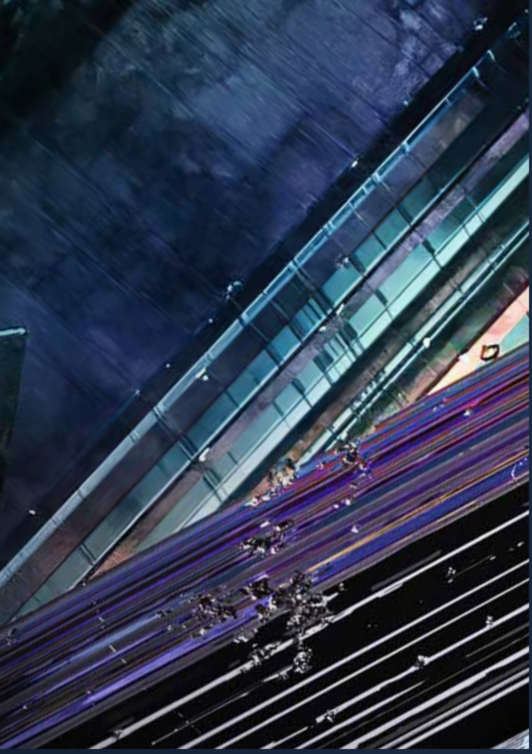
J&T

ANNUAL REPORT 2021



187.7

million EUR

Historically
record profit

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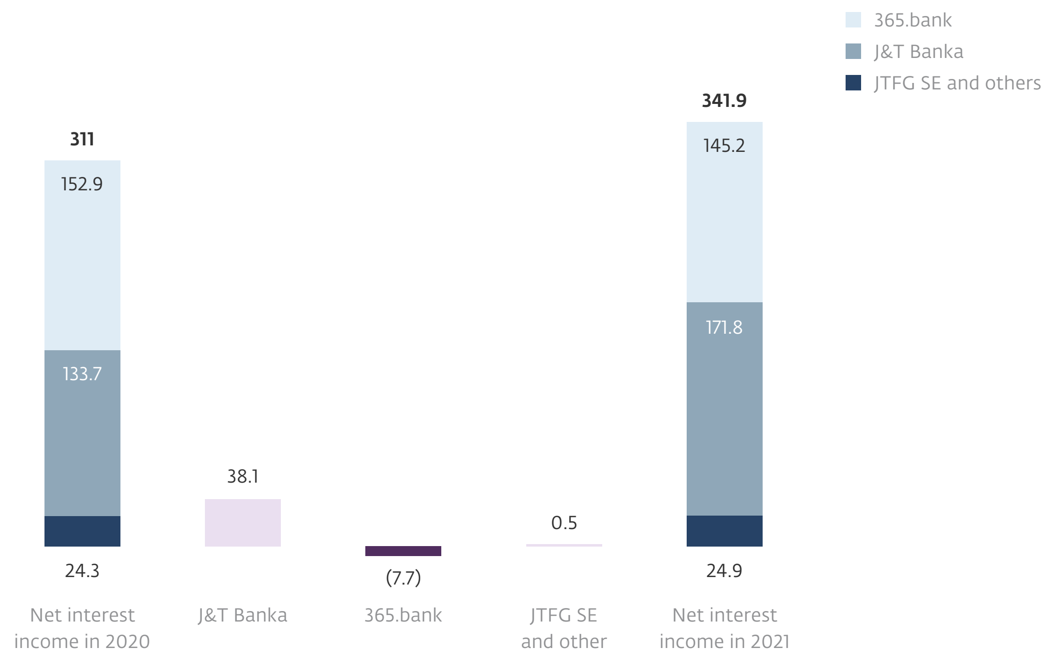
Table of contents

Presentation part

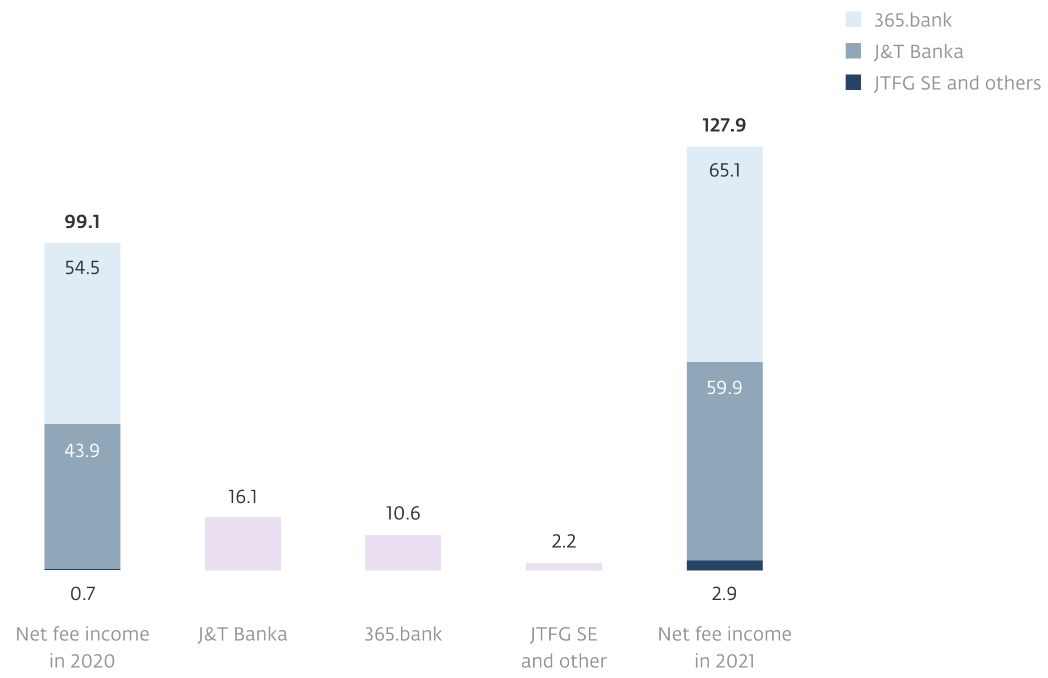
Financial part

Text part

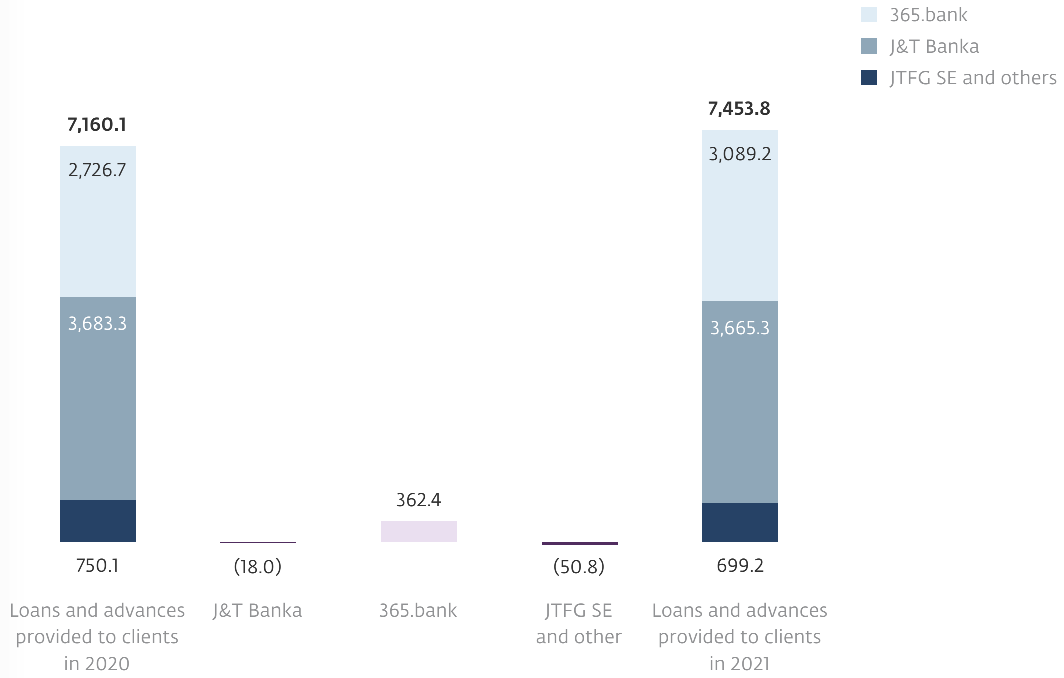
Net interest income / 2021 vs. 2020 (EUR million)



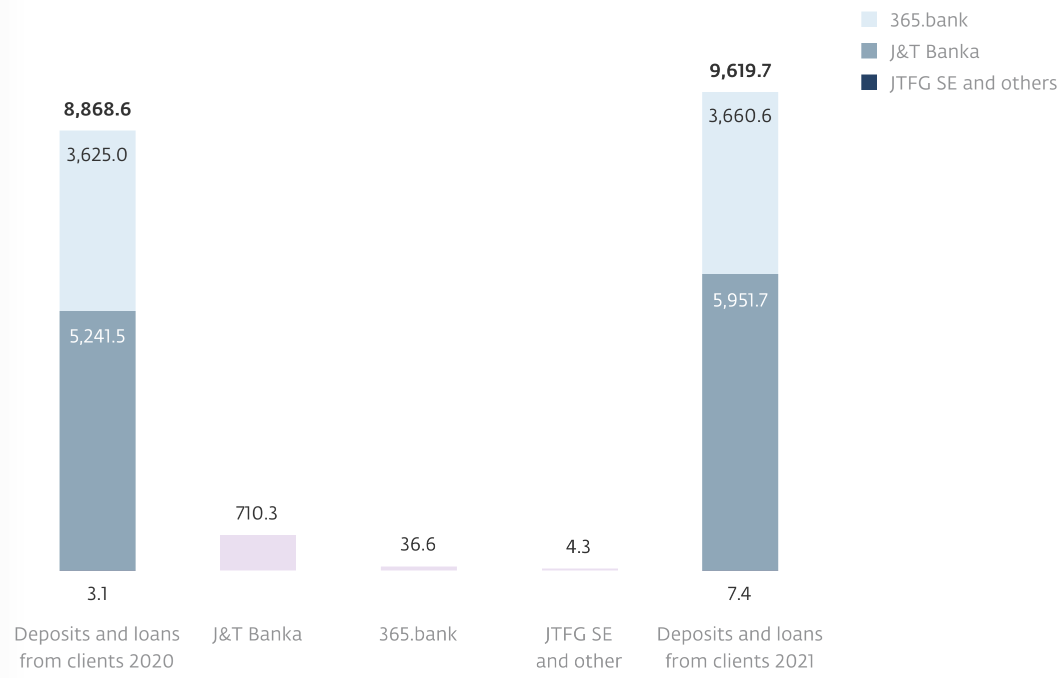
Net fee income / 2021 vs. 2020 (EUR million)



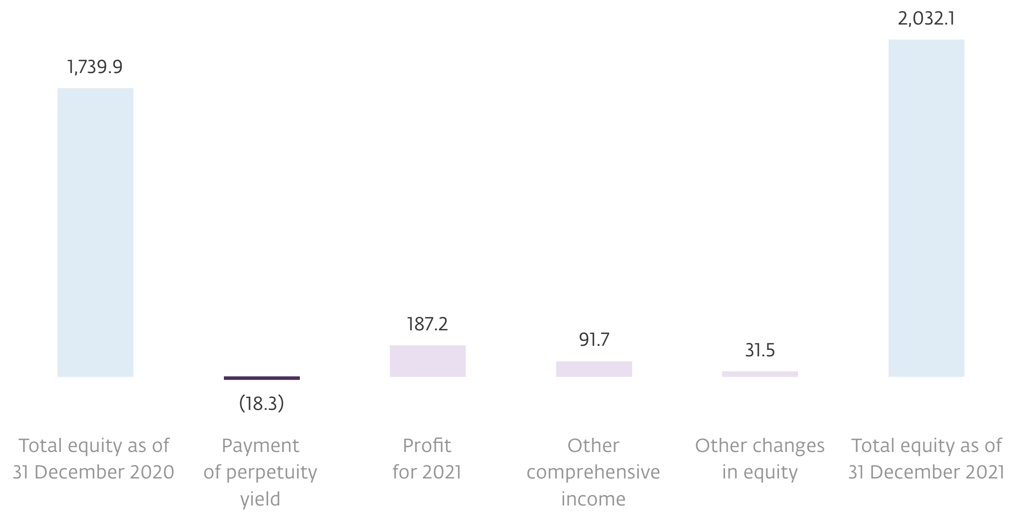
Loans and advances provided to clients / 2021 vs. 2020 (EUR million)



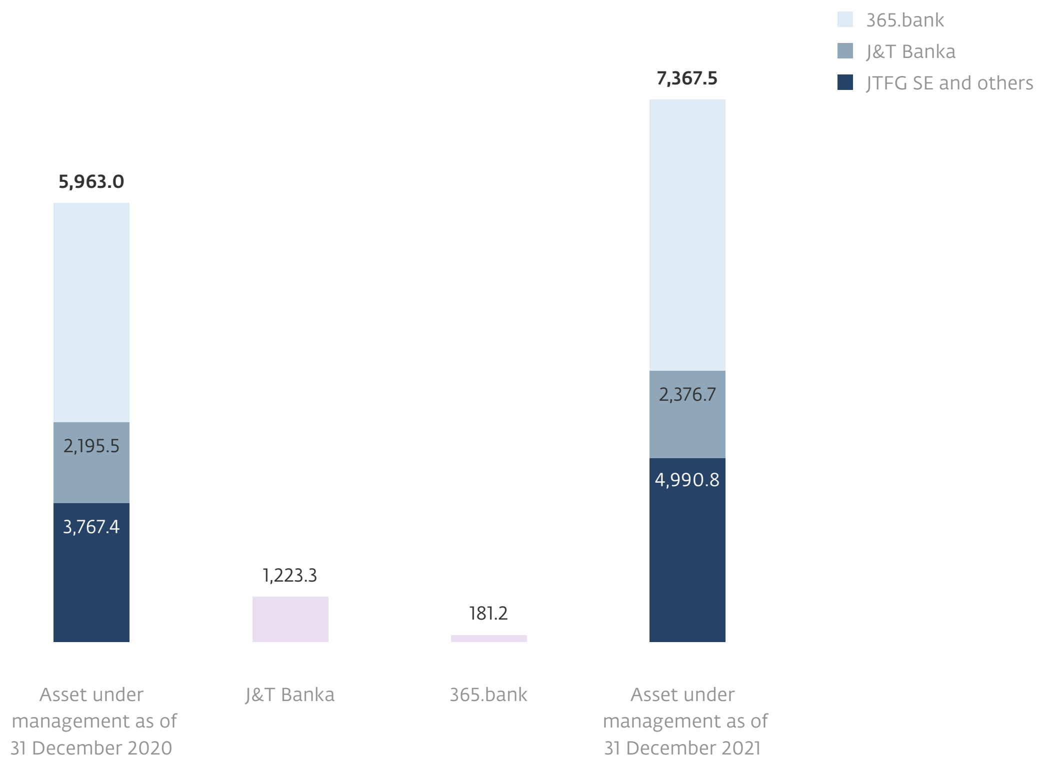
Deposits and loans from clients / 2021 vs. 2020 (EUR million)



Equity / 2021 vs. 2020 (EUR million)



Asset under management / 2021 vs. 2020 (EUR million)



Foreword

Dear clients, business partners, colleagues and friends,

In light of current events, one could get the impression that 2021 was a less significant year. The consequences of Russia's aggression we are witnessing every day easily overshadow the memories of crowded hospitals or economic fluctuations that broke decade-long records. These were, however, the circumstances that defined the past year.

But not all the numbers were negative. The unemployment rate in the Czech Republic stayed below 4% for most of the year, the economy returned to growth and the Czech crown continued to strengthen against the euro without any major fluctuations. The Prague Stock Exchange also recorded an above-average level of success: its main index yielded a profit of 39%. However, during the year, the inflation rate began deviating from the 2% level target set by the Czech National Bank due to broken supply chains, increasing commodity prices, low unemployment and strong domestic demand further increased by government expenditure incentives. Not even the strong response of the Czech National Bank, which increased its main monetary policy interest rate over several months from 0.25% to 3.75%, was sufficient to curb inflation, reaching 6.6% in December.

Group record profit

Nevertheless, 2021 was a successful year for J&T FINANCE GROUP SE. In the banking sector, which is the crucial sector for the Group's business, we managed to increase the volume of loans provided, which translated into increased interest income. In comparison to the careful predictions of the previous year, the improved macroeconomic outlook had a positive impact on the clients' credit risk and creditworthiness.

In Slovakia, we completed the transformation of the banking group: Poštová banka passed the baton to 365.bank, which became the umbrella brand for our activities in Slovakia and as a comprehensive banking house now offers not only a wide range of digital banking products, but also a very accessible network of brick-and-mortar branches. Within the transformation, Poštová banka strengthened its regional focus and remains the most accessible bank in Slovakia thanks to the dense network of trading points operating in connection with Slovenská pošta.

The Group was also active in client assets management, whose value significantly increased interannually, as did the income from fees and commissions. The J&T ARCH INVESTMENTS fund, listed on the Prague Stock Exchange in May 2021, significantly contributed to this growth by managing client assets worth more than EUR 528 million by the end of the year. These and many other achievements led to the Group reporting consolidated profits of EUR 187.7 million – a record-breaking amount in its history.

Reliable partner

In 2021, the Group supported several sporting and artistic events as a partner (or even the main host) and, as is now becoming a tradition, the Group supported children from socially disadvantaged families and programmes aimed at increasing financial literacy through its 365.nadácia foundation.

Long-term values persist

In 2022, the Group will continue its mission to promote its personal client approach based on partnership, mutual trust and sharing of ideas and wealth. At the same time, it is prepared to face all challenges that geopolitical developments may bring.

Strategy and further direction of the Group

The coming months will undoubtedly present us with several challenges. The first is the uncertainty about geopolitical developments in Europe, Russia, Ukraine, and the entire world. Nobody knows whether the war will last weeks, months or years. But we will certainly feel its impacts, both in the markets as well as beyond the financial world. The macroeconomic situation poses another challenge. Because of the growing inflation and predictions of slow economic growth, stagflation, a term that for years has only been used in economic textbooks, has now re-entered the mainstream media discourse.

This situation is not received well by investors who divide their portfolios between deposit and fixed-interest investment products. However stringent the central banks' response may be, these instruments cannot offer positive real appreciation of funds.

For these reasons, with our J&T ARCH fund we are trying and will continue to try to go further with our clients – further into the world of real assets and private equity investments, further into Europe, further into the world – side by side with the most important investors in the region, together with our partners, families, clients, and friends. We go further to protect and expand our clients' assets.

Our long-term values remain unchanged. We continue to promote a personal client approach based on partnership, mutual trust, and the sharing of ideas and wealth. We have high demands on ourselves to exceed the expectations of others as well as our own. We have the courage to do things differently and look for new solutions and opportunities.

Financial results of the Group

Having overcome the decline in profitability recorded in 2020, we managed to return to the Group's pre-pandemic results. And not only that, the profit after tax that we were able to generate in the past period has broken the Group's historic records. Our strong performance in the banking and asset management sectors contributed to profit of EUR 187.7 million (2020: EUR 79.0 million).

Net interest income increased by 9.9% year-on-year to EUR 341.9 million (2020: EUR 311.0 million) as a result of the increase in the volume of loans provided as well as the increase in the key interest rate on the Czech market, through which the Group earns interest on a substantial part of its free liquidity.

Similarly, the Group recorded a 29.1% increase in net income from fees and commissions compared to the previous year amounting to a total of EUR 127.9 million (2020: EUR 99.1 million). After the downturn of the previous year, demand for corporate bond issues returned to the markets and client interest in asset appreciation through capital markets trading continued, which was reflected in an increase in the volume of assets managed by the Group.

There was a significant decrease in income from net trading profit generated by the Group, which amounted to EUR 4.8 million (2020: EUR 49.5 million) due to the extraordinary gain on the revaluation of currency derivatives realised in the previous year. Nonetheless, the Group recorded a 3.8% year-on-year increase in total revenues, reaching EUR 524.0 million.

On the cost side, the Group recorded a slight increase in personnel costs to EUR 123.7 million (2020: EUR 119.3 million) reflecting the Group's organic growth. Investments in the digitalisation of banking services and automation of operations required an increase in depreciation and amortisation, which increased by 20.6% year-on-year to a total of EUR 43.7 million.

However, the number of adjustments of loans, promises, and guarantees had a fundamental effect on the year-on-year decrease in total costs. Although in 2021 the Group also reported a net generation of adjustments of EUR 34.8 million, in 2020, it was EUR 123.5 million. Even though the Group continued to operate with uncertainty about the future development and impact of the COVID-19 pandemic, the positive expectations about the future macroeconomic development – especially compared to last year – managed to outweigh the negative factors. In particular, the probability of default improved significantly. Total expenditures amounted to EUR 323.8 million (2020: EUR 414.2 million).

The Group's development was also reflected in the growth of the balance sheet total. As at 31 December 2021, the Group reported total assets of EUR 13.7 billion (31 December 2020: EUR 11.8 billion). The growth in lending in corporate and retail banking significantly contributed to this result.

Unlike in the previous year, because of improvements in the macroeconomic outlook and the clients' credit risk, the Group was not forced to create significant adjustments. Although the portfolio of loans to clients recorded a 4.0% gross increase, the number of adjustments for this portfolio increased more slowly, at a rate of 2.9%.

The financing of the increase in the balance sheet total was covered by the Company's own and external resources. For 2021, the Group reported a 16.8% increase in equity, mainly due to the economic results in the current period.

Client deposits were a significant source of liquidity, reaching EUR 9.6 billion as of 31 December 2021 (31 December 2020: EUR 8.9 billion).

The Group also reported a significant increase of 23.6% in asset management, with assets worth EUR 7.4 billion under management at the end of 2021 (31/12/2020: EUR 6.0 billion).

Financial results of the consolidated group J&T BANKA, a.s.

J&T Banka Group ("JTB Group") closed 2021 with a balance sheet total of EUR 8.2 billion (2020: EUR 6.7 billion), which represents an increase by more than 16%. In 2021, the economic management of the JTB Group reflected not only the relative calming of the situation and client expectations related to the development of the COVID-19 pandemic, but also a positive trend in financial markets. In this challenging period, the JTB Group achieved a net annual profit of EUR 109.3 million, which represents a year-on-year increase of EUR 45.9 million.

J&T BANKA, a.s. ("J&T Banka"), operating on Czech and Slovak markets, accounts for more than 95% of the JTB Group's total assets and for more than 85% of operating profit before creating adjustments and provisions, and the results of the JTB Group therefore depend primarily on the results of J&T Banka, a.s.

The increase in the JTB Group's balance sheet total was mainly driven by the growth in customer deposits on the liabilities side of the balance sheet. The total value of customer deposits was 17.5% higher compared to the end of 2020 and exceeded EUR 6.2 billion (2020: EUR 5.3 billion). Of the total volume of payables to clients, deposits in fixed-term and escrow accounts represent more than 71% (at the end of 2020, this share was around 75%). The total number of the JTB Group's clients with funds deposited on accounts kept by the Group totalled 92,225 at the end of 2021, which is a year-on-year increase of 8,321.

Sufficient resources received from clients allowed the banks in the JTB Group to participate in the financing of several projects by increasing the volume of corporate loans. The volume of these loans increased by EUR 192.2 million year-on-year, reaching EUR 2.9 billion at the end of 2021.

At the same time, the JTB Group recorded a EUR 0.5 billion decrease in debits arising from client trading on the capital markets; this was mainly due to the high comparative base of the previous year, as there was an exceptional short-term increase in debits at the end of the year. At the end of 2021, the dealer's debits reached EUR 0.7 billion, which represents one of the highest amounts in the JTB Group's history.

The total volume of securities in the JTB Group's portfolio did not change significantly from the previous year, reaching EUR 1.0 billion (2020: EUR 0.9 billion).

The equity capital of the JTB Group increased by EUR 178.5 million year-on-year and equalled EUR 996.1 million at the end of 2021. The JTB Group's sufficient capital will enable it to continue growing and developing in the coming years. The capital adequacy on a consolidated basis was 16.2% at the end of the year.

The increase in key market interest rates, driven by a sudden increase in the CNB's two-week repo rate, especially in the second half of 2021, was reflected in the increase in interest income and expenses of the JTB Group. The increase in the interest rates for reverse repo transactions with the CNB, through which the JTB Group realises the major portion of its liquidity surpluses, was reflected in a dynamic increase in interest income by 17.0%. Interest expense increased slightly by 5.7%, primarily influenced by a year-on-year increase in the volume of payables to customers that represent a major portion of the JTB Group's interest-bearing liabilities. As a result, net interest income increased by 21.5% to EUR 174.1 million compared to the previous year and was the main source of operating income, accounting for 71.3% of the total.

The JTB Group not only strengthened the interest component of operating income, but also recorded an increase in net profit from fees and commissions. In 2021, this profit reached EUR 62.6 million (2020: EUR 45.8 million). Despite the economic conditions marked by the pandemic and the associated uncertainty, the JTB Group achieved its highest ever net profit from fees and commissions for services provided. In 2021, the demand for new corporate bond issuances overcame the downward trajectory of the previous year triggered by the COVID-19 pandemic, which was reflected in a year-on-year increase in fees collected from the issue of securities. Continued client interest in asset appreciation through capital markets trading was reflected in an increase in fees from the acquisition of financial instruments, and the JTB Group also recorded a growing trend in non-interest income from collective investments and asset management.

The JTB Group managed to keep its operating costs stable. In 2021, they reached EUR 114.0 million, which is comparable to the level recorded in the previous year. Investments in digitalisation and automation resulted in a 16.8% increase in the depreciation of tangible and intangible assets, which was offset by a decrease in personnel and other administrative costs. Owing to a dynamic increase in income and, at the same time, a stable cost trend, the ratio of operating costs to operating revenues, which the JTB Group uses as an indicator of efficiency in operating areas, reach 47.53% (2020: 49.6%).

The stabilisation of operating costs on the one hand and the concurrent dynamic growth in interest and non-interest income from banking activities on the other translated into an 8.4% year-on-year growth in profit before adjustments and provisions. This profit reached EUR 125.8 million (2020: EUR 112.6 million).

Net additions to loss allowances for loans reached EUR 22.5 million, which was 44% less compared to the previous year. Risk costs were affected by updates to the PD curves, LGD, FLI and SICR, while also reflecting simulations of future GDP scenarios. In determining the level of adjustments for 2021, the JTB Group has considered the continuing general risks and market uncertainty associated with the impact of the COVID-19 pandemic that may affect all companies.

Financial results of the consolidated 365.bank Group

The net profit of the 365.bank group ("365.bank Group") reached EUR 56.9 million in 2021 (2020: EUR 40.6 million), representing a 40.1% year-on-year increase, with the main contribution to this result generated by 365.bank attaining a profit of EUR 58.3 million in 2021 (2020: EUR 44.36 million).

Although 365.bank's retail loan portfolio grew, the continuing trend of low interest rates translated into an overall year-on-year decline in interest income. Net interest income totalled EUR 133.7 million in 2021. Net income from fees and commissions amounted to EUR 35.6 million, slightly exceeding the previous year's level. On the cost side, the transformation of the 365.bank Group required a year-on-year increase of EUR 5 million in other administrative expenses.

The balance sheet total of 365.bank increased by EUR 467 million interannually to EUR 4.9 billion. The increase in assets was mainly caused by the growth in the loan portfolio. Loans to customers increased by EUR 373 million; the increase was mostly attributable to retail loans. For real estate loans, 365.bank managed to surpass the EUR one billion mark in loans provided.

On the side of liabilities, household deposits increased and amounted to EUR 3.4 billion at the end of 2021. Total deposits including bank deposits increased by 9% and at the end of 2021 exceeded EUR 4 billion, also owing to the successful participation in the ECB's programme of targeted long-term refinancing operations (TLTRO). In compliance with the regulator's requirements, 365.bank successfully placed its first-ever issue of senior unsecured and unsubordinated bonds (MREL) of EUR 65 million on foreign markets.

The 365.bank's indicator of the capital adequacy ratio – the level of Tier I capital as a percentage of risk-weighted assets – also increased. The capital adequacy increased year-on-year from 17.85% to 19.14% and continues to significantly exceed the minimum required capital. At the 365.bank Group level, the capital adequacy ratio was 18.06% (31 December 2020: 17.10%).

Of the other companies in the 365.bank Group, 365.invest had a very good year, achieving its highest ever profit after tax of EUR 13.3 million. This is an increase of 9.3% in comparison to the previous year. The volume of assets managed by this company amounted to EUR 1.9 billion at the end of last year, which gave 365.invest a 15% share of the Slovak market and places it among the top three players in the region. 365.life also saw an increase in its client base, securing a market share of 7.4%. Changes made at Ahoj, a.s., which focused on providing non-purpose consumer loans and optimising operating costs, helped the company turn a profit for the first time since its inception.

Company's dividend policy

The Company has not approved any specific dividend policy. The distribution of dividends, if any, is for each accounting period subject to an assessment of the Group's possibilities, needs, and long-term business objectives. When assessing the payment of dividends, the goals to ensure a sufficient level of capital adequacy and further regulatory requirements, as well as the interests of the owners of certificates, are all considered. The payment of dividends is approved by the Company's general meeting based on a proposal of the Company's Board of Directors.

New products and services

The J&T ARCH INVESTMENTS fund has been listed on the Prague Stock Exchange

J&T ARCH INVESTMENTS SICAV, a.s., a qualified investor fund established by the J&T financial group, has listed investment shares of its J&T ARCH INVESTMENTS investment compartment on the Prague Stock Exchange. Trading of the two issues in Czech crowns and euros started on Monday 10 May 2021. The primary purpose of the listing was to make it easier for existing and prospective investors to buy and sell investment shares even outside of the deadlines set by the fund's rules.

Principal markets

The Company is a holding company which primarily manages its own equity participations and provides loans and guarantor services, including guarantees for Group companies. The Company also provides management, guarantor, and administrative services to companies within the Group. In addition, the Company also serves as a creditor of internal and external entities. The Group is currently a bank holding consisting mainly of J&T BANKA and 365. bank.

Main categories of services provided

The main activities and services provided by the Group include:

- Private banking services: management, protection and appreciation of assets (including fixed-term and structured deposits, J&T unit trusts, clients' shares in private equity investments, asset management).
- Retail banking services: comprehensive banking services provided to the public, primarily including the provision of consumer loans and mortgages, account management, savings, issuing of payment cards, as well as the sale of other products (insurance, pension funds, unit trusts).
- Investment banking services: comprehensive services and consultancy in securing debt financing (bonds, credit clubs, private placement, currency exchange programmes), own financing – IPO (initial public offering), SPO (secondary public offering), post-IPO consultancy, mergers and acquisitions consultancy.
- Corporate banking services: project financing, risk assessment, transaction structuring, provision of funds, restructuring, refinancing and specialised financing. Provision of long-term and short-term financing, structured financing. Services in the area of corporate finance (project financing, valuation, restructuring).
- Financial markets services: comprehensive consultancy for trading and investing on financial markets, economic research and analysis, broker services, arrangement and settlement of transactions.
- Bank services: comprehensive banking services focused on private clients and specialised financing.

The Group provides all services as a single unit and is able to prepare superior products for its clients according to individual requirements and needs with an emphasis on flexibility and speed of solution. The Group can accompany its clients through the entire transaction process while offering a wide range of services, whether in the Czech Republic, Slovakia, the Russian Federation or Croatia. A significant competitive advantage consists in the ability to combine the services provided into a fully integrated unit – from the structuring of the transaction, through its financing, corporate consultancy to management and appreciation of assets.

The breakdown of revenues by operating segment and geographic market is set out in Section 6 – "Operating Segments" of the consolidated financial statements.

Significant investments of the Group

Financial investments made by the Group (as at the end of the year)

in thousands of EUR	31 December 2021	31 December 2020
Bonds and promissory notes	1,331,487	1,417,977
Shares and other equity instruments	66,638	57,827
Investment funds units	391,988	388,365
Equity interest in joint ventures and associates	77,174	60,890
Total	**1,867,287**	**1,925,059**

Non-financial investments made by the Group (as of the end of the year)

in thousands of EUR	31 December 2021	31 December 2020
Tangible assets	310,198	301,957
Tangible investment assets	134,121	126,435
Intangible assets	75,699	69,797
Total	**520,018**	**498,189**

The Group uses tangible and intangible fixed assets for its operational activities (office buildings, banking and accounting software, etc.), as well as within its highly diversified business activities.

These activities include, e.g., investments in real estate projects like the construction and purchase of real estate for the purpose of its lease to third parties.

The Group's tangible assets are also used in the vinicultural sector with planned investments in reconstructions, as well as in the accommodation services sector, because the Group owns several hotels in Slovakia.

The financing of investments is not viewed in isolation. The Company manages the structure of financing at the level of the Group and its members. The Company's financing structure is not clearly attributable to individual investments.

The geographical distribution of these investments is set out in Section 6 of the notes to the consolidated financial statements.

Regulatory environment

Banking represents a critical part of the Group's business activities. Business in the banking sector is subject to supervision by the CNB and is conditional on obtaining a banking licence. Any foreign banks within the Group are subject to the supervision by the competent national authority. A bank is not authorised to perform any activities other than those expressly specified in the licence. The law imposes several requirements on banks, including, among others, requirements on the credibility and professional competence of persons with qualified participation in the bank and requirements on the credibility, professional competence, and experience of the members of the governing body, the Board of Directors, and the Supervisory Board of the bank.

The Company and key companies within the Group are part of the prudential consolidation unit (the "Prudential Consolidation Unit"). The Prudential Consolidation Unit complies with the capital adequacy rules on a consolidated basis and adheres to the rules on general prudential requirements in relation to capital requirements for credit risk, market risk, operational risk, settlement risk and leverage, large exposure limitation requirements in accordance with the CRR rules limiting exposure to a client or an economically related group of clients to a certain amount (exposure rules), liquidity requirements, reporting requirements (in particular requirements regarding reporting to the CNB, whose details are further defined by the European Banking Authority), and disclosure requirements. The activities of the companies in the Prudential Consolidation Unit are restricted by national and European regulatory rules that impose requirements on capital levels, limits on large exposures of the consolidated unit, liquidity, customer protection (including protection of banking secrecy), reporting obligations (in particular) vis-à-vis the CNB. The regulatory rules further limit the business activities in which the Prudential Consolidation Unit may engage and in which it may participate, in particular the acquisition of qualifying holdings outside the financial sector.

A special regulation under the CRR also applies to the concentration of credit risk (large exposure limit) of the Prudential Consolidation Unit, which arises due to the existence of loan receivables with similar economic characteristics affecting the debtor's ability to meet its obligations. Legal regulations further contain several provisions aimed at providing protection to the bank's customers, such as a regulation concerning business secrets and the bank's obligation to proceed in the provision of investment services with professional care and in the best interest of its customers.

Banks are subject to extensive requirements concerning reporting and disclosure to supervisors, including the implementation of the single prudential reporting framework developed by the European Banking Authority (EBA). The Company's activities are also governed by other legal regulations, in particular the Corporations Act and tax regulations, including rules for determining transfer pricing between related parties

State, court and arbitration proceedings

As at the date of the consolidated annual report, no court or arbitration proceedings with a material effect on the financial position or profitability of the Company in future years are pending.

Material contracts

The Company's material transactions made in 2021 are disclosed in the notes to the financial statements. Information on contracts entered into between the Group members is provided in a separate part of the annual report, i.e., in the report on relations between related parties.

During the accounting period, neither the Company nor any other member of the Group entered into material contracts beyond the ordinary course of business. No member of the Group entered into a contract containing any provisions under which any member of the Group has any obligation or claim significant for the Group.

The Company confirms that it is not aware of any conflict of interest between the obligations of the members of the Board of Directors or the Supervisory Board towards the Company and between their private interests and other obligations. The Company also confirms that it is not aware of any agreements with the major shareholders, clients, suppliers or other entities under which a member of the Board of Directors or Supervisory Board has been appointed as a member of the Company's administrative, management, and supervisory bodies or top management.

The Company further confirms that it is not aware of any restrictions agreed with any member of the Board of Directors or Supervisory Board on the treatment of their interests in the Company's securities for a certain period of time.

