VB LEASING, A. S.

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2015

(IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION)

AND INDEPENDENT AUDITOR'S REPORT

CONTENTS

Auditor's report

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015
(In thousands of Euro)

	note	2015	2014
Interest income	3	9,404	10,332
Interest expense	3	(1,437)	(2,468)
Net interest income		**7,967**	**7,864**
Fee and commission income	4	1,155	1,067
Fee and commission expense	5	(62)	(84)
Net fee and commission income		**1,094**	**982**
Net trading income	6	(0)	(0)
Other operating income	7	205	199
Non-interest income		**1,299**	**1,181**
Operating income		**9,266**	**9,045**
Staff costs	8	(2,895)	(3,389)
Other operating expenses	9	(3,068)	(2,991)
Net impairment loss	10	(3,687)	(884)
Operating expenses		**(9,651)**	**(7,264)**
(Loss) / Profit before taxation		**(384)**	**1,782**
Income tax expense	11	(516)	(4,589)
(Loss) / Profit after taxation		**(900)**	**(2,807)**
Other comprehensive income			
Net movement on cash flow hedges			
Income tax effect			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year			

The notes on pages 8 to 43 form an integral part of these separate financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015
(In thousands of Euro)

	note	2015	2014
Investment in subsidiary	12	4	4
Intangible assets	13	22	217
Property, plant and equipment	14	102	406
Non-current portion of amounts due from finance leases, hire purchase contracts and consumer loans	15	68,278	92,162
Deferred tax asset	18	1,478	1,659
Non-current assets		**69,884**	**94,449**
Amounts due from finance leases, hire purchase contracts and consumer loans	15	54,562	60,041
Other receivables	16	35,408	588
Inventory			1
Deferred charges and accrued income		26	120
Cash at bank and in hand		8,707	3,774
Current assets		**98,703**	**64,524**
Total assets		**168,588**	**158,973**
Share capital	27	4,149	4,149
Legal reserve fund	28	237	237
Revaluation of derivative financial instruments		(485)	(455)
Profit of the current year		(900)	(2,807)
Retained earnings		2,732	5,539
Shareholder's equity		**5,732**	**6,663**
Borrowings	19	157,926	149,106
Amounts payable to customers	20	2,057	988
Amounts payable to suppliers	21	97	288
Corporate income tax liability	16	324	3
Other payables	22	1,293	1,095
Accrued charges and deferred income		0	1
Fair value of derivatives	23	339	702
Provisions	24	819	127
Current liabilities		**162,856**	**152,310**
Total liabilities		**162,856**	**152,310**
Total shareholder's equity and liabilities		**168,588**	**158,973**

The notes on pages 8 to 43 form an integral part of these separate financial statements.
The financial statements were approved by the Board of Directors on 30 March 2016 and signed on its behalf by:

Richard Daubner
Statutory Representative

Michal Hollý
Statutory Representative

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015
(In thousands of Euro)

	Share capital	Legal reserve fund	Revaluation of derivative financial instruments	Profit of the current year	Retained earnings	Total
Balance at 1 January 2014	**4,149**	**186**	**(199)**	**1,021**	**13,569**	**18,726**
Allocations from profit		51		(1,021)	970	
Dividends					(9,000)	(9,000)
Revaluation of derivatives financial instruments			(256)			(256)
Profit for the year 2014				(2,807)		(2,807)
Balance at 31 December 2014	**4,149**	**237**	**(455)**	**(2,807)**	**5,539**	**6,663**
Allocations from profit				2,807	(2,807)	
Dividends						
Revaluation of derivatives financial instruments			(31)			(31)
Profit for the year 2015				(900)		(900)
Balance at 31 December 2015	**4,149**	**237**	**(486)**	**(900)**	**2,732**	**5,732**

The notes on pages 8 to 43 form an integral part of these separate financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
(In thousands of Euro)

	2015	2014
Profit before taxation	**(384)**	**1,782**
Adjustments for non-monetary operations	**(3,644)**	**(7,612)**
		0
Impairment loss to customers	3,687	
Impairment loss to suppliers		
Receivables written off		
Provisions on legal claims	692	
Impairment loss on property, plant and equipment		
Depreciation and amortization	390	282
Interest income on financial leases, hire purchase contracts and consumer loans	(9,353)	(10,333)
Interest expenses	1,437	2,468
Net (gain) / loss on the sale of property, plant and equipment	(95)	(10)
Net exchange gains on net investment from financial leases, hire purchase contracts and consumer loans		
Change in fair value of derivatives	(402)	(19)
Adjustments for change in working capital	**(7,932)**	**(13,931)**
Net investment from financial leases, hire purchase contracts and consumer loans	25,766	(13,458)
Other receivables	(34,869)	228
Inventory	1	(1)
Deferred charges and accrued income	94	38
Amounts payables to customers	1,069	(351)
Amounts payables to suppliers	(191)	(495)
Other payables	198	110
Accrued charges and deferred income	(1)	(2)
Income tax paid	(5)	159
Interest received	9,311	10,230
Interest paid	(1,437)	(2,508)
Net cash flow from operating activities	**(4,091)**	**(11,880)**
Purchase of intangible fixed assets	(61)	(118)
Purchase of property, plant and equipment	(3)	(187)
Proceeds on the sale of property, plant and equipment	268	10
Net cash flow from investing activities	**204**	**(295)**
Dividends		(9,000)
Paid part of debt securities in issue		
Received part of debt securities in issue		
Proceeds from borrowings	462,965	539,079
Repayment of borrowings	(454,145)	(517,728)
Net cash flow from financial activities	**8,820**	**12,351**
Movement in cash and cash equivalents		
At beginning of year	3,774	3,598
Net (decrease) in cash and cash equivalents	**4,933**	**176**
At the end of year	**8,707**	**3,774**

The notes on pages 8 to 43 form an integral part of these separate financial statements.

NOTES TO FINANCIAL STATEMENTS

1 INTRODUCTION

VB Leasing, spol.r.o. ('the Company') is a limited company and is incorporated and domiciled in the Slovak republic. The Company was established on 1 September 1994.

The address of the Company's registered office is as follows:

Košická 49
821 08 Bratislava
Slovak republic

The Company provided a full range of asset-based financial products to its customers in the Slovak Republic through a network of regional branches and employed on average 72 people during 2015 (2014: 88 people).

As at 1 July 2015, VB Leasing SK and VB Leasing Sprostredkovateľská, s.r.o. were acquired by ČSOB Leasing, a.s. (´ČSOBL´) The notes to financial statements for 2015 were prepared after ČSOBL's rules, therefore they are not fully comparable with notes to fiancial statements for 2014.

The wholly-owned subsidiary VB Leasing Sprostredkovateľská, s.r.o. was established on 8 June 2010 and is incorporated in the Slovak Republic. The Company has owned all the shares in this subsidiary since its incorporation.

The Company is a subsidiary of ČSOBL, which also controls 100% of shares. The Company is included in the financial statements of ČSOBL SR and the address of its registered office is: Panónska 11, 852 01 Bratislava.

On 31 December 2015, ČSOBL was directly controlled ČSOB a.s. whose ownership interest in ČSOBL represented 100.00% (31 December 2014: 100%).

