounts of receivables MCZK	Fair value of assets held as collateral MCZK
Loans and advances at 31 December 2017:		
to banks (CNB included)	153,917	151,544
to clients	-	-
Loans and advances at 31 December 2016:		
to banks (CNB included)	8,563	8,404
to clients	1,598	2,263

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing.

Assets sold under repurchase agreements were as follows:

	Carrying amounts of liabilities MCZK	Fair value of assets given as collateral MCZK
Deposits at 31 December 2017:		
to banks	37,799	41,697
to clients	45,390	44,444
Deposits at 31 December 2016:		
to banks	5,204	6,341
to clients	1,599	1,567

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33. ISSUED CAPITAL

	Number of shares	Nominal value Kč	Registered capital MCZK
As at 31 December 2017:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769
As at 31 December 2016:			
	192,131	2,602.5	500
	384,262	700.0	269
	576,393		769

The shareholder structure as at 31 December 2017 was as follows:

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

No members of the management, the Board of Directors or the Supervisory Board held any shares of the Group as at 31 December 2017 or 31 December 2016.

The Group has not introduced any scheme for the purchase of its own shares or provided any remuneration in the form of options to purchase its shares.

All shares of the Group were fully paid. Share premium amounts to MCZK 412 (31.12.2016: MCZK 412).

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34. NATURE AND PURPOSE OF RESERVES

Fair value reserve

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

Foreign currency translation differences for foreign operations

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Ruconfin B.V. and PPF Co3 B.V.

35. DIVIDENDS PAID

No dividends were paid by the Group in 2017 and 2016.

36. PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

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

MCZK	Net profit for the year
Net profit for the year 2017	1,679
Proposed allocation of profit for 2017:	
Transfer to social funds	(2)
Transfer to retained earnings	(1,677)
	-

Social fund is part of Other liabilities.

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37. OFF BALANCE SHEET ITEMS

(a) Commitments and contingent liabilities

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

	31.12.2017 MCZK	31.12.2016 MCZK
Guarantees issued	1,706	2,380
Undrawn credit commitments	5,629	4,797
Letters of credit	31	35
	7,366	7,212

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

(b) Off-balance sheet financial instruments

MCZK	Notional value		Fair value	
	31.12. 2017	31.12. 2016	31.12. 2017	31.12. 2016
<i>Derivatives</i>				
Interest Rate Swaps	134,216	88,861	101	(10)
Interest Rate Forwards	44,100	-	3	-
Foreign Exchange derivatives			103	(124)
Purchase	259,783	144,027		
Sale	259,759	144,151		
Options	2,523	1,432	9	-
Other derivatives			99	138
Purchase	470	528		
Sale	465	533		
			315	4

Other derivatives consisted of futures (2016: futures).

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37. OFF BALANCE SHEET ITEMS (CONTINUED)

(c) Residual maturity of derivatives

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
As at 31 December 2017						
Interest Rate Swaps	901	13,360	60,034	59,921	-	134,216
Interest Rate Forwards	-	44,100	-	-	-	44,100
FX derivatives (purchase)	70,041	59,036	130,706	-	-	259,783
FX derivatives (sale)	70,043	59,077	130,639	-	-	259,759
Options	1,191	1,132	200	-	-	2,523
Other derivatives (purchase)	470	-	-	-	-	470
Other derivatives (sale)	465	-	-	-	-	465
As at 31 December 2016						
Interest Rate Swaps	1,906	8,324	51,674	26,957	-	88,861
FX derivatives (purchase)	58,823	78,115	7,089	-	-	144,027
FX derivatives (sale)	58,828	78,122	7,201	-	-	144,151
Options	-	-	1,432	-	-	1,432
Other derivatives (purchase)	528	-	-	-	-	528
Other derivatives (sale)	533	-	-	-	-	533