Members of the Company's management and supervisory bodies

Board of Directors

The Board of Directors is the governing and management body of JTFG SE; it manages the business activities of the Company and represents the Company in the manner specified in its articles of association and in the commercial register. The Board of Directors decides all matters of the Company unless they fall within the powers of the general meeting or the Supervisory Board under the law, the articles of association, or resolutions of the general meeting.

The Board of Directors is responsible for the establishment of a comprehensive and appropriate management and control system and for its functional and effective maintenance. It is responsible for ensuring the setting of the Company's overall strategy, the rules which clearly define ethical and professional principles and expected models of behaviour of employees, and for the determination of human resources management standards. The Board of Directors is further in charge of ensuring that the Company consistently applies proper management, administrative, accounting, and other procedures. The Board of Directors approves and regularly evaluates the overall strategy, organisational structure, and risk management strategy, including risks following from the macroeconomic environment in which the Company operates.

Jozef Tkáč

Chairman of the Board of Directors

After he graduated from the University of Economics, he joined the Main Institute of the State Bank of Czechoslovakia ("SBCS") in Bratislava. In 1989, the Slovak Government and the SBCS authorised him to pave the way for the activities of an investment bank in Slovakia. In 1990, he became the chief director of the Main Institute for the Slovak Republic in Investiční banka, s.p.ú., Praha. After Investiční banka Praha was privatised and divided, he became president of Investičná a rozvojová banka, a.s. in Bratislava. After a change in the bank's owners and the end of the privatisation of Investičná a rozvojová banka, a.s. he became president of the J&T Group and chairman of the Board of Directors of J&T FINANCE GROUP SE.

In addition, in the past five years, he has been involved in the following companies:

J&T BANKA, a.s.

Id. No.: 47115378
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – chairman
Status: current

Geodezie Brno, a.s. v likvidaci

Id. No.: 46345906
Brno, Dornych 47, postal code 602 00
Position: Supervisory Board – chairman
Status: current

ATLANTIK finanční trhy, a.s.

Id. No.: 26218062
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

365.bank, a.s.

Id. No.: 31340890
Bratislava – Staré Mesto, Dvořákovo nábrežie 4,
postal code 811 02, Slovakia
Position: Supervisory Board – member
Status: current

J&T SERVICES ČR, a.s.

Id. No.: 28168305
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – chairman
Status: current

Equity Holding, a.s.

Id. No.: 10005005
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – chairman
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3,
postal code 118 00
Position: Managing board – member
Status: current

J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.

Id. No.: 53859111
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, postal code 811 02, Slovakia
Position: Supervisory Board – chairman
Status: current

J&T Investment Pool - I - SKK, a.s.

Id. No.: 35888016
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, postal code 811 02, Slovakia
Position: Board of Directors – vice-chairman
Status: expired

Family relationships: He is the husband of RNDr. Marta Tkáčová, the chairwoman of the Supervisory Board, and the father of Ing. Patrik Tkáč, a member of the Board of Directors.

Ivan Jakabovič

Vice-chairman of the Board of Directors

He graduated from the Faculty of Economic Informatics of the University of Economics in Bratislava. He obtained a broker's licence from the Slovak Ministry of Finance. In 1994, he co-founded J&T Securities, s.r.o., an investment firm. He is the vice-chairman of the Board of Directors of J&T FINANCE GROUP SE.

In addition, in the past five years, he has been involved in the following companies:

J&T BANKA, a.s.

Id. No.: 47115378
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – vice-chairman
Status: current

J&T CAPITAL PARTNERS, a.s.

Id. No.: 10942092
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – chairman
Status: current

KOLIBA REAL, a.s.

Id. No.: 35725745
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, postal code 811 02, Slovakia
Position: Board of Directors – chairman
Status: current

EP Power Europe, a.s.

Id. No.: 27858685
Prague 1 – Josefov, Pařížská 130/26, postal code 110 00
Position: Supervisory Board – member
Status: current

J & T Securities, s.r.o.

Id. No.: 31366431
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, postal code 811 02, Slovakia
Position: executive director
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3,
Postal code 118 00
Position: Managing board – member
Status: expired

Energetický a průmyslový holding, a.s.

Id. No.: 28356250
Prague 1 – Josefov, Pařížská 130/26, postal code 110 00
Position: Supervisory Board – chairman
Status: expired

EP Energy, a.s.

Id. No.: 29259428
Prague 1 – Josefov, Pařížská 130/26, postal code 110 00
Position: Supervisory Board – chairman
Status: expired

EP Industries, a.s.

Id. No.: 29294746
Prague 1 – Josefov, Pařížská 130/26, postal code 110 00
Position: Supervisory Board – member
Status: expired

Patrik Tkáč

Vice-chairman of the Board of Directors

He graduated from the Faculty of Economic Informatics of the University of Economics in Bratislava. He obtained a broker's licence from the Slovak Ministry of Finance. In 1994, he co-founded J&T Securities, s.r.o., an investment firm. He is the vice-chairman of the Board of Directors of J&T FINANCE GROUP SE.

In addition, in the past five years, he has been involved in the following companies:

J&T BANKA, a.s.

Id. No.: 47115378
Praha 8 - Karlín, Sokolovská 700/113a, PSČ 186 00
Position: Supervisory Board – vice-chairman
Status: current

ATLANTIK finanční trhy, a.s.

Id. No.: 26218062
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – chairman
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3, postal code 118 00
Position: Managing Board – member
Status: current

J&T IB and Capital Markets, a.s.

Id. No.: 24766259
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

CZECH NEWS CENTER a.s.

Id. No.: 02346826
Prague 7 – Holešovice, Komunardů 1584/42, postal code 170 00
Position: Supervisory Board – chairman
Status: current

J&T Family Office, a.s.

Id. No.: 03667529
Prague 1 – Malá Strana, Malostranské nábřeží 563/3, postal code 118 00
Position: Supervisory Board – member
Status: current

Nadace Sirius

Id. No.: 28418808
Prague 1 – Malá Strana, Všehrdova 560/2, postal code 118 00
Position: Founder
Status: current

CZECH MEDIA INVEST, a.s.

Id. No.: 24817236
Prague 1 – Josefov, Pařížská 130/26, postal code 110 00
Position: Supervisory Board – chairman
Status: current

J&T Wine Holding SE

Id. No.: 06377149
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – member
Status: current

J&T ENERGY FINANCING CZK I, a.s.

Id. No.: 06433855
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING CZK II, a.s.

Id. No.: 06433901
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING CZK III, a.s.

Id. No.: 07084030
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING CZK IV, a.s.

Id. No.: 07381158
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

Bermon94 a.s.

Id. No.: 07234660
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

EP Global Commerce a.s.

Id. No.: 05006350
Prague 1 – Josefov, Pařížská 130/26, postal code 110 00
Position: Supervisory Board – chairman
Status: current

J&T ARCH INVESTMENTS SICAV, a.s.

Id. No.: 08800693
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR I, a.s.

Id. No.: 51142074
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR II, a.s.

Id. No.: 51143062
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR III, a.s.

Id. No.: 51579642
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR IV, a.s.

Id. No.: 51479982
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR V, a.s.

Id. No.: 51888777
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR VI, a.s.

Id. No.: 52312305
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR VII, a.s.

Id. No.: 52396274
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR VIII, a.s.

Id. No.: 52491218
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR IX, a.s.

Id. No.: 52491196
Bratislava – Karlova Ves, Dúbravská cesta 14, postal code 841 04, Slovakia
Position: Supervisory Board – member
Status: current

J&T ENERGY FINANCING EUR X, a.s.

Id. No.: 52661261
Bratislava – Karlova Ves, Dúbravská cesta 14, PSČ 841 04, SR
Position: Supervisory Board – member
Status: current

J&T ALLIANCE SICAV, a.s.

Id. No.: 11634677
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T CAPITAL INVESTMENTS, a.s.

Id. No.: 10913203
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – chairman
Status: current

J&T CAPITAL PARTNERS, a.s.

Id. No.: 10942092
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – chairman
Status: current

J&T banka d.d.

Id. No.: 675539
Varaždin, Međimurska ulica 28, postal code 42000, Croatia
Position: Supervisory Board – member
Status: expired

PBI, a.s.

Id. No.: 03633527
Praha 8 – Karlín, Sokolovská 394/17, Karlín, PSČ 186 00
Position: Board of Directors – member
Status: expired

Stamina Private Equity Investments a.s., v likvidaci

Id. No.: 03841669
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: expired

Family relationships: He is the son of Ing. Jozef Tkáč, a member of the Board of Directors, and RNDr. Marta Tkáčová, the chairwoman of the Supervisory Board.

Dušan Palcr

Vice-chairman of the Board of Directors

He graduated from the Faculty of Business and Economics of Mendel University in Brno. From 1995 to 1998, he worked in banking supervision in the Czech National Bank. He joined the J&T Group in 1998. He was a member of the Board of Directors of J&T BANKA, a.s. in charge of the finance and the banking operations department. Since 2003, he has been a member of the Board of Directors of J&T FINANCE GROUP SE.

In addition, in the past five years, he has been involved in the following companies:

J&T BANKA, a.s.

Id. No.: 47115378
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T Sport Team ČR, s.r.o.

Id. No.: 24215163
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Executive Director
Status: current

AC Sparta Praha fotbal, a.s.

Id. No.: 46356801
Prague 7, tř. Milady Horákové 1066/98, postal code 170 00
Position: Supervisory Board – Chairman
Status: current

I. Český Lawn - Tennis Klub Praha

Id. No.: 45243077
Prague 7 – Holešovice, ostrov Štvanice 38, postal code 170 00
Position: Member of the Managing Board
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3,
postal code 118 00
Position: Managing Board – member
Status: current

Karlín development II. s.r.o.

Id. No.: 28161980
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J & T REAL ESTATE CZ, a.s.

Id. No.: 28255534
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – Chairman
Status: current

GLOBDATA a.s.

Id. No.: 05642361
Prague 1 – Staré Město, Na Příkopě 393/11, postal code 110 00
Position: Supervisory Board – member
Status: current

Doblecon a.s.

Id. No.: 07015381
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

Česká rugbyová unie, z.s.

Id. No.: 00540706
PPrague 6 – Břevnov, U Vojtěšky No. 11, postal code 162 00
Position: Executive Committee – President
Status: current

RAILSCANNER, s.r.o.

Id. No.: 07842511
Prague 8 – Libeň, Světova 523/1, postal code 180 00
Position: Supervisory Board – Chairman
Status: current

JTZE a.s.

Id. No.: 08839662
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: DSupervisory Board – Chairman
Status: current

Menmar s.r.o.

Id. No.: 13976257
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Executive Director
Status: current

Baunario s.r.o.

Id. No.: 11773430
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Executive Director
Status: current

Alvadose s.r.o.

Id. No.: 11773189
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Executive Director
Status: current

MeasureTake s.r.o.

Id. No.: 07209533
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Executive Director
Status: current

MS Trnitá 4, a.s.

Id. No.: 05783216
Brno – Černá Pole, třída Kpt. Jaroše 1922/3, postal code 602 00
Position: Supervisory Board – member
Status: current

Skytoll CZ s.r.o., v likvidaci (in liquidation)

Id. No.: 03344584
Prague 8 – Karlín, Pobřežní 297/14, postal code 186 00
Position: Executive Director
Status: expired

Karlín development III. s.r.o.

Id. No.: 05783216
Prague 8 – Karlín, Pobřežní 297/14, postal code 186 00
Position: Supervisory Board – member
Status: expired

Invictus development s.r.o.

Id. No.: 07295049
Prague 4 – Chodov, Stýblova 2352/30a, postal code 149 00
Position:Supervisory Board – Chairman
Status: expired

PBI, a.s

Id. No.: 3633527
Prague 8 – Karlín, Pobřežní 297/14, postal code 186 00
Position: Supervisory Board – member
Status: expired

Štěpán Ašer, MBA

Member of the Board of Directors

He graduated from the School of Business and Public Management at the George Washington University in Washington, in finance and financial markets. He holds an MBA at the Rochester Institute of Technology. He has been working in finance in the Czech Republic since 1997, first as an analyst, a portfolio manager in Credit Suisse Asset management. From 1999 to 2002, he was a member of the Board of Directors of Commerz Asset Management responsible for portfolio management and sales. At Česká spořitelna, he focused on institutional clients in the asset management. Since 2003, he has been working at J&T BANKA, a.s. In J&T Bank, he is responsible for the trade, operations and administration units.

In addition, in the past five years, he has been involved in the following companies:

J&T BANKA, a.s.

Id. No.: 47115378
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – member
Status: current

J&T INVESTIČNÍ SPOLEČNOST, a.s.

Id. No.: 47672684
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

ATLANTIK finanční trhy, a.s.

Id. No.: 26218062
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – Chairman
Status: current

J&T IB and Capital Markets, a.s.

Id. No.: 24766259
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – Chairman
Status: current

J&T Bank, a.o.

Id. No.: 1027739121651
115035 Moscow, Kadashevskaya naberezhnaja, 26, Russian Federation
Position: Board of Directors – member
Status: current

J&T Leasingová společnost, a.s.

Id. No.: 28427980
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – Chairman
Status: current

J&T Mezzanine, a.s.

Id. No.: 06605991
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Position: current

J&T SERVICES ČR, a.s.

Id. No.: 28168305
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Position: current

J&T banka d.d.

Id. No.: 675539
Varaždin, Međimurska ulica 28, postal code 42000, Croatia
Position: Supervisory Board – member
Position: expired

PBI, a.s.

Id. No.: 03633527
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: expired

Igor Kováč

Member of the Board of Directors

In 1998, he graduated from the Faculty of National Economy of the University of Economics in Bratislava. He has spent his entire professional career in finance. Since 2000, he has been working in the banking industry. He joined Hypovereinsbank Slovakia where he worked as a senior controller. In 2002–2008, he worked at Volksbank Slovakia as the manager of the finance department. Since 2008, he has been working at J&T BANKA, a.s. At J&T Bank, he is in charge of the finance and the project units.

In addition, in the past five years, he has been involved in the following companies:

J&T BANKA, a.s.

Id. No.: 47115378
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Board of Directors – member
Status: current

J&T IB and Capital Markets, a.s.

Id. No.: 24766259
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T INVESTIČNÍ SPOLEČNOST, a.s.

Id. No.: 47672684
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T SERVICES ČR, a.s.

Id. No.: 28168305
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T banka d.d.

Id. No.: 675539
Varaždin, Međimurska ulica 28, postal code 42000, Croatia
Position: Supervisory Board – member
Status: current

J&T Bank, a.o.

Id. No.: 1027739121651
115035 Moscow, Kadashevskaya naberezhnaja, 26, Russian Federation
Position: Board of Directors – member
Status: current

J&T Leasingová společnost, a.s.

Id. No.: 28427980
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

J&T Mezzanine, a.s.

Id. No.: 06605991
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: Supervisory Board – member
Status: current

Supervisory Board

The Supervisory Board is the main supervisory body of JTFG. It supervises the business management of the Board of Directors, checks the proper keeping of accounts and the correctness of the financial statements, ensures that the business activities carried out are in accordance with the intent of the articles of association and applicable legislation, and submits its opinions, recommendations and proposals to the general meeting and the Board of Directors. Further details on the competence of the Supervisory Board are stipulated in the articles of association, internal regulations and laws and regulations.

Marta Tkáčová

Chairwoman of the Supervisory Board

Marta Tkáčová graduated from the Faculty of Natural Sciences of Comenius University in Bratislava, where she studied geology and chemistry; she also completed her postgraduate and doctoral studies in Bratislava. She worked as an assistant professor at the Faculty of Natural Sciences of Comenius University in Bratislava and taught at secondary schools.

In addition, in the past five years, she has been involved in the following companies:

J & T Investment Pool – I – CZK, a.s.

Id. No.: 26714493
Prague 8 – Karlín, Sokolovská 700/113a, postal code 186 00
Position: chairwoman of the Supervisory Board

J & T Investment Pool – I – SKK, a.s.

Id. No.: 35888016
Bratislava, Dvořákovo nábrežie 8, postal code 811 02
Position: chairwoman of the Supervisory Board

Nadace J&T

Id. No.: 27162524
Malostranské nábřeží 563/3, 118 00 Prague 1
Position: chairwoman of the Supervisory Board

Family relationships: She is the wife of Ing. Josef Tkáč, a member of the Board of Directors, and the mother of Ing. Patrik Tkáč, a member of the Board of Directors.

Ivan Jakabovič Sr.

Vice-chairman of the Supervisory Board

In the past five years, he has been involved in the following companies:

KOLIBA REAL a.s.

Id. No.: 35725745
Bratislava, Dvořákovo nábrežie 8, postal code 811 02
Position: Member of the Supervisory Board

J&T Investment Pool - I - SKK, a.s.

Id. No.: 35888016
Bratislava, Dvořákovo nábrežie 8, postal code 811 02
Position: Member of the Supervisory Board

Jana Šuterová

Member of the Supervisory Board

She graduated from the Higher Vocational School at Bullova street in Bratislava, where she completed her studies with a focus on teaching and pedagogy. Since October 2009, she has served as the chairwoman of the Supervisory Board of J&T FINANCE, a.s.

In addition, in the past five years, she has been involved in the following companies:

KOLIBA REAL a.s.

Id. No.: 35725745
Bratislava, Dvořákovo nábrežie 8, postal code 811 02
Position: Member of the Supervisory Board

KPRHT 14 s.r.o.

Id. No.: 36864765
Bratislava, Dvořákovo nábrežie 8, postal code 811 02
Position: Executive Director

KPRHT 19, s.r.o.

Id. No.: 36864889
Bratislava, Dvořákovo nábrežie 8, postal code 811 02
Position: Executive Director

Expert committees of the Company

Group credit committee

The objective of the Group credit committee is to assess whether the implementation of a proposed active trade transaction would result in a breach of internal or regulatory limits set at the consolidated level of the regulatory consolidated unit. The issued recommendation does not replace a decision of the relevant committee or management body at the level of an individual member of the regulatory consolidated unit; it merely allows for a decision on the approval of the active trade to be taken at the level of the member of the regulatory consolidated unit.

The Group credit committee always has at least three members. There are two types of membership in the Group credit committee – with and without voting rights. The members of the Group credit committee are appointed by the Board of Directors of the Company, as is the chairperson of the committee, based upon a proposal by the Group CRO. The chairperson of the Group credit committee appoints the secretary, who does not need to be a member of the committee. Changes in the composition of the Group Credit Committee are specified in the minutes of the Company's Board of Directors. Current members of the Group Credit Committee are:

- representative of J&T BANKA, a.s. – chairperson
- representative of J&T BANKA, a.s. – member
- Group CRO – member
- representative of 365.bank – member (without voting rights)
- representative of J&T FINANCE GROUP SE, J&T Mezzanine, a.s. – member (without voting rights)
- Petra Böhmerová – Secretary (without voting rights).

Group remuneration committee

The main objective and purpose of establishing the Group remuneration committee as an advisory body of JTFG's Supervisory Board is to support the Supervisory Board in setting and evaluating the system and principles of remuneration of employees of the prudential consolidation group led by Messrs Jakabovič and Tkáč.

The members of the Group remuneration committee are appointed and recalled by JTFG's Supervisory Board, as is the chairperson of the Group remuneration committee. The chairperson of the Group remuneration committee appoints the secretary, who does not need to be a member of the Group remuneration committee. Changes in the composition of the Group remuneration committee are specified in the minutes of the Supervisory Board of the Company.

The Group remuneration committee has three members.

Current members of the Group remuneration committee are:

- Ivan Jakabovič – chairman
- Pavel Závitkovský – member
- Eva Vinšová – member, secretary.

Committee for the management of asset and liabilities at the consolidated level (SALCO)

SALCO's main objective and purpose is to facilitate the Group's asset and liability management process in terms of liquidity and the Group's profitability and capital adequacy.

The SALCO always has at least three members. There are two types of membership in SALCO – with and without voting rights.

The members of SALCO are appointed by the Board of Directors of the Company, as is the chairperson, based upon a proposal by the Group CRO, whose competence includes the management of SALCO's meetings. The chairperson of SALCO appoints a secretary, who does not need to be a member of SALCO. Changes in the composition of SALCO are specified in the meeting minutes of JTFG's Board of Directors.

Current members of SALCO are:

- representative of J&T BANKA, a.s. (member of ALCO JTB) – chairperson
- representative of J&T BANKA, a.s. (member of ALCO JTB) – member
- Group CRO – member
- representative of 365.bank – member (without voting rights)
- representative of J&T FINANCE GROUP SE, J&T Mezzanine, a.s. – member (without voting rights)
- Mária Kešnerová – secretary (without voting rights).

Group audit committee

The Group audit committee's main objective and purpose as an advisory body of the Company's Supervisory Board is the supervision over the compilation process of the financial statements and over the system of effectiveness of internal control, internal audit, and risk management processes.

The Group audit committee has at least three members, the majority of whom is independent of the Group. Members have at least three years of practical experience in accounting or statutory audit. The members of the Group audit committee are appointed by the general meeting of the Company.

Current members of the Group audit committee are:

- Jakub Kovář – chairman
- Rudolf Černý – member
- Michal Kubeš – member
- Alena Křenková – secretary (without voting rights).

Conflicts of interest

The Company is not aware of any potential conflict of interest between the duties of the members of the Board of Directors, the Supervisory Board, the audit committee or the remuneration committee of the Company in relation to the Company and their private interests or other duties. The applicable internal regulations of the Company contain effective measures to prevent any potential conflict of interests of the above-specified persons.

Code of corporate governance

The Company has not adopted and does not enforce a code of corporate governance. In its activities, the Company is governed by Czech legislation and its reflected general principles of good corporate governance. The Company conducts its activities primarily through its subsidiaries – mainly J&T BANKA, a.s. and 365.bank, a.s. – which have adopted their own codes of corporate governance.

Company shares the held by persons with executive powers

Person holding executive powers	Position	Share in registered capital	Share in voting rights
Jozef Tkáč	Chairman of the Board of Directors	45.05%	45.05%
Ivan Jakabovič	Vice-chairman of the Board of Directors	45.05%	45.05%

Remuneration policy for persons holding executive powers

JTFG applies remuneration principles in compliance with Decree No. 163/2014 Coll., on activities of banks, savings and credit co-operatives and investment firms (the "Decree") and Directive 2013/36/EU (the "Directive"). The key concepts of the remuneration policy, regulated in the Employee Remuneration Rules, include transparency and predictability, compliance with regulatory requirements, and fairness. Special remuneration principles and procedures are applied proportionately to the degree of influence of the individual selected persons on the Company's overall risk profile and on selected employees in control functions. Once a year, the internal audit function evaluates the remuneration principles and submits the results of its evaluation to the remuneration committee.

Board of Directors and Supervisory Board

The remuneration of the members of the Board of Directors consists of a fixed component which is paid monthly. The fixed component is determined based on the professional experience, expertise, etc., and the responsibilities of each member, reflecting the market situation in terms of remuneration for the position. The remuneration principles applicable to the members of the Board of Directors are approved by the Supervisory Board based on the remuneration committee's proposal. Members of the Supervisory Board also receive fixed remuneration based on agreements on the discharge of the office of a member of the Supervisory Board. After analysis, members of the Board of Directors and the Supervisory Board were included among employees with a significant influence on the Company's overall risk profile. At the same time, they are persons holding the management authority of the issuer.

Fixed component of employee remuneration of JTFG employees

The employees' fixed remuneration component is determined based on their key abilities, professional experience and working tasks, and a market comparison with salaries of other entities on the financial and banking markets in the Czech Republic. The remuneration policy for all employees is gender neutral, i.e. employees are remunerated equally for the same work, irrespective of their gender.

Variable component of JTFG employee remuneration

Employees are not contractually entitled to receive this remuneration component. The variable component of their remuneration depends on the fulfilment of company-wide goals (corporate bonus), on the fulfilment of individual goals (personal bonus), and, to a limited extent, also on their participation in the fulfilment of the objectives of their department (department bonus). For individual positions, portions of the overall budget for this type of remuneration intended for corporate, department and personal bonuses are set. The total budget for this type of remuneration is determined as a multiple of the monthly salary for the individual positions. Remuneration is gender neutral, i.e., per position, irrespective of gender. The multiple of the salary for individual positions is always determined for the respective calendar year by the Bank's governing body and represents 15–100% of the fixed remuneration component. The criteria under assessment include qualitative and quantitative performance, fulfilment of the Bank's strategy, risk management and work development indicators. If the set targets (including targets related to the degree of risks to which the Bank is exposed) are not fulfilled, the combination of various criteria levels results in the decision not to award part or all of variable remuneration component. The Bank does not use a clawback option, i.e., an option to demand the return of remuneration, unless permitted by Czech labour-law legislation in specific cases. Employees who are incentivised to receive variable remuneration more than 100% of the fixed salary paid for the period under review will be approved by the general meeting and reported in advance to the Czech National Bank. The CNB also has to be notified of the number of employees who actually achieve such higher remuneration, in accordance with the requirements of the Decree. The variable remuneration component may not exceed 200% of the fixed remuneration paid for the assessment period and will be paid retrospectively. The Bank does not apply payment of the variable remuneration component in the form of capital or similar instruments, since its position on the market is not significant and it does not have suitable capital instruments that would enable a suitable manner of postponing a part of the variable remuneration component.

The amount and manner of payment of the variable remuneration component are determined in compliance with the following rules:

1. Bonus pool

The calculation of the bonus pool is based on the sum of the target variable components of individual employees, considering the ability of the Group as a whole to maintain a proper and robust capital base, and adjusted based on the regularly estimated degree of target performance on the level of the Group.

2. Corporate targets

Performance targets are set every year and closely tied to the Bank's strategic plan. The remuneration committee annually approves their fulfilment based on audited data and proposes the remuneration for the assessment period. The corporate targets represent a combination of planned values of profit (35 percent) risk factors (35 percent) and regulatory and strategic goals (30 percent). For individual employees, the corporate targets influence between 25 and 70 percent of the determination of the total variable remuneration component, depending on their functional and organisational position in the Bank.

3. Departmental and personal targets

The targets are set based on a proposal from direct superiors for each calendar year. The targets can have the nature of individual tasks, projects, activities, or any other targets or behaviour. These targets are both quantitative and qualitative and are set based on the priorities of the division for which the relevant manager is responsible. Departmental and personal targets also include the obligation to comply with the rules of prudent risk management within the degree of risk acceptable by the Bank, and with the Bank's strategy, targets, values, and long-term interests.

4. K.O. criteria

The Bank sets the conditions for the award of the company bonus and the payment of the deferred variable remuneration. If one or more of the following criteria are not met, the company portion of the bonus will not be granted and payment of the deferred variable part of the remuneration will be delayed:

- Net assets (excluding the effect of any increase in equity by the company's shareholders, dividends and extraordinary items) must not decrease year-on-year.
- Operating profit after considering exceptional items must not decrease by more than 15% compared to plan.
- J&T BANKA's individual ROE must be at least 200 bps above the annual reference rate applicable at the beginning of the accounting period (12M PRIBOR).
- J&T BANKA, a.s. is not in the mode of launching a recovery plan.

The variable remuneration component awarded in previous years will not be paid should its payment result in the limitation of the Bank's ability to maintain a proper and robust capital base.

Rules for setting the variable remuneration component for selected groups of employees

1. Employees with a significant influence on the Company's overall risk profile (from the viewpoint of qualitative and quantitative criteria)

   The payment of the variable remuneration component to these employees is deferred so that 40 percent of the remuneration is paid immediately after the employee assessment process has been completed and remuneration has been awarded. The payment of the remaining 60 percent is deferred, and 20 percent is paid in each of the next three years. However, the Bank has the right not to pay this remaining portion for objective reasons.

2. Employees in internal control functions

   Employees in internal control functions are not assessed based on the performance results of the units they control but only based on the targets set for the relevant control function. The rules for remuneration of the heads of the risk management and internal audit functions are directly supervised by the remuneration committee and the Supervisory Board.

Remuneration of persons holding executive powers

No employees other than the members of the Board of Directors and the Supervisory Board hold executive powers within JTFG.

For persons holding executive powers, remuneration for 2022 will be modified in accordance with EBA General Guidelines EBA/GL/2021/04 on sound remuneration policies under Directive 2013/36 and any other relevant directly applicable legislation of the European Union and its established bodies, in particular the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA).

Income in kind of persons holding executive powers

Persons holding executive powers did not receive any income in kind from the Company or from entities controlled by the Company.

Company diversity policy

When electing members of the Supervisory Board and the Board of Directors and when filling working posts and positions in the committees of the Company, the Company does not apply a diversity policy in terms of age, gender, or education. Aspects that are considered for all positions are professional experience and qualification of the prospective members and employees. The Company does not have any diversity policy set forth by an internal standard, nor does it have any policy objectives or prescribed quotas in place. However, it ensures equal treatment and equal opportunities for all its employees.

Company details

Company name
J&T FINANCE GROUP SE
LEI: 315700E9POA724IWFP59

Legal form of the Company
European company (Societas Europaea)

Registered office of the Company:
Sokolovská 700/113a, 186 00 Prague 8

Telephone number:
+420 221 340 111

Web:
www.jtfg.com

Non-financial information

In accordance with Section 32g (1) of Act No. 563/1991 Coll., on Accounting, the Company as the consolidating entity of a large group of entities and a public interest entity discloses in this consolidated annual report non-financial information and information concerning diversity, supplementing the financial and non-financial information set out in other chapters of this consolidated annual report.

The Company considers the disclosure of non-financial information a significant step towards creating a sustainable global economy that will combine long-term profitability with social justice and protection of the environment.

The Company is aware of the importance of protecting the environment and pays close attention to the related matters. A number of steps have therefore been taken that have an impact on the environment, or the areas of health and safety, such as improved utilisation of water sources and waste separation. New technologies and procedures are monitored and assessed in terms of their potential implementation and benefits for the society as a whole, and for individuals.

Attention is also paid to social and employee matters. Trends are monitored in this area and, if considered meaningful, they are subsequently implemented at the Company. Remedial measures are taken if any shortcomings are found in gender equality, working conditions, respect for the employees' right to information, consultations, occupational safety and health protection. Similarly, the Company's non-financial focus also includes respect for human rights and anti-corruption and anti-bribery measures.

Environmental protection and prevention of pollution

The core of the Company's business is banking, comprising J&T Banka and, in Slovakia, 365.bank; the banking model of both these companies consists primarily of the provision of services by the bank's staff to its clients.

The provision of banking and investment services is a business directly generating very little waste. Nonetheless, the Company still considers it important to minimise the negative impact of its activities, and those of group companies, on the environment (consumption of water, electricity and paper; waste generation; direct and indirect CO2 emissions) and strives to support as much as possible those projects which could lead to improvement of the environment.

None of the banking activities can have a direct negative impact on the environment, but the Company is aware of its position as an important consumer of energy and goods that might end up as waste. As a result, its activity may have environmental impacts, which the Company and both banks are able to minimise through their own programmes and strategies.

Similarly, the Company strives to motivate its employees to also take measures to protect the environment in their working and private lives. Employees are not only encouraged to adopt a pro-active approach, but they even often request or actively propose possible improvements to certain shortcomings.

On top of complying with legislative requirements, including those ensuing from the EU and other regulations regarding environmental protection that are applicable to the banking activities, the Company is also aware that its everyday work activities may have a direct or indirect negative impact on the environment and aggravate the global issues in this area, and therefore strives to find a way towards sustainability and conscious economic growth and development.

Wherever possible and provided that the individual supply serves its purpose, the companies always try to find a local or regional supplier of goods and services in order to support these businesses and also to avoid unnecessary emissions, e.g. from the transport of goods.

Below, we present several specific activities pursued by the Company, and in particular both banks, in the area of environmental protection.

Carbon neutrality commitment

365.bank is committed to becoming the first carbon-neutral bank in Slovakia by 2025. As part of this goal, the bank carried out a comprehensive audit of its activities, which resulted in a Greenhouse Gas Review Report certificate. The outputs of this analysis include the identification of specific areas and action steps that the bank will take to be carbon neutral by 2025. The bank then set its own Ten Commandments, i.e., steps towards sustainability, which it wants to observe in its activities and operations and thus achieve its ambitious goal. In 2021, 365.bank also began negotiations with suppliers on purchasing electricity from renewable energy sources. Compared to 2020, the consumption of energy from renewable energy sources increased from 19% to 72% in 2021.

Company headquarters

The Company and J&T Banka have their headquarters in a building whose negative effects on its surroundings were actively mitigated already during its construction.

The building is equipped with a system of controlled ventilation outside working hours. Water taps with controlled flow rates are installed, and 'grey water' is used for flushing toilets. The building's roof is accessible to all employees and is planted with vegetation, thus improving the overall climate of the area. Plants are also grown in all offices and maintained by an external contractor (in an environmentally sound manner).

A bicycle room is available to all employees and clients for the storage of their bicycles used for transportation to the building (bicycle stands are located in the guarded part of the building; showers and changing rooms are also available there). The building is located next to a metro station and a tram stop, which ensures easy access for pedestrians; this should contribute to greater utilisation of these types of transport and thus reduce the environmental footprint by minimising the number of trips made by private and company cars. Furthermore, a certain number of parking spaces in the underground parking garage are reserved for low-emission vehicles (best spots close to the building entrance, next to the parking spaces reserved for people with disabilities and other groups prioritised by the law).

The building has predominantly large French windows spanning over the whole height of the floor, which allows for the longest possible utilisation of natural outside light, as well as external heating of the offices during sunny weather. All the windows are equipped with external blinds, which are controlled based on several factors: these also include weather conditions in the context of the construction design of the building. The blinds can be operated manually; they are also automatically shut if sunlight in a specific window exceeds the set value, in order to prevent heating the inside air above the standard temperature.

Pleasant ambient conditions in the offices are maintained automatically using the IRC (Individual Room Controller) regulator, which automatically maintains the set parameters of the environment (temperature and ventilation) in view of the presence of persons and energy efficient operation.

As a matter of course, the building also meets all the parameters that were already introduced in the former premises, in accordance with the principles of environmental responsibility and sustainable development (waste recycling, drinking water supplies, etc.).

Waste reduction and recycling

Long-term reduction of the quantity of waste generated is one of important objectives of the Company's and the group's everyday operation, as well as in setting the long-term strategy and the individual to achieve it. New measures are being constantly introduced and existing measures assessed so as to gradually reduce energy intensity and environmental burdens directly connected with the group's activities (zero waste policy).

The most important results at the Company's and J&T Banka's headquarters include the following: containers for waste separation (plastics, paper, paper documents to be shredded, and other materials, where appropriate) are located at all strategic places (e.g. in kitchenettes and catering rooms, at reception desks and close to printers and copiers).

Kitchenettes are equipped with dishwashers that reduce the volume of water needed for washing dishes used by employees and clients.

The Company considers the use of water dispensers available to the employees a great environmental benefit. These dispensers are connected to the water mains and thus minimise plastic waste that would otherwise be generated if bottled water or water barrels were used. Drinking unpackaged water significantly reduces the risk of consumption of microplastics and the dispensers also provide hot water, thus avoiding the need for heating water in electric kettles and the associated use of electricity.

Obsolete IT and office technology is handed over to an external company specialising in its disposal. The staff are encouraged to bring discarded devices to the subsidiary's IT department so as to prevent their disposal as municipal waste.

The use of batteries is also being gradually eliminated (e.g. gradual replacement of wireless mouses and keyboards).

Neither the Company nor its subsidiaries – banks and their services – generate material amounts of waste. The main risks in this regard include an increased quantity of waste produced by staff in the companies' everyday operation. This risk is considered when adopting any relevant decisions (purchase of dishwashers, water dispensers, number of waste recycling bins, etc.) to prevent any increase in the volume of waste. In contrast, efforts are made to reduce waste wherever possible without impeding the companies' operations.

Green products

In this respect, a 365.bank's product is also significant, as it demonstrates the Group's strong commitment to environmental protection: following the philosophy of ecological banking, namely the essential necessity of reducing plastics, the bank offered its clients a plastic-free account with a digital card. Banking with 365.bank thus became even more paper- and plastic-free, thanks to the possibility of using a digital card and performing regular bank operations simply through a mobile application. Since the launch of the digital card, up to 40% of our clients have an account with an exclusively digital card. 356.bank further confirmed its commitment to the plastic-free philosophy by joining the Priceless Planet Coalition to participate in planting trees for online account opening. Another motivating element concerning the ecology is the introduction the take-back of cards at brick-and-mortar branches, and their subsequent recycling and transformation into ecological benches.