The registered office of ČSOB a.s. is:

Michalská 18
815 63 Bratislava

Executive managers of the Company in 2015 with the date of inception/termination of their membership:

Richard Daubner	since 22 July 2015
Michal Hollý	since 22 July 2015
Vladimír Vajgel	since 22 July 2015

2 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Statement of compliance

These separate financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS include standards approved by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

They also meet the requirements of the Slovak Act on Accounting and IFRS with respect to the preparation of parent's separate financial statements. The Company also issued consolidated financial statements prepared for the same period in accordance with IFRS, which were approved for issue by the Board of Directors on 30 March 2015 and are available in the Company's registered office.

(b) Basis of preparation

The financial statements are prepared under the historical cost convention, except for derivative financial instruments, which are recognized and measured at fair value.

The fair value of financial instruments that are not traded in an active market (interest rate swaps) is determined by using valuation techniques. The Company has used discounted cash flow analysis for the valuation of interest rate swaps that were not traded in active markets.

The financial statements are expressed in thousands of Euro (EUR thousands), except where disclosed otherwise.

Negative values are presented in brackets.

(c) Changes in accounting policies

The principal accounting policies applied in preparation of the financial statements are set out below. Accounting policies adopted are consistent with those of the previous financial year.

(d) New and revised standards and interpretations

The Company applied all Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the European Union ('EU') that are relevant to the Company's operations.

Effective from 1 January 2015

The accounting policies adopted are consistent with those used in the previous financial period except that the Comapny has adopted the following standards, amendments and interpretations. The adoption of these did not have any effect on the financial performance or position of the Company. However, in some cases, they give rise to additional disclosures.

Defined Benefit Plans: Employees Contributions (Amendments to IAS 19) is effective for periods beginning on or after 1 July 2014. The amendment brings clarification of the accounting requirements for contributions from employees or third parties to a defined benefit plan. It specifies conditions under which the contributions can be accounted for as a reduction of service costs.

Improvements to IFRSs (2010-2012 and 2011-2013 Cycle), issued in December 2013 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard. None of these have a significant impact on the accounting policies, financial position or performance of the Company.

Effective after 1 January 2015

The following standards, amendments and interpretations have been issued and are effective after 1 January 2015. The Company has decided not to early adopt them. Unless otherwise described below, the new standards, amendments and interpretations are not expected to significantly affect the Company´s financial statements.

IFRS 9 Financial Instruments (2014) is effective for periods beginning on or after 1 January 2018. The standard has not been endorsed by the European Commission to date.

Classification and measurement of financial instruments

Financial assets are measured at amortised cost if both conditions are fulfilled:

- The financial asset is held within the business model whose objective is to hold the assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets are measured at fair value through other comprehensive income if both conditions are fulfilled:

- The financial asset is held within the business model whose objective is to hold the assets to collect the contractual cash flows and to sell; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Other financial assets are measured at fair value through profit or loss. IFRS 9 retains a fair value option. Reclassifications between the three asset categories are required when the entity changes its business model.
All equity instruments are measured at fair value either through other comprehensive income or profit or loss.

IFRS 9 removes the separation of embedded derivatives and the instrument is assessed in its entirety as to whether it fulfils the above two conditions.

Financial liabilities are classified and measured either at amortised cost or at fair value through profit or loss.
A financial liability can be designated as measured at fair value through profit or loss if doing so results in more relevant information, because either:

- It eliminates or reduces a measurement or recognition inconsistency;
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis.

IFRS 9 requires that changes in the fair value of an entity's own debt caused by changes in its own credit quality are recognised in other comprehensive income. Original requirements related to derecognition of financial assets and financial liabilities are carried forward unchanged from IAS 39 to IFRS 9.

The Company does not expect significant impact on measurement of financial instruments. It will lead to presentation changes.

Impairment of financial assets

IFRS 9 introduces a three-stage model based on changes in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition, or have low credit risk at the reporting date. 12-month expected credit losses are recognised for these assets. Interest income is based on the gross carrying amount of the assets.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, but that do not have objective evidence of impairment. Lifetime expected credit losses are recognised for these assets. Interest income is still calculated on the gross carrying amount of the assets.

Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. Lifetime expected credit losses are recognised for these assets. Interest income is calculated on the net carrying amount of the assets.

The new model is applied to debt instruments measured at amortised cost or fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss and lease/trade receivables. There are simplifications available for trade, lease receivables and contract assets that do not contain a significant financing component. The 12-month expected credit losses do not have to be calculated and lifetime expected credit losses are used instead. For the assets with a significant financing component there is a policy choice to apply either the simplified or general model.

The accounting for impairment of financial assets will have a significant impact on the Company. The assessment is in progress.

Hedge accounting

The third phase, general hedge accounting, aligns more closely the hedge accounting and risk management. In practice, more hedging strategies used for risk management will qualify for hedge accounting. The three types of hedge accounting (cash flow, fair value and net investment hedges) have been carried forward from IAS 39. The hedging relationship has to be effective at inception and on an ongoing basis and will be subject to a qualitative or quantitative forward-looking effectiveness assessment. The hedge effectiveness range of 80-125% is replaced by an objective-based test. If the hedging relationship meets risk management objectives it cannot be voluntarily terminated, rather, the quantities of hedged item or a hedging instrument have to be adjusted and hedged ratio rebalanced to comply with hedge effectiveness requirement.

Non-derivative financial assets and liabilities with fair value through profit or loss can be designated as hedging instruments in hedging relationships of any risk, not just foreign currency risk. They have to be designated in their entirety or as a proportion of their nominal amount.

The hedge accounting model extends the eligibility of risk components to include non-financial items, provided the component is separately identifiable and can be reliably measured.

The new general hedge accounting will have only marginal, if any, effect on the existing hedging constructions.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) is effective for periods beginning on or after 1 January 2016. The amendment requires an acquirer of an interest in a joint operation to apply all of the principles on business combinations (IFRS 3) except for those that conflict with the guidance in this amendment.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and 28) is effective for periods beginning on or after 1 January 2016. The amendments clarify the accounting for transactions where a parent loses control of a subsidiary that does not constitute a business as defined in IFRS 3. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets is recognised in the parent´s profit or loss only to the extent of the unrelated investors: interests in the associate or joint venture.

Equity Method in Separate Financial Statements (Amendments to IAS 27) is effective for periods beginning on or after 1 January 2016. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity´s separate financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, 12 and IAS 28) is effective for periods beginning on or after 1 January 2016. The amendments further clarify the exception in consolidating investment entities.

IFRS 14 Regulatory Deferral Accounts is effective for periods beginning on or after 1 January 2016. The standard is limited to first-time adopters that recognise regulatory deferral account balances in accordance with their previous GAAP.

IFRS 15 Revenue from Contracts with Customers is effective for periods beginning on or after 1 January 2018. The key concept of the new standard is identifying separate Performance Obligations. Entities will follow a five-step model for revenue recognition:

1. to identify the contract with the customer (a contract exists only when it is 'probable' that the entity will collect the consideration);
2. to identify separate Performance Obligations in the contract (a promise to transfer good or service);
3. to determine the transaction price (only an amount not subject to subsequent future reversals);
4. to allocate the transaction price to each Performance Obligation;
5. to recognize revenue when or as each Performance Obligation is satisfied.

As the standard is not applicable to insurance contracts, financial instruments or lease contracts, the impact on the Company will be limited. The assessment of the impact is in progress.