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38. FAIR VALUE DISCLOSURES

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

As at 31 December 2017

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and balances with the central bank	4,009	153,917	-	157,926	157,926
Loans and advances to banks	-	5,163	-	5,163	5,163
Loans and advances to customers	-	-	26,740	26,740	26,857
<i>Financial liabilities</i>					
Deposits from banks	-	38,963	-	38,963	38,963
Deposits from customers	-	157,211	-	157,211	157,211
Debt securities issued	-	2,906	-	2,906	3,090
Subordinated liabilities	-	1,499	-	1,499	1,459

As at 31 December 2016

MCZK	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and balances with the central bank	52,332	7,700	-	60,032	60,032
Loans and advances to banks	-	5,783	-	5,783	5,783
Loans and advances to customers	-	-	28,112	28,112	27,983
<i>Financial liabilities</i>					
Deposits from banks	-	6,819	-	6,819	6,819
Deposits from customers	-	102,937	-	102,937	102,937
Debt securities issued	-	2,622	-	2,622	2,622
Subordinated liabilities	-	1,690	-	1,690	1,650

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38. FAIR VALUE DISCLOSURES (CONTINUED)

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

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, product and borrower type, prepayment and delinquency rates, and default probability.

Cash and balances with the central bank

For cash and cash equivalent assets, the carrying value is deemed to be equal to the fair value.

Loans and advances to banks

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

Loans and advances to customers

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

Deposits from banks

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

Deposits from customers

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

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

Debt securities issued

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

Subordinated liabilities

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

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38. FAIR VALUE DISCLOSURES (CONTINUED)

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

	Level 1	Level 2	Level 3	Total
MCZK				
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	4,960	198	-	5,158
Derivatives held for trading	99	3,662	-	3,761
Available-for-sale securities	23,134	10,591	52	33,777
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	9,491	-	-	9,491
Derivatives held for trading	-	3,445	-	3,445
MCZK				
As at 31 December 2016				
Financial assets				
Financial assets at fair value through profit or loss				
Securities held for trading	8,127	-	-	8,127
Derivatives held for trading	138	1,722	-	1,860
Available-for-sale securities	25,753	6,831	55	32,639
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Securities held for trading	8,691	-	-	8,691
Derivatives held for trading	-	1,855	-	1,855

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38. FAIR VALUE DISCLOSURES (CONTINUED)

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

MCZK	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2017	27,983	55	28,038
Profit and loss from revaluation	-	-	-
In profit or loss	-	-	-
In other comprehensive income	-	(3)	(3)
Purchases	-	-	-
Sales	-	-	-
New/ maturity	(1,126)	-	(1,126)
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	-	-
Transfers between portfolios	-	-	-
Balance as at 31 December 2017	26,857	52	26,909

MCZK	Loans and advances to customers	AFS securities	Total
Balance as at 1 January 2017	8,875	-	8,875
Profit and loss from revaluation	-	-	-
In profit or loss	-	-	-
In other comprehensive income	-	-	-
Purchases	-	-	-
Sales	-	-	-
New/ maturity	1,808	-	1,808
Transfers into Level 3	17,300	55	17,355
Transfers out of Level 3	-	-	-
Transfers between portfolios	-	-	-
Balance as at 31 December 2017	27,983	55	28,038

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

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

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39. RISK MANAGEMENT DISCLOSURE

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

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk

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

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

Managing credit risk at individual level

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

When determining creditworthiness, the Group also specifies the likelihood of a client's default and what the expected loss relating to the Group's potential engagement in respect to the client may be.

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

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Credit risk management at the portfolio level

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

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

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

To determine the impairment loss, the Group applies the method of discounting estimated future cash flows. The loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The original effective interest rate is the effective interest rate ascertained upon the establishment of the receivable. The Group classifies its receivables from financial activities on a monthly basis in line with the relevant decree of the CNB.

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of not impaired and individually impaired assets by risk grade.

Loans and advances to banks

	31.12.2017		31.12.2016	
MCZK	Gross	Net	Gross	Net
Not impaired <i>Standard</i>	5,163	5,163	5,783	5,783
Total	5,163	5,163	5,783	5,783

There was no accrued interest to individually impaired loans and advances to banks as at 31 December 2017 and 2016.