In 2021, 365.bank came up with yet another product emphasising environmental responsibility, this time from the banking portfolio perspective: clients were offered a mortgage with the possibility of a reduced interest rate if the mortgaged property had a class A or B energy consumption certificate. The offer can also be used to refinance existing mortgage loans for housing. Mortgage loans are also products that reflect the idea of sustainable and environmentally friendly banking services by being made available in the digital environment: since autumn 2021, clients can apply via a mobile application and internet banking. The mortgage loan has thus expanded the portfolio of digital products that until now had comprised the digital account with a digital card and a digital loan.

Green investments

In view of its business model consisting in the provision of financial services, the Company and its group are aware of its important role especially in financing projects and investments related to renewable energy sources. Within its investment and business strategy, the Company therefore also evaluates, among other indicators, the environmental impact of projects and investments, and their conformity with the Company's strategy in this area.

The result is a preference for green investments, i.e. investments focusing on companies or projects that take into consideration the direct and indirect environmental impacts and support the purchase of environmentally friendly and technologically advanced environmental products and services, commit to reduce the use of natural energy sources (electricity, gas), produce and consume alternative energy sources, and implement projects focusing on clean air or water, and other green projects. In specific cases, these may also include investments supporting research on renewable energy sources or the introduction of renewable energy sources, or investments targeting companies using natural energy sources and limiting the amount of waste generated.

The risk involved in this respect is the augmentation of investments in companies or projects that are at variance with the green policy, whether in their objects or in the production and operation, especially at the expense of support for investments in companies and funds in energy-saving projects and investments. Given the active search for green investments, not only to promote the diversity of the banking portfolio, but especially to satisfy the clients' constantly increasing preference for such investments, the Company considers this risk minimal and well-managed.

In 2021, J&T Banka had over 380 funds in its portfolio that were expected to meet ESG sustainability criteria. J&T Banka also placed two further issues on the market with a focus on real estate and renewable energy and, among other things, increased the volume of issue for an issuer also investing in hydroelectric power (green energy).

As for 365.bank, its subsidiary 365.invest came up with an offer of new equity funds for advanced and courageous investors who want to follow global trends. It also offered clients the opportunity to invest in socially responsible companies through the Eko Fund, containing the shares of carefully selected environmental companies. This product has extended the range of products based on the ecological principles.

Social and employee affairs

Our staff

A satisfied and motivated employee who perceives the importance of his/her role and is simultaneously aware that the mutual relationship with his/her employer is based on trust, communication and mutual respect is one of the greatest assets any company can have. The Company is well aware of this fact and is constantly trying to offer its employees the possibility to expand their knowledge and experience, education opportunities and a number of special benefits.

All senior employees, regular employees and members of the governing body are bound by internal regulations defining the prohibition of discrimination and the obligation of equal treatment.

The Company and both banks operate in countries where a prohibition of child labour and forced labour might be expected in view of the European standards in the area of labour and social conditions. The risk that the mentioned problems could also be encountered at external suppliers of goods or services is considered minimal. In any case, should the Company be advised of any information or justified suspicion that any business partner violates these standards, the business co-operation will be immediately terminated. No violation of labour-law regulations by business partners or group companies was noted by the Company or the banks in 2021. None of the group companies has recorded any violation of occupational safety rules on its part, and no penalty or sanction has been imposed in this respect.

The Company employs a total of 25% women and 75% men. In J&T Banka, women account for 48% and men for 52%; the ratio of women to men in the bank's top management is 32% women to 68% men. In 365.bank, the ratio is 68% women to 32% men, in top management women account for 42% and men for 58%.

Remuneration policy

The Company creates above-standard social and economic conditions for its employees in the long term. With a view to motivating its staff and strengthening their bonds with the Company and the Group, the Company has put in place certain internal procedures for setting fair remuneration for the work performed.

The result is a remuneration policy at the Company and J&T Banka, which combines a fixed and a variable component ensuring employees' economic stability but, at the same time, encouraging employees to continue their personal development and self-improvement and contribute to the performance of the whole Group, while reflecting not only short-term business goals but also the strategy of sustainable development and growth.

Furthermore, on top of their salary, employees regularly receive a contribution towards relaxation, sports or a health programme, including a cancer-prevention programme.

Special benefits

The Company and J&T Banka support consistently remote work by its employees (telecommuting), including continuous reinforcement of its IT systems and the protection of applications enabling or simplifying work from home (e.g. reinforcement of VPNs and support for software teleconference applications). Employees are provided with the necessary equipment, including related technical support in installation or in case of any problems with the use of teleconference and videoconference calls. It also adapted the meeting rooms at the Company's headquarters for tele- and videoconferences.

Further, employees are allowed to take one extra week of annual leave beyond the mandatory scope, and also take three sick days per calendar year to cover short unfitness to work.

Flexible working time, where employees are only required to be present on the Company's premises at certain times, is a highly valued benefit. Beyond the scope of this time, employees may choose themselves the time when they will work.

Employees are also encouraged to work during maternity and parental leave. This allows them to increase their income at a time when they care for the family and also maintain their level of professional knowledge during parental leave, which facilitates their return to work.

The Company also supports parents in returning to their positions in the form of part-time jobs; the number of these jobs is constantly growing.

In 2021, the J&T Banka employed 51 part-time employees and 365.banka 11 (in both cases, the number increased year-on-year).

At the Company and J&T Banka, employees' salaries are set based on an analysis of working opportunities, drawn up by the HR Department. The analysis follows from externally available data, work experience and expertise of each employee, while strictly respecting the prohibition of any discrimination on the basis of sex, sexual orientation, race or ethnic origin, nationality, citizenship, social origin, birth, language, medical condition, age, religion or faith, property, marital and family status and relationship or obligations towards the family, political or other opinions, membership and activities in political parties or political movements.

The Company enables its employees to increase their professional qualifications and develop their personal or managerial skills in the long term. Its values are pursued primarily by individuals' own initiative; in spite of that, the Company has a group of cross-sectional competences which are taken into account while setting individuals' development plans, i.e. as a part of the individual KPI of each employee. Improving knowledge and skills on the basis of competences results in an effective implementation of the goals of individuals and, subsequently, of the Company and the Group as a whole.

The Company provides its employees with support in improving of their qualifications, also through the possibility to complete their studies related to the type of the work performed, such as CFA, ACCA, etc. This offer includes both financial support where the Company is prepared to pay the costs of the employee's studies as well as the temporal support where the employees are provided with the required time. The Company promotes knowledge of foreign languages and provides the employees with the opportunity to participate in various language courses and also promotes their participation in expert conferences and seminars.

The Company supports education of its employees – J&T Banka is a long-term partner of the Investor Club and co-organises educational activities and workshops for students.

The Company's headquarters provide a number of relaxation zones that can be used by employees for resting and dealing with personal affairs. Along with new multifunctional coffee machines in each kitchenette on every floor of the building, employees are also allowed to use the fitness zone with a number of fitness machines, treadmills, workout benches with weights and kettlebells for individual training during or after the working time. The Company adds new equipment according to the wishes of its staff.

At the Company and most of the group, an internal communication network application is provided for employee socialising. This is a means of communication aimed to connect everyone within the Company through shared posts, statuses and photographs, organisation of events (e.g. a running team and a group of employees engaging in cycling activities).

Regular teambuilding events are organised with a training programme that focuses primarily on team communication; teams made up of banks' employees compete in annual volleyball tournaments. Regular events also include a family day – a day full of social and entertainment events, where staff members are joined by their families.

Employee satisfaction and ideas

The Company's long-term goal is to create a healthy and motivating environment for its employees, supporting their personal and career growth. All our HR processes are transparent; our employees are treated decently and fairly. We encourage their creativity and ideas that can influence the individual processes in the Group as well as specific products.

When new employees join the Company and J&T Banka, after several months they regularly meet with senior employees of the HR department and representatives of the respective group company's management, at 365.banka also with managers. The aim is to discuss the employees' personal motivation and expectations regarding their work in the Group and how the employees' expectations are being fulfilled, what they dislike and what they would like to improve, etc. All opinions are heard and discussed, and many of them are presented to the competent persons for further implementation or discussion.

Employee satisfaction surveys are carried out on a regular basis, followed by workshops to discuss the results and set action steps to improve the current situation.

As one of the Company's principal values is partnership, each employee is considered a partner and during personal predicaments, the respective group company strives to help such an employee as much as possible. This help is always individual in view of the current life situation. It may include, for example, financial support, maintaining the job position, shorter working time in necessary cases, etc.

Protection of employees' safety and health

Employees are regularly trained in occupational safety and health protection, fire protection and provision of work aids and office equipment in the highest quality in an attempt to minimise or eliminate the risk of an occupational disease. The person responsible for this area further informs the employees and management of all new material information, or provides updates on issues which are already being addressed.

The Company has paid systematic attention to the care for its employees' health for several years now; three times a year, it organises an event called Health Days. During this time, employees can undergo individual physiotherapy, massages or professional consultations, especially in relation to the negative consequences of the sedentary job (e.g. measuring body fat percentage and its ideal values in relation to sex, weight and height). In 2021, Health Days were organised in the Company on a limited scale in view of the situation related to the global pandemic, and strict preventive hygiene measures were maintained.

Given the unusual situation in the past year, the Company's HR department and heads of individual teams provided regular information on all the adopted measures, prohibitions and recommendations, together with updates whenever an important change was made. Similarly, measures were introduced at the Company's headquarters, with respirators distributed to employees and clients, and the obligation to wear respirators inside buildings and offices. Employees were regularly tested at the workplace (even at a time when this duty was not imposed by the Government). Employees were advised of their duty to inform their supervisors whenever they arrived from a country with a risk of contagion or of any positive test or suspected infection, and were encouraged to work from home even if they had cold or symptoms of some other disease. If an employee got infected, all other employees who had been in close contact with the sick employee (sharing office or premises, joint meetings) were immediately traced, advised and ordered to telecommute and undergo the relevant test.

As a matter of course, facts concerning a specific person were disclosed by the Company only to the extent required for health protection and so as not to affect the dignity and integrity of the person, all that in view of personal data protection and in conformity with the opinion of the Office for Personal Data Protection.

The whole building including office spaces was disinfected regularly during the year. Disinfection is available to all employees on each floor, at each reception desk and in every kitchenette.

Respect for human rights

The Company and the entire Group consider human rights to be one of their most important values. In all areas of the group companies' activities, the rule applies that human rights must always be respected and all legal obligations imposed need to be complied with; moreover, throughout the Group, restrictions following from the measures imposed by the United Nations, the EU or the US on persons violating human rights are observed.

One of the imperatives followed by the Group is that none of the Group companies may enter into a transaction with a person against whom international sanctions have been imposed; to this end, rules have been set at the Group level, and their observance monitored.

It is also a rule that the Company and other Group companies, including J&T Banka and 365.bank always proceeds in a non-discriminatory manner vis-à-vis all customers, workers as well as other persons regardless of their sex, sexual orientation, religion, political opinion, citizenship, nationality or education.

The Company promotes an open doors policy in this regard as each employee is encouraged to inform his/her superior or anyone from the management of any potential concerns, findings or proposals for improvement (even anonymously, via the "whistleblowing line").

The result of compliance with the established rules is a constant unconditional imperative of not entering into contractual relationships with anyone subject to international sanctions, the Company's non-discriminatory approach towards customers, employees and other persons, as well as an open attitude towards dissenting opinions of the staff and third parties, e.g. expressed through the anonymous whistleblowing platform.

The risk in this regard may lie in an error or mistake made by an employee (a human error) who might make a decision inconsistent with this policy, at variance with the adopted measures. The Group companies have a control system in place which sufficiently safeguards that any such errors will be detected in due time. This includes, e.g., the four-eye principle (two employees are involved in the same act), managerial checks of the performance of activities falling within the responsibilities of the head of the relevant department, compliance control as a control function with the option/duty to perform inspections defined by internal regulations and a plan of inspections based on own risk assessment, and control activities within the internal audit department.

During the year 2021, no transaction was entered into with a person against whom international sanctions were imposed, and no allegations of any human rights violations by the Company or its employees were reported or identified

Anti-corruption and anti-bribery

Within its activities, the Company is not engaged in any corruption or other unethical practices while promoting its interests; it always strives to comply with all statutory duties, and respects third-party interests.

In its internal regulations, the Company defines strict rules for the ethical behaviour of its employees; it motivates them to comply with the rules and appropriately monitors this compliance. These rules define, in particular, the prohibition of corrupt practices, soliciting, accepting or providing bribes, as well as the rules for managing potential conflicts of interests.

All employees are regularly trained in this area, and the Company defines preventive and subsequent control mechanisms to detect such conduct where any such case is considered a serious breach of working duties in accordance with internal regulations. Any conduct that has the potential of constituting a criminal offence is notified by the Company to the competent prosecuting bodies.

The option to anonymously report any wrongful conduct by employees and third parties, i.e., whistleblowing, constitutes the Company's basic tool for detecting any unethical conduct or a conduct at variance with internal regulations or laws. The internal regulations guarantee the whistle-blower's protection against any negative consequences of their reporting the wrongful conduct, even if this conduct cannot be proven.

As regards corruption committed by third parties, the Group has defined measures aimed at preventing the legalisation of the proceeds from crime and financing terrorism, including, but not limited to, procedures of client identification and control in compliance with Act No. 253/2008 Coll., on certain measures against legalising the proceeds from crime and financing terrorism, including the implementing regulations and directly effective legislative acts issued by the EU. The banks in particular pay increased attention to cash transactions, as they may be a potential instrument of corrupt practices, and transactions of politically exposed persons.

The result of these measures is consistent compliance with strict rules of ethical conduct on the part of the company, the entire Group, and their employees. The Company has not encountered any cases that could be evaluated as unethical conduct by its employees in relation to the prohibition of corrupt practices or that would be at variance with legal or internal regulations. Any report made via the whistleblowing line is properly investigated. All non-standard transactions are reported to the competent authorities.

Some of the Company's employees may be exposed to the risk of corrupt practices in view of their work or may be financially or otherwise incentivised by customers or third parties to carry out a transaction in accordance with the instructions of these persons. For this reason, the Company has a strong interest in limiting the risk of such conduct that could have a significant impact on the reputation of the Group and its business interests. For this reason, the Company does not tolerate any form of corruption or bribery and manages and mitigates the risks of a conflict of interests that harm the interests of the Group, its clients or third parties. The transactions made by persons involving a potential risk factor are evaluated and recorded.

No employee or third-party conduct that could be classified as wrongful was reported through whistleblowing at the Company or J&T Banka in 2021. The Company does not record any violation of a related internal or legal regulation.

Information pursuant to Regulation (EU) 2021/2178

The Company discloses the following Information pursuant to Regulation (EU) 2021/2178

Quantitative indicators

	Group
taxonomy-eligible exposures	8%
taxonomy-non-eligible exposures	14%
exposures (central governments, CBs, multinational issuers)	27%
derivatives not held for trading	0%
exposure to non-NFRD reporting enterprises ("SMEs")	35%
trading book	1%
on-demand interbank loans	0%

The table shows the following proportions:

- the proportion of exposures to economic activities eligible for taxonomy in the total assets;
- the proportion of exposures to economic activities not eligible for taxonomy in the total assets;
- the proportion of exposures to central governments, central banks and supranational issuers in the total assets;
- ;the proportion of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU;
- the proportion of exposures from derivatives not intended for trading in the total assets;
- the proportion of on-demand interbank loans in the total assets;
- the proportion of the trading book in the total assets.

The amount of total assets applied is as stated in the consolidated statement of financial position. The numerator includes the amount of assets of credit institutions within the consolidated group.

The proportion of the trading book in the total assets was calculated as the proportion of assets included in the trading book. To avoid double counting, only the exposure in the non-trading book was included in the numerators of the other proportion indicators.

On-demand interbank loans, exposures from non-trading derivatives, exposures to central governments, central banks and supranational issuers and exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU were first excluded in order to calculate the proportion of exposures to economic activities eligible and non-eligible for taxonomy. Deposits in current accounts with other banks intended primarily for correspondent banking and brokerage services are considered on-demand interbank loans. Positive fair values of derivatives in the non-trading book are considered exposures from non-trading derivatives. Exposures to central governments, central banks and supranational issuers in the non-trading book consist especially of government bonds of the Czech Republic and receivables from the Czech National Bank. Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU were determined on the basis of available information. In this determination, the Company followed, in particular, the latest available data on the number of employees of the undertaking and on whether it was a public-interest entity, i.e. in particular whether the entity had issued securities admitted to trading on a European regulated market. These exposures consist of loans, bonds, stock, unit certificates and reverse repurchase agreements.

Eligibility for taxonomy was assessed for exposures to natural persons and undertakings that publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU in the non-trading book. These exposures consist of loans, bonds, mortgage bonds, stock, unit certificates and reverse repurchase agreements. Exposures from loans to undertakings and bonds are considered eligible for taxonomy according to the purpose of use of the funds under the loan contract or under the prospectus, or based on the predominant economic activity of the group of the security issuer. If the counterparty's business is split across multiple sectors, then the taxonomy-eligibility of the corporate lending exposure was assessed by the counterparty's turnover indicators or capital expenditure. If that information was not available when the credit exposure was assessed for eligibility, the exposure is considered taxonomy-non-eligible. The Company followed an analogous approach for stock exposures. Mortgage bonds exposures were considered eligible for taxonomy in the calculation. Taxonomy eligibility was determined for unit certificates based on an analysis of the underlying assets. Reverse repurchase agreements and loans for the purchase of securities (margin lending) are considered taxonomy-non-eligible exposures. Exposures to individuals are considered taxonomy-eligible in the case of loans for the purchase or refurbishment of real estate and loans for the purchase of cars; other loans to individuals are considered taxonomy-non-eligible.

At the moment, there is no established market practice as to the interpretation of Regulation (EU) 2021/2178. The Bank has made its best effort to true a complete view of the above listed exposures

Environmental responsibility

The Company's and both banks' constant ambition is to provide the highest level of services and individual approaches towards its clients, partners and counterparties, which, in today's world, also means meeting the changing lifestyle preferences and needs of these parties. Both banks perceive their position as one in which they must actively participate in changes to our environment, while not negatively impacting the achievement of appreciation. Both believe that responsible investing need not be at the expense of performance and account should be taken not only of financial but also of non-financial factors.

The consideration of socially responsible investing, or ESG (environment – social aspects – governance) criteria, is increasingly apparent among clients when they choose their investments.

In 2021, 365.bank was rated the most ecological bank by Finančná hitparáda ('Financial Hit Parade) portal. The bank has ambitions to defend this title in the future, which should be helped by its Eco Agile team with several ongoing projects. Through the 365. bank Foundation, the bank is also engaged in environmental activities, as evidenced by the signing of the Memorandum of the Slovak Banking Association on Sustainable Business and Development. In the memorandum, 365.bank undertook, among other things, to look for new ways to minimise the impact of its activities on the environment. It will continue to digitise, reduce its carbon footprint, and support projects of public sector, citizens' initiatives, and volunteering. The document also includes the creation of an industry standard for ESG certification of corporate clients, suppliers, and partners. Companies that emphasise socially responsible, environmental and social management should thus be able to access finance more effectively.

The Company's approach to social values is described in detail above in the section "Social and employee affairs". The Company is committed to compliance and continuous improvement of working conditions and zero tolerance to discrimination at any level. Social relationships are assessed and built among employees, and work is also done to deepen relationships between employees and junior and senior management. The Company considers respect for human rights to be one of its most important values and this aspect is taken into account within the Company and the Group. The Company closely monitors and complies with international sanctions relating to the provision of services or the establishment of relationships with specific persons, and compliance with the sanctions is then monitored. The Company's approach to the fight against corruption and bribery and other details in this area are also set out in the mentioned section above.

All aspects of good corporate governance that the Company considers important are also reflected in the fight against corruption, sufficient risk management, and internal and external audit.

The Company's business strategy is to continuously monitor and analyse global trends (which, especially in the context of the ongoing COVID-19 virus pandemic, have proven to be an unpredictable aspect) and the geopolitical situation, as it aims for a strategy that matches the realities of the surrounding world. Indeed, at a certain point in time, investment in medical protective equipment or the defence and security military industry may not seem socially beneficial. But the world and its needs are changing. The Company prefers the ability to react flexibly and assess trends and long-term changes as opposed to a rigid approach that could result in a loss of performance or following an outdated trend.

In this regard, the Company closely monitors the ESG criteria in the area of the environment, and assesses the most appropriate and, at the same time, the most advantageous approach in relation to environmentally sustainable economic activities, so as to ensure that the relevant regulation is consistent with the Company's strategy, which is also reflected in the product design processes. These strategic steps affect not just the Company's activity itself, but the changes introduced are also reflected in the setting and management of relations with J&T Banka's a 365.bank'a clients and counterparties. When assessing appropriate ESG strategies, both banks plan to favour products that will sufficiently meet the environmental criteria. After thorough assessment of the situation consideration is also given to the introduction of qualitative or quantitative criteria as regards the proportion of environmentally sustainable activities and the methodology of their evaluation.

Trends monitored in the trading book

As the Company stated above, ESG trends, in particular are constantly monitored and evaluated. The role and preferences are primarily increasing for environmentally and ethically relevant products. In view of their unquestionable benefit, the significance of the ESG criteria is gradually increasing not only for products, but also for the counterparties and other entities co-operating with the Company or the banks. These trends are being gradually incorporated into business objectives.

In terms of internal policy, the ESG criteria are also evident in the internal functioning of the institution, where environmental areas (more details are provided in the section "Environmental protection and prevention of pollution"), as well as social and corporate governance areas (both are detailed in the section "Social and employee affairs") are actively promoted.

Banks help

J&T Banka, its shareholders and employees have long been supporting the J&T Foundation, which has been helping endangered families with children at risk for many years. Along with families that have fallen into a difficult situation due to various circumstances, assistance is also provided to foster families. The J&T Foundation also focuses on helping people who are seriously ill or disabled. Support is provided in this respect, for example, to mobile hospice care, and the Foundation is also actively involved in cultivating the third sector through the Awareness and Education aid area.

J&T Banka enables students in selected fields to gain experience in banking through trainee programmes; in Slovakia, the bank also supports national competitions for talented young people "Študentská osobnosť roka" (Student of the Year) and "Mladý inovatívny podnikateľ" (Young Innovative Entrepreneur);

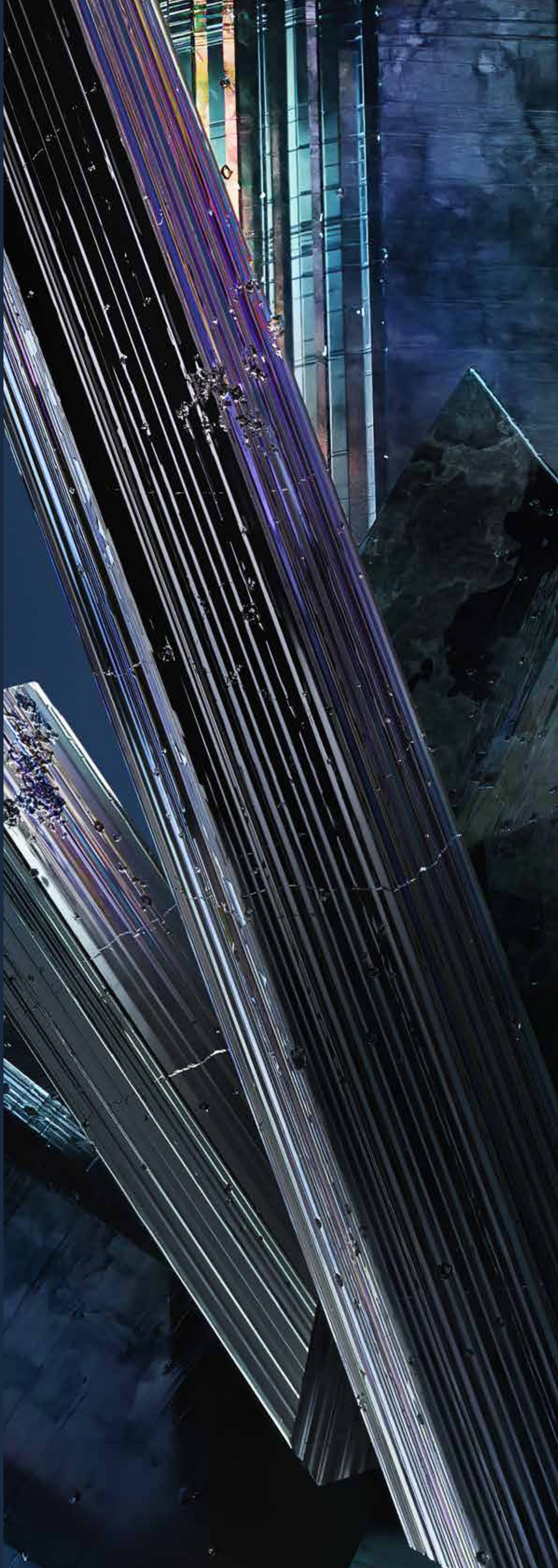
In this regard, 365.bank organised the campaign "S ekológiou sme si sadli" (Ecology agrees with us) in cooperation with the Upracme Slovensko (Let's Clean Slovakia) initiative, in the autumn of the past year. Within the project, the bank called upon primary schools to collect plastic waste in their surroundings, while some of them then could win a bench made of upcycled plastics. The bench is intended to symbolically remind pupils of the need to behave in an environment-friendly manner.

In 2021, 365.bank became a partner of the civic association Ružínska přehrada (Ružín dam). This water reservoir is a symbol of the plastic waste problem in eastern Slovakia and a major 'plastics' disaster. Through 365.bank Foundation, planting of the upper wall was financed to prevent the accumulation of waste in the dam. With the growing public interest in this problem, 365.bank together with the foundation helped the civic association to create more pressure on responsible institutions to bring a lasting sustainable solution for the reservoir and its surroundings. As part of the project, the bank also committed to improve the surroundings of the dam itself and install new outdoor furniture made of upcycled plastics.

The Company and its representatives are also enthusiastic supporters of art. The Company organises, for example, the Magnus Art project, which aims to introduce to general public contemporary art, its creators and the exceptional personalities who shape the artistic environment. A section of the building is set aside for the permanent presentation of art exhibitions (the Magnus Art Gallery), also accessible to the public. Along with this section, the corridors of the building house works of art, both by renowned artists and by art school students (the exhibited works are regularly changed). The Company also offers guided tours of these works. As part of the Magnus Art book series, it helps publish exceptional books on art that cultivate society and individuals.

Given its orientation towards the art market, the Company also tries to educate clients about this alternative investment (investment in art), for example through the Magnus Magazine, whose main mission is to promote the idea of "noblesse oblige".

Sports are also supported, and especially rugby, which honours globally the values of Integrity, Passion, Solidarity, Discipline and Respect. Czech rugby – with J&T Banka as its general partner – also proudly subscribes to these values.



13.7

billion EUR

Balance sheet total

Consolidated income statement for the year ended 31 December 2021

In thousands of EUR	Note	2021	2020
Interest income calculated using effective interest rate method	8	430,160	398,269
Other interest income	8	8,984	6,299
Interest expense	8	(97,284)	(93,604)
Net interest income		**341,860**	**310,964**
Fee and commission income	9	170,204	141,091
Fee and commission expense	9	(42,317)	(42,014)
Net fee and commission income		**127,887**	**99,077**
Financial markets, net result	10	4,812	49,500
Gain on a bargain purchase	7.1	—	138
Other operating income	11	49,451	44,923
Total income		**524,010**	**504,602**
Personnel expenses	12	(123,674)	(119,285)
Depreciation and amortisation	29, 30	(43,736)	(36,267)
Goodwill impairment	29	—	—
Impairment of property, plant and equipment and intangible assets	29, 30	2,035	(4,531)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	26	(34,828)	(123,459)
Net impairment losses of financial assets except loans, loan commitments and financial guarantees	26	(7,475)	(3,401)
Other operating expenses	13	(116,166)	(127,266)
Total expenses		**(323,844)**	**(414,209)**
Profit from operations		**200,166**	**90,393**
Share of profit from equity accounted investees		30,030	11,699
Profit before tax		**230,196**	**102,092**
Income tax expense	14	(42,537)	(23,086)
Profit for the period		**187,659**	**79,006**
Attributable to:			
Equity holders of the parent		165,306	73,461
Non-controlling interests		22,353	5,545
Profit for the period		**187,659**	**79,006**

The notes presented on page 48 to page 169 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2021

In thousands of EUR	2021	2020
Profit for the period	**187,659**	**79,006**
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	82,552	(79,130)
Debt instruments measured at fair value through other comprehensive income – Net change in fair value	(4,090)	6,483
Debt instruments measured at fair value through other comprehensive income – Net amount transferred to profit or loss	3,627	(675)
Share of other comprehensive income of equity accounted investees	5,268	(3,646)
Other comprehensive income – items that will not be reclassified subsequently to profit or loss		
Equity instruments measured at fair value through other comprehensive income – Net change in fair value	4,378	(1,397)
Other comprehensive income for the period, net of income tax	**91,735**	**(78,365)**
Total comprehensive income for the period	**279,394**	**641**
Attributable to:		
Equity holders of the parent	252,458	(3,899)
Non-controlling interests	26,936	4,540
Total comprehensive income for the period	**279,394**	**641**

The notes presented on page 48 to page 169 form an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 27 April 2022.

Signed on behalf of the Board of Directors:

Dušan Palcr
Vice-Chairman of the Board of Directors
J&T FINANCE GROUP SE

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

Consolidated statement of financial position as at 31 December 2021

In thousands of EUR	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	15	2,818,637	1,670,876
Financial assets for trading	16.1	197,898	385,720
Hedging derivatives	17	19,764	11,555
Investment securities measured at fair value through profit or loss	18	400,019	402,268
Investment securities at fair value through other comprehensive income	19	662,194	721,579
Investment securities at amortised cost	20	574,991	396,362
Disposal group held for sale	21	4,703	20,133
Loans and advances to banks	22	635,457	324,698
Loans and advances to customers	23, 24.2	7,453,723	7,160,144
FV changes of portfolio of hedged instruments – Loans and advances to customers		1,091	2,276
Trade receivables and other assets	25	290,276	121,490
Current tax assets		9,516	6,287
Investments in equity accounted investees	27	77,174	60,890
Investment property	28	134,121	126,435
Intangible assets	29	75,699	69,797
Property, plant and equipment	30	310,198	299,213
Deferred tax assets	37.2	42,038	44,429
Total assets		**13,707,499**	**11,824,152**
Liabilities			
Trading liabilities	16.2	86,435	29,261
Hedging derivatives	17	5,050	10,318
Liabilities associated with disposal group held for sale	21	—	24
Deposits and loans from banks	31	650,022	191,270
Deposits and loans from customers	32	9,619,752	8,868,600
Debt securities issued	33	578,388	445,770
Subordinated debt	34	2,955	8,546
Other liabilities	35	705,844	484,912
Current tax liability		6,696	3,059
Provisions	36	7,944	36,711
Deferred tax liabilities	37.2	11,792	5,741
Total liabilities		**11,674,878**	**10,084,212**
Equity			
Share capital		574,138	574,138
Share premium		93,577	93,577
Reserves		377,237	261,211
Retained earnings		882,776	739,467
Equity attributable to equity holders of the parent	**38**	**1,927,728**	**1,668,393**
Non-controlling interests	39	104,893	71,547
Total equity		**2,032,621**	**1,739,940**
Total equity and liabilities		**13,707,499**	**11,824,152**

The notes presented on page 48 to page 169 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021

In thousands of EUR	Note	Share capital	Share premium
Balance as at 1 January 2021		**574,138**	**93,577**
Profit for the period		–	–
Other comprehensive income for the period, net of tax – items that are or may be reclassified subsequently to profit or loss		–	–
Foreign exchange translation differences		–	–
Debt instruments measured at fair value through other comprehensive income – Net change in fair value		–	–
Debt instruments measured at fair value through other comprehensive income – Net amount transferred to profit or loss		–	–
Share of other comprehensive income of equity accounted investees		–	–
Other comprehensive income - items that will not be reclassified subsequently to profit or loss		–	–
Equity instruments measured at fair value through other comprehensive income – Net change in fair value		–	–
Other comprehensive income for the period, net of tax		**–**	**–**
Total comprehensive income for the period		**–**	**–**
Dividends		–	–
Change in non-controlling interests without a change in control	39	–	–
Acquisition and establishment of subsidiaries with non-controlling interests	7.1	–	–
Total transaction with owners of the Company, recognised directly in equity			
Effect of disposals of subsidiaries	7.2	–	–
Issue of other capital instruments	38	–	–
Distributions related to other capital instruments	38	–	–
Transfer to legal and other reserve funds	38	–	–
Balance as at 31 December 2021		**574,138**	**93,577**

See Note 38. Shareholders' equity and Note 39. Non-controlling interests.

	Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	44,438	**(111,125)**	**327,898**	**739,467**	**1,668,393**	**71,547**	**1,739,940**
	—	—	—	165,306	165,306	22,353	187,659
	—	83,929	(489)	—	83,440	3,917	87,357
	—	78,661	—	—	78,661	3,891	82,552
	—	—	(4,119)	—	(4,119)	29	(4,090)
	—	—	3,630	—	3,630	(3)	3,627
	—	5,268	—	—	5,268	—	5,268
	—	—	3,712	—	3,712	666	4,378
	—	—	3,712	—	3,712	666	4,378
	—	**83,929**	**3,223**	**—**	**87,152**	**4,583**	**91,735**
	—	**83,929**	**3,223**	**165,306**	**252,458**	**26,936**	**279,394**
	—	—	—	—	—	(202)	(202)
	—	10	—	1,064	1,074	(651)	423
	—	—	—	—	—	16,607	16,607
	—	**10**	**—**	**1,064**	**1,074**	**15,754**	**16,828**
	—	(7)	(1,202)	—	(1,209)	(9,344)	(10,553)
	—	—	25,266	—	25,266	—	25,266
	—	—	—	(18,254)	(18,254)	—	(18,254)
	4,807	—	—	(4,807)	—	—	—
	49,245	**(27,193)**	**355,185**	**882,776**	**1,927,728**	**104,893**	**2,032,621**

Consolidated statement of changes in equity for the year ended 31 December 2020

In thousands of EUR	Note	Share capital	Share premium
Upravený zůstatek k 1. lednu 2020		**574,138**	**93,577**
Zisk za účetní období		–	–
Ostatní úplný výsledek po zdanění – položky, které jsou nebo mohou být následně reklasifikovány do zisku nebo ztráty		–	–
Rozdíly z kurzových přepočtů		–	–
Dluhové nástroje oceněné reálnou hodnotou do ostatního úplného výsledku – čistá změna reálné hodnoty		–	–
Dluhové nástroje oceněné reálnou hodnotou do ostatního úplného výsledku – čistá hodnota převedená do zisku nebo ztráty		–	–
Podíl na ostatním úplném výsledku jednotek účtovaných ekvivalenční metodou		–	–
Ostatní úplný výsledek – položky, které nebudou následně reklasifikovány do zisku nebo ztráty		–	–
Kapitálové nástroje oceněné reálnou hodnotou do ostatního úplného výsledku – čistá změna reálné hodnoty		–	–
Ostatní úplný výsledek za účetní období po zdanění		–	**–**
Úplný výsledek za účetní období celkem		–	**–**
Dividendy		–	–
Změny nekontrolních podílů beze změn v ovládání	39	–	–
Akvizice a založení dceřiných společností s nekontrolními podíly	7.1	–	–
Celkové transakce s vlastníky Společnosti účtované přímo do vlastního kapitálu		**–**	**–**
Efekt z prodeje dceřiných společností	7.2	–	–
Vydané ostatní kapitálové nástroje	38	–	–
Vyplacení výnosů z ostatních kapitálových nástrojů	38	–	–
Převod do zákonného rezervního fondu a ostatních rezervních fondů	38	–	–
Zůstatek k 31. prosinci 2020		**574,138**	**93,577**

The notes presented on page 48 to page 169 form an integral part of the consolidated financial statements.