Disclosure Initiative (Amendments to IAS 1) is effective for periods beginning on or after 1 January 2016. The amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendments state that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) is effective for periods beginning on or after 1 January 2016. The amendment clarifies the use of a revenue-based method for depreciating an asset.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) is effective for periods beginning on or after 1 January 2016. The amendments define a bearer plant and include bearer plants within the scope of IAS 16.

Annual Improvements to IFRSs (2012 – 2014 Cycle), issued in September 2014 with a view to remove inconsistencies and clarify wording. There are separate transitional provisions for each standard, all of which are applicable on or after 1 January 2016.

(e) Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

(f) Foreign currencies

Transactions in foreign currency are converted to EUR by a referential exchange rate determined and announced by the Central European Bank or the National bank of Slovakia (NBS) on the day preceding the accounting event. Gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. The balances of monetary assets and liabilities are converted at the year-end exchange rates and the unrealized gains and losses arising are recognized in the statement of comprehensive income.

Foreign exchange differences are disclosed in the statement of comprehensive income in Net trading income / (expense).

(g) Revenue recognition

Interest income and expense

Accrued interest income and expense is recognized in the statement of comprehensive income using the effective interest rate. Interest income also includes direct fees and charges collected and paid when finance leases, consumer loans and hire purchase contracts are concluded. These are included in the effective interest rate calculation and are amortized for the duration of the respective finance lease, hire purchase contract or consumer loan.

Fees and commissions income and expenses

Fees and commissions are mainly attributable to commissions for insurance contracts and fees for contract changes. Fees and commissions are recognized in revenue when the service is rendered.

(h) Financial instruments - date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace, are recognized on the settlement date. Derivatives are recognized on a trade date basis.

(i) Classification and initial measurement

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At initial recognition, the financial assets and liabilities are measured at fair value.

(j) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement, or
- The Company has either (a) transferred substantially all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all its risks and rewards, but has transferred its control

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, the asset is recognized to the extent of the Company's continuing involvement with it. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: the original carrying amount of the asset, or the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. Recognition of a new liability, and the difference in the respective carrying amounts, is recognized in the statement of comprehensive income.

(k) Intangible assets

Intangible assets are recorded at their acquisition cost, less accumulated amortization and any provision for impairment.

Intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives as follows:

Software	2 - 5 years
Other intangible assets	2 – 4 years

Expenditure which enhances and extends the benefits of computer software beyond their original specifications and useful lives is recognized as a technical appreciation and added to the original cost of the software. Costs associated with the maintenance of existing computer software are listed as incurred expenses.

Intangible assets are reviewed annually (as at 31 December) for impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price and value in use.

(l) Property, plant and equipment

All property, plant and equipment are recorded at historical cost, less accumulated depreciation and any provision for impairment. Costs include all costs directly attributable to bringing the asset into working condition for its intended use including transportation, customs or commissions. Costs of extension, modernization or reconstruction, which enhance productivity, capacity or efficiency, are capitalized.

Depreciation is calculated on the straight-line method to write off the cost of each asset, to its residual value over its estimated useful life, as follows:

Buildings	20 years
Office equipment	6 – 12 years

Motor vehicles 3 years

Land is not depreciated as it is deemed to have an indefinite life.
Depreciation methods of the assets rented under operating leases are described in point (n) below.

The assets' useful lives and depreciation methods are reviewed and adjusted at least once a year for the purpose of ensuring consistency between the depreciation method and write-off time with the expected economic benefit associated with property, plant and equipment.

Property, plant and equipment are reviewed annually as at balance sheet date for impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(m) Subsidiaries

A subsidiary is a subject wholly controlled by the Company (parent company). The Company controls an entity if and only if the Company has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of the entity´s return.

The investment is recognized at cost less impairment and is presented under intangible assets due to its low value of EUR 7 thousand.

(n) Accounting for leases, consumer loans and hire purchase contracts

Finance leases, consumer loans and hire purchase contracts

A lease is classified as a finance lease if substantially all the risks and rewards incident to the ownership of an asset are transferred onto the lessee. When assets are sold under a finance lease or hire purchase contract is provided, the present value of the minimum lease payments is recognized as a receivable. Finance income is recognized over the term of the contract using the net investment method, which reflects a constant periodic rate of return. If assets are financed by means of a consumer loan, cash is transferred directly to the debtor's account. The receivables from consumer loans are recognized at amortized cost.

Operating leases

A lease is classified as an operating lease, if significant risks and rewards incident to ownership of an asset remain with the lessor. Assets rented under operating leases are included in property, plant and equipment in the balance sheet. Assets which are the subject of operating leases are depreciated monthly on a straight-line basis over the estimated length of the contract. The base for the depreciation calculation is set as the difference between the purchase price of an asset and its estimated residual value at the end of the contract. Operating leased assets' depreciation expense is presented in "Other operating income". Rental income (net of any incentives given to the lessee) is recognized on a straight-line basis over the lease term within "Other operating income" in the statement of comprehensive income.

Initial direct fees and charges

Initial direct fees and charges, including signing fees and commission income, and initial direct costs including commission costs payable to intermediaries (i.e. dealers) are included in the initial measurement of the finance lease receivable and subsequently reduce the amount of income recognized over the lease term.

Initial direct fees and charges incurred by operating leases are deferred and are recognized as 'Other operating income' over the lease term on a straight-line basis.

(o) Impairment allowances

The carrying value of amounts due from finance leases, hire purchase contracts and consumer loans receivables and other receivables is adjusted for an allowance for impairment, if necessary. Impairment allowances to trade receivables and other receivables are established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

On a regular basis, management assesses the level of estimated impairment allowance based on the collectibility of receivables. This is based on historical experience, the nature and volume of the receivables, adverse situations that may affect a customer's or dealer's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions.

This assessment is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate.

The allowance for impaired receivables is measured by separating the Company's credit exposures into individual receivables specifically identified as impaired and portfolios of homogenous receivables. Losses of individual receivables specifically identified as impaired are determined case-by-case. For portfolios of homogenous receivables, incurred but not yet individually recognized losses are determined collectively using credit loss estimation models.

(p) Inventories

Inventories represent assets purchased but not yet leased or sold under hire purchase contracts. Inventories are stated at the lower of cost and net realizable value. Assets purchased but not yet leased or sold under hire purchase contracts are valued at cost incurred. On signing the leasing contract, the asset held in inventory is transferred to amounts due from customers for finance lease or hire purchase contracts.

(q) Cash at bank and in hand

Cash in hand is measured and presented on the balance sheet at nominal value. Cash at bank represents current account balances and term deposits with commercial banks. After initial measurement, they are carried at amortized cost – i.e. the amount used for the initial recognition adjusted by the interest accrued. Impairment is recognized with respect to amounts due from banks where an objective impairment indicator is identified.

For the purpose of the statement of cash flows, cash at banks and in hand represents cash and cash equivalents. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value.

(r) Borrowing, amounts payable to customers, amounts payable to suppliers and other payables

Borrowing, amounts payable to customers and amounts payable to suppliers are initially recognized and measured at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, borrowing, amounts payable to customers and amounts payable to suppliers are subsequently measured at amortized cost using the effective interest method.

(s) Accounting for derivative financial instruments

The Company uses derivative financial instruments – interest rate swaps (IRS). The Company's assets consist of an aggregate of client lease contracts with fixed interest rates. Conversely, the financial resources of the Company carry a floating interest rate linked to referential interest rates announced by the financial markets. The Company hedges the risk of change in interest costs paid for the loan facilities, caused by changes in market interest rates.