Loans and advances to customers (individually impaired)

	31.12.2017		31.12.2016	
MCZK	Gross	Net	Gross	Net
<i>Standard</i>	22,012	22,012	23,139	23,139
<i>Watched</i>	1,076	1,076	769	769
<i>Sub-standard</i>	1,157	1,157	1,965	1,890
<i>Doubtful</i>	543	484	100	39
<i>Loss loans</i>	3,024	2,016	2,235	1,334
Total	27,812	26,745	28,208	27,171

The accrued interests to individually impaired loans and advances to customers represented as at 31 December 2017 MCZK 160 (31.12.2016: MCZK 23).

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Loans and advances to customers (individually impaired)

	2017 MCZK	2016 MCZK
Gross		
Not impaired	24,245	23,912
Due	24,028	23,571
Past due 1 – 90 days	215	338
Past due 91 – 360 days	-	3
Past due more than 360 days	2	-
Impaired	3,567	4,296
Allowances for impairment	(1,067)	(1,037)
Net	26,745	27,171
Total	26,745	27,171

Loans and advances to customers (collectively impaired)

	2017 MCZK	2016 MCZK
Gross	147	1 075
Due	100	701
Past due 1 – 90 days	9	81
Past due 91 – 360 days	38	293
Past due more than 360 days	-	-
Allowances for impairment	(35)	(263)
Net	112	812
Total	112	812

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Other assets – Past due, but not impaired

As at 31 December 2017 the Group reported MCZK 0 of Other assets as “Past due, but not impaired” (31.12.2016: MCZK:5).

Evaluation of collateral

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

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

The net realisable value of the collateral assessed by the Group is usually based on an opinion prepared by an expert acceptable to the Group. The net realisable value of the collateral is determined using this value and a coefficient reflecting the Group’s ability to realise the collateral when necessary.

Loans with renegotiated terms and the Group’s forbearance policy

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

In 2014, the Group implemented new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Group has decided to grant a concession to a debtor. A forbearance measure can be either a modification of terms and conditions or the refinancing of the contract. The modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

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

	31.12.2017 MCZK	31.12.2016 MCZK
Not impaired	24,245	23,908
Of which:		
Loans and advances to customers with forbearance:	1,140	-
Impaired	2,612	4,075
Of which:		
Loans and advances to customers with forbearance:	1,541	2,004
Total	26,857	27,983

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

	31.12.2017 MCZK	31.12.2016 MCZK
Loans and advances to customers without forbearance:	24,176	25,979
Residents:		
Financial institutions	1,723	1,545
Non-financial institutions	13,365	11,477
Households/Individuals	192	236
Public sector	-	21
Non-residents	8,896	12,700
Loans and advances to customers with forbearance:	2,681	2,004
Residents:		
Financial institutions	-	-
Non-financial institutions	-	31
Households/Individuals	-	-
Public sector	-	-
Non-residents	2,681	1,973
Total	26,857	27,983

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

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

	31.12.2017	31.12.2016
	MCZK	MCZK
Bank guarantees	2,685	3,579
Property	9,007	7,872
Unsecured	15,165	16,532
Total	26,857	27,983

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

	31.12.2017	31.12.2016
	MCZK	MCZK
Bank guarantees	2,614	3,282
Property	1,510	635
Unsecured	721	927
Total	4,845	4,844

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Concentration of credit risks

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

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

The Group did not exceed any exposure limits towards individual debtors or related parties.