Non-distributable reserves	Translation reserve	Other reserves and funds	Retained earnings	Equity attributable to equity holders of the parent	Non -controlling interests	Total equity
39,224	**(29,452)**	**304,704**	**690,919**	**1,673,110**	**59,983**	**1,733,093**
—	—	—	73,461	73,461	5,545	79,006
—	(81,686)	5,702	—	(75,984)	(984)	(76,968)
—	(78,040)	—	—	(78,040)	(1,090)	(79,130)
—	—	6,364	—	6,364	119	6,483
—	—	(662)	—	(662)	(13)	(675)
—	(3,646)	—	—	(3,646)	—	(3,646)
—	—	(1,428)	52	(1,376)	(21)	(1,397)
—	—	(1,428)	52	(1,376)	(21)	(1,397)
—	**(81,686)**	**4,274**	**52**	**(77,360)**	**(1,005)**	**(78,365)**
—	**(81,686)**	**4,274**	**73,513**	**(3,899)**	**4,540**	**641**
—	—	—	,—	—	(973)	(973)
—	—	—	(394)	(394)	2,394	2,000
—	—	—	,—	—	5,603	5,603
—	**—**	**—**	**(394)**	**(394)**	**7,024**	**6,630**
(1)	13	—	1	13	—	13
—	—	18,900	—	18,900	—	18,900
—	—	—	(19,337)	(19,337)	—	(19,337)
5,215	—	20	(5,235)	—	—	—
44,438	**(111,125)**	**327,898**	**739,467**	**1,668,393**	**71,547**	**1,739,940**

Consolidated statement of cash flows for the year ended 31 December 2021

In thousands of EUR	Note	2021	2020
Operating activities			
Profit before tax		230,196	102,092
Adjustments for:			
Depreciation and amortisation	29, 30	43,736	36,267
Change in impairment of property, plant and equipment and intangible assets	29, 30	(2,035)	4,531
Change in fair value of investment property, net		(3,217)	7,010
(Gain) / Loss on disposal of property, plant and equipment, intangible assets and investment property		280	(314)
Amortisation of deferred acquisition costs for insurance and clients' contracts		586	57
(Profit) / loss on disposal of subsidiaries and non-controlling interests	11, 13	1,209	13
(Profit) / loss on disposal of investment securities at fair value through other comprehensive income		(1,163)	(1,197)
(Profit) / loss on disposal of investment securities at amortised cost due to modification		(63)	172
Net interest income	8	(341,860)	(310,964)
Dividends income from equity instruments measured at FVOCI	10	(820)	(597)
(Decrease) / Increase in allowance for impairment of loans, loan commitments and financial guarantees	26	34,828	123,459
(Decrease) / increase in allowance for impairment of financial assets except loans, loan commitments and financial guarantees	26	7,475	3,401
Change in impairment of other assets	11, 13	280	1,516
(Profit) / loss from equity accounted investees		(30,030)	(11,699)
Changes in provisions	36	(1,379)	5,295
(Gain) on a bargain purchase and goodwill impairment	7.1, 29	—	(138)
Unrealised foreign exchange (gains) / losses, net		12,557	5,934
Operating loss before changes in working capital		**(49,420)**	**(35,162)**
(Increase) / decrease in operating assets			
Change in financial assets for trading		202,562	(241,734)
Change in hedging derivative assets		(7,334)	(10,960)
Change in investment securities at fair value through profit or loss		2,992	(56,663)
Change in loans and advances to customers and banks		(481,236)	(1,541,289)
Change in trade receivables and other assets		(159,869)	(17,425)
Increase / (decrease) in operating liabilities			
Change in trading liabilities		53,998	2,586
Change in hedging derivative liabilities		(5,271)	898
Change in deposits and loans from banks and customers		1,005,118	831,574
Change in other liabilities		188,170	26,688
Cash generated from (used in) operations		**749,710**	**(1,041,487)**
Interest received		431,466	371,086
Interest paid		(87,267)	(74,285)
Income taxes paid		(41,761)	(46,506)
Cash flows generated from (used in) operating activities		**1,052,148**	**(791,192)**

In thousands of EUR	Note	2021	2020
Investing activities			
Purchase of financial instruments at fair value through other comprehensive income		(192,685)	(120,834)
Proceeds from sale of financial instruments at fair value through other comprehensive income		254,589	224,226
Purchase of financial instruments at amortised cost		(216,048)	(29,135)
Proceeds from financial instruments at amortised cost		24,364	176,470
Acquisition of property, plant and equipment, investment property and intangible assets		(46,296)	(154,177)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		4,849	8,616
Acquisition of subsidiaries, net of cash acquired	7.1	(854)	2,016
Acquisition of equity accounted investees		(14)	(2)
Capital contributions to equity accounted investees		—	(433)
Proceeds from sale of equity accounted investees		16,270	—
Proceeds from assets held for sale		(500)	199
Net cash (outflow) inflow from disposal of subsidiaries	7.2	16,244	—
Dividends received		630	374
Cash flows generated from / (used in) investing activities		**(139,451)**	**107,320**
Financing activities			
Proceeds from issued debt securities	33	114,432	—
Payments for buy-back of issued debt securities	33	(78)	(3,124)
Acquisition of non-controlling interests		—	7,603
Subordinated debt paid	34	(5,568)	(15,275)
Payment of lease liabilities (principal)		(9,442)	(10,982)
Issue of other capital instruments		25,266	18,900
Bonus payments from other capital instruments		(18,254)	(19,337)
Dividends paid		(68)	(590)
Cash flows generated from / (used in) financing activities		**106,288**	**(22,805)**
Net decrease/increase in cash and cash equivalents		**1,018,985**	**(706,677)**
Cash and cash equivalents as at the beginning of the year	**15**	**1,670,977**	**2,479,559**
Effect of exchange rate fluctuations on cash held		128,743	(101,905)
Cash and cash equivalents as at the end of the year	**15**	**2,818,705**	**1,670,977**

The notes presented on page 48 to page 169 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. General information

J&T FINANCE GROUP SE (the "Parent Company" or "the Company") is a European joint-stock company (Societas Europaea) having its legal seat and domicile at Sokolovská 700/113a, 186 00 Praha 8.

The consolidated financial statements of the Company for the year ended 31 December 2021 comprise the Parent Company, its subsidiaries and interests in associates and joint ventures (together referred to as "the Group"). A list of the Group entities is provided in Note 48. Group entities.

The shareholders of the Company as at 31 December 2021 and 31 December 2020 were as follows:

	Interest in share capital In thousands of EUR	Interest in share capital %	Voting rights (registered) In millions of CZK	Voting rights (registered) %
Jozef Tkáč	258,649	45.05	7,109	45.05
Ivan Jakabovič	258,649	45.05	7,109	45.05
Rainbow Wisdom Investment Limited	56,840	9.90	1,562	9.90
Total	**574,138**	**100.00**	**15,780**	**100.00**

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

The members of the Board of Directors were as at 31 December 2021 as follows:

Jozef Tkáč - Chairman

Ivan Jakabovič – Vice-Chairman

Patrik Tkáč – Vice-Chairman

Dušan Palcr – Vice-Chairman

Štěpán Ašer, MBA – Member

Igor Kováč – Member

The members of the Board of Directors were as at 31 December 2020 as follows:

Jozef Tkáč - Chairman

Ivan Jakabovič – Vice-Chairman

Patrik Tkáč – Vice-Chairman

Dušan Palcr – Vice-Chairman

Štěpán Ašer, MBA – Member

Igor Kováč – Member

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU").

The consolidated financial statements were approved by the Board of Directors on 27 April 2022.

(b) Basis of preparation

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

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. The accounting policies have been consistently applied by the Group entities and are consistent with those used in the previous year taking into account newly adopted IFRS (see below).

Financial statements prepared in compliance with International Financial Reporting Standards require various judgements, assumptions, and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and judgements made by management with a significant risk of material adjustment in the next year are discussed in Note 4. Critical accounting estimates and assumptions.

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

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2021 and have been applied in preparing the Group's consolidated financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform. They also introduce disclosures enhancing the understanding of the nature and extent of risks arising from the IBOR reform and how these risks are managed by the entity as well as its progress and management of transitioning from IBORs to alternative benchmark rates.
- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 (effective for annual periods beginning on or after 1 January 2021) result in entities taking the benefit of the temporary exemption from applying IFRS 9 to be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

These amendments, effective for the first time for the year ended 31 December 2021, did not have any material impact on the Group's consolidated financial statements unless stated otherwise above.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2021, and have not been applied in preparing these financial statements:

- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021) provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022; endorsed in the EU) update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022; endorsed in the EU) prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, proceeds from selling such items, and the cost of producing those items, are recognized in profit or loss.
- Amendments to IAS 37: Provision, Contingent Liabilities Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022; endorsed in the EU) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract' that can either be incremental costs of fulfilling the contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022)
  - IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
  - IFRS 9 – The amendment clarifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, are to be included when applying the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
  - IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor due to possible confusion that might arise because of how lease incentives are illustrated in that example.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- IFRS 17: Insurance contracts and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023, with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfilment value instead of historical costs and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts as of 1 January 2023.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) help to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Newly IAS 1 will require entities to disclose their material accounting policies rather than their significant accounting policies.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) that replace definition of a change in accounting estimates is with a definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021; effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU).
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) issued on 9 December 2021 providing insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17 and IFRS 9.

The Group expects that these new standards amendments and interpretations, issued but not yet effective, will not have a material impact on the Group's consolidated financial statements unless stated otherwise above.

Other new International Financial Reporting Standards and Interpretations not yet due

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

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Joint ventures

Joint ventures are arrangements in which the Group has joint control, established by contractual agreement, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

(iv) Consolidation scope

There are 71 companies included in the consolidation as at 31 December 2021 (2020: 64). All fully consolidated companies prepared their annual financial statements at 31 December 2021. The companies are listed in Note 48. Group entities and this list is based on the ownership hierarchy.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains (losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent of the recoverable amount.

(vi) Acquisition method of accounting

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3 are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any non-controlling interest in an acquiree is measured as the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Goodwill arising in a business combination is recognised as an asset and is not amortised but is reviewed for impairment at least annually.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

(vii) Loss of control

Upon a loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a fair value through other comprehensive income (FVOCI) asset depending on the level of influence retained.

(viii) Tax effect of inclusion of the consolidated subsidiaries' reserves

The consolidated financial statements do not include the tax effects that might arise from transferring the consolidated subsidiaries' reserves to the accounts of the Parent Company, since no distribution of profits, not taxed at the source, is expected in the foreseeable future, and the Group considers that these reserves will be used as self-financing resources at each consolidated subsidiary.

(ix) Unification of accounting principles

The accounting principles and procedures applied by the consolidated companies in their financial statements were unified in the consolidation and agree with the principles applied by the Parent Company

(b) Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid as at the statement of financial position date.

Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the fair values are determined.

(ii) Financial statements of foreign operations

The consolidated financial statements are presented in Euro, which is the Group's presentation currency.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Euro at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated into Euro at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(c) Financial instruments

The Group adopted IFRS 9 on 1 January 2018. The relevant policies applicable to financial instruments are described below.

(i) Classification

Financial assets

On initial recognition a financial asset is classified as measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which the financial asset is managed and the contractual cash flow characteristics of the instrument.

The classification of debt instruments is determined based on:

a) The business model under which the asset is held, and

b) The contractual cash flow characteristics of the instrument.

The Group makes an assessment of the objectives 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 Group considers information such as the stated policies and objectives for the portfolio and the operation of those policies, 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, or the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The assessment of the contractual cash flow characteristics determines whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a lending arrangement, the SPPI test is not passed. When performing the SPPI test, the Group takes into consideration the following factors: non-standard interest rate, financial leverage, early repayment options, longer repayment options, non-recourse arrangement, contract-linked instruments, hybrid instruments, instruments purchased with a significant discount/premium.

The Group has more than one business model for managing its financial instruments, which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group defines business models as follows:

– "Hold and collect"

– "Hold, collect and sell"

- "Mandatorily at fair value"
- "Trading"
- "Fair value option"

The strategy "Hold and collect" has as an objective to hold financial assets in order to collect contractual cash flows of both principal and interest payments.

The strategy "Hold, collect and sell" has as an objective to both collect contractual cash flows and sell financial assets.

The strategy "Mandatorily at FV" is used for financial assets that are held for the purpose of holding and collecting or holding and collecting and selling, but that have not passed the SPPI test and cannot be measured at AC or FVOCI.

The strategy "Trading" has active trading as its objective. Assets for which this strategy is used are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

The strategy "Fair value option" is used for assets that are at initial recognition irrevocably designated as measured at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains and losses using different bases.

The assessment above being made, the financial assets are classified into one of the following measurement categories:

a) Financial assets at amortised cost (AC)

The relevant business model is to hold assets to collect contractual cash flows and the SPPI test is passed. Examples of such financial assets are loans, investment securities previously held to maturity or trade receivables. Expected credit losses ("ECL"; see below) are calculated and recognized in profit or loss for this category of financial assets. Foreign exchange ("FX") differences as well as interest revenues accrued using the effective interest rate ("EIR") method are also recognized in profit or loss.

b) Financial assets at fair value through other comprehensive income (FVOCI)

In order to be classified as FVOCI, the asset either i) meets the SPPI test and is held within the business model "Hold, collect and sell", which has the objective of both collecting contractual cash flows and selling the financial asset or ii) the asset is an equity instrument that does not meet the SPPI test but is not held for trading and the Group elected to measure such instrument at fair value through other comprehensive income.

Thus, there are two types of instruments that can be classified as FVOCI and the accounting treatment for these financial assets is different:

i) Debt instruments meeting the SPPI test within the business model "Hold, collect and sell"

Under this accounting treatment ECL are recognized in profit or loss and the changes in the fair value of the instrument are recognized in OCI. FX differences in relation to the amortised cost, including impairment, are recognized in profit or loss. Interest revenues calculated using EIR are recognized in profit or loss.

When the financial asset is derecognized, a gain or loss is recognized in profit loss as a result of reclassification of the gain or loss from OCI to profit or loss.

ii) Equity instruments not held for trading where the FVOCI option was elected

Under this treatment ECL are not calculated, as these assets are already measured at fair value and changes in fair value are recognized in other comprehensive income (OCI) and will not be reclassified to profit or loss upon disposal. FX differences are recognized in OCI as part of the revaluation reserve.

When the equity instrument is sold, the corresponding gain or loss remains in equity.

Dividends from these financial assets are recognized in profit or loss.

c) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the conditions for being classified and measured under one of the two previous categories are classified and measured at fair value through profit or loss.

Financial assets that are acquired to be actively traded (trading business model) are also classified and measured at FVTPL.

Furthermore, an entity may at initial recognition irrevocably designate a financial asset to be measured at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains and losses using different bases.

For this category of assets ECL are not calculated and recognized. Changes is fair value are recognized in profit or loss. FX differences are recognized in profit or loss as well.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Liabilities are classified and measured at amortized cost, with the exception of:

- Financial liabilities held for trading including derivatives – these are measured at FVTPL;
- Financial liabilities that use the option to be measured at FVTPL at acquisition – designated at FVTPL.

In case of liabilities at FVTPL, the change in fair value resulting from a change in the Group's own credit risk is presented in OCI, while the remaining change in fair value is presented in profit or loss.

The following table provides a reconciliation between the line items in the statement of financial position and categories of financial instruments..

31 December 2021

In thousands of EUR	Ref. to Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	—	—	—	—	2,818,637	2,818,637
Financial assets for trading	16.1	197,898	—	—	—	—	197,898
Hedging derivatives	17	19,764	—	—	—	—	19,764
Investment securities measured at fair value through profit or loss	18	400,019	—	—	—	—	400,019
Investment securities measured at fair value through other comprehensive income	19	—	—	620,356	41,838	—	662,194
Investment securities at amortised cost	20	—	—	—	—	574,991	574,991
Loans and advances to banks	22	—	—	—	—	635,457	635,457
Loans and advances to customers	23	546	—	—	—	7,453,177	7,453,723
Trade receivables and other financial assets under risk management	25	—	—	—	—	240,126	240,126
Total financial assets		**618,227**	**—**	**620,356**	**41,838**	**11,722,388**	**13,002,809**
Trading liabilities	16.2	86,435	—	—	—	—	86,435
Hedging derivatives	17	5,050	—	—	—	—	5,050
Deposits and loans from banks	31	—	—	—	—	650,022	650,022
Deposits and loans from customers	32	—	—	—	—	9,619,752	9,619,752
Debt securities issued	33	—	—	—	—	578,388	578,388
Subordinated debt	34	—	—	—	—	2,955	2,955
Other financial liabilities under risk management	35	—	—	—	—	686,543	686,543
Total financial liabilities		**91,485**	**—**	**—**	**—**	**11,537,660**	**11,629,145**

31 December 2020

In thousands of EUR	Ref. to Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	15	—	—	—	—	1,670,876	1,670,876
Financial assets for trading	16.1	385,720	—	—	—	—	385,720
Hedging derivatives	17	11,555	—	—	—	—	11,555
Investment securities measured at fair value through profit or loss	18	402,268	—	—	—	—	402,268
Investment securities measured at fair value through other comprehensive income	19	—	—	694,041	27,538	—	721,579
Investment securities at amortised cost	20	—	—	—	—	396,362	396,362
Loans and advances to banks	22	—	—	—	—	324,698	324,698
Loans and advances to customers	23	—	—	—	—	7,160,144	7,160,144
Trade receivables and other financial assets under risk management	25	—	—	—	—	72,018	72,018
Total financial assets		**799,543**	**—**	**694,041**	**27,538**	**9,624,098**	**11,145,220**
Trading liabilities	16.2	29,261	—	—	—	—	29,261
Hedging derivatives	17	10,318	—	—	—	—	10,318
Deposits and loans from banks	31	—	—	—	—	191,270	191,270
Deposits and loans from customers	32	—	—	—	—	8,868,600	8,868,600
Debt securities issued	33	—	—	—	—	445,770	445,770
Subordinated debt	34	—	—	—	—	8,546	8,546
Other financial liabilities under risk management	35	—	—	—	—	473,276	473,276
Total financial liabilities		**39,579**	**—**	**—**	**—**	**9,987,462**	**10,027,041**

(ii) Recognition

Financial instruments for trading, investment securities measured at fair value through profit and loss and investment securities measured at fair value through other comprehensive income are recognised on the date the Group commits to purchase the assets. Regular way purchases and sales of other financial assets including investment securities at amortised cost are accounted for on the settlement date.

Loans and advances to banks and customers are recognised on the day they are provided by the Group.

(iii) Measurement

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and advances to banks, loans and advances to customers, investment securities at amortised cost and cash and cash equivalents. After initial recognition, financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in Note 40. Fair value information.

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

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

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

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

(v) Gains and losses on subsequent measurement

Gains and losses arising from changes in fair value are recognised in the income statement for instruments held for trading or measured at fair value through profit or loss and directly in other comprehensive income for instruments at fair value through other comprehensive income, except for impairment gains and losses, and foreign exchange gains and losses in the case of debt instruments. The cumulative gains or losses of debt instruments at fair value through other comprehensive income, previously recognised in other comprehensive income, are reclassified to profit or loss as a reclassification adjustment, when assets at fair value through other comprehensive income are derecognised. In the case of equity instruments, the cumulative gains or losses from investment securities at fair value through other comprehensive income remain in the equity under IFRS 9, and are not reclassified to profit or loss anymore. Interest income and expenses, from debt instruments at fair value through other comprehensive income, are recorded in the Income statement by applying the effective interest rate method. Dividends from equity instruments at fair value through other comprehensive income are recognised in profit or loss. Refer to accounting policy (c) (vii) for accounting for gains and losses on subsequent measurement of hedges.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire, or the Group transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred a or in which the Group neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Investment securities at fair value through other comprehensive income, financial assets for trading and investment securities measured at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets.

Investment securities at amortised cost and loans and advances to banks and customers are derecognised on the day they are disposed of by the Group. If control over investment securities at amortised cost and loans and advances is passed to third parties, the carrying amount of disposed asset at amortised cost is first adjusted through creation or reversal of impairment in the income statement to the lower of selling price and gross value.

(vii) Hedge accounting

Upon initial application of IFRS 9 the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Hedging instruments that consist of derivatives associated with a currency risk are classified either as cash-flow hedges, fair value hedges or net investment hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item attributable to the hedged risk. The Group considers hedging as highly effective if the changes relating to the hedged risk during the period covered compensate changes in the hedging instrument in the range of 80% to 125%.

In case of a cash flow hedge and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur in case of a cash flow hedge, then the balance in equity is reclassified to profit or loss. In case of a net investment hedge the balance in equity is reclassified to profit and loss when the foreign net investment hedged is disposed of.

In case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss together with the changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line as the hedged item).

The Group uses fair value hedge to cover the foreign currency exposure to changes in the fair value of investment securities at fair value through other comprehensive income over the hedging period. The Group uses currency forwards as hedging instruments.

Furthermore, the Group uses hedging derivatives to hedge the fair value of fixed income bonds denominated in Euros. The Group entered into interest rate swaps to hedge the changes in fair value caused by changes in interest rates. The Group hedges as well the interest rate risk faced by a portfolio of fixed rate loans by the use of interest rate swaps.

The parent company hedges the translation risk of its foreign net investments denominated in EUR against its functional currency (CZK). The parent company uses currency forwards as hedging instruments for such purposes.

(viii) Embedded derivatives

Hybrid financial instruments are a combination of non-derivative host contracts and derivative financial instruments (embedded derivatives). According to IFRS 9, embedded derivative components are separated from the host contracts when:

- The host contract is not an asset in the scope of IFRS 9;
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

Separated embedded derivatives are carried at fair value with changes recorded in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group includes into Cash and cash equivalents cash on hand, cash deposited with central banks (except for obligatory minimum reserves) and other short term highly liquid investments with original maturities of three months or less, such as Loans from reverse repurchase agreements with maturities of less than three months, Current account with banks and Loans and advances with original maturities of three months or less.

(e) Loans and advances to banks and customers

Loans and advances originated by the Group are classified and measured according to the criteria described in section (c). Loans and advances are reported net of impairment allowance (refer to accounting policy (h)).

Modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. The group considers modifications substantial, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original loan. In such case, the original financial asset is derecognized, and a new financial asset is recognized at its fair value. The difference between the carrying amount of the derecognized asset and the fair value of the new asset is recognized in the consolidated income statement.

For all loans, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the consolidated income statement.

Details regarding the structure and quality of the credit portfolio are given in Note 43. Risk management policies and disclosures.

(f) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price (repos), they remain on the statement of financial position and a liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell (reverse repos) are not recorded on the statement of financial position and the consideration paid is recorded as a loan. The difference between the sale price and the purchase price is treated as interest and accrued evenly over the life of the transaction. Repos and reverse repos are recognised on a settlement date basis.

(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 or to realise the asset and settle the liability simultaneously.

(h) Impairment

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (refer to accounting policy (v)) and investment property are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash generating unit to which they belong.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. It also applies to loan commitments measured at amortised cost and financial guarantees measured at amortised cost (refer to accounting policy (p)).

For the purposes of ECL calculation, financial assets are categorized into three stages (Stage 1, 2, 3). Financial assets that are impaired at the date of the initial recognition represent a separate category - Purchased or originated credit-impaired assets ("POCI"). At the date of the first recognition, the financial asset is included in Stage 1 or POCI. Subsequent reclassification is carried out according to the occurrence of a significant increase in credit risk (Stage 2) or impairment (default) of the asset (Stage 3).

Stage 1 (12-month ECL)

Financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition remain classified in Stage 1. For financial assets in Stage 1, 12-months expected credit losses are recognized. The expected 12-month credit losses result from the default events that are possible within 12 months after the reporting date. Interest revenue from these assets is calculated from the gross carrying amounts ("GCA"). An entity may determine that a financial asset's credit risk has not increased significantly if the asset has a low credit risk at the reporting date (further described below).

Stage 2 (lifetime ECL not credit-impaired)

This stage is applicable when the credit risk has increased significantly since initial recognition of the financial asset, but the asset is not credit-impaired. Lifetime ECLs are calculated for this stage, i.e. ECLs that result from all possible default events over the expected life of a financial instrument. Interest revenue from these assets is calculated from the GCA.

Stage 3 (lifetime ECL credit-impaired)

In Stage 3, the credit quality of a financial asset has significantly deteriorated (financial instruments that are considered to be in default). Lifetime expected credit losses are recorded for Stage 3, however, the interest revenue is calculated from the net amortised cost.

For trade receivables and contract assets without a significant financing component lifetime ECL measurement is used instead of the approaches described above.

Financial assets with low credit risk

The credit risk of a financial instrument is considered to be low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. However, collateral does not influence whether a financial instrument has a low credit risk.

Expected credit losses over the remaining life of a financial instrument are not recorded solely due to the fact that it was considered to be a low-risk financial instrument in the previous financial year but due to this assessment at the end of the reporting period. As of that date, the Group determines whether there has been a significant increase in credit risk since initial recognition and whether it is therefore necessary to report the expected credit losses over the lifetime of the instrument.

At the end of the reporting period the Group assesses individual items classified in Stage 1 with low credit risk and if they do not meet this characteristic, they are reclassified to the relevant stage.

Determining a significant increase in credit risk (SICR) from initial recognition

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers the change in the risk of default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information (available without undue cost or effort) that is indicative of significant increases in credit risk since initial recognition.

If there has been a significant increase in credit risk since initial recognition, the exposure is included in Stage 2 and the lifetime ECL is estimated. If there has been no significant increase in credit risk since initial recognition, the exposure remains in Stage 1 (12-months ECL). If the exposure is in default, it is classified to Stage 3.

The assessment of significant increase in credit risk is based on an analysis of qualitative and quantitative factors (see below).

Qualitative factors considered in the assessment:

- The nature of the project being financed has changed with a negative impact on the debtor's ability to generate cash flow,
- The debtor does not meet non-financial contractual obligations for more than six months.
- Negative information about the borrower from external sources,
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates,
- Significant change in collateral value, which is expected to increase risk of default

Quantitative factors considered in the assessment:

Retail portfolios:

- Deterioration of the internal rating to the worst degree
- Forbearance indicator

Corporate portfolios:

- Deterioration of the internal rating
- Forbearance indicator
- Non-compliance with financial covenants

Credit risk deterioration is considered on the basis of a change in rating since initial recognition. The current rating is compared with the rating assigned at the time of initial recognition.

In its major subsidiaries the Group uses its own internal rating models and a transition matrix in order to determine a significant increase in credit risk (based on movements between the grades, i.e. rating deterioration). The Group uses internal rating models tailored to the various categories of counterparty. Information regarding borrower and loan, collected at the time of application (such as disposable income, level of collateral for retail exposures, or turnover and industry type for corporate exposures) is entered into these internal rating models. This is supplemented with external data, such as credit bureau scoring information on retail customers.

The Group uses an internal rating system with 12 rating grades, the 13th grade being referred to as default:

Retail portfolio:

Rating at initial recognition	Current rating 1	2	3	4	5	6	7	8	9	10	11	12
1	1	1	1	1	1	1	1	1	1	1	1	2
2	1	1	1	1	1	1	1	1	1	1	1	2
3	1	1	1	1	1	1	1	1	1	1	1	2
4	1	1	1	1	1	1	1	1	1	1	1	2
5	1	1	1	1	1	1	1	1	1	1	1	2
6	1	1	1	1	1	1	1	1	1	1	1	2
7	1	1	1	1	1	1	1	1	1	1	1	2
8	1	1	1	1	1	1	1	1	1	1	1	2
9	1	1	1	1	1	1	1	1	1	1	1	2
10	1	1	1	1	1	1	1	1	1	1	1	2
11	1	1	1	1	1	1	1	1	1	1	1	2
12	1	1	1	1	1	1	1	1	1	1	1	2

Corporate portfolio:

Rating at initial recognition	Current rating 1	2	3	4	5	6	7	8	9	10	11	12
1	1	1	1	2	2	2	2	2	2	2	2	2
2	1	1	1	1	2	2	2	2	2	2	2	2
3	1	1	1	1	2	2	2	2	2	2	2	2
4	1	1	1	1	1	2	2	2	2	2	2	2
5	1	1	1	1	1	1	2	2	2	2	2	2
6	1	1	1	1	1	1	1	2	2	2	2	2
7	1	1	1	1	1	1	1	1	2	2	2	2
8	1	1	1	1	1	1	1	1	2	2	2	2
9	1	1	1	1	1	1	1	1	1	2	2	2
10	1	1	1	1	1	1	1	1	1	1	2	2
11	1	1	1	1	1	1	1	1	1	1	1	2
12	1	1	1	1	1	1	1	1	1	1	1	1

Signs of default

To determine whether a financial asset is in default, the Group assesses the common signs of default listed below:

- The situation when the Group filed a petition for declaring the bankruptcy of the debtor,
- The situation when the debtor has applied for bankruptcy announcement,
- The situation when the bankruptcy was announced,
- The debtor has entered or intends to enter into liquidation,
- The court has ruled that the debtor (legal person) was not founded (does not exist) or the debtor (natural person) has died,
- The final judgment of the court or administrative authority was ordered to enforce the decision to sell the debtor’s assets or execute the debtor’s assets,
- The situation when the debtor`s liability is overdue for more than 90 days,
  - An overdue debtor’s obligation should be considered significant if both the limit expressed as an absolute amount and the limit expressed as a percentage are exceeded. For a debtor to be classified as defaulted on an overdue basis, the overdue liability must be material for a continuous period of at least 90 days
    - Absolute component is expressed as a maximum amount for the sum of all amounts past due owed by an obligor to the institution, the parent undertaking of that institution or any of its subsidiaries. This amount is set at 100 EUR (or the equivalent of that amount) for retail exposures and 500 EUR (or the equivalent of that amount) for other than retail exposures.
    - Relative component is expressed as a percentage reflecting the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor of the institution, the parent undertaking of that institution or any of its subsidiaries, excluding equity exposures. The percentage is set at 1 %
- The situation when the receivable is forced to be re-structuralized,
- It is proven that more than 20% of the funds provided to the debtor by the Group are used by the debtor for another purpose than stated in the contract.

Purchased or originated credit-impaired financial assets (POCI)

All purchased loans are initially measured at fair value on the date of acquisition. As a result, no allowances for credit losses would be recorded on the date of acquisition. Purchased loans may fit into either of the categories – performing loans or POCI. For assessment whether assets are credit impaired similar criteria to those described above are used (signs of default). Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of acquisition. On the other hand, POCI loans are reflected in Stage 3. Any changes in the expected cash flows since the date of acquisition are recorded as a change in Net impairment losses on loans at the end of the reporting period.

In addition to defaulted loans being purchased, POCI may arise as a result of the restructuring of a borrower in financial difficulties that lead to substantial changes to the loan conditions, resulting into derecognition of the original assets and (new) recognition of the modified asset. For those financial assets, the Group applies the credit-adjusted effective interest rate from initial recognition. The credit-adjusted effective interest rate represents the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

Modifications of financial assets are described in the section Forbearance in more detail.

ECL for commitments and guarantees

For financial commitments and financial guarantees the initial ECL is recognized as provision. Changes in ECL in subsequent periods are recorded as gain or loss in profit or loss.

Determination of expected credit losses

ECLs are in fact the outcome from multiplication of the following parameters: probability of default (PD), expected loss given default (LGD) and exposure at default (EAD).

Determination of probability of default (PD)

Probability of default is assigned as follows:

- If the exposure is included in Stage 1, one-year (or lifetime if expected maturity shorter than 12 months) PD is determined,
- If the exposure is included in Stage 2, the corresponding life-time PD is assigned to the exposure,
- If the exposure is included in Stage 3, PD is 100%.

The calculation of PD applied by the Group is divided into 2 steps:

- Calculation of one-year PDs as the long-term average of observed failure rates,
- Calculation of multi-annual (cumulative) PDs

The probability of default over the selected number of years is calculated based on an annualized migration matrix. The result is a multi-year (based on the choice of horizon) probability of defaults for a given rating.

Each internal rating grade has been linked to an external rating, so that the corresponding external PD fits into the PD interval for the relevant internal rating grade. The following table documents the external ratings to which they correspond:

Internal rating	External rating	Category
1	A	Very low risk
2	BBB	Low risk
3	BBB-	Low risk
4	BB+	Low risk
5	BB	Medium risk
6	BB-	Medium risk
7	B+	Medium risk
8	B	Medium risk
9	B-	Medium risk
10	CCC+	High risk
11	CCC	High risk
12	CCC-	High risk
13	D	Default

Employees of the local risk management departments are responsible for calculating and updating the relevant PDs in line with the Group methodology, by doing so they consider the specific characteristics of the local market, which lead to development of a country specific approach. The entities in the Group primarily determine scoring for non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Furthermore, the entities determine scoring for the commitments provided, financial guarantees and undrawn limits. Scoring cards are used to assign the internal PDs to the relevant exposures. The Group uses scorecards that differ according to the portfolio defined based on product type. There are following main portfolios with similar characteristics: Project financing in initial phase, Project financing in execution phase, Real estate projects in initial phase, Real estate projects in execution phase, Operational financing, Individual loans to natural persons, Individual loans to legal persons, Uncovered limits/charge cards of natural persons, Uncovered limits/charge cards of legal persons, Employee loans and Loans per Aval.

Scoring models were developed based on Group data. Nonetheless, so-called "benchmark" models with minor calibrations were used for portfolios where the variables used are the same or very similar for a large number of banks in the market (i.e. Operational financing or Employee loans).

Determination of loss given default (LGD)

LGD is an estimate of the loss arising when default occurs at a given time (expressed as a percentage). It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including cash flow from the realization of any collateral. For the calculation of LGDs the Group uses discounting of expected future cash flows.

For exposures above a given threshold, LGD is calculated on an individual basis in the form of scenario analyses, for exposures below a given threshold, LGDs can be calculated on a portfolio basis unless the Group entity already has individualized LGD calculations, e.g. from credit analysis or previous credit ratings.

The individual LGD is determined as the weighted average of relevant cash flows according to the scenario analysis. The Group commonly uses scenarios such as: breach of covenants resulting in full repayment request (first and main scenario), significant decrease in financial performance (i.e. significantly below the thresholds for immediately full repayment of the contract, usually cash flow on 50% level of the first scenario), realization of collateral or severe drop in performance parameters (usually cash flow on 10% level of the first scenario).

In determining the LGD value, the entity takes into account collateral of the receivable, when the entity has a legal right, so that in the event of default of the borrower, the collateral can be realized within a reasonable time. For collateralized receivables, the calculation of the present value of the expected future cash flows also takes into account the expenses associated with the realization of the collateral. For the purposes of LGD calculation, the Group takes into account only collateral up to the amount that is not used as security for other assets or assets of third parties if they are entitled to satisfaction before the Group (i.e. the value of such collateral is reduced by the amount owed to more senior debtors). Furthermore, collateral is used only up to the carrying amount of the collateralized assets recognized in the balance sheet.

For homogeneous segments below the materiality threshold, such as credit cards, overdrafts, personal loans and trade receivables, LGDs can be determined from historical data or from the average of historical LGDs published by a local national bank (e. g. Czech national bank) in the Financial Stability Report. Nonetheless, regular calibration of these parameters is performed at least once a year on the basis of current data.

Determination of Exposure at default (EAD)

EAD refers to the level of exposure at default of the client which is then multiplied by PD and LGD in order to calculate the expected credit loss (ECL). Thus EAD is a discounted estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

For off-balance sheet exposures, the EAD represents the approved undrawn commitment adjusted by a credit conversion factor ("CCF"). The CCFs are determined based on historical experience or on regulatory parameters that were used as starting point and applied on the instruments held by the Group and modified to reflect the specifics of the Group.

Forward looking information

Due to the nature of the Group's portfolio, the Group uses publicly available data external rating agencies to derive PD. Published TTC (through the cycle) and PIT (point in time) matrices derived from long-term time-series of defaults are adjusted by the Group using the FLI indicator.