Derivative financial instruments are initially recognized in the balance sheet at fair value and subsequently reassessed at their fair value, which is calculated as the present value of the estimated future cash flows using market interest rates. Derivatives are recognized as an asset if their value is positive and as a liability if it is negative.

Changes in the fair value of trade derivatives are included in the statement of comprehensive income in 'Net trading income'.

Cash flow hedges

Since 1 January 2009, all new purchased swaps are designed as hedge swaps. At inception of the hedge relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Company assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of comprehensive income.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in 'Revaluation of derivatives financial instruments. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in 'Net trading income'.

When the hedged cash flow affects the statement of comprehensive income, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of comprehensive income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity. It is recognized when the hedged forecast transaction is ultimately recognized in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

(t) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(u) Income taxes

Income tax is calculated in accordance with the regulations of the Slovak Republic.

Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is calculated using the enacted tax rate.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which these items can be utilized.

(v) Pension plans

No pension scheme is currently in operation in the Company. Regular contributions are made to the state to fund the national pension plan. These regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(w) Significant accounting estimates and judgments

Estimates

Assumptions and estimates are made in the preparation of financial statements in accordance with IFRS adopted by the EU. These affect the carrying amounts of assets and liabilities and their future recognition at the balance sheet date and the recognition of revenues and costs for the period presented. These estimates are based on the best knowledge of current conditions and the actual results may differ. The most significant estimates are made with respect to the receivables allowance, impairment charges, residual values and useful lives of non-current assets, future permanent non deductible differences in the deferred tax assets calculation and provisions for losses from legal proceedings.

Judgments

Besides accounting estimates, management has made other judgments in the process of applying the Company's accounting policies, which significantly affect the carrying amounts presented in the financial statements. The most significant judgments relate to the classification of lease contracts. The Company has adopted IAS 17 and classifies transactions as finance leases, if substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee. In other cases the transactions are classified as operating leases.

Reclassification of the separate statement of financial position at 31 December 2014 and the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014

In 2015, VB LEASING SK, underwent a change of owner. Due to different presentation in consolidated and individual financial statements, the financial statements were reclassified to better reflect the new group structure and provide better understanding of the figures included herein. In this respect, separate statement of financial position at 31 December 2014 and the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014 has been reclassified to new form.

The changed presentation is in compliance with the International Financial Reporting Standards and provides reliable and more relevant information to the users of the financial statements. Due to the amended presentation of the financial statements, comparative amounts in the separate statement of financial position at 31 December 2014 and the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014 were reclassified.

The comparison of the reclassified items in the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2014 prior to reclassification and after reclassification is as follows:

	Old structure	Different presentation of final financial settlements	Other	New structure	
Interest income	10,174	159	-	10,333	Interest income
Interest expense	(2,468)	-	-	(2,468)	Interest expense
Fee and commission income	677	390	-	1,067	Fee and commission income
Fee and commission expense	(75)	-	(10)	(84)	Fee and commission expense
Operational costs	(3,389)	-	-	(3,389)	Staff costs
Operational costs	(2,442)	(547)	-	(2,989)	Other operating expenses
Operational costs total	(5,831)	-			-
Other result	190	(1)	10	199	Other operating income
Impairment loss	(884)	-	-	(884)	Net impairment loss
Income tax payable	(4)	merged into income tax caption			-
Income tax deferred	(4,587)	-	-	(4,592)	Income tax effect
Net profit for the year	(2,807)	-		(2,807)	Net profit for the year

The comparison of the reclassified items in the separate statement of financial position at 31 December 2014 prior to reclassification and after reclassification is as follows:

	Old structure	*Different presentation of:* - fair value of derivatives - advances from customers - other payables			Other	New structure	
Intangible assets	217	-	-	-	-	217	Intangible assets
Property, plant and equipment	407	-	-	-	(1)	406	Property, plant and equipment
Investment in subsidiary	4	-	-	-	-	4	Investment in subsidiary
-	-	-	-	-	-	1	Inventory
Deferred tax asset	1,656	-	-	-	3	1,659	Deferred tax asset
Trade and other receivables	181,574	-	(434)	-	(9)	181,132	*Amounts due from finance leases, hire purchase contracts and consumer loans*
Impairment allowance	(28,929)	-	-	-	-	(28,929)	Impairment allowance
						152,203	Net amounts due from customers
Cash at bank and in hand	3,764	-	-	-	10	3,774	Cash at bank and in hand
Other receivables	626	-	-	-	(38)	588	Other receivables
Deferred charges and accrued income	143	-	-	-	(23)	120	Deferred charges and accrued income
Total assets	**159,464**	**-**	**(434)**	**-**	**(58)**	**158,973**	**Total assets**
Share capital	4,149	-	-	-	-	4,149	Share capital
Reserve funds	237	-	-	-	-	237	Legal reserve fund
Revaluation of derivatives	(455)	-	-	-	-	(455)	Revaluation of derivatives
Profit for the current year	(2,807)	-	-	-	-	(2,807)	Profit for the current year
Retained earnings	5,539	-	-	-	-	5,539	Retained earnings
Revaluation of employee benefits provision	10	-	-	-	(10)	-	-
Amounts due to financial institutions	149,106	-	-	-	-	149,106	Borrowings
-	-	-	-	967	21	988	Amounts payable to customers
-	-	-	-	288	-	288	Amounts payable to suppliers
Corporate income tax liability	3	-	-	-	-	3	Corporate income tax liability
Other liabilities	3,046	(702)	-	(1,255)	7	1,096	Other payables
Accrued charges and deferred income	510	-	(434)	-	(76)	1	Accrued charges and deferred income
-	-	702	-	-	-	702	Fair value of derivatives
Provisions	127	-	-	-	-	127	Provisions
Total liabilities	**159,464**	**-**	**(434)**	**-**	**(58)**	**158,973**	**Total liabilities**

3 INTEREST INCOME AND INTEREST EXPENSE

Interest income

	2015	2014
Interest income on finance lease	4,965	4,907
Interest income on hire purchase contracts		
Interest income on consumer loans	3,390	4,108
	8,355	9,015
Penalty interest received on the premature termination of finance lease contracts	827	1,124
Interest earned on commercial loans and advances provided to vehicle dealers	144	184
Bank interest earned	78	9
Total	9,404	10,332

Analysis of interest income on finance lease, hire purchase contracts and consumer loans

	2015	2014
Passenger cars	4,095	4,551
Other motor vehicles	3,077	3,148
Machinery & equipment	1,183	1,316
Real estate		
Total	8,355	9,015

Interest expense

	2015	2014
Bank borrowings and overdraft interest expense	1,152	2,014
Debt securities in issue		
Hedge derivatives	285	454
Trade derivatives - economic hedge		
Total	1,437	2,468

4 FEE AND COMMISSION INCOME

	2015	2014
Other fees	430	390
Commission income	725	677
Total	1,155	1,067

5 FEE AND COMMISSION EXPENSE

	2015	2014
Net insurance cost	(9)	(10)
Other fees and commission expenses	(53)	(75)
Total	**(62)**	**(85)**

7 OTHER OPERATING INCOME

	2015	2014
Net gain on disposal of lease assets	17	(185)
Net gain on disposal of fixed assets	94	10
Income from operating lease		
whereof: Rental income		
Depreciation of assets under operating lease		
Service margin		
Other		
Dividends from subsidiary		
Other operating income	94	374
Total	**205**	**199**

8 STAFF COSTS

	2015	2014
Wages and salaries	1,933	2,208
Emoluments to members of statutory bodies	263	380
Legal and social security costs	694	797
Other common staff expenses	5	4
Total	**2,895**	**3,389**
Average number of full-time persons employed during the year	76	88

Wages and salaries include salaries of members of the Board of directors and are disclosed in Note 30.