Since 2014, the Group has been calculating the capital requirement for credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard under the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

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

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Financial institutions	5,163	5,783	4,944	5,339	16,797	13,841
Public sector	-	-	-	21	16,174	22,638
Non-financial institutions	-	-	21,544	21,489	5,912	4,233
Of which: Real estate	-	-	10,377	10,814	-	-
Households/Individuals	-	-	369	1,134	-	-
	5,163	5,783	26,857	27,983	38,883	40,712

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

ii) Concentration of credit risks according to geographical sectors

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Czech Republic	2,095	2,252	15,279	13,311	19,570	27,355
Slovak Republic	-	-	803	477	-	-
Russia	456,	687	2,097	3,221	136	316
Republic of Cyprus	-	-	1,299	2,228	-	-
Vietnam	-	-	439	604	-	-
Netherlands	1	132	1,306	2,685	3,222	2,821
United Kingdom	412	1,116	591	557	864	1,019
Republic of Maldives	-	-	755	1,201	-	-
Georgia	-	-	390	429	-	-
Hungary	-	-	730	692	-	-
Romania	-	-	1,140	1,197	-	-
Luxembourg	-	-	520	541	2,499	1,981
India	289,	26	-	-	4,796	1,559
Belarus	182	247	-	-	-	-
United States of America	942	557	-	-	1,473	1,002
Germany	266	126	-	-	472	392
France	473	477	-	-	128	135
United Mexican States	-	-	-	-	621	-
Ireland	-	-	-	-	755	578
Turkey	-	-	-	-	544	129
Other	47	163	1,508	840	3,803	3,425
	5,163	5,783	26,857	27,983	38,883	40,712

iii) Concentration of credit risks according to rating

MCZK	Loans and advances to banks		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
AAA - BBB	3,809	3,838	23,955	27,964
BB	1,166	1,551	11,037	7,931
B	188	394	3,891	4,817
CCC - C	-	-	-	-
D	-	-	-	-
	5,163	5,783	38,883	40,712

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(a) Credit risk (continued)

Maximum credit exposure

MCZK	Loans and advances to banks		Loans and advances to customers		Debt securities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Carrying amount	5,163	5,783	26,857	27,983	38,883	40,712
					Commitments, guarantees and letters	
MCZK					31.12.2017	31.12.2016
Amount committed/guaranteed					7,366	7,212

(b) Liquidity risk

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(b) Liquidity risk (continued)

Residual maturity of the Group's assets and liabilities

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Cash and balances with the central bank	157,926	-	-	-	-	157,926
Trading assets	844	437	1,428	6,210	-	8,919
Financial assets available for sale	3,297	2,382	16,020	12,026	52	33,777
Loans and advances to banks	3,339	26	1,798	-	-	5,163
Loans and advances to customers	2,592	3,890	15,341	3,801	1,233	26,857
Investments and other assets	-	-	-	-	413	413
Total	167,998	6,735	34,587	22,037	1,398	233,055
Deposits from banks	38,963	-	-	-	-	38,963
Deposits from customers	135,379	15,870	3,957	2,005	-	157,211
Debt securities issued	805	140	2,145	-	-	3,090
Trading liabilities	538	457	3,978	7,963	-	12,936
Tax and other liabilities and provisions	8,566	161	-	-	287	9,014
Subordinated liabilities	-	66	-	1,393	-	1,459
Shareholders' equity	-	-	-	-	10,382	10,382
Total	184,251	16,694	10,080	11,361	10,669	233,055
At 31 December 2016						
Cash and balances with the central bank	60,032	-	-	-	-	60,032
Trading assets	607	426	916	8,038	-	9,987
Financial assets available for sale	572	4,754	14,849	12,412	52	32,639
Loans and advances to banks	5,295	27	461	-	-	5,783
Loans and advances to customers	3,408	4,040	12,274	7,239	1,022	27,983
Investments and other assets	-	-	-	-	386	386
Total	69,914	9,247	28,500	27,689	1,460	136,810
Deposits from banks	4,161	2,658	-	-	-	6,819
Deposits from customers	84,390	15,824	2,723	-	-	102,937
Debt securities issued	-	277	2,345	-	-	2,622
Trading liabilities	502	347	3,183	6,514	-	10,546
Tax and other liabilities and provisions	3,032	36	-	-	305	3,373
Subordinated liabilities	6	252	0	1,392	-	1,650
Shareholders' equity	-	-	-	-	8,863	8,863
Total	92,091	19,394	8,251	7,906	9,168	136,810
At 31 December 2017						
Commitments provided	2,991	1,975	614	48	-	5,628
Guarantees provided	381	85	244	211	-	921
Total	3,372	2,060	858	259	-	6,549
At 31 December 2016						
Commitments provided	3,259	2,462	1,455	180	-	7,356
Guarantees provided	525	107	276	481	-	1,389
Total	3,784	2,569	1,731	661	-	8,745