The principle of deriving PD from TTC matrices (Through-The-Cycle matrices published by Moody's) using the regression equation of the Z component projecting macroeconomic influence remains. The derivation of the Z component has been updated by simulating scenarios of future GDP development. GDP forecasts are taken from national banks (for "World" from the IMF). Please refer to the table below with GDP predictions used for each country.

In PD estimates, the Group considered the ECB's recommendation, which draws attention to the pro-cyclical effect and promotes a longer-term view through the TTC PD in order to reduce ECL volatility over time. Based on the historical time series of predictions of individual central banks, the ARIMA model simulates GDP predictions for a given country (for years for which central banks are no longer predicted, most often for 2024 and 2025). Based on these predictions, the relevant Z components are generated for the years 2021 to 2025, for the year 2026 a return to the TTC matrix is considered (Z = 1).

The model is not calibrated for extreme GDP declines, so the Z component was capped at -3.54 for which the model meets the input assumption of normality. Please refer to the table below with Z components used for each country.

Differences in the determination of the PD (and thus in the calculation of the ECL) for the year 2021 compared to the previous procedure:

- no weights or delays were considered that would shift the macroeconomic impact of moratoriums and reliefs over time,
- creation of 3 PD scenarios (generated at 25%, 50% and 75% of the GDP forecast quantile) for each country.

As at 31 December 2021 the Group has the largest exposures of loan portfolio in the Czech Republic, Slovakia and Croatia therefore GDP predictions and Z components used are presented in overview below for these selected countries. Shares in other countries are not significant and therefore not disclosed below.

GDP predictions used for selected countries:

Country	Source of forecast	Year GDP	25%	50%	75%
CZE	CNB	2021	1.18	1.70	2.21
CZE	CNB	2022	0.55	2.25	3.99
CZE	CNB	2023	0.08	2.06	4.13
CZE	CNB	2024	-1.27	2.16	5.46
CZE	CNB	2025	-2.18	2.18	6.31
HRV	HNB	2021	6.65	7.20	7.74
HRV	HNB	2022	0.09	2.11	4.18
HRV	HNB	2023	-1.63	1.13	3.83
HRV	HNB	2024	-1.59	1.18	3.99
HRV	HNB	2025	-1.67	1.14	3.89
SVK	NBS	2021	3.38	4.56	5.75
SVK	NBS	2022	2.53	4.15	5.75
SVK	NBS	2023	0.60	2.20	3.72
SVK	NBS	2024	0.57	3.28	5.90
SVK	NBS	2025	0.71	3.34	6.02

Z components for the years 2021- 2025 for selected countries:

Country	Source (historical)	Source (forecast)	Year GDP	25%	50%	75%
CZE	MMF	CNB	2021	-1.16	-0.86	-0.57
CZE	MMF	CNB	2022	-0.73	0.26	1.26
CZE	MMF	CNB	2023	-1.02	0.22	1.49
CZE	MMF	CNB	2024	-1.85	0.27	2.28
CZE	MMF	CNB	2025	-2.56	0.24	2.92
HRV	MMF	HNB	2021	1.73	2.05	2.36
HRV	MMF	HNB	2022	-0.39	0.78	1.96
HRV	MMF	HNB	2023	-1.91	-0.32	1.24
HRV	MMF	HNB	2024	-2.06	-0.42	1.21
HRV	MMF	HNB	2025	-2.07	-0.45	1.17
SVK	MMF	NBS	2021	0.21	0.88	1.56
SVK	MMF	NBS	2022	0.72	1.67	2.60
SVK	MMF	NBS	2023	-0.45	0.50	1.39
SVK	MMF	NBS	2024	-0.66	0.90	2.41
SVK	MMF	NBS	2025	-0.50	1.06	2.63

The resulting ECLs arise (for Stage 1 receivables) as the sum of the sub-ECLs calculated on the 3 sets of PDs distinguished by the quantile of GDP predictions from which they arose.

ECL = w1*ECL25 + w2*ECL50 + w3*ECL75

ECL = w1*PD25*LGD*exposure + w2*PD50*LGD*exposure + w3*PD75*LGD*exposure, where w1 = 25%, w2 = 50%, w3 = 25% (weight of each scenario).

Note.: The derivation of weights w1, w2 a w3 was performed in accordance with Moody´s document „Deconstructing Scenario Weights for CECL".

The PD curves are updated on an ongoing basis in a situation where the GDP forecast (national banks) changes by more than 1 pp.

For collectively assessed retail loans, the approach to FLI is different. The probabilities of default (PD) are adjusted by a multiplicator. The approach to FLI thus consists of determination of two parameters:

- the coefficient used for the adjustment of 12-month marginal PD
- the number of months until the original PD is achieved.

Management overlays

The macroeconomic outlook of national banks predicting growing positive GDP developments has an impact on the update of the default probability curves and the consequent reduction in provisions and reserves. However, due to the fact that the market still generally has risks and uncertainties associated with the impact of COVID-19, which may affect all companies, the Group is applying two management adjustments in order to correct this positive outlook.

For selected NACE sectors where the Group sees potential continuing risks associated with COVID-19, the original default probability curves used in 2020 and 2021 are maintained without the application of a new positive macroeconomic outlook.

For other sectors where new probabilities of default are used, Stage 1 and Stage 2 will see a significant reduction in impairment loss. For this reason, in addition to the above-mentioned selected high-risk sectors, the Group applies 2x multiplication to the new probabilities of failure of Stage 1, due to fears of a possible further slowdown in economic growth in all sectors.

For collectively assessed retail loans the situation is different. As at 31 December 2021 the setting of FLI parameters for the relevant exposures is based on the favourable expectations in relation to the possible default of retail clients in 2022, as the Group observed lower default rates for retail clients in 2021 than expected in the previous year.

The following table sets out the impact of management overlays:

31 December 2021

In thousands of EUR	Loans and receivables	Debt securities at FVOCI
Loss allowances before incorporation of management overlays	435,430	9,286
Original default probability curves used for selected NACE sectors	11,465	4,023
Multiplication of new probabilities of failure for Stage 1 and Stage 2 for remaining NACE sectors	6,879	40
Adjustment to FLI multiplicator for retail loans (decrease from 30% to 10%)	(1,900)	—
Loss allowances after incorporation of management overlays	451,874	13,349

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets,
- For loan commitments and financial guarantee contracts generally as a provision,
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision, and
- For debt instruments measured at FVOCI, the ECL is not deducted from the carrying amount of the financial asset because the carrying amount is already measured at fair value. However, the loss allowance is recognized as reduction of the revaluation reserve in OCI, instead.

Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

In case of write off, the Group directly reduces the gross carrying amount of a financial asset. Write-offs do not have any impact on profit or loss, because the amounts written off are already reflected in the loss allowance. A write-off constitutes a derecognition event. Nonetheless, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(i) Assets held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group´s relevant accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax, employee benefits, investment property, which continue to be measured in accordance with the Group´s other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group´s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

When an asset (or disposal group) previously classified as held for sale no longer meets the criteria for such classification, the Group ceases to classify such asset (or disposal group) as held for sale. Thus, the entity remeasures a non-current asset (or disposal group) at the lower of its carrying amount before the asset was classified as held for sale (adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held for sale) and its recoverable amount at the date of the subsequent decision not to sell.

(j) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Property that is being constructed or developed for future use as investment property is classified as investment property and measured accordingly (see below).

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	30–50 years
Equipment	3–10 years
Fixtures, fittings and others	3–15 years
Right-of-Use	Based on lease term

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.

(k) Intangible assets

(i) Goodwill and intangible assets acquired in a business combination

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included under intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Gain on bargain purchase arising on an acquisition is reassessed and any excess remaining after the reassessment is recognised in the income statement.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less impairment. Intangible assets with a definite useful life are amortised over their useful lives and are recorded at cost less accumulated amortisation and impairment.

(ii) Software and other intangible assets

Software and other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h)).

The useful lives are usually finite. Those intangible assets that have an indefinite useful life are not amortised and are tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

(iii) Amortisation

Amortisation is charged to the Income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

Software	2–21 years
Other intangible assets	2–14 years
Customers relationships	3–7 years

(l) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Fair values of investment property are determined either by independent registered valuers or by management, in both cases based on current market values in an active market for similar properties in the same location and conditions.

Valuations reflect, where appropriate, the type of tenants in occupation or responsible for meeting lease commitments, or likely to be in occupation after letting vacant property, the general market's perception of tenants' creditworthiness and the remaining economic life of the properties.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss for the period in which it arises. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings

(m) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The Group recognizes a provision related to a customer loyalty programme run by J&T BANKA, a.s. The provision decreases interest revenue when the first points are credited to the customer upon setting up a new bank account. The provision is then further built up as further points are credited to the customer depending on the use of services offered by the Group and other partners of the loyalty programme.

(n) Insurance contracts

A contract, under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, is classified as an insurance contract. Insurance premium is earned from the day of the acceptance of the risks and is recognized as revenue. For unearned premium, a provision is created. Insurance claims expenses are represented by claims for the events that have occurred during the accounting period and adjustment of provision for the insurance claims for previous and current accounting period.

Provision for insurance claims and benefits

The provision for outstanding claims and benefits represents an estimate of total costs for settling all claims from insured events that have occurred up to the end of the accounting period. Outstanding insurance claims are recognised by assessing individual events and creating provisions for claims reported but not settled (RBNS) and a provision for claims incurred but not reported (IBNR). Such provisions are created for both life and non-life insurance.

Provision for life insurance

The provision for life insurance is an actuarial estimate of the Group's liability from life insurance contracts. The provision is calculated separately for each insurance contract and considering all guaranteed insurance benefits and bonuses, applying the actuarial estimates used to calculate the insurance tariffs. Any adjustment to the provision is recognised in profit or loss in the period in which it arises.

(o) Employee benefits

For termination employee benefits, a provision is recognised for the amount expected to be paid under long or short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The benefit is classified as short term, if and only if the whole benefit category will be settled within one year; otherwise, it is disclosed as long term.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Amounts due to employees, such as amounts relating to accrued vacation pay or performance bonuses, are recognized as other liabilities.

(p) Financial guarantees and loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. An initial ECL is recognized as provision in the case of commitments and guarantees (refer to Note 26. Amounts arising from expected credit losses (ECL)). A change in ECL in subsequent periods (while holding commitments and guarantees and the expected cash flows from the financial asset has changed) will be recorded as expense/revenue through off-balance sheet provisions.

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

Provisions for financial guarantees and loan commitments represent the ECL on the related off-balance sheet liabilities. When it is probable that the Group will have to satisfy its contractual commitments, the ECL is transferred from Stage 1 or Stage 2 to Stage 3 and the amount is appropriately adjusted. When the Group makes the committed payments to the eligible parties, a loan asset is recognized and an ECL on this asset is recognized as well, while the provision for financial guarantees and loan commitments (ECL on the off-balance sheet asset) is released. Release as well as creation of the ECL are recognized in profit or loss under Net impairment losses on loans, loan commitments and financial guarantees.

(q) Trade liabilities and other liabilities

Trade and other liabilities are stated at amortised cost.

(r) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense 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. All borrowing costs (except for those that qualify for capitalization) are recognised in the income statement.

(s) Fee and commission income and expense

Fee and commission income arises on 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, and asset management services. Assets under management comprising all client assets managed or held for investment purposes by the Group in its own name, but for the account of third parties, are not reported in its consolidated statement of financial position (refer to Note 44. Assets under management). Commissions received from such business are shown in fee and commission income.

The Group recognises fee and commission income in an amount that reflects the consideration to which the Group expects to be entitled. This core principle is delivered in a five-step model framework: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract, (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

(t) Financial markets, net result

Financial markets, net result include gains and losses arising from disposals and changes in the fair value of financial assets and liabilities at fair value through profit or loss and at fair value through other comprehensive income, gains and losses from foreign exchange trading, as well as realized and unrealized foreign exchange gains and losses.

(u) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(v) Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities, in a transaction that is not a business combination, that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future since the parent is able to control the reversal of the temporary difference. No taxable temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(w) Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

(i) Group as lessee

The Group recognizes a right-of-use (RoU) asset and a lease liability at the commencement date of the lease (i.e. the date when the underlying asset is available for use).

Lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the renewal option. That is, it considers all relevant factors that create an economic incentive to exercise the option. In case of the office rentals the Group is usually reasonably certain to exercise the renewal option only one time as further developments are too uncertain. In case of digital storage capacity, the renewal options are supposed to be exercised until the end of useful life of the corresponding servers. Similarly, judgment is used for determination of the lease term for contracts, where the contract is for an indefinite period. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Measurement

a) Right-of-Use

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the following:

- Initial measurement of the lease liability (see below);
- Prepaid lease payments;
- Initial direct costs;
- Estimated costs to dismantle, remove or restore the asset;
- Less lease incentives received.

After initial recognition, the right-of-use asset is measured in the same manner as a comparable asset owned by the Group. Therefore, the Group further applies IAS 16 Property, plant and equipment or IAS 40 Investment property and the RoU is presented in a corresponding financial statement caption.

Where relevant, the requirements of IAS 36 Impairment of Assets are applied to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

b) Lease liability

At the commencement date, a lease liability is measured at the present value of the future lease payments that are outstanding as at the commencement date of the lease. Lease payments are discounted at the interest rate implicit in the lease and if it is not available, then the incremental borrowing rate is used.

Lease payments comprise the following:

- Fixed payments (including "in-substance fixed payments") less any lease incentives receivable;
- Variable payments that depend on an index or a rate;
- Residual value guarantees;
- The exercise price of a purchase option that the Group is reasonable certain to exercise; and
- Penalties for early termination of the lease.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. Variable payments that are not based on an index and were not included in the measurement of the lease liability are recognized as an expense.

Lease liabilities are included under "Other liabilities" caption in the statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (leases with a lease term of 12 months or less from the commencement date and that do not contain a purchase option; broader economics of a contract, such as a cost of abandoning or dismantling the subject of a lease, are also considered). Recognition exemption is also applied to leases of low-value assets (i.e. below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

Modification of lease contract

The Group accounts for a lease modification as a separate lease if both:

a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

b) The consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group allocates the consideration, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The remeasurement of the lease liability is recognized by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss.

Deferred tax resulting from IFRS 16

Deferred tax asset and deferred tax liability resulting from a RoU and a lease liability are presented on net basis.

(ii) Group as lessor

Leases under which the Group transfers substantially all the risks and rewards of ownership are classified as finance leases. A finance lease receivable is recognized over the leasing period in an amount equal to the net investment in the lease and presented within loans and advances to customers in the consolidated statement of financial position. Net investment in the lease is calculated as the present value of the minimum lease payments and any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Finance income recognition is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Gains and losses on disposal of assets owned by the Group that were previously subject to finance lease agreements are presented net in Other operating income or expense.

(x) Revenue from goods sold and services rendered

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract, (5) Recognise revenue when (or as) the entity satisfies a performance obligation. For contracts that permits the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(y) Dividends

Dividends are recognised in the statement of changes in equity and recorded as liabilities in the period in which they are declared.

(z) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating results are regularly reviewed by the Group's chief operating decision maker (CODM) in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The operating segments regularly reviewed by the CODM include geographical segments Czech Republic, Slovakia, Russia, Croatia and Other.

Each of the specific segments has its own pillar in the form of a bank located in different foreign market in which its banking activities originate - Czech Republic, Slovakia, Russia and Croatia. Banking activities mainly comprise receiving deposits and providing credit or loans under relevant banking licenses. The segment Other includes businesses in other countries where no bank is operating, such as e.g. Cyprus, France or British Virgin Islands. The other entities within the segments are held as medium or longer-term investments by the Group. Their financing is obtained from standard loan products (senior or mezzanine) or private equity funds. The geographical point of view of monitoring the segments allows to CODM to assess currency risks and economic and political conditions within the process of resources allocation and decision making.

The Group reports information to the CODM regarding the segments' assets, liabilities, net interest income, net fee and commission income, net results of financial markets and profit or loss derived from its products or services (or groups of similar products and services) based on where the assets are held. Also, the information about in which countries the revenues are earned, is added.

The operating segments are disclosed in Note 6. The values presented are net of inter-segment transactions and are submitted to the CODM as such.

The basis of accounting used for operating segments is in accordance with those described in Note 3.

(aa) Changes in accounting policies

There were no changes in accounting policies neither in 2020 nor in 2021, except for changes resulting from possible modifications of International Financial Reporting Standards (IFRS) as described in section 2.

4. Critical accounting estimates and assumptions

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

4.1. Financial instruments

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

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

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

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

The following table sets out information about significant unobservable inputs used in measuring financial assets categorized as Level 3 in the fair value hierarchy:

31 December 2021

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2021	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	170,472	0.5% – 5.5%	Increase would result in a lower fair value.
Shares and equity instruments	Discounted cash flow	Discount rate	19,868	9% – 12.6%	Increase would result in a lower fair value.
		Terminal growth EBITDA		2% – 4%	Increase would result in a higher fair value.
Investment property (buildings)	Sales comparison approach	Price per sq. m	69,326	249 – 5,372 EUR/m²	Increase would result in a higher fair value.
Investment property (land)	Sales comparison approach	Price per sq. m	64,795	11 – 1,454 EUR/m²	Increase would result in a higher fair value.

31 December 2020

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2020	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	120,430	0.5% – 5.0%	Increase would result in a lower fair value.
Shares and equity instruments	Discounted cash flow	Discount rate	15,204	7.3% – 10%	Increase would result in a lower fair value.
		Terminal growth EBITDA		2% – 3.5%	Increase would result in a higher fair value.
Investment property (buildings)	Sales comparison approach	Price per sq. m	66,083	75 – 4,805 EUR/m²	Increase would result in a higher fair value.
Investment property (land)	Sales comparison approach	Price per sq. m	60,352	13 – 1,416 EUR/m²	Increase would result in a higher fair value.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

31 December 2021

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(7,381)
	Decrease in credit spread by 1%	7,791
Shares and equity instruments	Increase in discount rate by 1%	(50)
	Decrease in discount rate by 1%	71
	Increase in EBITDA by 5%	17
	Decrease in EBITDA by 5%	(17)
Investment property (buildings)	Increase in price per sq. m by 15%	10,399
	Decrease in price per sq. m by 15%	(10,399)
Investment property (land)	Increase in price per sq. m by 15%	9,719
	Decrease in price per sq. m by 15%	(9,719)

31 December 2020

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(6,636)
	Decrease in credit spread by 1%	7,141
Shares and equity instruments	Increase in discount rate by 1%	(80)
	Decrease in discount rate by 1%	114
	Increase in EBITDA by 5%	28
	Decrease in EBITDA by 5%	(28)
Investment property (buildings)	Increase in price per sq. m by 15%	9,912
	Decrease in price per sq. m by 15%	(9,912)
Investment property (land)	Increase in price per sq. m by 15%	9,053
	Decrease in price per sq. m by 15%	(9,053)

For more information, refer to the following notes:

- Note 16. Financial assets for trading and trading liabilities
- Note 18. Investment securities measured at fair value through profit or loss
- Note 19. Investment securities at fair value through other comprehensive income
- Note 28. Investment property

4.2. Business combinations and purchase price allocations

In a business combination (see also Note 7.1. Acquisition and establishment of subsidiaries and Note 27. Investment in equity accounted investees), the acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes is performed with the support of professional advisors.

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

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

There were the following acquisitions throughout the year 2021:

On 28 May 2021 J&T Bank, a.o. acquired 70% share and on 10 November 2021 further 30% share in Leasing-Medicine Ltd (Lizing-Medicina ooo).

On 8 December 2021 the Group acquired 75% share in Industrial Center CR 11 s.r.o. for CZK 75 thousand. As a result of the shareholder agreement, the interest is classified as joint venture.

On 22 December 2021 the Group acquired 50% share in JTH Letňany s.r.o. for CZK 9,500 thousand.

In the course of the year 2021 the Group gained control over the investment funds JTFG FUND I SICAV, a.s.

There were the following acquisitions throughout the year 2020:

On 24 January 2020 Colorizo Investment, a.s. acquired 50% share in CI Joint Venture s.r.o.

On 6 March 2020 J&T MINORITIES PORTFOLIO LIMITED acquired 49% share in Narcissus s.r.o.

On 4 May 2020 J&T Mezzanine, a.s. acquired 50% share in JTH Vision, s. r. o.

On 10 November 2020 Poštová banka, a.s. acquired 100% share in Cards&Co, a. s. and DanubePay, a.s.

On 10 December 2020 J&T Leasingová společnost, a.s. acquired 100% share in Rentalit s.r.o. The Group does not present the detailed summary of the acquisition in section 7.1 due to insignificant volume of the transaction.

On 18 December 2020 J&T BANKA, a.s. acquired 100% in Rustonka Development II s.r.o. This transaction was treated as asset acquisition due to the fact that the company's net assets represents a single major asset (premises where the Group has its headquarters) and the company's operations do not meet the definition of business in terms of IFRS 3.

On 21 December 2020 Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. acquired 100% share in RDF International, spol. s r.o. The Group does not present the detailed summary of the acquisition in section 7.1 due to insignificant volume of the transaction.

In the course of the year 2020 the Group gained control over the investment funds J&T VENTURES I uzavřený podílový fond and J&T DIVIDEND Fund.

4.3. Goodwill and impairment testing

The Group conducts impairment testing of goodwill arisen in a business combination during the current period and impairment testing of goodwill already recognised in prior years annually (see also Note 7.1. Acquisitions and establishment of subsidiaries and Note 29. Intangible assets). The Group also conducts impairment testing of other intangible assets with indefinite useful lives and of cash-generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows or on the basis of fair value less costs to sell.

In the majority of cases the Group estimated the recoverable amounts of goodwill and the cash generating units based on value in use. Value in use was derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital ("WACC") of each CGU.

Wine activities

The acquisition of the French winery Chateau Teyssier (Société civile) and its distribution network through the purchase of a 100% share in OUTSIDER LIMITED and an 80% share in SAXONWORLD LIMITED resulted into recognition of goodwill in the amount of EUR 3,606 thousand. The goodwill relates to the cash generating unit represented by OUTSIDER LIMITED, Chateau Teyssier (Société civile), CT Domaines, SAXONWORLD LIMITED and World's End[1]. The recoverable amount of this cash generating unit was calculated using the comparative sales method that compares the property (prices of winery land in particular) to other properties with similar characteristics that have sold recently. As at 31 December 2021 the recoverable amount exceeds the carrying value of this CGU in the amount of EUR 44,255 thousand for the share controlled by the Group (2020: EUR 38,717 thousand). There was no impairment loss identified as a result of the impairment test.

Amico Finance, a.s.

On 26 October 2018 Poštová banka, a.s. bought a 100% share in Amico Finance, a.s. The business activities of Amico Finance, a.s. focus primarily on consumer loan financing. The Group recognized goodwill in the amount of EUR 2,788 thousand in connection with this acquisition. The carrying amount of goodwill was tested for impairment at the statement of financial position date as part of the cash generating unit represented by the entity Amico Finance, a.s. There was no impairment loss identified as a result of the impairment test. The recoverable amount was calculated using Discounted cash flow approach. The cash flows for this method were derived from the most recent approved business plan. The discount rate was calculated using Capital Asset Pricing Model and amounts to 10.49% (8.37% in 2020). There was no impairment loss identified as a result of the impairment test.

Cards&Co, a. s. and DanubePay, a. s.

On 10 November 2020 Poštová banka, a.s. bought a 100% share in Cards&Co, a. s. and DanubePay, a.s. The business activities focus primarily on processing of payments. The Group recognized goodwill in the amount of EUR 3,884 thousand in connection with this acquisition. The carrying amount of goodwill was tested for impairment at the statement of financial position date as part of the cash generating unit represented by the entity Cards&Co, a. s. and DanubePay, a.s. There was no impairment loss identified as a result of the impairment test. The recoverable amount was calculated using Discounted cash flow approach. The cash flows for this method were derived from the most recent approved business plan. The discount rate was calculated using Capital Asset Pricing Model and amounts to 9.49% (10.39% in 2020). There was no impairment loss identified as a result of the impairment test.

4.4. Determination of control over investment funds

Management applies its judgement to determine whether the control indicators set out in Note 3 (a) indicate that the Group controls an investment fund. The Group acts as fund manager for a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected

[1] The Czech winery KOLBY a.s. is not part of this cash generating unit.

management fees) and the investors' rights to remove the fund manager. As a result, the Group has concluded that it acts as agent for the investors in all cases, except for J&T REALITY otevřený podílový fond (the Group owns 88.88% of investment certificates and manages the fund through J&T INVESTIČNÍ SPOLEČNOST, a.s.) and the funds further described below.

In February 2021 the Group established the investment fund JTFG FUND I SICAV, a.s. Due to the fact that the Group's aggregate economic interest in this fund calculated during the control evaluation and monitoring process that the Group has in place exceeded the marginal thresholds, the fund is fully consolidated.

In 2021 the Group continued selling-off the investor's shares in J&T DIVIDEND Fund to third party investors, thus the aggregate economic interest in this fund decreased below the marginal threshold, causing the loss of control over the fund.

In the course of the year 2020 the Group gained control over the investment funds J&T VENTURES I uzavřený podílový fond and J&T DIVIDEND Fund, because the Group's aggregate economic interest in these funds calculated during the control evaluation and monitoring process that the Group has in place exceeded the marginal thresholds.

In 2018 the Group established J&T LOAN FUND, which is being administered by J&T INVESTIČNÍ SPOLEČNOST, a.s. Due to the fact that J&T FINANCE GROUP SE holds a call option over the founders' shares of the fund, which gives the holder the right to participate in shareholders' meetings and to pass resolutions, the Group concluded that it has control over the fund.

In 2017 after a change in the statutes of NOVA Hotels otevřený podílový fond REDSIDE investiční společnost, a.s., which newly gave the investors the right to participate in shareholders' meetings and to pass resolutions with a majority of 75% of the voting rights, J&T FINANCE GROUP SE gained control over the fund. In 2020 NOVA Hotels otevřený podílový fond merged with J&T NOVA Hotels SICAV, a.s., which became the legal successor. The Group still exercises control over the fund.

Furthermore, in 2017 J&T FINANCE GROUP SE bought the founders' shares of Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. with the attached voting rights, thus the Group gained control over the fund (please refer to Note 48. Group entities for detailed overview of the scope of consolidation).

5. COVID-19 pandemic consequences

The COVID-19 pandemic and measures to prevent its spread continued during 2021 and were again among the main drivers of macroeconomic development. The significant drop in GDP last year was halted and the Czech Republic and the European Union returned to economic growth. Unemployment also remained low.

The new shock came in the form of inflation. Due to the disrupted supply chains, strong domestic demand supported by government transfers and tight labour market in some countries, the inflation soared to double digits. In the European Union, year-on-year inflation reached 5.3% in December, with differences among the countries in the Union - for example, Estonia saw a change of 12%, whereas Portugal only an increase of 2.8%. In the Czech Republic, inflation reached 6.6%. In addition, data for the first months of 2022 showed that these figures did not represent the highest point, but that inflation was yet to peak (January inflation in the Czech Republic reached 9.9%).

Although the reaction of the central banks at the beginning of the pandemic showed the same features in the form of interest rate reductions, or use of other instruments to loosen monetary policy, the response to rising prices already differed significantly. The Czech National Bank raised the monetary policy rate in several steps, from 0.25% at the end of 2020, to 3.75% in 2021. In February 2022, ČNB raised the rate by other 0.75 percentage points, and indicated further possible increase - albeit more modest - in the coming months. The European Central Bank, on the other hand, left the rates unchanged and has so far signaled a rather modest rise in 2022. A similar situation applies to the US Fed, which is expected to react more strongly and raise rates in 2022. Both the ECB and the Fed have also announced their intention to reduce market interventions in the form of quantitative easing programs.

During the year 2021, the Group monitored the development of the pandemic, the measures put in place by state authorities and the recommendations of health experts. As a result, the Group took measures to protect the health of employees with regard to the Group's operations, which included:

- employees were regularly tested for COVID-19 infection,
- the entrance turnstiles on the Group's premises were equipped with body temperature detectors indicating the potential risk of illness,
- the Group's employees were obliged to wear respirators, to keep sufficient distance and to comply with other requirements valid for the period,
- the employees were obliged to comply with the rules of self-isolation and quarantine according to the rules valid for the period,
- the Group provided employees with the opportunity to get vaccinated against COVID-19 on its own premises.

The Group did not register any restrictions on the availability of its services or products, among other things, thanks to the increased use of digital and telecommunication channels that allow it to stay in touch with its clients.

The Group did not record significant effects of the COVID-19 pandemic on its liquidity, market or credit risk position. The impact of the COVID-19 pandemic on the economy was considered when updating the probability-of-default curves (see section 3(h)).

6. Operating segments

6.1. Consolidated Income Statement by operating segments

For the year ended 31 December 2021

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Interest income calculated using effective interest rate method	254,881	149,809	15,013	3,663	6,794	430,160
Other interest income	7,208	38	1,738	—	—	8,984
Interest expense	(80,398)	(10,972)	(5,512)	(402)	—	(97,284)
Net interest income	**181,691**	**138,875**	**11,239**	**3,261**	**6,794**	**341,860**
Fee and commission income	75,020	93,702	708	233	541	170,204
Fee and commission expense	(13,067)	(28,761)	(332)	(87)	(70)	(42,317)
Net fee and commission income	**61,953**	**64,941**	**376**	**146**	**471**	**127,887**
Financial markets, net result	(7,506)	11,147	(4,185)	377	4,979	4,812
Gain on a bargain purchase	—	—	—	—	—	—
Other operating income	6,147	33,043	2,514	269	7,478	49,451
Total income	**242,285**	**248,006**	**9,944**	**4,053**	**19,722**	**524,010**
Personnel expenses	(53,264)	(60,936)	(5,435)	(2,289)	(1,750)	(123,674)
Depreciation and amortisation	(11,238)	(30,057)	(581)	(563)	(1,297)	(43,736)
Impairment of property, plant and equipment and intangible assets	—	2,244	—	(209)	—	2,035
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	(10,637)	(20,014)	(695)	475	(3,957)	(34,828)
Net impairment gains / (losses) of financial assets except loans, loan commitments and financial guarantees	344	(7,775)	(85)	41	—	(7,475)
Other operating expenses	(39,870)	(64,028)	(4,227)	(649)	(6,800)	(115,574)
Other operating non-cash expenses	(4)	(302)	(270)	(351)	335	(592)
Total expenses	**(114,669)**	**(180,868)**	**(11,293)**	**(3,545)**	**(13,469)**	**(323 844)**
Profit from operations	127,616	67,138	(1 349)	508	6,253	200,166
Share of profit from equity accounted investees	25,504	—	—	—	4,526	30,030
Profit before tax	**153,120**	**67,138**	**(1 349)**	**508**	**10,779**	**230,196**
Income tax expense	(24,381)	(17,273)	(835)	(21)	(27)	(42,537)
Segment result	**128,739**	**49,865**	**(2 184)**	**487**	**10,752**	**187,659**

For the year ended 31 December 2020

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Interest income calculated using effective interest rate method	214,079	160,873	14,326	3,307	5,684	398,269
Other interest income	5,756	—	543	—	—	6,299
Interest expense	(73,572)	(14,179)	(5,129)	(721)	(3)	(93,604)
Net interest income	**146,263**	**146,694**	**9,740**	**2,586**	**5,681**	**310,964**
Fee and commission income	55,116	83,938	1,008	342	687	141,091
Fee and commission expense	(11,869)	(29,562)	(386)	(91)	(106)	(42,014)
Net fee and commission income	**43,247**	**54,376**	**622**	**251**	**581**	**99,077**
Financial markets, net result	30,490	2,285	16,408	382	(65)	49,500
Gain on a bargain purchase	137	—	—	—	1	138
Other operating income	5,893	31,925	1,841	326	4,938	44,923
Total income	**226,030**	**235,280**	**28,611**	**3,545**	**11,136**	**504,602**
Personnel expenses	(50,971)	(58,482)	(5,640)	(2,138)	(2,054)	(119,285)
Depreciation and amortisation	(9,062)	(24,306)	(624)	(854)	(1,421)	(36,267)
Impairment of property, plant and equipment and intangible assets	—	(4,517)	—	(14)	—	(4,531)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	(73,403)	(45,135)	(1,592)	(533)	(2,796)	(123,459)
Net impairment gains / (losses) of financial assets except loans, loan commitments and financial guarantees	(3,812)	(1)	211	201	—	(3,401)
Other operating expenses	(39,831)	(63,305)	(4,098)	(1,451)	(4,596)	(113,281)
Other operating non-cash expenses	(791)	(10,797)	(244)	(742)	(1,411)	(13,985)
Total expenses	**(177,870)**	**(206,543)**	**(11,987)**	**(5,531)**	**(12,278)**	**(414,209)**
Profit from operations	48,160	28,737	16,624	(1,986)	(1,142)	90,393
Share of profit from equity accounted investees	6,371	—	—	—	5,328	11,699
Profit before tax	**54,531**	**28,737**	**16,624**	**(1 986)**	**4,186**	**102,092**
Income tax expense	(14,864)	(7,638)	(515)	(57)	(12)	(23,086)
Segment result	**39,667**	**21,099**	**16,109**	**(2 043)**	**4,174**	**79,006**

Consolidated Income Statement by operating segments (additional information)

The following table shows the income per segment prior to intercompany eliminations (such as interest on intercompany loans and deposits, gains or losses from intercompany derivatives etc.) and reconciliation to total income of the Group.