9 OTHER OPERATING EXPENSES

	2015	2014
Building expenses	207	261
Marketing and publicity expenses	80	142
Telecommunications and mail	27	42
IT expenses	316	344
Professional expenses	824	675
Vehicles expenses	53	74
Insurance of property	28	23
Training charges	33	49
Business travel and entertainment	5	21
Depreciation of property, plant and equipment and amortization of intangible fixed assets	390	282
Statutory Audit	31	22
Other assurance services	32	23
Other operating expenses	1,041	1,033
Total	**3,067**	**2,991**

10 NET IMPAIRMENT LOSS

	2015	2014
Creation of allowances for amounts due from finance leases, hire purchase contracts and consumer loans and other receivables and on other assets	5,359	3,217
Release of allowances for amounts due from finance leases, hire purchase contracts and consumer loans and other receivables	(1,672)	(2,333)
Total	**3,687**	**884**

The movements in allowances against amounts due from finance lease, hire purchase contracts, consumer loans, other receivables and other assets are summarized in the following table:

	Amounts due from finance leases, hire purchase contracts and consumer loans	Other receivables	Property, plant and equipment	Total
Opening balance at 1.1.2014	**35,669**		**61**	**35,730**
Creation of allowances	3,217			3,217
Release of allowances	(2,333)			(2,333)
Utilised allowances	(7,653)			(7,653)
Closing balance at 31.12.2014	**28,900**		**61**	**28,961**
Creation of allowances	5,359			5,359
Release of allowances	(1,672)			(1,672)
Utilised allowances	(26,875)			(26,875)
Closing balance at 31.12.2015	**5,712**		**61**	**5,773**

Impairment allowances	2015	2014
Estimated on individual basis	3,360	28,297
Estimated on portfolio basis	2,352	603
Total	**5,712**	**28,900**

11 INCOME TAX EXPENSE

	2015	2014
Current income tax expense	(326)	(1)
Deferred income tax income / (expense)	(190)	(4,588)
Total	**(516)**	**(4,589)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2015	2014
Profit before taxation	(384)	1,782
Tax calculated at a tax rate of 22%	84	(410)
Effect of non-taxable income		
Effect of (decrease) / increase marginal tax rate		
Effect of non-deductible expenses	(600)	(4,179)
Income tax expense	**(516)**	**(4,589)**

12 INVESTMENT IN SUBSIDIARY

The Company owns 85% (2014: 85%) share in VB Leasing Sprostredkovateľská s.r.o., subsidiary incorporated in Slovak Republic. Acquisition cost of investment is EUR 4 thousand (2014: EUR 4 thousand) with no impairment and net book value of EUR 4 thousand. The business activity of the subsidiary is insurance brokerage.

13 INTANGIBLE ASSETS

Year ended 31.12.2015	Software	Other	Total
Opening net book value	**218**	**0**	**218**
Additions	61		61
Disposals at net book value			
Amortization charge	(256)		(256)
Closing net book value	22		22
Cost	1,998	23	2,021
Accumulated amortization	**(1,975)**	**(23)**	**(1,998)**
Net book value	**22**	**0**	**22**
Year ended 31.12.2014			
Opening net book value	**217**	**0**	**217**
Additions	119		119
Disposals at net book value			

Amortization charge	(118)		(118)
Closing net book value	218		218
Cost	1,937	23	1,960
Accumulated amortization	(1,719)	(23)	(1,742)
Net book value	218	0	218

The original cost of fully amortized intangible assets still in use

	2015	2014
Software	1,755	720
Other intangible assets	23	23
Total	**1,778**	**743**

14 PROPERTY, PLANT AND EQUIPMENT

Year ended 31.12.2015	**Land and buildings**	**Motor vehicles**	**Office equipment**	**Operating leases**	**Other**	**Total**
Opening net book value	16	256	6		128	406
Additions					3	3
Disposals at net book value	(13)	(160)				(173)
Impairment loss						
Depreciation	(1)	(61)	(2)		(70)	(134)
Closing net book value	2	35	4		61	102
Cost	306	80	202		388	976
Accumulated depreciation	(304)	(45)	(198)		(327)	(874)
Net book value	2	35	4		61	102
	Land and buildings	**Motor vehicles**	**Office equipment**	**Operating leases**	**Other**	**Total**
Year ended 31.12.2014	16	256	6		128	406
						0
Opening net book value	17	308	8		49	382
						0
Additions		82			105	187
Disposals at net book value						
Impairment loss						
Depreciation	(1)	(134)	(2)		(26)	(163)
						0
Closing net book value	16	256	6		128	406
						0
Cost	332	634	203		507	1,676
Accumulated depreciation	(316)	(378)	(197)		(379)	(1,270)
						0
Net book value	16	256	6		128	406

The original cost of fully depreciated property and equipment still in use

	2015	2014
Motor vehicles		
Office equipment	190	190
Other	385	246
Total	**575**	**436**

15 AMOUNTS DUE FROM FINANCE LEASES, HIRE PURCHASE CONTRACTS AND CONSUMER LOANS

	2015	2014
Net investment in finance leases, hire purchase contracts and consumer loans	128,553	181,132
Allowance against uncollectible finance leases, hire purchase contracts and consumer loans receivables	(5,712)	(28,929)
	122,841	152,203
Net investment in finance leases, hire purchase contracts and consumer loans – current	54,562	60,041
Net investment in finance leases, hire purchase contracts and consumer loans – non - current	68,279	92,162
	122,841	152,203
Gross investment in finance leases, hire purchase contracts and consumer loans	**131,796**	**164,085**
Not later than 1 year	62,249	82,606
Later than 1 year and not later than 5 years	69,498	81,380
Later than 5 years	49	99
Unearned finance income on finance leases, hire purchase contracts and consumer loans	(8,955)	(11,882)
Present value of future minimal lease payments	**122,841**	**152,203**
Not later than 1 year	53,105	6,808
Later than 1 year and not later than 5 years	65,782	5,073
Later than 5 years	49	2

Economic sector risk concentrations within the customer finance lease and hire purchase contracts portfolio, based on the net investment in finance leases, consumer loans and hire purchase contracts before provisions for impairment losses, were as follows:

Finance leases and trade receivables	2015			2014
Corporate customers	61,292	47.7%	84,250	46.5%
Private entrepreneurs	12,065	9.4%	19,799	10.9%
Private individuals	6,696	5.2%	6,735	3.7%
Sub-total	**80,053**	**62.3%**	**110,784**	**61.2%**
Hire purchase contracts				
Corporate customers		0.0%		0.0%
Private entrepreneurs		0.0%		0.0%
Private individuals		0.0%		0.0%
Sub-total	**0**	**0.0%**	**0**	**0.0%**
Consumer loans				
Corporate customers	37,386	29.1%	51,219	28.3%
Private entrepreneurs	7,148	5.6%	9,908	5.5%
Private individuals	3,966	3.1%	9,221	5.1%
Sub-total	**48,500**	**37.7%**	**70,348**	**38.8%**
Total	**128,553**	**100.0%**	**181,132**	**100.0%**

The average effective interest rate on amounts due from finance lease and hire purchase customers was 5.73% (2014: 6.18%).