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(b) Liquidity risk (continued)

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

MCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Deposits from banks	38,962	-	-	-	-	38,962
Deposits from customers	135,356	15,910	3,980	2,033	-	157,279
Debt securities issued	805	140	2,146	-	-	3,091
Trading liabilities	538	457	3,978	7,963	-	12,936
Subordinated liabilities	-	91	364	1,484	-	1,939
Total	175,661	16,598	10,468	11,480	-	214,373
At 31 December 2016						
Deposits from banks	4,161	2,658	-	-	-	6,819
Deposits from customers	84,393	15,844	2,740	-	-	102,977
Debt securities issued	-	277	2,346	-	-	2,623
Trading liabilities	552	347	3,183	6,514	-	10,596
Subordinated liabilities	14	270	364	1,598	-	2,246
Total	89,120	19,396	8,633	8,112	-	125,261

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Trading

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

Value at risk

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

MCZK	31 December 2017	Average for 2017	31 December 2016	Average for 2016
VaR of interest instruments	9	13	11	13
VaR of currency instruments	2	4	1	4
VaR of equity instruments	-	-	-	2

The data in the table above is based primarily on the individual basis taking into account the data of the subsidiaries.

Stress testing

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

i) Currency risk

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

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

Currency risk exposure

MCZK	CZK	EUR	USD	RUB	Other	Total
At 31 December 2017						
Monetary assets	184,487	32,451	13,606	1,295	1,084	232,923
Monetary liabilities	174,661	32,493	13,490	949	1,080	222,673
Net exposure	9,826	(42)	116	346	4	
At 31 December 2016						
Monetary assets	102,067	16,881	13,911	1,498	2,363	136,720
Monetary liabilities	93,570	16,878	13,806	1,321	2,372	127,947
Net exposure	8,497	3	105	177	(9)	

ii) Interest rate risk

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

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

Interest sensitivity of the Group's assets and liabilities

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

mil. Kč	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
At 31 December 2017						
Cash and balances with the central bank	157,926	-	-	-	-	157,926
Trading assets	844	1,775	1,398	4,902	-	8,919
Financial assets available for sale	5,041	12,365	13,686	2,633	52	33,777
Loans and advances to banks	3,495	-	1,668	-	-	5,163
Loans and advances to customers	14,178	6,833	3,964	126	1,756	26,857
Investments and other assets	-	-	-	-	413	413
Total	181,484	20,973	20,716	7,661	2,221	233,055
Deposits from banks	38,963	-	-	-	-	38,963
Deposits from customers	135,379	15,870	3,957	2,005	-	157,211
Debt securities issued	805	140	2,145	-	-	3,090
Trading liabilities	539	5,027	3,574	3,796	-	12,936
Tax and other liabilities and provisions	8,566	161	-	-	287	9,014
Subordinated liabilities	-	66	-	1,393	-	1,459
Shareholders' equity	-	-	-	-	10,382	10,382
Total	184,252	21,264	9,676	7,194	10,669	233,055
Gap	(2,768)	(291)	11,040	467	(8,448)	-
Cumulative gap	(2,768)	(3,059)	7,981	8,448	-	-
At 31 December 2016						
Cash and balances with the central bank	60,032	-	-	-	-	60,032
Trading assets	610	2,355	916	6,106	-	9,987
Financial assets available for sale	5,489	13,288	12,619	1,191	52	32,639
Loans and advances to banks	5,783	-	-	-	-	5,783
Loans and advances to customers	18,089	5,225	2,760	887	1,022	27,983
Investments and other assets	-	-	-	-	386	386
Total	90,003	20,868	16,295	8,184	1,460	136,810
Deposits from banks	4,161	2,658	-	-	-	6,819
Deposits from customers	84,390	15,824	2,723	-	-	102,937
Debt securities issued	-	277	2,345	-	-	2,622
Trading liabilities	502	3,473	1,599	4,972	-	10,546
Tax and other liabilities and provisions	3,032	37	-	-	304	3,373
Subordinated liabilities	6	252	-	1,392	-	1,650
Shareholders' equity	-	-	-	-	8,863	8,863
Total	92,091	22,521	6,667	6,364	9,167	136,810
Gap	(2,088)	(1,653)	9,628	1,820	(7,707)	-
Cumulative gap	(2,088)	(3,741)	5,887	7,707	-	-