For the year ended 31 December 2021

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total segments	Intra group elimina-tions	Total
Interest income calculated using effective interest rate method	257,319	159,082	15,013	3,663	6,844	441,921	(11,761)	430,160
Other interest income	7,273	38	1,740	—	—	9,051	(67)	8,984
Interest expense	(89,702)	(11,806)	(5,562)	(626)	(1,407)	(109,103)	11,819	(97,284)
Net interest income	**174,890**	**147,314**	**11,191**	**3,037**	**5,437**	**341,869**	**(9)**	**341,860**
Fee and commission income	77,486	94,690	708	449	539	173,872	(3,668)	170,204
Fee and commission expense	(14,113)	(30,276)	(334)	(100)	(1,102)	(45,925)	3,608	(42,317)
Net fee and commission income	**63,373**	**64,414**	**374**	**349**	**(563)**	**127,947**	**(60)**	**127,887**
Financial markets, net result	(13,681)	11,181	1,692	381	5,042	4,615	197	4,812
Gain on a bargain purchase	—	—	—	—	—	—	—	—
Other operating income	6,415	34,760	2,517	269	7,474	51,435	(1 984)	49,451
Total income	**230,997**	**257,669**	**15,774**	**4,036**	**17,390**	**525,866**	**(1 856)**	**524,010**
Personnel expenses	(53,265)	(60,936)	(5,435)	(2,289)	(1,749)	(123,674)	—	(123,674)
Depreciation and amortisation	(11,237)	(30,057)	(581)	(563)	(1,298)	(43,736)	—	(43,736)
Goodwill impairment	—	—	—	—	—	—	—	—
Impairment of property, plant and equipment and intangible assets	—	2,244	—	(209)	—	2,035	—	2,035
Net impairment losses on loans, loan commitments and financial guarantees	(10,129)	(20,254)	(695)	482	(3,957)	(34,553)	(275)	(34,828)
Net impairment losses of financial assets except loans, loan commitments and financial guarantees	344	(7,792)	(84)	41	—	(7,491)	16	(7,475)
Other operating expenses	(41,638)	(64,199)	(4,227)	(649)	(6,779)	(117,492)	1,918	(115,574)
Other operating non-cash expenses	(4)	(302)	(270)	(351)	335	(592)	—	(592)
Total expenses	**(115,929)**	**(181,296)**	**(11,292)**	**(3,538)**	**(13,448)**	**(325,503)**	**1,659**	**(323,844)**
Profit from operations	**115,068**	**76,373**	**4,482**	**498**	**3,942**	**200,363**	**(197)**	**200,166**
Share of profit (loss) from equity accounted investees	28,553	—	—	—	4,526	33,079	(3,049)	30,030
Profit before tax	**143,621**	**76,373**	**4,482**	**498**	**8,468**	**233,442**	**(3, 246)**	**230,196**
Income tax expense	(24,380)	(17,273)	(835)	(21)	(28)	(42,537)	—	(42,537)
Segment result	**119,241**	**59,100**	**3,647**	**477**	**8,440**	**190,905**	**(3,246)**	**187,659**

For the year ended 31 December 2020

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total segments	Intra group elimina-tions	Total
Interest income calculated using effective interest rate method	216,772	168,268	14,326	3,307	5,777	408,450	(10,181)	398,269
Other interest income	5,779	—	543	—	—	6,322	(23)	6,299
Interest expense	(81,078)	(15,065)	(5,586)	(1,095)	(981)	(103,805)	10,201	(93,604)
Net interest income	**141,473**	**153,203**	**9,283**	**2,212**	**4,796**	**310,967**	**(3)**	**310,964**
Fee and commission income	57,060	84,259	1,009	704	690	143,722	(2,631)	141,091
Fee and commission expense	(12,158)	(30,627)	(388)	(103)	(962)	(44,238)	2,224	(42,014)
Net fee and commission income	**44,902**	**53,632**	**621**	**601**	**(272)**	**99,484**	**(407)**	**99,077**
Financial markets, net result	45,466	2,195	1,301	332	(76)	49,218	282	49,500
Gain on a bargain purchase	137	—	—	—	1	138	—	138
Other operating income	6,128	33,808	1,841	332	4,932	47,041	(2,118)	44,923
Total income	**238,106**	**242,838**	**13,046**	**3,477**	**9,381**	**506,848**	**(2,246)**	**504,602**
Personnel expenses	(50,968)	(58,482)	(5,640)	(2,138)	(2,057)	(119,285)	—	(119,285)
Depreciation and amortisation	(9,059)	(24,306)	(624)	(854)	(1,424)	(36,267)	—	(36,267)
Goodwill impairment	—	—	—	—	—	—	—	—
Impairment of property, plant and equipment and intangible assets	—	(4,517)	—	(14)	—	(4,531)	—	(4,531)
Net impairment losses on loans, loan commitments and financial guarantees	(74,051)	(45,257)	(1,592)	(540)	(2,795)	(124,235)	776	(123,459)
Net impairment losses of financial assets except loans, loan commitments and financial guarantees	(3,813)	—	211	201	—	(3,401)	—	(3,401)
Other operating expenses	(41,801)	(63,534)	(4,098)	(1,451)	(4,600)	(115,484)	2,203	(113,281)
Other operating non-cash expenses	(791)	(10,797)	(244)	(742)	(1,411)	(13,985)	—	(13,985)
Total expenses	**(180,483)**	**(206 893)**	**(11,987)**	**(5,538)**	**(12,287)**	**(417,188)**	**2,979**	**(414,209)**
Profit from operations	**57,623**	**35,945**	**1,059**	**(2,061)**	**(2,906)**	**89,660**	**733**	**90,393**
Share of profit (loss) from equity accounted investees	6,371	—	—	—	5,328	11,699	—	11,699
Profit before tax	**63,994**	**35,945**	**1,059**	**(2,061)**	**2,422**	**101,359**	**733**	**102,092**
Income tax expense	(14,863)	(7,638)	(515)	(58)	(12)	(23,086)	—	(23,086)
Segment result	**49,131**	**28,307**	**544**	**(2,119)**	**2,410**	**78,273**	**733**	**79,006**

6.2. Consolidated Statement of Financial Position by operating segments

31 December 2021

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Assets						
Cash and cash equivalents	2,684,238	73,947	23,516	27,133	9,803	2,818,637
Financial assets for trading	197,179	2	717	—	—	197,898
Hedging derivatives	19,764	—	—	—	—	19,764
Investment securities measured at fair value through profit or loss	235,504	162,143	2,372	—	—	400,019
Investment securities at fair value through other comprehensive income	148,782	376,593	109,738	23,249	3,832	662,194
Investment securities at amortised cost	181,903	383,554	9,534	—	—	574,991
Disposal group held for sale	2,595	—	1,269	839	—	4,703
Loans and advances to banks	223,345	404,800	2,352	4,940	20	635,457
Loans and advances to customers	4,147,581	3,089,746	83,398	46,744	86,254	7,453,723
FV changes of portfolio of hedged instruments - Loans and advances to customers	—	1,091	—	—	—	1,091
Trade receivables and other assets	227,159	37,648	5,477	901	19,091	290,276
Current tax assets	9,255	154	100	2	5	9,516
Investments in equity accounted investees	39,108	137	—	—	37,929	77,174
Investment property	12,149	117,052	4,836	84	—	134,121
Intangible assets	17,450	53,534	341	766	3,608	75,699
Property, plant and equipment	121,521	112,632	10,312	2,005	63,728	310,198
Deferred tax assets	14,942	26,692	375	29	—	42,038
Total segment assets	**8,282,475**	**4,839,725**	**254,337**	**106,692**	**224,270**	**13,707,499**
Liabilities						
Trading liabilities	82,519	3,695	82	—	139	86,435
Hedging derivatives	73	4,977	—	—	—	5,050
Liabilities associated with disposal group held for sale	—	—	—	—	—	—
Deposits and loans from banks	302,391	340,661	6,170	800	—	650,022
Deposits and loans from customers	5,732,355	3,660,581	142,355	77,504	6,957	9,619,752
Debt securities issued	348,947	229,441	—	—	—	578,388
Subordinated debt	2,955	—	—	—	—	2,955
Other liabilities	606,356	82,267	6,975	2,569	7,677	705,844
Current tax liability	2,345	4,343	—	—	8	6,696
Provisions	5,419	1,558	4	85	878	7,944
Deferred tax liabilities	7,602	1,244	2,946	—	—	11,792
Total segment liabilities	**7,090,962**	**4,328,767**	**158,532**	**80,958**	**15,659**	**11,674,878**

31 December 2020

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Other	Total
Assets						
Cash and cash equivalents	1,536,853	83,692	17,379	26,062	6,890	1,670,876
Financial assets for trading	382,681	2,648	391	—	—	385,720
Hedging derivatives	11,555	—	—	—	—	11,555
Investment securities measured at fair value through profit or loss	203,465	184,793	9,663	4,147	200	402,268
Investment securities at fair value through other comprehensive income	163,469	440,076	79,014	34,403	4,617	721,579
Investment securities at amortised cost	—	387,685	8,677	—	—	396,362
Disposal group held for sale	2,458	—	2,676	3,189	11,810	20,133
Loans and advances to banks	73,607	242,979	2,264	5,829	19	324,698
Loans and advances to customers	4,206,916	2,727,304	89,566	57,538	78,820	7,160,144
FV changes of portfolio of hedged instruments - Loans and advances to customers	—	2,276	—	—	—	2,276
Trade receivables and other assets	55,395	43,427	1,269	870	20,529	121,490
Current tax assets	5,040	404	839	1	3	6,287
Investments in equity accounted investees	27,151	137	—	—	33,602	60,890
Investment property	10,607	111,570	4,159	99	—	126,435
Intangible assets	10,915	54,306	183	902	3,491	69,797
Property, plant and equipment	123,785	107,447	9,888	1,077	57,016	299,213
Deferred tax assets	16,192	27,938	282	17	—	44,429
Total segment assets	**6,830,089**	**4,416,682**	**226,250**	**134,134**	**216,997**	**11,824,152**
Liabilities						
Trading liabilities	28,469	746	46	—	—	29,261
Hedging derivatives	—	10,318	—	—	—	10,318
Liabilities associated with disposal group held for sale	—	—	—	—	24	24
Deposits and loans from banks	151,555	34,181	4,595	939	—	191,270
Deposits and loans from customers	5,006,304	3,623,985	123,535	111,643	3,133	8,868,600
Debt securities issued	295,131	150,639	—	—	—	445,770
Subordinated debt	7,951	—	—	595	—	8,546
Other liabilities	394,602	77,360	2,291	4,244	6,415	484,912
Current tax liability	970	2,082	—	—	7	3,059
Provisions	6,176	29,507	56	157	815	36,711
Deferred tax liabilities	293	1,795	3,653	—	—	5,741
Total segment liabilities	**5,891,451**	**3,930,613**	**134,176**	**117,578**	**10,394**	**10,084,212**

6.3. Revenues by geographical location of customers

For the year ended 31 December 2021

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Luxembourg	Cyprus	Other	Total
Interest income calculated using effective interest rate method	92,841	167,932	15,564	9,142	32,498	51,199	60,984	430,160
Other interest income	4,078	2,166	1,726	—	163	123	728	8,984
Interest expense	(55,036)	(24,179)	(5,379)	(337)	(187)	(35)	(12,131)	(97,284)
Net interest income	**41,883**	**145,919**	**11,911**	**8,805**	**32,474**	**51,287**	**49,581**	**341,860**
Fee and commission income	44,107	102,173	725	229	7,382	4,170	11,418	170,204
Fee and commission expense	(8,361)	(29,917)	(300)	(84)	(2,451)	(895)	(309)	(42,317)
Net fee and commission income	**35,746**	**72,256**	**425**	**145**	**4,931**	**3,275**	**11,109**	**127,887**
Financial markets, net result	24,973	32,412	(4,654)	(5,822)	16,735	10,273	(48,559)	4,812
Gain on a bargain purchase	—	—	—	—	—	—	—	—
Other operating income	5,074	30,574	2,395	405	3	776	10,224	49,451
Total income	**107,676**	**281,161**	**10,077**	**3,533**	**54,143**	**45,065**	**22,355**	**524,010**

For the year ended 31 December 2020

In thousands of EUR	Czech Republic	Slovakia	Russia	Croatia	Luxembourg	Cyprus	Other	Total
Interest income calculated using effective interest rate method	90,558	174,020	14,524	8,437	24,588	50,376	35,766	398,269
Other interest income	3,770	1,117	341	—	197	63	811	6,299
Interest expense	(53,200)	(27,519)	(4,883)	(625)	(5)	(138)	(7,234)	(93,604)
Net interest income	**41,128**	**147,618**	**9,982**	**7,812**	**24,780**	**50,301**	**29,343**	**310,964**
Fee and commission income	31,932	91,044	1,027	278	5,753	3,440	7,617	141,091
Fee and commission expense	(6,491)	(30,913)	(357)	(82)	(3,323)	(698)	(150)	(42,014)
Net fee and commission income	**25,441**	**60,131**	**670**	**196**	**2,430**	**2,742**	**7,467**	**99,077**
Financial markets, net result	31,625	6,885	16,556	(3,830)	(32,269)	(4,919)	35,452	49,500
Gain on a bargain purchase	137	—	—	—	—	—	1	138
Other operating income	5,837	29,891	1,702	397	3	1,104	5,989	44,923
Total income	**104,168**	**244,525**	**28,910**	**4,575**	**(5,056)**	**49,228**	**78,252**	**504,602**

The geographical area Other comprises revenue items primarily from Germany in both 2021 and 2020.

7. Acquisitions and disposals

7.1. Acquisition and establishment of subsidiaries

(a) Acquisition of subsidiaries

In 2021 the Group acquired the following subsidiary:

In thousands of EUR	Date of acquisition	Consideration transferred	Cash outflow	Group's interest after acquisition (%)
Leasing-Medicine Ltd (Lizing-Medicina ooo)	28.05. 2021	1,017	1,066	100.00
Total	**—**	**1,017**	**1,066**	**100.00**

In 2020 the Group acquired the following subsidiaries:

In thousands of EUR	Date of acquisition	Consideration transferred	Cash outflow	Group's interest after acquisition (%)
Cards&Co, a. s.	10.11.2020	1,970	1,970	98.46
DanubePay, a. s.	10.11.2020	—	—	98.46
Rentalit s.r.o.	10.12.2020	2	2	100.00
RDF International, spol. s r.o.	21.12.2020	1,419	1,419	99.18
J&T VENTURES I uzavřený podílový fond	31.12.2020	8,229	—	94.14
J&T DIVIDEND Fund	31.12.2020	6,674	—	56.77
Total	**—**	**18,294**	**3,391**	**—**

(b) Establishment of subsidiaries

In 2021 the Group established the following:

In thousands of EUR	Date of establishment	Capital contributed	Group's interest after establishment (%)
JTFG Fund I SICAV, a.s.	09.02.2021	4	60.54
J&T Global Finance XII., s.r.o.	09.02.2021	5	100.00
J&T Global Finance XI., s.r.o.	15.02.2021	8	100.00
J&T Credit Participation, s.r.o.	15.02.2021	8	100.00
Wine Resort Pouzdřany, s.r.o.	08.03.2021	406	100.00
J&T SME Finance s.r.o.	01.04.2021	1	100.00
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	09.06.2021	268	100.00

As a result of the establishment of the investment fund JTFG Fund I SICAV, a.s. in which the Group has interest of 60.54%, the non-controlling interest (of 39.46%) increased by EUR 16,607 thousand.

In 2020 the Group established no subsidiaries.

(c) Effect of acquisitions

The acquisitions of new subsidiaries (excluding acquisitions insignificant in volume as mentioned in section 4.2) in 2021 had the following effect on the Group's assets and liabilities (refer also to Note 4.2 Business combinations and purchase price allocations):

In thousands of EUR	Leasing-Medicine Ltd (Lizing-Medicina ooo)	Total
Cash and cash equivalents	212	212
Loans and advances to customers	7,065	7,065
Trade receivables and other assets	2,506	2,506
Current tax assets	8	8
Intangible assets	39	39
Property, plant and equipment	10	10
Deferred tax assets	17	17
Deposits and loans from banks	(7,541)	(7,541)
Other liabilities	(1,463)	(1,463)
Net identifiable assets and liabilities	**853**	**853**
Goodwill on acquisition of new subsidiaries	164	164
Gain on bargain purchase	—	—
Consideration transferred	1,017	1,017
Consideration paid, satisfied in cash	(1 ,066)	(1,066)
Cash acquired	212	212
Net cash inflow (outflow)	**(854)**	**(854)**
Profit since acquisition date	190	190
Profit of the acquired entity for all of 2021	241	241
Turnover since acquisition date	1,639	1,639
Turnover of the acquired entity for all of 2021	2,329	2,329

The acquisitions of new subsidiaries in 2020 had the following effect on the Group's assets and liabilities (refer also to Note 4.2 Business combinations and purchase price allocations):

In thousands of EUR	Cards&Co, a. s. and Danube-Pay, a. s.	J&T VENTURES I uzavřený podílový fond	J&T DIVIDEND Fund[2]	Other entities	Total
Cash and cash equivalents	140	3,283	1,984	–	5,407
Investment securities measured at fair value through profit or loss	–	6,350	–	–	6,350
Investment securities measured at fair value through other comprehensive income	–	–	9,804	1,421	11,225
Loans and advances to customers	–	327	–	–	327
Trade receivables and other assets	871	–	22	–	893
Current tax assets	–	20	–	–	20
Intangible assets	4,397	–	–	–	4,397
Property, plant and equipment	533	–	–	–	533
Deposits and loans from banks	(6,752)	–	–	–	(6,752)
Other liabilities	(1,103)	(965)	(53)	–	(2,121)
Deferred tax liabilities	–	(128)	–	–	(128)
Non-controlling interests	–	(521)	(5,082)	–	(5,603)
Net identifiable assets and liabilities	**(1,914)**	**8,366**	**6,675**	**1,421**	**14,548**
Goodwill on acquisition of new subsidiaries	3,884	–	–	–	3,884
Gain on bargain purchase	–	(137)	(1)	–	(138)
Consideration transferred	1,970	8,229	6,674	1,421	18,294
Consideration paid, satisfied in cash	(1,970)	–	–	(1,421)	(3,391)
Cash acquired	140	3,283	1,984	–	5,407
Net cash inflow (outflow)	**(1,830)**	**3,283**	**1,984**	**(1,421)**	**2,016**
Profit (loss) since acquisition date	(25)	–	–	–	(25)
Profit (loss) of the acquired entity for all of 2020	(1,035)	(206)	248	(1,254)	(2,247)
Turnover since acquisition date	(10)	–	–	(25)	(35)
Turnover of the acquired entity for all of 2020	3,348	29	–	(44)	3,333

[2] J&T DIVIDEND Fund has been acquired with the view of sale and therefore, it was presented as such in the consolidated financial statements, i.e. in line with IFRS 5.

7.2. Disposals

(a) Disposals of subsidiaries

The following disposals occurred in 2021 and in 2020:

31 December 2021

In thousands of EUR	Date of disposal	Sale price/ Other values acquired	Cash outflow	Gain (loss) on disposal/ liquidation
PB PARTNER, a.s. v likvidácii	30.06.2021	2,476	(2,507)	(79)
J&T DIVIDEND	30.06.2021	7,571	(2,131)	262
Poštová poisťovňa, a. s.	03.07.2021	16,705	(5,870)	2,691
Total		**26,572**	**(10,508)**	**2,874**

31. prosince 2020

In thousands of EUR	Date of disposal	Sale price/ Other values acquired	Cash outflow	Gain (loss) on disposal/ liquidation
J&T Global Finance VI, s. r. o. v likvidácii	10.07.2020	9	(9)	—
J&T Global Finance VII., s. r. o. v likvidaci	17.12.2020	111	(111)	(13)
Total		**120**	**(120)**	**(13)**

(b) Effect of disposals

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

Effect of disposals in 2021

In thousands of EUR	PB PARTNER, a.s. v likvidácii	J&T DIVIDEND	Poštová poisťovňa, a. s.	Total
Cash and cash equivalents	2,507	–	5,870	8,377
Investment securities measured at fair value through profit or loss	–	–	7,854	7,854
Investment securities measured at fair value through other comprehensive income	–	–	2,465	2,465
Investment securities at amortised cost			19,199	19,199
Disposal group held for sale	–	14,430	–	14,430
Loans and advances to banks	–	–	7,329	7,329
Trade receivables and other assets	–	–	1,341	1,341
Current tax assets	–	–	287	287
Intangible assets	–	–	767	767
Property, plant and equipment	–	–	795	795
Deferred tax assets	–	–	283	283
Liabilities associated with assets held for sale	–	(58)	–	(58)
Trade payables and other liabilities	(4)	–	(2,380)	(2,384)
Provisions	–	–	(26,254)	(26,254)
Non-controlling interests	52	(6,148)	(3,248)	(9,344)
Net assets and liabilities	**2,555**	**8,224**	**14,308**	**25,087**
Sales price	2,476	7,571	16,705	26,752
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	–	(915)	(294)	(1,209)
Gain (loss) on disposal	**(79)**	**262**	**2,691**	**2,874**
Consideration received, satisfied in cash	2,476	7,571	16,705	26,752
Cash disposed of	(2,507)	(2,131)	(5,870)	(10,508)
Net cash inflow (outflow)	**(31)**	**5,440**	**10,835**	**16,244**

Effect of disposals in 2020

In thousands of EUR	J&T Global Finance VI, s. r. o. v likvidácii	J&T Global Finance VII., s. r. o. v likvidaci	Total
Cash and cash equivalents	9	111	120
Net assets and liabilities	**9**	**111**	**120**
Sales price	–	–	–
Other values acquired	9	111	120
Cumulative income and expense included in other comprehensive income reclassified to profit or loss	–	(13)	(13)
Gain (loss) on disposal	**–**	**(13)**	**(13)**
Consideration received, satisfied in cash	9	111	120
Cash disposed of	(9)	(111)	(120)
Net cash outflow	**–**	**–**	**–**

8. Net interest income

In thousands of EUR	2021	2020
Interest income calculated using effective interest rate		
Loans and advances to banks and customers	374,911	348,047
Hedging derivatives – interest rate risk	(2,286)	(2,324)
Bonds and other securities	25,118	24,906
Repo transactions	4,661	3,974
Bills of exchange	267	1,020
Receivables from central banks	23,655	19,005
Other	3,834	3,641
Total interest income using effective interest rate	**430,160**	**398,269**
Interest income according to classes of instruments:		
Financial instruments measured at amortised cost	412,032	379,731
Financial instruments measured at FVOCI	18,128	18,538
Total interest income using effective interest rate	**430,160**	**398,269**
Finance lease receivables	2,786	675
Financial assets for trading	6,198	5,624
Total other interest income	**8,984**	**6,299**
Total interest income	**439,144**	**404,568**
Interest expense		
Deposits and loans from banks and customers	(73,781)	(70,461)
Bonds and other securities	(20,230)	(18,492)
Bills of Exchange	(2)	(4)
Repo transactions	(1,317)	(977)
Lease liabilities	(965)	(832)
Other	(989)	(2,838)
Total interest expense	**(97,284)**	**(93,604)**
Interest expense according to classes of instruments:		
Financial instruments measured at amortised cost	(97,284)	(93,604)
Financial instruments measured at FVTPL	—	—
Total interest expense	**(97,284)**	**(93,604)**
Total net interest income	**341,860**	**310,964**

Interest expense from hedging derivatives includes accrued interest from interest rate derivatives used to hedge interest rate risk.

Other interest income of EUR 3,834 thousand includes a negative interest on Deposits and loans from banks of EUR 1,189 thousand (2020: EUR 1,342 thousand).

9. Net fee and commission income

Fee and commission income arises on 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, and asset management services. Assets under management comprising all client assets managed or held for investment purposes by the Group in its own name, but for the account of third parties, are not reported in its consolidated statement of financial position (refer to Note 44. Assets under management). Commissions received from such business are shown in fee and commission income.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Nature and timing of satisfaction of performance obligation	Revenue recognition under IFRS 15
Account administration fees, fees for management of assets, custody fees, guarantee fees and servicing fees related to factoring are charged to clients on regular basis, as the time passes.	Revenue is recognised over time as the services are provided.
Payment fees, fees for bond issues, on financial instruments (brokerage), from clearing and settlement and intermediation fees are transaction based and are charged when the traction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

Disaggregation of fee and commission income from contracts with customers

		Reportable segments		
In thousands of EUR	**2021**	**Czech Republic**	**Slovakia**	**Other[3]**
Fee and commission income				
Fees on assets under management	51,835	22,751	29,054	30
Fees on administration and payment transactions	37,730	6,544	30,110	1,076
Fees on financial instrument operations	16,746	16,671	17	58
Fees on bond issues	13,849	13,849	–	–
Fees on clearing and settlement	12,206	–	12,206	–
Fees on custody, administration and depositing of valuables	8,268	5,144	3,121	3
Intermediation fees	5,395	151	5,241	3
Fees on promises and guarantees	2,421	1,314	957	150
Other fees and commission income	21,754	8,596	12,996	162
Total fee and commission income	**170,204**	**75,020**	**93,702**	**1,482**
Fee and commission expense				
Fees on clearing and settlement	(18,519)	–	(18,499)	(20)
Fees on financial instrument operations	(9,595)	(9,393)	(118)	(84)
Intermediation fees	(3,445)	(209)	(3,236)	–
Fees on payment transactions	(1,451)	(746)	(414)	(291)
Other fees and commission expenses	(9,307)	(2,719)	(6,494)	(94)
Total fee and commission expense	**(42,317)**	**(13,067)**	**(28,761)**	**(489)**
Total net fee and commission income	**127,887**	**61,953**	**64,941**	**993**

[3] "Other" represents agregated information for segments Russia, Croatia and Other as presented in the Note 6 Operating segments.

In thousands of EUR	2020	Reportable segments		
		Czech Republic	Slovakia	Other[4]
Fee and commission income				
Fees on administration and payment transactions	37,957	5,180	31,624	1,153
Fees on assets under management	34,882	13,503	21,184	195
Fees on financial instrument operations	15,935	15,884	3	48
Fees on clearing and settlement	13,455	—	13,455	—
Fees on bond issues	12,336	12,336	—	—
Fees on custody, administration and depositing of valuables	5,887	3,106	2,778	3
Fees on promises and guarantees	3,025	1,439	1,254	332
Intermediation fees	670	82	584	4
Other fees and commission income	16,944	3,586	13,056	302
Total fee and commission income	**141,091**	**55,116**	**83,938**	**2,037**
Fee and commission expense				
Fees on clearing and settlement	(20,575)	—	(20,554)	(21)
Fees on financial instrument operations	(8,487)	(8,306)	(90)	(91)
Intermediation fees	(3,136)	(216)	(2,920)	—
Fees on payment transactions	(1,674)	(843)	(482)	(349)
Other fees and commission expenses	(8,142)	(2,504)	(5,516)	(122)
Total fee and commission expense	**(42,014)**	**(11,869)**	**(29,562)**	**(583)**
Total net fee and commission income	**99,077**	**43,247**	**54,376**	**1,454**

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

[4] "Other" represents agregated information for segments Russia, Croatia and Other as presented in the Note 6 Operating segments.

10. Financial markets, net result

In thousands of EUR	2021	2020
Net gains (losses) from financial instruments held for trading	(30,153)	63,112
– derivatives	(21,873)	60,561
– equity instruments	958	840
– debt instruments	(9,985)	1,711
– other	747	–
Net gains (losses) from non-trading financial assets mandatorily measured at FVTPL	37,002	10,310
Net gains (losses) from financial instruments measured at FVOCI	1,983	1,794
– dividend income from equity instruments measured at FVOCI	820	597
– sale of debt instruments	1,163	1,197
Net gain/(loss) arising from derecognition of financial assets measured at amortised cost	63	(172)
Net gains (losses) resulting from hedge accounting	(58)	21
– hedged items	(5,009)	1,871
– hedging items	4,951	(1,850)
Exchange rate gains (losses)	(4,025)	(25,565)
Total financial markets, net result	**4,812**	**49,500**

The Group recorded a gain amounting to EUR 63 thousand (2020: loss of EUR 172 thousand) arising from derecognition of financial assets measured at amortised cost due to substantial modification.

11. Other operating income

In thousands of EUR	2021	2020
Revenues from services and consulting (IFRS 15)	15,951	15,933
Revenues (premium) of insurance companies	2,262	10,324
Rental income (IFRS 16)	4,049	5,377
Goods sold (IFRS 15)	8,199	4,594
Income from operating leases	802	500
Gain on the disposal of subsidiaries, joint ventures and associates (Note 7.2)	2,874	–
Gain on disposal of property, plant and equipment and intangible assets, net (IFRS 15)	–	314
Positive revaluation of investment property (Note 28)	3,217	–
Reversal of provisions	1,154	–
Other income (IFRS 15)	10,943	7,881
Total other operating income	**49,451**	**44,923**

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

12. Personnel expenses

In thousands of EUR	2021	2020
Wages and salaries	(90,241)	(88,169)
Compulsory social security contributions	(27,750)	(25,745)
Other long-term employee benefits	(3)	—
Other social expenses	(5,680)	(5,371)
Total personnel expenses	**(123,674)**	**(119,285)**

The weighted average number of employees during 2021 was 2,829 (2020: 2,794), out of which executives represent 173 employees (2020: 169).

13. Other operating expenses

In thousands of EUR	2021	2020
Repairs and maintenance expenses	(14,729)	(12,782)
Advertising expenses	(14,669)	(14,002)
Consulting expenses	(11,037)	(8,009)
Administrative expenses	(9,979)	(8,715)
Mandatory fees paid by financial institutions	(9,696)	(6,563)
Communication expenses	(8,951)	(8,344)
Short term leases	(3,806)	(2,881)
Materials	(3,358)	(3,846)
Variable leasing payments	(2,784)	(2,377)
Sponsoring and gifts	(2,698)	(6,054)
Property and other taxes	(2,346)	(2,223)
Outsourcing	(2,044)	(874)
Low-value asset leases	(1,788)	(1,618)
Insurance claims paid, net	(1,755)	(3,476)
Costs related to the operation of the hotel	(1,682)	(1,755)
Energy	(1,675)	(1,483)
Rental expenses	(1,436)	(4,182)
Contractual penalties	(1,328)	(108)
Transport and accommodation, travel expenses	(614)	(787)
Training, courses and conferences	(588)	(572)
Change in impairment of other assets	(280)	(1,516)
Insurance technical provisions	(211)	(3,477)
Tax on financial transactions	—	(9,280)
Loss on the disposal of subsidiaries, special purpose entities, joint ventures and associates	—	(13)
Receivables written-off, net	—	(9)
Change in fair value of investment property, net	—	(7,010)
Creation and reversal of provisions	—	(1,846)
Other operating expenses	(18,712)	(13,464)
Total other operating expenses	**(116,166)**	**(127,266)**

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

14. Income tax

In thousands of EUR	2021	2020
Current tax expense		
Current year	(39,955)	(34,176)
Adjustments for prior periods	(2,240)	78
Withheld on interest	(9)	(16)
Total	**(42,204)**	**(34,114)**
Deferred tax income (expense)		
Origination and reversal of temporary differences	(333)	11,028
Change in tax rate	–	–
Total	**(333)**	**11,028**
Total income tax expense	**(42,537)**	**(23,086)**

The corporate income tax rate in the Czech Republic for 2021 and 2020 is 19%. The corporate income tax rate in Slovakia for 2021 and 2020 is 21%. The corporate income tax rate in Russia for 2021 and 2020 is 20%. The corporate income tax rate in Croatia for 2021 and 2020 is 18%.

(i) Reconciliation of the effective tax rate

In thousands of EUR	2021 %	2021	2020 %	2020
Profit before tax		**230,196**		**102,092**
Income tax at 19% (2020: 19%)	(19.0)	(43,737)	(19.0)	(19,397)
Effect of tax rates in foreign jurisdictions	(1.2)	(2,701)	0.1	128
Non-deductible expenses	(24.2)	(55,713)	(32.3)	(32,980)
Non-taxable income	26.4	60,863	29.2	29,782
Tax withheld on interest	(0.0)	(9)	(0.0)	(16)
Recognition of previously unrecognised tax losses	0.7	1 514	0.1	113
Current year tax losses for which no deferred tax asset was recognised	(0.1)	(322)	(0.8)	(805)
Deferred tax – current period adjustment for DT recognized in prior period	(0.1)	(131)	0.1	78
Under/(over) provided in prior years tax charges	(1.0)	(2,240)	0.0	11
Tax license	(0.0)	(61)	0.0	–
Total income tax expense	**(18.5)**	**(42,537)**	**(22.6)**	**(23,086)**

(ii) Income tax recognized in other comprehensive income

In thousands of EUR	Before tax 2021	Tax (expense)/ benefit 2021	Net of tax 2021	Before tax 2020	Tax (expense)/ benefit 2020	Net of tax 2020
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	89,542	(6,990)	82,552	(78,658)	(472)	(79,130)
Debt instruments measured at fair value through other comprehensive income – Net change in fair value[5]	(12,135)	643	(11,492)	4,360	(685)	3,675
Debt instruments measured at fair value through other comprehensive income – Net amount transferred to profit or loss	4,560	(933)	3,627	(857)	182	(675)
Share of other comprehensive income of equity accounted investees	5,268	—	5,268	(3,646)	—	(3,646)
Other comprehensive income – items that will not be reclassified subsequently to profit or loss						
Equity instruments measured at fair value through other comprehensive income – Net change in fair value	5,275	(897)	4,378	(1,632)	235	(1,397)
Total	**92,510**	**(8,177)**	**84,333**	**(80,433)**	**(740)**	**(81,173)**

[5] The difference between the consolidated statement of comprehensive income and net of tax amounts of debt instruments measured at FVOCI is caused by ECL for which deferred tax is recognized in profit or loss.

(iii) Pohyby v odložené dani v průběhu roku

In thousands of EUR	Balance at 1 January 2021	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquired in business combinati-ons	Foreign exchange translation differences	Outgoing entities/ Decreases due to sale of companies	Disposals	Balance as at 31 December 2021
Property, plant and equipment	1,814	328	(48)	—	(1)	—	—	2,093
Intangible assets	(111)	(13)	—	—	(10)	—	—	(134)
Investment property	(1,652)	1	—	—	(124)	—	—	(1,775)
Leases (IFRS 16)	57	319	—	17	5	—	—	398
Impairment of trade receivables and other assets	446	(30)	—	—	21	(55)	—	382
Investment securities at fair value through other comprehensive income	(1,231)	1,025	(1,139)	—	35	111	(142)	(1,341)
Investment securities at amortised cost	(723)	139	—	—	2	—	—	(582)
Employee benefits (IAS 19)	1,261	(141)	—	—	9	—	—	1,129
Unpaid interest, net	(6)	—	—	—	—	6	—	—
Financial assets at fair value through profit or loss	(228)	(47)	—	—	(10)	—	142	(143)
Loans and advances	23,823	(328)	—	—	20	—	—	23,515
Provisions	1,561	(568)	—	—	48	(56)	—	985
Derivatives	(425)	309	(6,990)	—	(234)	—	—	(7,340)
Tax losses	1,305	(289)	—	—	67	—	—	1,083
Other temporary differences	12,797	(1,038)	—	—	389	(172)	—	11,976
Total	**38,688**	**(333)**	**(8,177)**	**17**	**217**	**(166)**	**—**	**30,246**

In thousands of EUR	Balance at 1 January 2020	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquired in business combinati-ons	Foreign exchange translation differences	Disposals	Balance as at 31 December 2020
Property, plant and equipment	1,167	847	—	—	9	(104)	1,814
Intangible assets	52	(161)	—	—	(2)	—	(111)
Investment property	(2,233)	(157)	—	—	570	168	(1,652)
Leases (IFRS 16)	41	14	—	—	2	—	57
Impairment of trade receivables and other assets	113	(15)	—	—	(8)	—	446
Investment securities at fair value through other comprehensive income	(977)	(130)	(268)	—	144	—	(1,231)
Investment securities at amortised cost	(1,128)	409	—	—	(4)	—	(723)
Employee benefits (IAS 19)	1,839	(514)	—	—	(64)	—	1,261
Unpaid interest, net	(5)	(1)	—	—	—	—	(6)
Financial assets at fair value through profit or loss	(356)	203	—	(139)	64	—	(228)
Loans and advances	13,527	9,692	—	—	604	—	23,823
Provisions	1,135	343	—	—	(6)	10	1,561
Derivatives	—	57	(472)	—	(10)	—	(425)
Tax losses	1,525	26	—	11	(261)	4	1,305
Other temporary differences	13,049	84	—	—	(259)	(78)	12,797
Total	**27,749**	**11,028**	**(740)**	**(128)**	**779**	**—**	**38,688**

15. Cash and cash equivalents

In thousands of EUR	31 December 2021	31 December 2020
Cash and cash equivalents		
Cash on hand	47,684	54,772
Current accounts at central banks	30,237	81,874
Term deposits to central banks of three months or less	—	—
Current accounts with banks	56,743	66,580
Loans and advances with original maturities of three months or less	16,152	16,215
Loans in reverse repurchase agreements (refer to Note 24.2)	2,667,889	1,451,536
Less impairment loss allowance (refer to Note 26 (a))	(68)	(101)
Total cash and cash equivalents	**2,818,637**	**1,670,876**

16. Financial assets for trading and trading liabilities

16.1. Financial assets for trading

In thousands of EUR	31 December 2021	31 December 2020
Non-derivative financial assets for trading		
Bonds	136,140	319,789
Shares	16,434	13,143
Investment funds units	335	11,028
Total non-derivative financial assets for trading	**152,909**	**343,960**
Trading derivatives		
Currency contracts	44,224	40,344
Option contracts for share purchase	201	1,340
Interest rate swaps	564	44
Option contracts for commodity purchase	—	32
Total trading derivatives	**44,989**	**41,760**
Total financial assets for trading	**197,898**	**385,720**

Bonds for trading as at 31 December 2021 comprise mainly government bonds, which represent 43% (31 December 2020: 79%) and corporate bonds, which represent 38% of the balance (31 December 2020: 17%).

Income from debt and other fixed-rate instruments is recognised in interest income.

As at 31 December 2021 financial assets for trading in the amount of EUR nil thousand were subject to pledge (31 December 2020: EUR 8 thousand).