16 OTHER RECEIVABLES

	2015	2014
Intercompany loan	35,000	
Operating advances paid	53	22
VAT receivable	1	(4)
Other receivables	353	570
Total	**35,407**	**588**

The Company provided commercial loans and advances to its most significant vehicle dealers to assist with the financing of vehicles temporarily in their stock or displayed in their showrooms. The commercial loans and advances were short-term and revolving. The amount of such loans and advances was EUR 726 thousand as at 31 December 2015 (2014: EUR 3,309 thousand). In 2015 interest income on these loans and advances was EUR 101 thousand (2014: EUR 132 thousand). The average effective interest rate on commercial loans and advances was 5,02% (2014: 4.20%).

17 CORPORATE INCOME TAX LIABILITY

	2015	2014
Opening balance	3	(157)
Income tax paid	(5)	157
Current income tax expense	326	3

Total	**324**	**3**

18 DEFERRED TAX ASSETS / (LIABILITIES)

Deferred income taxes are calculated on all temporary differences arising under the liability method. The calculation in 2015 was performed using a principal tax rate of 22% (2014: 22%).

The movement on the deferred income tax was as follows:

	2015	2014
Opening balance	1,659	6,174
Expense in income statement	(190)	(4,588)
Hedge derivatives	9	73
At end of year	**1,478**	**1,659**

Deferred income tax assets / (liabilities) and the deferred income tax charge in the statement of comprehensive income were attributable mainly to the following items:

	2015	2014
Amounts due from financial lease, hire purchase and consumer loans	3 885	907
Property, plant and equipment	(28)	(43)
Hedge derivatives	137	128
Provisions and accrued charges	286	178
Effect of prior year tax losses	326	489
Net deferred income tax asset	**4 606**	**1 659**

Deferred tax asset was impaired in statement of financial position to recoverable amount EUR 1,478 thousand.

The Company's statutory tax accounts are used to form the tax base for income tax liability. The statutory tax accounts generally recognize the legal form rather than economic substance of the finance lease.

19 BORROWING AND DEBT SECURITIES IN ISSUE

	2015	2014
Current		
From banks in the KBC Group	157,926	
From other intercompanies		
From companies out of the KBC Group		149,106
Borrowings and debt securities payable within one year	**157,926**	**149,106**
Non-current		
From companies out of the KBC Group		
From banks in the KBC Group	0	0
Borrowings and debt securities payable after one year	**0**	**0**
Total borrowings and debt securities	**157,926**	**149,106**

Total borrowings:		
- at fixed rates		
- at floating rates	157,926	149,106
Total	**157,926**	**149,106**

The effective interest rate on borrowings and debt securities was 0.60% (2014: 1.47%).

The Company has taken advantage of the prevailing money market conditions, whereby short-term floating rate borrowing offers more advantageous conditions. As explained in Note 2(s), the Company uses financial derivative instruments to mitigate the risks of this financing policy.
No Company assets are pledged as security for borrowing.

The Company doas not record any open off-balance sheet positions.

20 AMOUNTS PAYABLE TO CUSTOMERS

	2015	2014
Installments received in advance from customers	1,413	455
Insurance claims to be paid to customers	644	533
Total	**2,057**	**988**

21 AMOUNTS PAYABLE TO SUPPLIERS

	2015	2014
Amounts payable to leasing suppliers	73	119
Amounts payable to other suppliers	24	169
Total	**97**	**288**

22 OTHER PAYABLES

	2015	2014
VAT payables	657	
Employee payables	112	690
Other payables	524	405
Total	**1,293**	**1,095**

23 FAIR VALUE OF DERIVATIVES

Financial derivatives can be analyzed as follows:

	Contract / notional amount	Positive fair value	Negative fair value
IRS 2015 hedge – effective part	110,843		(339)

IRS 2014 hedge – effective part	156,682		(702)
IRS 2013 hedge – effective part	131,836		(392)

Net income / (expense) incurred during the year on the financial derivatives can be analyzed as follows:

	2015	2014
IRS (expense) - hedge	(285)	(454)
IRS fair value adjustment income - hedge	319	583

IRS losses result from realized settlements. The fair value adjustments on IRS represent unrealized swaps as at the balance sheet date.

The fair value of IRS as at 31 December 2015 has been calculated by discounting the expected future cash flows using the market interest rates.

Expected cash outflows from hedging derivatives are as follows:

As at 31 December 2015	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Interest - IR SWAPS depo		32	70	54		**157**

As at 31 December 2014	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Interest - IR SWAPS depo		97	200	49		**346**

24 PROVISIONS

	2015	2014
Opening balance	127	127
Charge for the year	692	
Closing balance	**819**	**127**

Provisions comprise mainly of Restructuring provision and Onerous contract provision in amount of EUR 263 and 532 thousand, respectively.
Optimization of back-office activities took place after change of owner, restructuring provision was recognized in respect for severance pay for laid-off employees and onerous contract provision was recognized in respect of redundant office premises' uncancellable rent.

25 CONTINGENCIES

The Company is involved in several legal proceedings but management believes that they will not have a significant impact on the financial position of the Company, with the exception of the cases which are covered by a specific provision (see Note 24).

Different interpretations of tax legislation applicable to the Company may lead to potential tax risks, which cannot be objectively quantified. The Company considers the potential additional tax liability as negligible.

The Company has no other significant contingent liabilities.

26 COMMITMENTS

The Company has revocable credit commitments at the balance sheet date of EUR 766 thousand (2014: EUR 4,727 thousand).

28 ORDINARY SHARES

The comapany was established as a Private limited liability company. The sole owner – CSOBL, keeps 100% share in the Company and has 100% voting rights. The share capital is paid-in full in amount of EUR 4,149 thousand.

29 RESERVES

Legal reserve fund

The Company created non-distributable statutory reserve fund but not in required level. Because of the loss during year 2015 and 2014 contribution to the non-distributable statutory reserve fund was not executed.
Slovak legislation requires that 10% of the net profit in the statutory accounts of the Company must be transferred to a non-distributable statutory reserve fund until such time as this reserve represents 20% of the share capital of the Company

30 PROFIT DISTRIBUTION PROPOSAL

The management will propose to owner of the Company the following 2015 profit distribution:

Net loss for the year	**(900)**
Transfer to:	
Dividends paid to equity holders of the parent	
Retained earnings	**(900)**
Total	**(900)**

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of borrowing transactions have been entered into with related parties in the normal course of business. These principally include loans and overdraft transactions. The volumes of related party transactions, outstanding balances at the year end, and the related expense and income for the year are as follows:

Expenses	2015	2014
Interest expences from borrowings - OVAG	965	2,475
Financial derivatives expense - ČSOB SR	11	
Fees and commissions expense - ČSOB SR	0	
Fees and commissions expense - OVAG	14	28
Other expenses - ČSOB ČR	15	
Other expenses -VBLI		597
Revenues	**2015**	**2014**
Interest income from deposits - OVAG		186
Interest income from deposits - ČSOB SR	0	
Interest income from deposits - ČSOB Leasing	18	
Interest income from borrowings - KBC	48	
Financial derivatives incomes - ČSOB SR	4	
Other operating income - CSOB Leasing	49	
Fees and commission income - VBL SP	725	680
Other operating income - VBL SP	1	1
Assets	**2015**	**2014**
Current and term accounts - ČSOB SR	37	
Other Receivables - ČSOB Leasing	35,018	
Other Receivables - VBL SP	288	
Liabilities	**2015**	**2014**
Borrowings and debt securities in issue - KBC	157,926	
Borrowings and debt securities in issue - OVAG		149,106
Financial derivatives CSOB SR	339	
Financial derivatives OVAG		290
Off balance sheet	**2015**	**2014**
IRS for trading - contract/notional amount	110,843	156,682

Management remuneration

In 2015, the total remuneration, including salary and benefits, of the members of management was EUR 263 thousand (2014: EUR 379 thousand).