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

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

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

Effective yield information

The effective yields on significant categories of financial assets and liabilities of the Group as at 31 December 2017 and 2016 were as follows:

In %	2017	2016
<i>Financial assets</i>		
Cash and balances with the central bank	0.49	0.05
Trading assests*	1.44	2.14
Financial assets available for sale*	3.49	2.37
Loans and advances to banks	0.62	0.94
Loans and advances to customers	5.24	6.94
<i>Financial liabilities</i>		
Deposits from banks	-0.53	0.30
Deposits from customers	-1.02	0.16
Debt securities issued	0.60	0.05
Trading liabilities	1.82	1.80

Note:

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

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

Basis point value

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

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

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

As at 31 December 2016 BPVs for individual currencies were as follows:

MCZK Currency	Banking Book BPV	Trading book BPV
CZK	9	74
EUR	(35)	9
USD	(216)	(54)
RUB	1	-
JPY	-	-
KZT	-	-
UAH	-	-
GBP	-	(1)
VND	-	-
Total BPV (absolute)	261	138

The data in the table above is based primarily on the individual basis taking into account the data of the subsidiaries.

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(c) Market risk (continued)

Stress testing

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

MCZK	2017		2016	
	100 bp parallel increase	100 bp parallel decrease	100 bp parallel increase	100 bp parallel decrease
At 31 December	300	417	330	239
Average for the period	232	308	187	113
Maximum for the period	333	417	330	239
Minimum for the period	80	196	28	52

The data in the table above is based primarily on the individual basis taking into account the data of the subsidiaries.

iii) Equity risk

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

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

iv) Settlement risk

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

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(d) Operational risk

Operational risks

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

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

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

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

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

39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(d) Operational risk (continued)

Other risks

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

The Compliance department performs activities whose purpose is to achieve accord of the Group's internal policies and processes with external regulations. The main compliance activities is to ensure compliance of internal guidelines, external standards, mutual compliance of internal guideliness, compliance of Group's activities with internal guidelines and external standards and ongoing monitoring of compliance of legal obligations and responsibilities arising from the internal regulations of the Group, to establish preconditions for achieving this accord, to establish preconditions for fair provision of services to customers and to refrain from giving preferential treatment to the Group and its employees compared to the customers, to prevent conflict of interest, and to mitigate acts which would result in the market abuse. It further performs anti money laundering and combatting financial terrorism activities (AML-CFT) and controls these activities and handles claims and complaints.

Where some of the compliance activities is not performed directly by the Compliance department but delegated to another department of the Group, Group's managers or Group's employees the Compliance department shall act as a coordinator.

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

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39. RISK MANAGEMENT DISCLOSURE (CONTINUED)

(e) Capital management

Regulatory capital

The reporting of the Group's regulatory capital on a consolidated basis (for the Bank and its subsidiaries) is not required as, since 2015, reporting and capital management is carried out at the regulated consolidated group of PPF Financial Holdings B.V.