(i) Fair value measurement of financial assets for trading

As at 31 December 2021

In thousands of EUR	Shares	Bonds	Investment funds units	Total
Fair value of non-derivative financial assets for trading				
Level 1 – quoted market prices	16,134	70,830	–	86,964
Level 2 – derived from quoted prices	141	31,604	335	32,080
Level 3 – calculated using valuation techniques	159	33,706	–	33,865
Total	**16,434**	**136,140**	**335**	**152,909**
Fair value of trading derivatives				
Level 1 – quoted market prices				–
Level 2 – derived from quoted prices				44,989
Total				**44,989**
Total financial assets for trading				**197,898**

As at 31 December 2020

In thousands of EUR	Shares	Bonds	Investment funds units	Total
Fair value of non-derivative financial assets for trading				
Level 1 – quoted market prices	10,143	245,129	–	255,272
Level 2 – derived from quoted prices	2,841	55,633	11,028	69,502
Level 3 – calculated using valuation techniques	159	19,027	–	19,186
Total	**13,143**	**319,789**	**11,028**	**343,960**
Fair value of trading derivatives				
Level 2 – derived from quoted prices				1,340
Level 2 – derived from quoted prices				40,420
Total				**41,760**
Total financial assets for trading				**385,720**

(ii) Detail of fair value measurement in Level 3

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

In thousands of EUR	Shares	Bonds	Total
Balance as at 1 January 2021	**159**	**19,027**	**19,186**
Total gains (losses) recognized in profit or loss	(9)	280	271
Additions	—	25,189	25,189
Disposals	—	(11,245)	(11,245)
Settlements	—	(747)	(747)
Transfer to Level 1	—	(2,268)	(2,268)
Transfer to Level 2	—	(3,215)	(3,215)
Transfer from Level 1	—	2,006	2,006
Transfer from Level 2	—	2,435	2,435
Interest income less interest received	—	769	769
Effect of movements in foreign exchange	9	1,475	1,484
Balance as at 31 December 2021	**159**	**33,706**	**33,865**
Balance as at 1 January 2020	**102**	**2,280**	**2,382**
Total gains (losses) recognized in profit or loss	55	(574)	(519)
Additions	5	13,565	13,570
Disposals	—	(6,546)	(6,546)
Transfer to Level 2	—	(210)	(210)
Transfer from Level 1	—	5,232	5,232
Transfer from Level 2	—	5,090	5,090
Interest income less interest received	—	129	129
Effect of movements in foreign exchange	(3)	61	58
Balance as at 31 December 2020	**159**	**19,027**	**19,186**

Based on changes in market conditions for some financial instruments, observable market inputs for these instruments became available as at 31 December 2021. Bonds amounting to EUR 3,215 thousand (31 December 2020: EUR 210 thousand) were therefore transferred from Level 3 to Level 2. Market prices for some instruments became available as at 31 December 2021. Bonds of EUR 2,268 thousand (31 December 2020: nil) were transferred from Level 3 to Level 1. Shares of EUR 774 thousand (31 December 2020: EUR 2,667 thousand) and bonds of EUR nil thousand (31 December 2020: EUR 637 thousand) were transferred from Level 2 to Level 1.

On the other hand, as sufficient information for measuring the fair values based on market prices were not available as at 31 December 2021, bonds amounting to EUR 2,006 thousand (31 December 2020: EUR 5,232 thousand) were transferred from Level 1 to Level 3. Bonds amounting to EUR 3,886 thousand (31 December 2020: EUR 4,846 thousand) were transferred from Level 1 to Level 2. Similarly transferred as at 31 December 2021 were also other financial assets amounting to EUR 791 thousand (31 December 2020: EUR nil thousand). As for some instruments observable market inputs were not available as at 31 December 2021, bonds amounting to EUR 2,435 thousand (31 December 2020: EUR 5,090 thousand) were transferred from Level 2 to Level 3.

16.2. Trading liabilities

In thousands of EUR	31 December 2021	31 December 2020
Non-derivative trading liabilities		
Other trading liabilities	18,446	1,137
Total non-derivative trading liabilities	**18,446**	**1,137**
Trading derivatives		
Forward currency contracts	55,212	26,023
Cross currency swaps	9,864	2,062
Put share options	2,460	–
Interest rate swaps	438	39
Commodity derivatives	15	–
Total trading derivatives	**67,989**	**28,124**
Total trading liabilities	**86,435**	**29,261**

Fair value measurement of trading liabilities

In thousands of EUR	31 December 2021	31 December 2020
Fair value of non-derivative trading liabilities		
Level 1 – quoted market prices	2,502	1,137
Level 2 – derived from quoted prices	15,944	–
Total	**18,446**	**1,137**
Fair value of trading derivatives		
Level 2 – derived from quoted prices	67,989	28,124
Total	**67,989**	**28,124**
Total trading liabilities	**86,435**	**29,261**

There were no transfers of trading liabilities between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2021 and 2020.

17. Hedging derivatives

In thousands of EUR	31 December 2021	31 December 2020
Hedging derivatives (assets)		
Forward currency contracts	19,764	11,555
Total hedging derivatives (assets)	**19,764**	**11,555**
Hedging derivatives (liabilities)		
Interest rate swaps	4,977	10,318
Forward currency contracts	73	–
Total hedging derivatives (liabilities)	**5,050**	**10,318**

The Group uses hedging derivatives to hedge the fair value of recognized assets. Interest rate swaps are used for hedging of the interest rate risk faced by assets carrying fixed interest payments (both from the FVOCI portfolio and from loans to customers at amortized costs) in possession of the Group. Currency swaps with currency pair CZK/EUR (buy/sell) are used as hedging instruments against changes in foreign exchange rates of equity instruments at FVOCI.

The parent company also hedges the translation risk of its foreign net investments denominated in EUR against its functional currency (CZK). The parent company uses currency forwards as hedging instruments for such purposes.

(a) Fair value hedges

As at 31 December 2021 the balances of the fair value hedges were as follows:

	Nominal value		Fair value	
In thousands of EUR	**Buy**	**Sell**	**Positive**	**Negative**
Fair value hedge				
Hedged item debt instruments at FVOCI with fixed interest rate	**X**	**X**	**–**	**(3,549)**
Interest rate swap				
Maturity less than 3 months	–	–	X	X
Maturity 3 months – 1 year	71,110	(71,110)	X	X
Maturity 1 – 5 years	21,000	(21,000)	X	X
Maturity more than 5 years	42,366	(42,366)	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Fair value hedge				
Hedged item debt instruments at FVOCI with fixed interest rate	**Hedging derivatives (liabilities)**	**3,479**	**–**	**n/a**

	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
In thousands of EUR	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Hedged item				
Debt instruments at FVOCI with fixed interest rate	145,078	–	(2,260)	–

In thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Debt instruments at FVOCI with fixed interest rate	Investment securities at FVOCI	(3,479)	–

In thousands of EUR	Nominal value		Fair value	
	Buy	Sell	Positive	Negative
Fair value hedge				
Hedged item loans to customers with fixed interest rate	**X**	**X**	**–**	**(1,428)**
Interest rate swap				
Maturity less than 3 months	–	–	X	X
Maturity 3 months – 1 year	–	–	X	X
Maturity 1 – 5 years	93,400	(93,400)	X	X
Maturity more than 5 years	–	–	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Fair value hedge				
Hedged item loans to customers with fixed interest rate	**Hedging derivatives (liabilities)**	**1,137**	**(48)**	**Financial markets, net result**

In thousands of EUR	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
	Assets	Liabilities	Assets	Liabilities
Hedged item				
Loans to customers with fixed interest rate	200,037	–	1,091	–

In thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Loans to customers with fixed interest rate	Loans and advances to customers	(1,185)	–

In thousands of EUR	Nominal value		Fair value	
	Buy	Sell	Positive	Negative
Fair value hedge				
Hedged item equity instruments at FVOCI	**X**	**X**	**—**	**(73)**
Currency swap				
Maturity less than 3 months	—	—	X	X
Maturity 3 months – 1 year	15,975	(15,001)	X	X
Maturity 1 – 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Fair value hedge				
Hedged item equity instruments at FVOCI	**Hedging derivatives (assets)**	**(153)**	**—**	**n/a**

In thousands of EUR	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
	Assets	Liabilities	Assets	Liabilities
Hedged item				
Equity instruments at FVOCI	5,732	—	96	—

In thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Equity instruments at FVOCI	Investment securities at FVOCI	153	—

As at 31 December 2020 the balances of the fair value hedges were as follows:

	Nominal value		Fair value	
In thousands of EUR	**Buy**	**Sell**	**Positive**	**Negative**
Fair value hedge				
Hedged item debt instruments at FVOCI with fixed interest rate	**X**	**X**	**–**	**(7,792)**
Interest rate swap				
Maturity less than 3 months	–	–	X	X
Maturity 3 months – 1 year	40,000	(40,000)	X	X
Maturity 1 – 5 years	92,110	(92,110)	X	X
Maturity more than 5 years	42,366	(42,366)	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Fair value hedge				
Hedged item debt instruments at FVOCI with fixed interest rate	**Hedging derivatives (liabilities)**	**(1,351)**	**–**	**n/a**

	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
In thousands of EUR	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Hedged item				
Debt instruments at FVOCI with fixed interest rate	191,489	–	5,739	–

In thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Debt instruments at FVOCI with fixed interest rate	Investment securities at FVOCI	1,351	–

In thousands of EUR	Nominal value		Fair value	
	Buy	Sell	Positive	Negative
Fair value hedge				
Hedged item loans to customers with fixed interest rate	**X**	**X**	**–**	**(2,526)**
Interest rate swap				
Maturity less than 3 months	–	–	X	X
Maturity 3 months – 1 year	–	–	X	X
Maturity 1 – 5 years	93,400	(93,400)	X	X
Maturity more than 5 years	–	–	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Fair value hedge				
Hedged item loans to customers with fixed interest rate	**Hedging derivatives (liabilities)**	**(274)**	**37**	**Financial markets, net result**

In thousands of EUR	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
	Assets	Liabilities	Assets	Liabilities
Hedged item				
Loans to customers with fixed interest rate	197,635	–	2,276	–

In thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Loans to customers with fixed interest rate	Loans and advances to customers	311	–

In thousands of EUR	Nominal value		Fair value	
	Buy	Sell	Positive	Negative
Fair value hedge				
Hedged item equity instruments at FVOCI	**X**	**X**	**598**	**—**
Interest rate swap				
Maturity less than 3 months	—	—	X	X
Maturity 3 months – 1 year	21,725	(21,002)	X	X
Maturity 1 – 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Fair value hedge				
Hedged item equity instruments at FVOCI	**Hedging derivatives (assets)**	**(11)**	**—**	**n/a**

In thousands of EUR	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
	Assets	Liabilities	Assets	Liabilities
Hedged item				
Equity instruments at FVOCI	6,287	—	244	—

In thousands of EUR	Line in SOFP where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Equity instruments at FVOCI	Investment securities at FVOCI	11	—

(b) Net investment hedges

As at 31 December 2021 the balances of the net investment hedges were as follows:

	Nominální hodnota		Reálná hodnota	
In thousands of EUR	**Nákup**	**Prodej**	**Kladná**	**Záporná**
Net investment hedge				
Hedged item all net foreign investments in EUR	**X**	**X**	**19,764**	**—**
Currency forward				
Maturity less than 3 months	620,806	(600,048)	X	X
Maturity 3 months – 1 year	—	—	X	X
Maturity 1 – 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Net investment hedge				
Hedged item all net foreign investments in EUR	**Hedging derivatives (assets)**	**11,602**	**11,602**	**—**

In thousands of EUR	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Net investment hedge			
Hedged item all net foreign investments in EUR	**n/a**	**—**	**n/a**

In thousands of EUR	Changes in fair value used for calculating hedge ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Hedged item			
All net foreign investments in EUR	(11,602)	13,949	n/a

As at 31 December 2020 the balances of the net investment hedges were as follows:

	Nominal value		Fair value	
In thousands of EUR	**Buy**	**Sell**	**Positive**	**Negative**
Net investment hedge				
Hedged item all net foreign investments in EUR	**X**	**X**	**10,957**	**–**
Currency forward				
Maturity less than 3 months	611,203	(600,069)	X	X
Maturity 3 months – 1 year	–	–	X	X
Maturity 1 – 5 years	–	–	X	X
Maturity more than 5 years	–	–	X	X

In thousands of EUR	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Net investment hedge				
Hedged item all net foreign investments in EUR	**Hedging derivatives (assets)**	**(25,551)**	**(25,551)**	**–**

In thousands of EUR	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Net investment hedge			
Hedged item all net foreign investments in EUR	**n/a**	**–**	**n/a**

In thousands of EUR	Changes in fair value used for calculating hedge ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Hedged item			
All net foreign investments in EUR	25,551	25,551	n/a

Fair value measurement of hedging derivative assets and liabilities

In thousands of EUR	31 December 2021	31 December 2020
Fair value of hedging derivative assets		
Level 2 – derived from quoted prices	19,764	11,555
Total	**19,764**	**11,555**
Fair value of hedging derivative liabilities		
Level 2 – derived from quoted prices	5,050	10,318
Total	**5,050**	**10,318**

There were no transfers of hedging derivatives between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2021 and 2020.

18. Investment securities measured at fair value through profit or loss

In thousands of EUR	31 December 2021	31 December 2020
Shares and other equity instruments	8,369	17,149
Bonds	–	7,785
Investment funds units	391,650	377,334
Investment securities mandatorily at fair value through profit or loss	**400,019**	**402,268**
Bonds	–	–
Investment securities designated at fair value through profit or loss	**–**	**–**
Total investment securities measured at fair value through profit or loss	**400,019**	**402,268**

Investment securities mandatorily at fair value through profit or loss comprise primarily shares and investment fund units as at 31 December 2021 and 31 December 2020. Investment fund units as at 31 December 2021 and 31 December 2020 comprise primarily funds that focus on real estate development and investments into a mix of shares and debt instruments of global firms and exchange traded funds.

As at 31 December 2021 there are no pledged investment securities at FVTPL (2020: nil).

(i) Fair value measurement of investment securities measured at fair value through profit or loss

Investment securities mandatorily at fair value through profit or loss

As at 31 December 2021

In thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices				
Level 2 – derived from quoted prices	5,997	–	334,845	340,842
Level 3 – calculated using valuation techniques	2,372	–	56,805	59,177
Total	**8,369**	**–**	**391,650**	**400,019**

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In thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices	1,879	7,785	4,346	14,010
Level 2 – derived from quoted prices	8,920	–	347,131	356,051
Level 3 – calculated using valuation techniques	6,350	–	25,857	32,207
Total	**17,149**	**7,785**	**377,334**	**402,268**

(ii) Detail of fair value measurement in Level 3

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

Investment securities mandatorily at fair value through profit or loss

In thousands of EUR	Shares	Investment funds units	Total
Balance at 1 January 2021	**6,350**	**25,857**	**32,207**
Reclassification	(6,350)	–	(6,350)
Total gains and losses recognized in profit and loss	(204)	229	25
Transfer from Level 1	1,971	–	1,971
Transfer from Level 2	–	1,378	1,378
Additions	555	27,524	28,079
Effect of movements in foreign exchange	50	1,817	1,867
Balance at 31 December 2021	**2,372**	**56,805**	**59,177**

In thousands of EUR	Shares	Investment funds units	Total
Balance at 1 January 2020	**–**	**31,778**	**31,778**
Total gains recognized in profit or loss	–	1,852	1,852
Acquisitions through business combinations	6,350	–	6,350
Disposals	–	(6,723)	(6,723)
Effect of movements in foreign exchange	–	(1,050)	(1,050)
Balance at 31 December 2020	**6,350**	**25,857**	**32,207**

Based on changes in market conditions for some financial instruments, quoted market prices have not been available as at 31 December 2021. Shares totalling EUR 1,971 thousand were therefore transferred from Level 1 to Level 3 as at that date. Moreover, observable market inputs have not been available as at 31 December 2021. Investment securities mandatorily at fair value through profit or loss of EUR 1,378 thousand were therefore transferred from Level 2 to Level 3 as at 31 December 2021.

There were no transfers of investment securities mandatorily at fair value through profit or loss between the levels of fair value hierarchy during 2020.

Investment securities designated at fair value through profit or loss

In 2021 and 2020 there were no investments securities designated at FVTPL in Level 3 of the fair value hierarchy.

There were no transfers of investment securities designated at fair value through profit or loss between the levels of the fair value hierarchy during 2021 and 2020.

19. Investment securities at fair value through other comprehensive income

In thousands of EUR	31 December 2021	31 December 2020
Shares and other equity instruments	41,835	27,535
Bonds (for impairment details refer to Note 26 (f))	620,356	694,041
Investments funds units	3	3
Total investment securities at fair value through other comprehensive income	**662,194**	**721,579**

Investment securities at fair value through other comprehensive income comprise primarily bonds, out of which the majority is represented by government bonds (56%) and corporate bonds (28%) as at 31 December 2021 (2020: government bonds 52% and corporate bonds 31%).

The maturity of the bonds is between 2022 and 2040. Bonds with maturity in 2040 are in amount of EUR 1,390 thousand (2020: maturity in 2040 EUR 1,460 thousand).

Shares as at 31 December 2021 comprise primarily corporate shares (86%), the remainder are shares of financial institutions (2020: corporate shares 77%, the remainder financial institutions).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

As at 31 December 2021 pledged investment securities at FVOCI amounted to EUR 185,995 thousand (2020: EUR 42,291 thousand).

(i) Equity investment securities at fair value through other comprehensive income

Equity investment securities at fair value through other comprehensive income comprise the following individually significant securities with corresponding dividend income recognised during the relevant period (listed major investments in terms of industry sector):

In thousands of EUR	Fair value 31 December 2021	Dividend income 31 December 2021	Fair value 31 December 2020	Dividend income 31 December 2020
Energy sector	10,932	569	6,476	360
Leasure industry	5,906	—	6,275	—
Other	25,000	251	14,787	237
Total	**41,838**	**820**	**27,538**	**597**

During the year 2021 equity investment securities at fair value of EUR 7,545 thousand were derecognised (2020: EUR 80 thousand). The cumulative gain on disposal totalled EUR 1,042 thousand (2020: loss of EUR 12 thousand).

During the year 2021 no cumulative loss (2020: loss of EUR 52 thousand) was transferred within equity from other comprehensive income to retained earnings.

(ii) Fair value measurement of investment securities at fair value through other comprehensive income

31 December 2021

In thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices	10,933	464,737	—	475,670
Level 2 – derived from quoted prices	13,565	18,853	—	32,418
Level 3 – calculated using valuation techniques	17,337	136,766	3	154,106
Total	**41,835**	**620,356**	**3**	**662,194**

31. prosince 2020

In thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Level 1 – quoted market prices	6,476	523,719	–	530,195
Level 2 – derived from quoted prices	12,363	68,919	–	81,282
Level 3 – calculated using valuation techniques	8,696	101,403	3	110,102
Total	**27,535**	**694,041**	**3**	**721,579**

(iii) Detail of fair value measurement in Level 3

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

In thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Balance as at 1 January 2021	**8,696**	**101,403**	**3**	**110,102**
Reclassification	6,499	–	–	6,499
Total gains (losses) recognised in other comprehensive income	(1,046)	(836)	–	(1,882)
Total gains for the period recognized in profit or loss	32	(5,094)	–	(5,062)
Additions	4,989	59,176	–	64,165
Disposals	(2,494)	(43,377)	–	(45,871)
Interest income less interest received	–	1,148	–	1,148
Transfer from Level 2	1	18,110	–	18,111
Effect of movements in foreign exchange	660	6,236	–	6,896
Balance as at 31 December 2021	**17,337**	**136,766**	**3**	**154,106**

In thousands of EUR	Shares and other equity instruments	Bonds	Investment funds units	Total
Balance as at 1 January 2020	**6,524**	**96,395**	**3**	**102,922**
Total gains (losses) recognized in other comprehensive income	–	(1)	–	(1)
Total gains for the period recognised in profit or loss	194	2,846	–	3,040
Additions	2,074	–	–	2,074
Disposals	(78)	(24,803)	–	(24,881)
Interest income less interest received	–	(22)	–	(22)
Transfer from Level 1	–	12,846	–	12,846
Transfer from Level 2	–	19,348	–	19,348
Transfer to Level 2	–	(3,020)	–	(3,020)
Effect of movements in foreign exchange	(18)	(2,186)	–	(2,204)
Balance as at 31 December 2020	**8,696**	**101,403**	**3**	**110,102**

Based on changes in market conditions for some financial instruments market prices were not available as at 31 December 2021, bonds totalling EUR nil thousand were transferred from Level 1 to Level 3 (31 December 2020: EUR 12,846 thousand), shares totalling EUR nil thousand (31 December 2020: EUR 1,189 thousand) and bonds totalling EUR nil thousand (31 December 2020: EUR 20,178 thousand) were transferred from Level 1 to Level 2. Also, for some shares observable market inputs were not available as at 31 December 2021 and thus those of EUR 1 thousand were transferred from Level 2 to Level 3 (31 December 2020: EUR nil thousand).

On the other hand, due to changes in market conditions for some instruments, market prices from the active market became available and bonds amounting to EUR nil thousand were therefore transferred from Level 2 to Level 1 (31 December 2020: bonds - EUR 23,046 thousand). There were no other transfers between the levels in 2021 and 2020.

The majority (74%) of the bonds presented under Level 3 (2020: 55%) comprise bonds of an issuer owning real estate properties (mainly land).

20. Investment securities at amortised cost

In thousands of EUR	31 December 2021	31 December 2020
Slovak government bonds	265,843	230,922
Czech government bonds	181,944	–
Government bonds of other countries	52,209	70,476
Financial institution and corporate bonds	79,040	100,632
Bills of exchange	3,656	2,167
Less impairment loss allowance (refer to Note 26 (b))	(7,701)	(7,835)
Total investment securities at amortised cost	**574,991**	**396,362**

Government bonds represent 87% of the total of bonds at amortised cost as at 31 December 2021 (2020: 77%). A further 7% of the bond portfolio are corporate bonds (2020: 15%).

The maturity of the bonds is between 2022 and 2036 (2020: maturity between 2021 and 2046). Bonds with maturity in 2036 are of EUR 39,772 thousand (2020: maturity in 2046 EUR 988 thousand).

Pledged investment securities at amortised cost total EUR 444,539 thousand as at 31 December 2021 (2020: EUR 298,644 thousand).

For expected credit losses relating to investment securities at amortised cost refer to Note 26 (b).

21. Disposal group held for sale

In thousands of EUR	31 December 2021	31 December 2020
Cash and cash equivalents	–	1,984
Disposal group held for sale	2,595	12,263
Trade receivables and other assets	–	22
Property, plant and equipment	2,108	5,864
Total assets	**4,703**	**20,133**
Other liabilities	–	24
Total liabilities	**–**	**24**

The Group did not recognize any cumulative income or expense accumulated in other comprehensive income relating to the disposal group held for sale as at 31 December 2021 nor 31 December 2020.

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

The disposal group held for sale consist of J&T Ostravice Active Life UPF, which was acquired exclusively with a view to its subsequent disposal. The sale of J&T Ostravice Active Life UPF was delayed by the approval process of the land plan, which is out of the Group's control.

During the year 2020, the Group acquired J&T DIVIDEND Fund which was purchased with a view of sale during 2021. During the year 2021 the fund was sold (refer to Note 7.2 Disposals).

22. Loans and advances to banks

In thousands of EUR	31 December 2021	31 December 2020
Povinné minimální rezervy u centrálních bank	601,026	315 625
Termínované vklady	63	63
Ostatní	34,496	9,096
Bez opravné položky (bod 26 (c))	(128)	(86)
Úvěry a zálohy poskytnuté bankám v naběhlé hodnotě v čisté výši	**635,457**	**324,698**

Obligatory minimum reserves represent the obligatory minimum reserves maintained by J&T BANKA, a.s., J&T Bank, a.o., 365.bank, a. s. and J&T Banka d.d. under regulations of the relevant regulatory authorities.

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

The obligatory minimum reserve for J&T Bank, a.o. is calculated as 4.75% of nonresidents' corporate deposits denominated in RUB; as 8% of nonresidents' corporate deposits denominated in foreign currency; as 4.75% of residents' individual deposits denominated in RUB; as 8% of residents' individual deposits denominated in foreign currency; as 4.75% of other liabilities in RUB and as 8% of other liabilities in foreign currency minus average balances of deposits and accrued interest multiplied by 0.8. In the case of J&T Bank, a.o., the obligatory minimum reserve is not bearing any interest.

The amount of set minimum reserve of 365.bank, a. s. depends on the amount of received deposits and is calculated by multiplying particular items using the valid rate defined for the calculation of the compulsory minimum reserve, the reserve is interest earning.

The obligatory minimum reserve for J&T Banka d.d. is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilities excluding balances with specified banks. The obligatory reserve is calculated as 9% of the above and is not bearing any interest.

23. Loans and advances to customers

In thousands of EUR	31 December 2021	31 December 2020
Loans and advances to customers	7,408,164	7,079,742
Overdrafts	286,177	332,923
Debt securities	2,085	11,671
Loans in reverse repurchase agreements (Note 24.2)	**117,031**	**96,106**
Other loans and advances	73,539	61,393
Less allowance for impairment of loans (refer to Note 26 (d))	(433,819)	(421,691)
Net loans and advances to customers at amortised cost	**7,453,177**	**7,160,144**
Loans and advances to customers at FVTPL mandatorily	546	–
Loans and advances to customers at FVTPL	**546**	**–**
Total net loans and advances to customers	**7,453,723**	**7,160,144**

In 2021 the Group had loans to four customers with an aggregated balance of EUR 1,334,046 thousand (2020: four customers with an aggregated balance of EUR 1,192,664 thousand).

The amount of non-interest bearing loans as at 31 December 2021 totalled EUR 7,567 thousand (2020: EUR 14,566 thousand). Receivables from these loans are fully provided for.

Other loans and advances include loans from finance leases in the amount of EUR 48,750 thousand (2020: EUR 26,398 thousand) analysed in Note 42.2. Leases as lessor.

24. Repurchase and resale agreements

24.1. Repurchase agreements

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. As at 31 December 2021 and 2020, total assets sold under repurchase agreement were as follows:

31 December 2021

In thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 32)	**—**	**—**	**—**
– maturity up to 1 month	—	—	—
– maturity 1–6 months	—	—	—
– maturity 6–12 months	—	—	—
Loans and advances from banks (Note 31)	**246,013**	**220,960**	**219,019**
– maturity up to 1 month	963	830	831
– maturity 1–6 months	71,192	69,999	69,941
– maturity 6–12 months	173,858	150,131	148,247
Total	**246,013**	**220,960**	**219,019**

31 December 2020

In thousands of EUR	Fair value of underlying asset	Carrying amount of liability	Repurchase price
Loans and advances from customers (Note 32)	**8**	**8**	**8**
– maturity up to 1 month	—	—	—
– maturity 1–6 months	8	8	8
– maturity 6–12 months	—	—	—
Loans and advances from banks (Note 31)	**4,785**	**4,543**	**4,549**
–maturity up to 1 month	4,785	4,543	4,549
Total	**4,793**	**4,551**	**4,557**

24.2. Reverse repurchase agreements

The Group also purchases financial instruments under agreements to resell them at future dates ("reverse repurchase agreements"). Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2021 and 2020, total assets purchased subject to agreements to resell them were as follows:

31 December 2021

In thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 23)	**229,026**	**117,031**	**116,331**
– maturity up to 1 month	26,691	17,997	16,932
– maturity 1–6 months	22,725	14,037	14,222
– maturity 6–12 months	179,610	84,997	85,177
Cash and cash equivalents (Note 15)	**2,622,127**	**2,667,889**	**2,670,686**
– maturity up to 1 month	2,622,127	2,667,889	2,670,686
– maturity 1–6 months	–	–	–
Total	**2,851,153**	**2,784,920**	**2,787,017**

31 December 2020

In thousands of EUR	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase price
Loans and advances to customers (Note 23)	**153,236**	**96,106**	**96,537**
– maturity up to 1 month	67,860	43,671	43,775
– maturity 1–6 months	85,376	52,435	52,762
Cash and cash equivalents (Note 15)	**1,426,461**	**1,451,536**	**1,451,637**
– maturity up to 1 month	1,426,461	1,451,536	1,451,637
Total	**1,579,697**	**1,547,642**	**1,548,174**

Loans and advances to banks with an original maturity up to three months are disclosed as cash and cash equivalents.

25. Trade receivables and other assets

In thousands of EUR	31 December 2021	31 December 2020
Purchased receivables	—	81
– gross	—	902
– allowance	—	(821)
Trade receivables	28,991	27,366
– gross	34,433	32,969
– allowance	(5,442)	(5,603)
Securities settlement balances	161,603	25,625
Expected proceeds from liquidation	2,366	—
– gross	12,408	9,606
– allowance	(10,042)	(9,606)
Receivables from insurance and reinsurance	—	416
– gross	—	713
– allowance	—	(297)
Other receivables	47,166	18,530
– gross	49,609	20,768
– allowance	(2,443)	(2,238)
Total receivables presented under risk management at amortised cost (refer to Note 43)	**240,126**	**72,018**
Prepayments	22,067	20,565
Advance payments	10,906	13,613
– gross	10,906	13,613
– allowance	—	—
Other tax receivables	456	970
Inventories	12,656	12,232
– gross	12,856	12,232
– allowance	(200)	—
Other	4,065	2,092
– gross	4,344	2,145
– allowance	(279)	(53)
Total non-financial receivables and other assets	**50,150**	**49,472**
Total trade receivables and other assets	**290,276**	**121,490**

Other receivables include other individually insignificant items, such as collateral received for the purposes of derivative trading.

For details on ECL refer to Note 26 (e).

26. Amounts arising from expected credit losses (ECL)

The following tables show reconciliations from the opening to the closing balance of the loss allowance and provisions by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 (h).

(a) Cash and cash equivalents at amortised cost

In thousands of EUR	2021 12-month ECL	2020 12-month ECL
Balance as at 1 January	**101**	**259**
Net remeasurement of loss allowance	12	1
New financial assets originated or purchased	11	23
Net decrease in cash and cash equivalents	(56)	(179)
Foreign exchange and other movements	–	(3)
Balance as at 31 December (refer to Note 15)	**68**	**101**

(b) Investment securities at amortised cost

In thousands of EUR	2021 12-month ECL	2021 Lifetime ECL not credi-impaired	2021 Total
Balance as at 1 January	**94**	**7,741**	**7,835**
Transfer to 12-month ECL	115	(115)	–
Net remeasurement of loss allowance	(557)	(112)	(669)
New financial assets originated or purchased	541	–	541
Derecognition	(8)	–	(8)
Disposal of subsidiaries	(6)	–	(6)
Foreign exchange and other movements	8	–	8
Balance as at 31 December (refer to Note 20)	**187**	**7,514**	**7,701**

In thousands of EUR	2020 12-month ECL	2020 Lifetime ECL not credit-impaired	2020 Total
Balance as at 1 January	**159**	**7,572**	**7,731**
Transfer to 12-month ECL	–	–	–
Net remeasurement of loss allowance	(44)	198	154
New financial assets originated or purchased	15	–	15
Derecognition	(22)	–	(22)
Disposal of subsidiaries	–	–	–
Foreign exchange and other movements	(14)	(29)	(43)
Balance as at 31 December (refer to Note 20)	**94**	**7,741**	**7,835**

(c) Loans and advances to banks at amortised cost

In thousands of EUR	2021 12-month ECL	2020 12-month ECL
Balance as at 1 January	**86**	**184**
Net remeasurement of loss allowance	27	(11)
New financial assets originated or purchased	26	—
Derecognition	(11)	(79)
Effect of movements in foreign exchange	—	(8)
Balance as at 31 December (refer to Note 22)	**128**	**86**

(d) Loans and advances to customers at amortised cost

In thousands of EUR	2021 12-month ECL	2021 Lifetime ECL not credit-impaired	2021 Lifetime ECL credit-impaired	2021 Purchased credit-impaired	2021 Total
Balance as at 1 January	**85,626**	**58,896**	**262,300**	**14,869**	**421,691**
Correction of opening balance	—	—	1,484	(1,484)	—
Transfer to 12-month ECL	1,063	(599)	(464)	—	—
Transfer to lifetime ECL not credit-impaired	(12,328)	12,358	(30)	—	—
Transfer to lifetime ECL credit-impaired	(9,799)	(2,295)	12,094	—	—
Net remeasurement of loss allowance	(34,174)	15,856	93,197	(2,166)	72,713
Unwinding of interest	—	—	2,522	171	2,693
New financial assets originated or purchased	30,478	—	—	—	30,478
Derecognition	(24,739)	(5,362)	(58,145)	(771)	(89,017)
Write-offs and use	—	(929)	(7,390)	—	(8,319)
Changes due to modification without derecognition (net)	400	(2,650)	358	398	(1,494)
Acquisitions through business combinations	50	—	—	—	50
Effect of movements in foreign exchange	539	780	3,688	17	5,024
Balance as at 31 December (refer to Note 23)	**37,116**	**76,055**	**309,614**	**11,034**	**433,819**

In thousands of EUR	2020 12-month ECL	2020 Lifetime ECL not credit-impaired	2020 Lifetime ECL credit-impaired	2020 Purchased credit-impaired	2020 Total
Balance as at 1 January	**44,388**	**29,222**	**233,051**	**21,583**	**328,244**
Correction of opening balance	–	–	–	–	–
Transfer to 12-month ECL	19,829	(19,270)	(559)	–	–
Transfer to lifetime ECL not credit-impaired	(18,878)	20,371	(1,493)	–	–
Transfer to lifetime ECL credit-impaired	(3,112)	(20,849)	23,936	25	–
Net remeasurement of loss allowance	27,554	53,149	65,963	(5,676)	140,990
Unwinding of interest	–	–	2,937	191	3,128
New financial assets originated or purchased	20,579	–	–	33	20,612
Derecognition	(6,408)	(4,099)	(40,681)	(46)	(51,234)
Write-offs and use	–	–	(26,712)	(287)	(26,999)
Changes due to modification without derecognition (net)	2,696	230	8,654	(48)	11,532
Acquisitions through business combinations	–	–	–	–	–
Effect of movements in foreign exchange	(1,022)	142	(2,796)	(906)	(4,582)
Balance as at 31 December (refer to Note 23)	**85,626**	**58,896**	**262,300**	**14,869**	**421,691**

The changes in the loss allowance are represented mainly by decrease due to derecognition and write-off in the amount of EUR 97,336 thousand (2020: EUR 78,233 thousand) (primarily due to settlement of financial instruments with gross carrying amount of EUR 2,849,995 thousand (2020: EUR 1,636,415 thousand)). On the other hand, new loans and advances to customers at amortised cost were raised with gross carrying amount of EUR 3,466,238 thousand (2020: EUR 3,101,161 thousand) causing the increase in loss allowance by EUR 30,478 thousand (2020: EUR 20,612 thousand).

Increases in credit risk are reflected in both the Net remeasurement amount, Unwinding of interest and Transfers to stages with higher probability of default. These transfers decreased the gross carrying amount in Stage 1 by EUR 496,489 thousand (2020: EUR 793,102 thousand), and increased the gross carrying amounts in Lifetime ECL not credit-impaired by EUR 383,993 thousand (2020: EUR 686,862 thousand) and in Lifetime ECL credit-impaired by EUR 112,496 thousand (2020: EUR 106,240 thousand).