There were no loans provided to the members of statutory bodies or to the top management in the years 2015 and 2014.

32 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITES

The estimated fair values of the Company's financial assets and liabilities were as follows:

		2015		2014
	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS				
Amounts due from finance lease, hire purchase contracts and consumer loans	122,841	123,050	152,203	153,248
Other receivables	35,407	35,407	592	592
Cash at bank and in hand	8,707	8,707	3,774	3,774
Other financial assets				
FINANCIAL LIABILITIES				
Borrowings	157,926	157,926	149,106	149,106
Debt securities in issue				
Amounts payable to customers	2,057	2,057	988	988
Amounts payable to suppliers	97	97	288	288
Fair value of derivatives	339	339	702	702
Other financial liabilities	636	636	1,202	1,202

The fair value of derivatives was determined based on a theoretical price using market data. Therefore in fair value hierarchy it is considered as Level 2 categorization.

The following methods and assumptions were used in estimating the fair values of the Company's financial assets and liabilities:

Amounts due from finance leases, hire purchase contracts and consumer loans

The carrying value of finance leases differs from their fair value as the majority of finance leases, consumer loans and hire purchase contracts carry fixed interest rates. The fair value of these receivables is estimated based on discounted future cash flows using interest rates currently valid for finance lease and hire purchase contracts with similar terms. The calculation of fair value is considered as Level 3 in fair value hierarchy.

The weighted average interest rate of portfolio in carrying value as at 31 December 2015 was 5.73% (2014: 6.18%). The interest rate as at 31 December 2015 used for fair value valuation of portfolio was 4,65% (2014: 4.25%).

Cash at bank and in hand

The carrying value of cash at bank and in hand is by definition its fair value.

	2015	2014
Cash in hand		10
Cash in bank	8,707	3,764
Total	**8,707**	**3,774**

Borrowing

The main part of the borrowings is represented by variable rate borrowing. Since these re-price regularly, the carrying value of this borrowing approximates its fair value.

Other receivables and payables

The carrying value of other receivables and payables approximates their fair value. The loans and advances to dealers are short-term and revolving and therefore it is assumed that the carrying value approximates fair value. Amounts payable to customers and suppliers are short-term and therefore their carrying and fair value does not differ significantly.

33 RISK MANAGEMENT

1. Introduction

Risk is inherent in the Company's activities, but is managed through active identification, measurement and monitoring of risk factors. The Company's activities expose it to a variety of risks, including credit , liquidity and market risk. The policies applied to risk management are those of the KBC Group.

The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on its financial performance. The Company uses derivative financial instruments such as IRS to economically hedge certain exposures.

To reduce credit risk the Company uses collaterals and other credit enhancements.

2. Credit risk

Credit risk arises when customers, clients or counterparties fail to settle their contractual obligations. The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of its products are made to retail and wholesale customers with an appropriate credit history. It also limits the amount of credit exposure to any one customer or supplier.

The maximum credit exposure per class of components of the balance sheet (net of collaterals) is the following:

Type of assets	**Gross maximum exposure 2015**	**Gross maximum exposure 2014**
Loans and advances to customers	122,841	152,203
Other receivables	35,407	592
Cash in hand and cash in bank	8,707	3,774
Other financial assets		
T O T A L	166,955	156,569
Contingent liabilities		
Commitments	766	3,171
T O T A L	167,721	159,740

The maximum credit exposure to single client or counterparty as of 31 December 2015 was EUR 734 thousand (2014: EUR 1,054 thousand).

Collateral and other credit enhancements

The amount of collateral at the inception of a contract is higher or equal to the receivable from customer at this date. Each contract is secured by the financed item. The types of collateral obtained are as follows:

- For finance lease contracts, the Company is the legal owner until repayment of the debt
- For hire purchase and consumer loan contracts – bill of exchange and security transfer of the property right
- For dealer financing network – bill of exchange.
- Guarantees of importers are also requested from dealers

The Company's policy to dispose of repossessed properties is to sell the properties and reduce the outstanding debt against the client or customer.

The table below shows the values of collateral received due to credit quality of financial assets:

Type of product	**As at 31 December 2015**	**As at 31 December 2014**
Financial lease	66,087	81,883
Hire purchase		
Consumer loan	41,054	50,867
Dealer´s finance network		
T O T A L	**107,141**	**132,750**

Ageing analysis of loans per class of financial assets:

As at 31 December 2015			**Not impaired**	**Impaired**	**Total**
Class of financial asset	Not overdue	1-30 days overdue	31-90 days overdue	More than 90 days overdue	
Amounts due from finance lease, hire purchase contracts and consumer loans					
Corporate					
SME					
Retail	100,555	13,517	6,446	2,323	122,841
Other receivables	35,407				35,407
Fair value of derivatives					
Cash in hand and at bank	8,707				8,707
Other financial assets					
T O T A L	**144,669**	**13,517**	**6,446**	**2,323**	**166,955**

As at 31 December 2014	Not impaired			Impaired	
Class of financial asset	Not overdue	1-30 days overdue	31-90 days overdue	More than 90 days overdue	**Total**
Amounts due from finance lease, hire purchase contracts and consumer loans					
Corporate					
SME					
Retail	124,590	16,748	7,987	2,878	152,203
Other receivables	592				592
Cash in hand and at bank	3,774				3,774
Other financial assets					
T O T A L	**128,956**	**16,748**	**7,987**	**2,878**	**156,569**

Analysis of loans per class of financial assets - impaired:

As at 31 December 2015	Impaired receivables			
Class of financial asset	Gross amount	Impairment	Net	Coverage ratio
Amounts due from finance lease, hire purchase contracts and consumer loans				
Corporate				
SME				
Retail	5,865	(3,542)	2,323	60%
Other receivables				
Fair value of derivatives				
Cash in hand and at bank				
Other financial assets				
T O T A L	**5,865**	**(3,542)**	**2,323**	**60%**

As at 31 December 2014	Impaired receivables			
Class of financial asset	Gross amount	Impairment	Net	Coverage ratio
Amounts due from finance lease, hire purchase contracts and consumer loans				
Corporate				
SME				
Retail				
Other receivables	1,969	(954)	1,015	48%
Fair value of derivatives				
Cash in hand and at bank				
Other financial assets				
T O T A L	**1,969**	**(954)**	**1,015**	**48%**

Impairment of assets

The main consideration for the classification of loans as impaired is when any payments of principal or interest are overdue by more than 90 days or there are some other difficulties such that the client or counterparty will not be able to repay a loan. The Company uses two possible ways to assess allowances:

- Individually assessed allowances are applied for each individually significant loan or advance on an individual basis or receivables overdue more than 90 days. Individually significant for the Company is any loan exceeding EUR 300 thousand exposure against client or counterparty. The appropriate method is the discounted cash-flow method which is based on expected amounts to be collected from the debtor.