(f) Components of cash flow statement

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

MCZK	31.12.2017	31.12.2016
Cash on hand	34	70
Term deposits at the central bank	2,000	50,500
Nostro account balances	994	409
Reverse repo with the central bank	153,917	7,700
Total	156,945	58,679

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40. RELATED PARTY TRANSACTIONS

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

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

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

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

(a) Transaction with the parent company

Below stated balances are included in statement of financial position and represented transactions with the parent company:

	31.12.2017 MCZK	31.12.2016 MCZK
Deposits from customers	(5,996)	(5,068)
Total	(5,996)	(5,068)

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

Below stated figures are included in statement of comprehensive income and represented transactions with the parent company:

	2017 MCZK	2016 MCZK
Fee and commission income	1	2
Total	1	2

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Notes to the Consolidated Financial Statements
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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transaction with other related parties

Below stated balances are included in statement of financial position and represented transactions with other related parties:

	31.12.2017 MCZK	31.12.2016 MCZK
Trading assets	633	745
Financial assets available for sale	6,965	3,670
Loans and advances to banks	755	153
Loans and advances to customers	1,808	3,135
Other assets	13	8
Deposits from customers	(17,602)	(17,350)
Deposits from banks	(399)	(552)
Trading liabilities	(723)	(107)
Debt securities issued	(166)	-
Other liabilities	(435)	(847)
Subordinated liabilities	(758)	(192)
Total	(9,909)	(11,337)

Below stated figures are included in statement of comprehensive income and represented transactions with other related parties:

	2017 MCZK	2016 MCZK
Interest expense and similar income	694	203
Interest expense and similar charges	(71)	(39)
Fee and commission income	46	61
Fee and commission expense	-	-
Net trading income	(611)	699
Net impairment losses on financial assets	-	(17)
Other operating income	34	-
Subordinated liabilities		(80)
General administrative expenses	(155)	(120)
Total	(63)	707

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Notes to the Consolidated Financial Statements

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40. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

Below stated balances are included in statement of financial position and represented transactions with Key management personnel:

MCZK	31.12.2017	31.12.2016
Deposits from customers	(28)	(34)

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

Below stated balances are included in statement of other comprehensive income and represented transactions with Key management personnel:

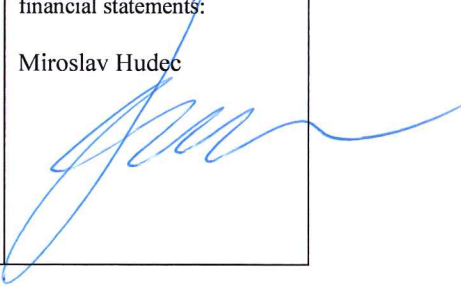
MCZK	2017	2016
Net income from financial operations	(1)	-

(d) Off balance sheet items

As a related party transaction, as at 31 December 2017 the Group provided a credit commitment to related parties of MCZK 554 (31.12.2016: MCZK 686), guarantee commitment of MCZK 0 (31.12.2016: MCZK 100) and guarantee in the amount of MCZK 1 (31.12.2016: MCZK 0).

41. SUBSEQUENT EVENTS

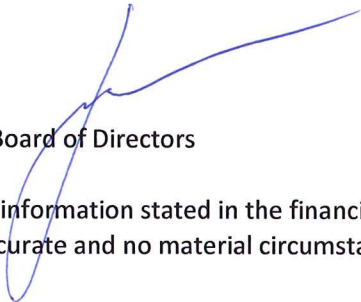
There have been no events subsequent to the balance sheet date that require adjustment or disclosure in the financial statements or notes thereto.

Date: 9 April 2018	Stamp and signature of the statutory body of the Bank:  PPF Banka PPF banka a.s. Evropská 2690/17 P.O. BOX 177 160 41 Praha 6 DIČ CZ47116129 ③	Individual responsible for accounting: Lenka Němcová 	Individual responsible for financial statements: Miroslav Hudec 
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Data on persons responsible for the annual report and examination of the financial statements

Affirmation

I declare that the information stated in the presentation part of the annual report of PPF banka a.s. for 2017 is accurate and no material circumstances have been neglected or distorted.



Petr Jirásko
Chairman of the Board of Directors

I declare that the information stated in the financial part of the annual report of PPF banka a.s. for 2017 is accurate and no material circumstances have been neglected or distorted.



Miroslav Hudec
Managing Director of Financial Management

Prague, 9 April 2018

Contacts

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