- Collectively assessed allowances are applied for loans and advances that are not individually significant.

Impairment losses are estimated by taking into consideration the days overdue and the historical losses on the portfolio.

Write-off Policy

The VB Leasing writes off receivables (and any related allowances for impairment losses) when it determines that the receivables are uncollectible. As the standard, the Company considers the receivables to be uncollectible based on the past due days after the receivables is in status KFV (i.e. the final financial settlement with client performed). The VB Leasing writes off receivables after 270 days past due this final settlement with the client.

The receivables can be written off earlier than defined in the conditions described above if there is evidence that the receivables cannot be collected. The write-off of such receivables is subject to the approval according to company competence matrix.

3. Liquidity risk

Liquidity risk is that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Prudent liquidity risk management implies maintaining sufficient cash and ensuring available funding through committed credit facilities to finance the operations of the Company. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

The table below discloses financial liabilities shown in the balance sheet of the Company as analyzed by the relevant maturity groups based on the remaining period at the balance sheet date. The analysis shows undiscounted contractual amounts:

As at 31 December 2015	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Borrowings	157,926					**157,926**
Amounts payable to customers	2,057					**2,057**
Amounts payable to suppliers	97					**97**
Net cash flow from derivatives	339					**339**
Other financial liabilities	636					**636**
Total	**161,055**					**161,055**

As at 31 December 2014	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Borrowings		1,013	1,801	151,616		**154,430**
Amounts payable to customers	988					**988**
Amounts payable to suppliers	288					**288**
Net cash flow from derivatives		72	169	49		**290**
Other financial liabilities	1,202					**1,202**
Total	**2,478**	**1,085**	**1,970**	**151,665**		**157,198**

The matching and controlled mismatching of the maturity and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for leasing companies to be completely matched as business transacted can sometimes have an uncertain term, since actual customer payment discipline can differ from their contractual terms.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates and exchange rates.

4. Market risk

Market risk arises when the fair value or future cash flows of financial instruments will fluctuate due to changes in market environment such as interest rates and foreign exchange rates.

Foreign exchange risk

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing level of market currency exchange rates on its net position and cash flows. The Company's currency management policy attempts to finance the purchase of assets for the customer finance business with borrowing denominated in the same currency. The currency position of each significant foreign currency is regularly reviewed by management of the Company.

The Company had the following significant net currency positions at the year-end all of which were in the balance sheet and were calculated using the closing exchange rate:

ASSETS			2015			2014
	EUR	other	Total	EUR	other	Total
Amounts due from finance lease, consumer loan and hire purchase customers	122,841		122,841	152,203		152,203
Other receivables	35,407		35,407	592		592
Cash in hand and at bank	8,707		8,707	3,774		3,774
Other financial assets						
Total assets	166,955		166,955	156,569		156,569
LIABILITIES						
Borrowings	157,926		157,926	149,106		149,106
Debt securities in issue						
Amounts payable to customers	2,057		2,057	988		988
Amounts payable to suppliers	97		97	288		288
Fair value of derivatives	339		339	702		702
Other financial liabilities	1,284		1,284	962		962
Total liabilities	161,703		161,703	152,046		152,046
Foreign exchange risk	5,252		5,252	4,523		4,523

Interest rate risk

Interest rate risk arises from the fluctuation in interest rates that will affect future cash flows or the fair value of financial instruments. The Company has to keep the limits on the interest rate gaps designated by KBC Group. Positions are monitored on a monthly basis.

The Company uses IRS, which are designated to reduce exposure to fluctuations in interest rates. The IRS allow the Company to raise long-term borrowing at floating rates and swap them into fixed rates. Under the IRS, the Company agrees with the banks to exchange, at specified intervals, the difference between the amount of the fixed contract rates and floating interest rates, as calculated by reference to the agreed notional principal amounts.

The interest rate risk relates to the changes in fair value of financial instruments as a result of changes in market interest rates and the difference between the maturity of interest bearing assets and the maturity of interest bearing liabilities used to finance these assets.

The table below analyses the Company's assets and liabilities into relevant re-pricing groupings based on the remaining period at the balance sheet to the re-pricing date.

As at 31 December 2015	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Receivables from finance leases, hire purchase contracts and consumer loans	7,577	9,457	39,090	66,669	49	**122,841**
Other receivables	35,407					**35,407**
Cash at bank and in hand	8,707					**8,707**
Borrowings	(157,926)					**(157,926)**
Amounts payable to customers	(2,057)					**(2,057)**
Amounts payable to suppliers	(97)					**(97)**
Fair value of derivatives		(339)				**(339)**
Other payables	(636)					**(636)**
IRS long position		110,843				**110,843**
IRS short position		(16,239)	(40,538)	(54,066)		**(110,843)**
Difference	**(109,025)**	**103,722**	**(1,448)**	**12,603**	**49**	**5,900**
Cumulative difference	**(109,025)**	**(5,303)**	**(6,752)**	**5,851**	**5,900**	**5,900**

As at 31 December 2014	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Receivables from finance leases, hire purchase contracts and consumer loans	10,510	15,915	39,050	86,179	549	**152,203**
Other receivables	592					**592**
Cash at bank and in hand	3,774					**3,774**
Borrowings		(149,106)				**(149,106)**
Amounts payable to customers	(988)					**(988)**
Amounts payable to suppliers	(288)					**(288)**
Fair value of derivatives		(702)				**(702)**
Other payables	(1,202)					**(1,202)**
IRS long position		140,302				**140,302**
IRS short position	(16,552)	(16,172)	(29,528)	(78,050)		**(140,302)**
Difference	**(4,154)**	**(9,763)**	**9,522**	**8,129**	**549**	**4,283**
Cumulative difference	**(4,154)**	**(13,917)**	**(4,395)**	**3,734**	**4,283**	**4,283**

The table below shows the sensitivity of net interest income in the statement of comprehensive income of changes in interest rates.

As at 31 December		**2015**		**2014**
Currency	Increase in basis points	Effect on net income	Increase in basis points	Effect on net income
EUR	10	(56)	10	(15)

As at 31 December		**2015**		**2014**
Currency	Decrease in basis points	Effect on net income	Decrease in basis points	Effect on net income
EUR	10	56	10	15

34 CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as a going concern, while maximizing the return to owner through the optimization of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust dividend payments to owner or issue new shares..

The Company monitors capital using the gearing ratio, which is net debt divided by total equity. The net debt consists of debt, which includes the borrowings as disclosed in note 19, less cash and cash equivalents. The equity comprises issued capital, reserves and retained earnings as disclosed in notes 28, 29 and 30 respectively.

Gearing ratio

The Company's risk management committee reviews the capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year-end was as follows:

As at 31 December	**2015**	**2014**
Debt (i)	157,926	149,106
Cash and cash equivalents	(8,707)	(3,774)
Net debt	149,219	145,332
Equity (ii)	5,732	6,662
Net debt to equity ratio	26.03	21.82

35 SUBSEQUENT EVENTS

There were no significant events after the balance sheet date that would require adjustment or disclosure in the financial statements at 31 December 2015.