(e) Trade receivables presented under risk management at amortised cost

In thousands of EUR	2021 Lifetime ECL not credit-impaired	2021 Lifetime ECL credit-impaired	2021 Total
Zůstatek k 1. lednu	**1,958**	**16,607**	**18,565**
Přesun do celoživotních ECL úvěrově neznehodnocených	–	–	–
Přesun do celoživotních ECL úvěrově znehodnocených	(19)	19	–
Čisté přecenění opravné položky	36	(172)	(136)
Nová finanční aktiva, vzniklá či zakoupená	194	–	194
Odúčtovaní	(524)	(18)	(542)
Odpisy a použití	(9)	(155)	(164)
Akvizice prostřednictvím podnikových kombinací	53	–	53
Prodej dceřiných společností	–	(532)	(532)
Vliv změn devizových kurzů	45	444	489
Zůstatek k 31. prosinci (viz bod 25)	**1,734**	**16,193**	**17,927**

In thousands of EUR	2020 Lifetime ECL not credit-impaired	2020 Lifetime ECL credit-impaired	2020 Total
Balance as at 1 January	**1,903**	**16,405**	**18,308**
Transfer to lifetime ECL not credit-impaired	4	(4)	—
Transfer to lifetime ECL credit-impaired	(35)	35	—
Net remeasurement of loss allowance	24	324	348
New financial assets originated or purchased	409	—	409
Derecognition	(151)	(28)	(179)
Write-offs and use	(23)	(121)	(144)
Acquisitions through business combinations	—	—	—
Disposals of subsidiaries	—	—	—
Effect of movements in foreign exchange	(173)	(4)	(177)
Balance as at 31 December (refer to Note 25)	**1,958**	**16,607**	**18,565**

(f) Debt investment securities at FVOCI

In thousands of EUR	2021 12-month ECL	2021 Lifetime ECL not credit-impaired	2021 Lifetime ECL credit-impaired	2021 Total
Balance as at 1 January	**3,381**	**2,571**	**—**	**5,952**
Transfer to lifetime ECL not credit-impaired	(2,943)	2,943	—	—
Net remeasurement of loss allowance	(2,545)	6,671	—	4,126
New financial assets originated or purchased	5,569	—	—	5,569
Derecognition	(1,298)	(668)	—	(1,966)
Write-offs and use	(118)	—	—	(118)
Disposals of subsidiaries	(7)	—	—	(7)
Effect of movements in foreign exchange	(196)	(11)	—	(207)
Balance as at 31 December	**1,843**	**11,506**	**—**	**13,349**

In thousands of EUR	2020 12-month ECL	2020 Lifetime ECL not credit-impaired	2020 Lifetime ECL credit-impaired	2020 Total
Balance as at 1 January	**1,538**	**1,603**	**—**	**3,141**
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Net remeasurement of loss allowance	963	1,040	—	2,003
New financial assets originated or purchased	1,236	—	—	1,236
Derecognition	(408)	—	—	(408)
Write-offs and use	(2)	—	—	(2)
Disposals of subsidiaries	—	—	—	—
Effect of movements in foreign exchange	54	(72)	—	(18)
Balance as at 31 December	**3,381**	**2,571**	**—**	**5,952**

(g) Úvěrové přísliby a finanční záruky

In thousands of EUR	2021 12-month ECL	2021 Lifetime ECL not credit-impaired	2021 Lifetime ECL credit-impaired	2021 Total
Balance as at 1 January	**2,380**	**622**	**2,573**	**5,575**
Transfer to 12-month ECL	126	(126)	–	–
Transfer to lifetime ECL not credit-impaired	(1,773)	1,773	–	–
Transfer to lifetime ECL credit-impaired	(872)	–	872	–
Net remeasurement of loss allowance	(6,516)	(992)	352	(7,156)
New commitments and financial guarantees issued	8,820	–	–	8,820
Commitments and financial guarantees derecognized	(960)	(801)	(651)	(2,412)
Foreign exchange and other movements	33	2	31	66
Balance as at 31 December (refer to Note 36)	**1,238**	**478**	**3,177**	**4,893**

In thousands of EUR	2020 12-month ECL	2020 Lifetime ECL not credit-impaired	2020 Lifetime ECL credit-impaired	2020 Total
Balance as at 1 January	**2,342**	**918**	**740**	**4,000**
Transfer to 12-month ECL	13	(13)	–	–
Transfer to lifetime ECL not credit-impaired	(440)	440	–	–
Transfer to lifetime ECL credit-impaired	(655)	–	655	–
Net remeasurement of loss allowance	29	78	1,681	1,788
New commitments and financial guarantees issued	5,059	–	–	5,059
Commitments and financial guarantees derecognized	(3,889)	(796)	(513)	(5,198)
Foreign exchange and other movements	(79)	(5)	10	(74)
Balance as at 31 December (refer to Note 36)	**2,380**	**622**	**2,573**	**5,575**

27. Investments in equity accounted investees

In thousands of EUR	31 December 2021	31 December 2020
Interests in joint ventures	38,792	26,480
Interest in associate	38,382	34,410
Total interests in equity accounted investees	**77,174**	**60,890**

Joint ventures

The table below analyses the share of profit and other comprehensive income from joint ventures:

In thousands of EUR	31 December 2021	31 December 2020
Carrying amount of interests in joint ventures	38,792	26,480
Group´s share of:		
Profit from continuing operations	25,454	6,359
Other comprehensive income	1,801	(612)
Total share of comprehensive income from joint ventures	**27,255**	**5,747**

On 8 December 2021 the Group acquired 75% share in Industrial Center CR 11 s.r.o. for CZK 75 thousand (EUR 3 thousand). As a result of the shareholder agreement, the interest is classified as joint venture.

On 22 December 2021 the Group acquired 50% share in JTH Letňany s.r.o. for CZK 9,500 thousand (EUR 376 thousand).

On 24 January 2020 Colorizo Investment, a.s. acquired 50% share in CI Joint Venture s.r.o. for CZK 5 thousand (EUR 0.2 thousand).

On 4 May 2020 J&T Mezzanine, a.s. acquired 50% share in JTH Vision, s. r. o. for CZK 50 thousand (EUR 2 thousand).

Among the joint ventures is included interest in OSTRAVA AIRPORT MULTIMODAL PARK (OAMP). The Group acquired a 50% share in the Czech company OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. in April 2019 for CZK 530,000 thousand (EUR 2,059 thousand), whereas payment for part of the acquisition price was conditional upon fulfilment of specified conditions. In the course of 2020 the company transformed into several entities, leaving the Group 50% share in OAMP Hall 1 s.r.o., OAMP Distribution s.r.o., OAMP Infrastructure s.r.o. and OAMP Holding s.r.o. In December 2021 the 50% share in OAMP Hall 1 s.r.o. was sold. The interest in these companies is accounted for using the equity method.

The following table summarises the aggregate financial information of OSTRAVA AIRPORT MULTIMODAL PARK (OAMP) project adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies. The aggregate financial information in 2021 do not include OAMP Hall 1 s.r.o. any more, as it was owned directly by Colorizo Investment, a.s. and sold in 2021.

In thousands of EUR	2021	2020
Percentage of ownership interest	**50%**	**50%**
Non-current assets	79,406	97,197
Current assets	11,418	16,072
Non-current liabilities	(17,770)	(22,808)
Current liabilities	(24,061)	(39,364)
Net assets (100%)	**48,993**	**51,097**
Group's share of net assets (50%)	24,497	25,549
Carrying amount of interest in joint venture	**24,497**	**25,549**
Revenue	15,356	5,722
Profit from continuing operations (100%)	14,562	5,482
Other comprehensive income (100%)	3,602	(1,224)
Total comprehensive income (100%)	18,164	4,258
Total comprehensive income (50%)	**9,082**	**2,129**
Group's share of total comprehensive income (50%)	**9,082**	**2,129**

Associates

The table below analyses the share of profit and other comprehensive income from associates:

In thousands of EUR	2021	2020
Carrying amount of interests in associates	38,382	34,410
Group´s share of:		
Profit from continuing operations	4,576	5,340
Other comprehensive income	3,467	(3,034)
Total share of comprehensive income from associates	**8,043**	**2,306**

No associates were acquired in the course of 2021.

On 6 March 2020 J&T MINORITIES PORTFOLIO LIMITED acquired 49% share in Narcissus s.r.o. for CZK 6,370 thousand (EUR 243 thousand).

Among the associates is included a 45% share in URE HOLDING LIMITED. URE HOLDING LIMITED is a company organized and existing under the law of the Republic of Cyprus and is not publicly traded. The interest is accounted for using the equity method.

The following table summarises the financial information of URE HOLDING LIMITED as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in URE HOLDING LIMITED.

In thousands of EUR	2021	2020
Percentage of ownership interest	**45%**	**45%**
Non-current assets	140,927	140,013
Current assets	2,495	3,562
Non-current liabilities	(59,004)	(68,587)
Current liabilities	(108)	(317)
Net assets (100%)	**84,310**	**74,671**
Group's share of net assets (45%)	37,940	33,602
Carrying amount of interest in associate	**37,940**	**33,602**
Revenue	15,177	18,756
Profit from continuing operations (100%)	10,058	11,840
Other comprehensive income (100%)	6,615	(6,695)
Total comprehensive income (100%)	16,673	5,145
Total comprehensive income (45%)	**7,503**	**2,315**
Group's share of total comprehensive income (45%)	**7,503**	**2,315**

28. Investment property

In thousands of EUR	2021	2020
Balance as at 1 January	**126,435**	**132,602**
Additions	3,639	7,420
Acquisition through business combination	—	—
Change in fair value (refer to Note 11 and 13)	3,217	(7,010)
Transfer to/from property, plant and equipment (refer to Note 30)	813	(103)
Disposals	(615)	(4,703)
Effect of movement in foreign exchange	632	(1,771)
Balance as at 31 December	**134,121**	**126,435**

Investment property as at 31 December 2021 includes buildings in amount of EUR 69,326 thousand (2020: buildings in amount of EUR 66,083 thousand) and land in amount of EUR 64,795 thousand (2020: land in amount of EUR 60,352 thousand).

No investment property was subject to pledges as at 31 December 2021 and 2020.

Investment property was insured up to an amount of EUR 69,722 thousand as at 31 December 2021 (2020: EUR 56,975 thousand).

29. Intangible assets

In thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
Gross carrying amount at 1 January 2020	43,608	89,498	83,858	116,020	332,984
Accumulated amortization and impairment at 1 January 2020	(35,592)	(89,349)	(83,783)	(68,339)	(277,063)
Net carrying amount at 1 January 2020	**8,016**	**149**	**75**	**47,681**	**55,921**
Additions	–	–	–	23,322	23,322
Acquisitions through business combinations	3,884	–	–	4,397	8,281
Amortisation charge for the year	–	(30)	(11)	(14,083)	(14,124)
Impairment	–	–	–	(383)	(383)
Disposals	–	–	–	(2,737)	(2,737)
Effect of movements in foreign exchange	(167)	1	(3)	(314)	(483)
Net carrying amount at 31 December 2020	**11,733**	**120**	**61**	**57,883**	**69,797**
Gross carrying amount at 31 December 2020	45,863	89,498	80,030	136,449	351,840
Accumulated amortization and impairment at 31 December 2020	(34,130)	(89,378)	(79,969)	(78,566)	(282,043)

In thousands of EUR	Goodwill	Contracts and brand	Customer relationships	Software and other intangible assets	Total
Gross carrying amount at 1 January 2021	45,863	89,498	80,030	136,449	351,840
Accumulated amortization and impairment at 1 January 2021	(34,130)	(89,378)	(79,969)	(78,566)	(282,043)
Net carrying amount at 1 January 2021	**11,733**	**120**	**61**	**57,883**	**69,797**
Additions	–	7	–	28,583	28,590
Acquisitions through business combinations	164	15	–	24	203
Amortisation charge for the year	–	(34)	(12)	(20,376)	(20,422)
Impairment	–	–	–	85	85
Disposals	–	–	–	(2,595)	(2,595)
Disposals of subsidiaries	–	–	–	(767)	(767)
Effect of movements in foreign exchange	207	–	4	597	808
Net carrying amount at 31 December 2021	**12,104**	**108**	**53**	**63,434**	**75,699**
Gross carrying amount at 31 December 2021	48,294	89,534	79,390	161,109	378,327
Accumulated amortization and impairment at 31 December 2021	(36,190)	(89,426)	(79,337)	(97,675)	(302,628)

Assets under development and borrowing costs

As at 31 December 2021 the cost of intangible assets under development (included in Other intangible assets) was EUR 7,437 thousand (2020: EUR 2,143 thousand).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2020: nil).

30. Property, plant and equipment

In thousands of EUR	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Right-of-Use Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2020	148,750	43,415	49,568	8,916	250,649
Accumulated depreciation and impairment at 1 January 2020	(18,400)	(9,387)	(28,297)	(1,327)	(57,411)
Net carrying amount at 1 January 2020	**130,350**	**34,028**	**21,271**	**7,589**	**193,238**
Additions	94,157	4,459	29,278	2,126	130,020
Acquisitions through business combinations	—	—	533	—	533
Depreciation charge for the year	(5,190)	(9,568)	(5,413)	(1,972)	(22,143)
Impairment	(3,674)	—	(474)	—	(4 148)
Changes due to modifications under IFRS 16	—	12,032	—	5	12,037
Transfers from investment property	103	—	—	—	103
Transfer (to)/from disposal group held for sale	(2,744)	—	—	—	(2 744)
Transfer between categories	851	—	(851)	—	—
Disposals	(837)	(1,254)	(1,349)	(47)	(3,487)
Effect of movements in foreign exchange	(3,719)	(209)	(177)	(91)	(4,196)
Net carrying amount at 31 December 2020	**209,297**	**39,488**	**42,818**	**7,610**	**299,213**
Gross carrying amount at 31 December 2020	234,517	54,420	72,094	10,766	374,610
Accumulated depreciation and impairment at 31 December 2020	(25,220)	(14,932)	(29,276)	(3,156)	(75,397)

In thousands of EUR	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Right-of-Use Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2021	234,517	54,420	72,094	10,766	374,610
Accumulated depreciation and impairment at 1 January 2021	(25,220)	(14,932)	(29,276)	(3,156)	(75,397)
Net carrying amount at 1 January 2021	**209,297**	**39,488**	**42,818**	**7,610**	**299,213**
Additions	3,215	6,773	13,381	2,784	26,153
Acquisitions through business combinations	—	—	10	—	10
Depreciation charge for the year	(6,642)	(7,230)	(7,033)	(2,409)	(23,314)
Impairment	1,445	—	505	—	1,950
Changes due to modifications under IFRS 16	—	11,202	—	(123)	11,079
Transfers from investment property	(813)	—	—	—	(813)
Transfer (to)/from disposal group held for sale	—	—	—	—	—
Transfer between categories	5,592	—	(5,592)	—	—
Disposals	(830)	(2,723)	(1,150)	(215)	(4,918)
Disposals of subsidiaries	—	(542)	(253)	—	(795)
Effect of movements in foreign exchange	847	171	356	259	1,633
Net carrying amount at 31 December 2021	**212,111**	**47,139**	**43,042**	**7,906**	**310,198**
Gross carrying amount at 31 December 2021	241,187	65,531	73,932	12,548	393,198
Accumulated depreciation and impairment at 31 December 2021	(29,076)	(18,392)	(30,890)	(4,642)	(83,000)

As at 31 December 2021 the Group's property, plant and equipment in the amount of EUR 132,364 thousand is subject to pledges (2020: EUR 41,052 thousand).

As at 31 December 2021 the Group's property, plant and equipment was insured up to an amount of EUR 295,058 thousand (2020: EUR 276,746 thousand).

Assets under construction and borrowing costs

As at 31 December 2021 the cost of property, plant and equipment under construction (included in Fixtures, fittings and equipment) was EUR 15,694 thousand (2020: EUR 12,468 thousand).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the years 2021 and 2020.

Idle assets

As at 31 December 2021 and 2020 the Group had no material idle assets.

31. Deposits and loans from banks

In thousands of EUR	31 December 2021	31 December 2020
Term deposits from banks	2,014	13,550
Received loans from repurchase agreements (refer to Note 24.1)	220,960	4,543
Other received loans	427,048	173,177
Deposits and loans from banks at amortised cost	**650,022**	**191,270**
Total deposits and loans from banks	**650,022**	**191,270**

For more information about repurchase agreements see Note 24. Repurchase and resale agreements.

32. Deposits and loans from customers

In thousands of EUR	31 December 2021	31 December 2020
Term and escrow deposits	5,719,600	5,498,962
Deposits payable on demand	3,789,558	3,329,567
Received loans from repurchase agreements (refer to Note 24.1)	–	8
Other received loans	110,594	40,063
Deposits and loans from customers at amortised cost	**9,619,752**	**8,868,600**
Total deposits and loans from customers	**9,619,752**	**8,868,600**

For more information about repurchase agreements see Note 24. Repurchase and resale agreements.

33. Debt securities issued

In thousands of EUR	31 December 2021	31 December 2020
At amortised cost	578,388	445,770
Total debt securities issued	**578,388**	**445,770**

The following table shows the detail for debt securities issued at amortised cost:

In thousands of EUR	Original currency	Interest rate	Maturity date	31 December 2021	31 December 2020
Bonds listed on Prague Stock Exchange	CZK	4.00%	18.7.2022	132,299	123,287
Bonds listed on Bratislava Stock Exchange	EUR	4.00%	26.10.2023	151,037	150,639
Bonds listed on Prague Stock Exchange	CZK	4.75%	14.10.2024	178,948	171,706
Bonds listed on Luxembourg Stock Exchange	EUR	3.50%	22.12.2024	49,810	—
Bonds listed on Prague Stock Exchange	CZK	4.90%	27.07.2026	37,701	—
Bonds listed on Bratislava Stock Exchange	EUR	3.75%	30.07.2025	13,609	—
Unlisted bonds	EUR	3.50%	22.11.2024	14,984	—
Total issued bonds				**578,388**	**445,632**
Issued bills of exchange and loan notes				—	138
Total other debt securities issued				**—**	**138**
Total debt securities issued at amortised cost				**578,388**	**445,770**

In July 2017 the Group issued 1,080 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange.

In August 2018 the Group issued 150,000 pieces of bonds with a nominal value of EUR 1,000 per piece that are traded on the Bratislava Stock Exchange.

In January 2019 the Group decided to further issue up to 1,500 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange. These bonds were subscribed in the first half of 2019.

In July 2021 the Group issued 250 pieces of bonds with a nominal value of EUR 100,000 per piece that are traded on the Bratislava Stock Exchange.

In July and October 2021 the Group issued in total 334 pieces of bonds with a nominal value of CZK 3,000,000 per piece that are traded on the Prague Stock Exchange.

In November 2021 the Group issued 15 pieces of unlisted bonds with a nominal value of EUR 1,000,000 per piece.

In December 2021 the Group issued 500 pieces of bonds with a nominal value of EUR 100,000 per piece that are traded on the Luxembourg Stock Exchange.

The interest from all issues is paid regularly once a year, twice a year or four times a year.

The Group has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2021 and 2020.

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

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liablities				Equity		
In thousands of EUR	Lease liabilities[6]	Debt securities issued	Subordina-ted debt	Retained earnings	Reserves	Non-controlling interests	Total
Balance at 1 January 2021	**47,751**	**445,770**	**8,546**	**739,467**	**261,211**	**71,547**	**1,574,292**
Changes from financing cash flows							
Proceeds from issued debt securities	—	114,432	—	—	—	—	114,432
Payments for buy-back	—	(78)	—	—	—	—	(78)
Subordinated debt paid	—	—	(5,568)	—	—	—	(5,568)
Payments of lease liabilities (principal)	(9,442)	—	—	—	—	—	(9,442)
Issue of other capital instruments	—	—	—	—	25,266	—	25,266
Bonus payments from issued other capital instruments	—	—	—	(18,254)	—	—	(18,254)
Dividends paid	—	—	—	—	—	(68)	(68)
Total changes from financing cash flows	**(9,442)**	**114,354**	**(5,568)**	**(18,254)**	**25,266**	**(68)**	**106,288**
The effect of changes in foreign exchange rates	376	17,498	165	—	—	—	18,039
Other changes							
Liability-related							
Lease liabilities from new leases	9,601	—	—	—	—	—	9,601
Transfers and other non-cash movements	7,944	—	—	—	—	—	7,944
Interest expense	965	20,138	263	—	—	—	21,366
Interest paid	(1,325)	(19,372)	(451)	—	—	—	(21,148)
Total liability-related other changes	**17,185**	**766**	**(188)**	**—**	**—**	**—**	**17,763**
Total equity-related other changes	**—**	**—**	**—**	**161,563**	**90,760**	**33,414**	**285,737**
Balance at 31 December 2021	**55,870**	**578,388**	**2,955**	**882,776**	**377,237**	**104,893**	**2,002,119**

[6] Lease liabilities are included under Other liabilities in the financial statements and thus do not constitute a separate financial statements caption.

In thousands of EUR	Liablities				Equity		
	Lease liabilities	Debt securities issued	Subordina-ted debt	Retained earnings	Reserves	Non-controlling interests	Total
Balance as at 1 January 2020	**41,715**	**458,545**	**24,999**	**690,919**	**314,476**	**59,983**	**1,590,637**
Changes from financing cash flows							
Payments for buy-back	—	(3,124)	—	—	—	—	(3,124)
Acquisition of non-controlling interests	—	—	—	(394)	—	7,997	7,603
Subordinated debt paid	—	—	(15,275)	—	—	—	(15,275)
Payments of lease liabilities (principal)	(10,982)	—	—	—	—	—	(10,982)
Issue of other capital instruments	—	—	—	—	18,900	—	18,900
Bonus payments from issued other capital instruments	—	—	—	(19,337)	—	—	(19,337)
Dividends paid	—	—	—	—	—	(590)	(590)
Total changes from financing cash flows	**(10,982)**	**(3,124)**	**(15,275)**	**(19,731)**	**18,900**	**7,407**	**(22,805)**
The effect of changes in foreign exchange rates	(71)	(9,812)	(841)	—	—	—	(10,724)
Other changes							
Liability-related							
Lease liabilities from new leases	6,060	—	—	—	—	—	6,060
Transfers and other non-cash movements	11,015	—	—	—	—	—	11,015
Interest expense	832	18,550	865	—	—	—	20,247
Interest paid	(818)	(18,389)	(1,202)	—	—	—	(20,409)
Total liability-related other changes	**17,089**	**161**	**(337)**	**—**	**—**	**—**	**16,913**
Total equity-related other changes	**—**	**—**	**—**	**68,279**	**(72,165)**	**4,157**	**271**
Balance as at 31 December 2020	**47,751**	**445,770**	**8,546**	**739,467**	**261,211**	**71,547**	**1,574,292**

34. Subordinated debt

In thousands of EUR	31 December 2021	31 December 2020
Subordinated debt at amortised cost	2,955	8,546

Subordinated debt as at 31 December 2021 is represented by fixed interest subordinated term deposits in total amount of EUR 2,955 thousand (2020: EUR 8,546 thousand) with maturity between 2022 and 2026 (2020: 2021 - 2025).

35. Other liabilities

In thousands of EUR	31 December 2021	31 December 2020
Payables to clients from securities trading	475,982	236,936
Employee benefits	64,004	66,418
Securities settlement balances	13,512	46,979
Trade payables	19,021	14,158
Unbilled supplies	10,894	12,328
Other liabilities	47,260	48,705
Total (refer to Note 40)	**630,673**	**425,524**
Lease liabilities (refer to Note 42.1)	55,870	47,752
Total other financial liabilities under risk management (refer to Note 43)	**686,543**	**473,276**
Other tax liabilities	7,198	6,654
Advance payments received	7,425	1,270
Deferred income	4,678	3,712
Total other non-financial liabilities	**19,301**	**11,636**
Total	**705,844**	**484,912**

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

36. Provisions

In thousands of EUR	31 December 2021	31 December 2020
Financial guarantee contracts issued under IFRS 9 (refer to Note 26 (e))	1,946	2,054
Loan commitments issued under IFRS 9 (refer to Note 26 (e))	2,947	3,521
Other provisions	3,051	31,136
Total provisions	**7,944**	**36,711**

The Group has issued no loan commitment nor financial guarantee contracts that are measured at fair value through profit or loss.

In thousands of EUR	Provisions for commitments under IAS 37	Insurance contracts	Other provisions under IAS 37	Total
Balance as at 1 January 2020	106	22,730	3,252	26,088
Provisions recorded during the period	—	3,398	2,796	6,194
Provisions used during the period	—	—	(375)	(375)
Provisions reversed during the period	(28)	79	(922)	(871)
Foreign exchange gain	(22)	(158)	280	100
Balance as at 31 December 2020	**56**	**26,049**	**5,031**	**31,136**
Balance as at 1 January 2021	56	26,049	5,031	31,136
Provisions recorded during the period	—	211	641	852
Provisions used during the period		—	(605)	(605)
Provisions reversed during the period	(54)	—	(2,177)	(2,231)
Decrease from outgoing entities	—	(26,254)	—	(26,254)
Foreign exchange gain	3	(6)	156	153
Balance as at 31 December 2021	**5**	**—**	**3,046**	**3,051**

As at 31 December 2021 provisions in amount of EUR 911 thousand (2020: EUR 25,619 thousand) are expected to be used later than 12 months after the reporting date. These include mainly provision for restructuring in amount of EUR 883 thousand (31 December 2020: EUR 815 thousand). The amount as at 31 December 2020 included mainly provision for life insurance in amount of EUR 24,306 thousand and provision for unearned premiums of EUR 454 thousand created by Poštová poisťovňa, a.s. which was sold in 2021.

Current provisions of EUR 2,140 thousand include provision for a clients' benefit programme (Magnus) of EUR 1,099 thousand (2020: EUR 1,048 thousand).

37. Deferred tax assets and liabilities

37.1. Unrecognised deferred tax assets

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

In thousands of EUR	31 December 2021	31 December 2020
Tax losses carried forward (Gross amount)	14,338	23,385
Tax effect	2,724	4,443

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

In thousands of EUR	2022	2023	2024	2025	After 2026
Tax losses	3,884	6,183	2,216	1,403	652

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

Tax losses expire over a period of five years for losses arisen after 1 January 2004 in the Czech Republic. In Slovakia, tax losses arisen after 1 January 2020 can be used in the next five years and always up to 50% of the tax base. Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

37.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

In thousands of EUR	31 December 2021 Assets	31 December 2021 Liabilities	31 December 2020 Assets	31 December 2020 Liabilities
Property, plant and equipment	3,664	1,571	3,814	2,000
Intangible assets	122	256	112	223
Investment property	398	2,173	334	1,986
Leases (IFRS 16)	1,038	640	84	27
Impairment of trade receivables and other assets	382	—	446	—
Investment securities at fair value through other comprehensive income	1,632	2,973	1,586	2,817
Investment securities at amortised cost	44	626	45	768
Employee benefits (IAS 19)	1,129	—	1,261	—
Unpaid interest, net	—	—	—	6
Investment securities at fair value through profit or loss	—	143	—	228
Loans and advances	24,938	1,423	25,996	2,173
Provisions	985	—	1,561	—
Derivatives	372	7,712	146	571
Tax losses	1,083	—	1,305	—
Other temporary differences	13,353	1,377	12,810	13
	49,140	18,894	49,500	10,812
Netting[1]	(7,102)	(7,102)	(5,071)	(5,071)
Total	**42,038**	**11,792**	**44,429**	**5,741**

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

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

38. Shareholders’ equity

(i) Share capital

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2021 and 31 December 2020 consists of 10 ordinary shares with a par value of CZK 200,000, 13,778,752 ordinary shares with a par value of CZK 1,000 and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company’s shareholders. The share capital amounts to CZK 15,780,308 thousand (equivalent to EUR 574,138 thousand in historic costs) both in 2021 and 2020.

(ii) Non-distributable reserves

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

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

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

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

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

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. Furthermore, the translation reserves includes the impact of the net investment hedge of foreign operations as described in Note 17 Hedging derivatives.

(iv) Other reserves and funds

Other reserves comprise changes in the fair value of investment securities at fair value through other comprehensive income.

In 2016 J&T BANKA, a.s. sold to its investors 2 types of subordinated unsecured certificates with no maturity date, one with a nominal value of EUR 5 thousand and second with a nominal value CZK 100 thousand in the total amount of EUR 20,595 thousand. These instruments were disclosed as Other capital instruments in the consolidated statement of changes in equity. These certificates bear a 9% or 10% annual yield and are listed on the Prague Stock Exchange. The payment of yield is fully discretionary and subject to approval, distributed quarterly from retained earnings.

The issuance of this instrument, which combines characteristics of equity and debt instruments, was approved by the Czech National Bank (“CNB”). CNB stipulated that these instruments are equity instruments in line with IFRS and that they comply with the regulatory requirements to be recognised as additional capital AT1, part of regulatory capital tier 1 (see also Note 43.5. Capital management).

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

On 12 October 2020 J&T FINANCE GROUP SE issued and subsequently sold further subordinated unsecured certificates with a nominal value of CZK 100 thousand and no maturity date in the amount of CZK 500,000 thousand (EUR 18,900 thousand). These certificates bear a 7.5% annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. The issuance of these instruments was approved by the Czech National Bank (CNB) on 18 September 2020 and they are listed on the Prague Stock Exchange. The instruments comply with the requirements to be recognized as additional capital AT1.

On 23 August 2021 J&T BANKA, a.s. issued and sold subordinated unsecured certificates with a nominal value of CZK 100 thousand and no maturity date in the amount of CZK 1,300,000 thousand (EUR 50,980 thousand). These certificates bear a 6.5% annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. The issuance of these instruments was approved by the Czech National Bank (CNB) on 6 August 2021 and they are listed on the Prague Stock Exchange. The instruments comply with the requirements to be recognized as additional capital AT1. Part of emission was subscribed by J&T FINANCE GROUP SE and is eliminated in the consolidated financial statements.

In 2016, a special purpose capital fund (Perpetuity fund) for distribution of yield from certificates described above was established by J&T FINANCE GROUP SE (similar capital fund was established by J&T BANKA in 2014). Both funds are part of retained earnings and distribution of income from the funds complies with the prospectus of the capital instruments. The total amount of yield paid in 2021 was EUR 18,254 thousand (2020: EUR 19,337 thousand) and is presented as distribution of retained earnings in the consolidated statement of changes in equity.

(v) Dividends

In 2021 and 2020 J&T FINANCE GROUP SE did not pay any dividends to its shareholders.

39. Non-controlling interest

In thousands of EUR	31 December 2021	31 December 2020
Equity Holding, a.s.	25,208	22,977
Colorizo Investments, a.s.	37,873	16,092
JTFG FUND I SICAV, a.s.	16,863	—
365.bank, a.s.	9,738	9,175
Chateau Teyssier (Société civile)	8,587	8,807
J&T REALITY otevřený podílový fond	4,850	4,639
J&T DIVIDEND Fund	—	5,083
Poštová poisťovňa, a. s.	—	2,866
Other	1,774	1,908
Total non-controlling interests	**104,893**	**71,547**

The following table summarizes the information relating to Equity Holding, a.s., 365.bank, a. s., Colorizo Investments, a.s., JTFG FUND I SICAV, a.s. and other Group's subsidiaries that have material non-controlling interests before any intra-group eliminations:

31 December 2021

In thousands of EUR	Equity Holding a.s.	365.bank, a.s.	Colorizo Investments, a.s.	JTFG FUND I SICAV, a.s.	Other individually immaterial subsidiaries	Total
Assets	67,592	4,790,482	67,407	42,735		
Liabilities	118	4,158,152	22,628	—		
Goodwill attributable to the Group	—	—	—	—		
Net assets excluding Goodwill attributable to the Group	**67,474**	**632,330**	**44,779**	**42,735**		
Non-controlling interest's percentage	37.36%	1.54%	47.37%[7]	39.46%		
Non-controlling interest	**25,208**	**9,738**	**37,873**	**16,863**		
Carrying amount of non-controlling interest	**25,208**	**9,738**	**37,873**	**16,863**	**15,211**	**104,893**
Revenue	3,217	188,698	434	—		
Profit/(loss)	2,399	33,798	25,295	—		
Other comprehensive income	3,573	28,688	1,931	—		
Total comprehensive income	5,972	62,486	27,226	—		
Non-controlling interest's percentage	37.36%	1.54%	47.37%[8]	39.46%		
Profit (loss) allocated to non-controlling interest	**896**	**520**	**20,236**	**—**	**701**	**22,353**
Other comprehensive income allocated to non-controlling interest	**1,335**	**43**	**1,545**	**—**	**1,660**	**4,583**
Cash flows from/(used in) operating activities	—	(118,713)	(5,865)	—		
Cash flows used in investing activities	—	55,346	11,930	—		
Cash flows used in financing activities	—	57,984	—	—		
Net increase (decrease) in cash and cash equivalents	**—**	**(5,383)**	**6,064**	**—**		

[7] The share of 47.37% corresponds to the share on voting rights, the NCI share on net assets is described in the statute of Colorizo Investments, a.s. and is not linear.
[8] 47.37 % represents the share on voting rights. The NCI share on Profit/(loss) and Other comprehensive income is 80 %.

31 December 2020

In thousands of EUR	Equity Holding a.s.	Poštová banka, a.s.	Colorizo Investments, a.s.	Other individually immaterial subsidiaries	Total
Assets	61,552	4,348,200	37,051		
Liabilities	51	3,752,410	19,673		
Goodwill attributable to the Group	—	—	—		
Net assets excluding Goodwill attributable to the Group	**61,501**	**595,790**	**17,378**		
Non-controlling interest's percentage	37.36%	1.54%	47.37%		
Non-controlling interest	**22,977**	**9,175**	**16,092**		
Carrying amount of non-controlling interest	**22,977**	**9,175**	**16,092**	**23,303**	**71,547**
Revenue	3,010	190,761	(266)		
Profit/(loss)	2,337	31,897	5,991		
Other comprehensive income	(1,966)	(19,908)	(172)		
Total comprehensive income	371	11,989	5,819		
Non-controlling interest's percentage	37.36%	1.54%	47.37%		
Profit (loss) allocated to non-controlling interest	**873**	**491**	**4,793**	**(612)**	**5,545**
Other comprehensive income allocated to non-controlling interest	**(734)**	**(307)**	**(138)**	**174**	**(1,005)**
Cash flows from/(used in) operating activities	—	(265,695)	(181)		
Cash flows used in investing activities	—	252,413	—		
Cash flows used in financing activities	—	(6,423)	129		
Net increase (decrease) in cash and cash equivalents	**—**	**(19,705)**	**(52)**		

Changes in non-controlling interests without a change in control

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

31 December 2021

In thousands of EUR	Total
Non-controlling interest as at 1 January 2021	x
Change in Company's ownership interest	183
Dividends	—
Share of comprehensive income	(246)
Non-controlling interest as at 31 December 2021	**x**

31 December 2020

In thousands of EUR	Total
Non-controlling interest as at 1 January 2020	x
Change in Company's ownership interest	2,394
Dividends	—
Share of comprehensive income	(1,023)
Non-controlling interest as at 31 December 2020	**x**

During 2021, the Group acquired 60.54 % share of JTFG FUND I SICAV, a.s.

During 2021 J&T DIVIDEND Fund, PB PARTNER, a. s. v likvidácii and Poštová poisťovňa, a. s.were disposed.

During 2021, the Group acquired additional 5 % share of Ahoj, a.s. (Amico Finance, a.s.). The Group holds in total 98.46 % of Ahoj, a.s. (Amico Finance, a.s.) as at 31.12.2021.

During 2021, the Group acquired additional 3.25 % share of J&T VENTURES I open-end mutual fund. The Group holds in total 97.39 % of J&T VENTURES I open-end mutual fund.

During 2020 Poštová banka, a.s. contributed EUR 8,000 thousand to its subsidiary Ahoj, a.s. (Amico Finance, a.s.) without changing its ownership share (95%).

During 2020 J&T Wine Holding SE contributed through its subsidiary OUTSIDER LIMITED EUR 10,000 thousand to Chateau Teyssier (Société civile) without changing its effective ownership share (80%).

40. Fair value information

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

31 December 2021

In thousands of EUR	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets					
Cash and cash equivalents	2,818,637	–	2,818,637	–	2,818,637
Investment securities at amortised cost	574,991	501,787	27,962	49,507	579,256
Loans and advances to banks	635,457	–	635,609	–	635,609
Loans and advances to customers	7,453,177	–	–	7,778,030	7,778,030
Trade receivables and other financial assets under risk management	240,126	–	–	240,126	240,126
Financial liabilities					
Deposits and loans from banks	650,022	–	652,750	–	652,750
Deposits and loans from customers	9,619,752	–	9,652,447	–	9,652,447
Debt securities issued	578,388	–	216,674	344,509	561,183
Subordinated debt	2,955	–	3,068	–	3,068
Other financial liabilities (excluding finance lease liabilities)	630,673	–	630,673	–	630,673

31 December 2020

In thousands of EUR	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial assets					
Cash and cash equivalents	1,670,876	—	1,670,876	—	1,670,876
Investment securities at amortised cost	396,362	367,213	2,160	55,414	424,787
Loans and advances to banks	324,698	—	334,738	—	334,738
Loans and advances to customers	7,160,144	—	—	7,608,365	7,608,365
Trade receivables and other financial assets under risk management	72,018	—	—	72,018	72,018
Financial liabilities					
Deposits and loans from banks	191,270	—	193,139	—	193,139
Deposits and loans from customers	8,868,600	—	8,901,481	—	8,901,481
Debt securities issued	445,770	455,363	—	138	455,501
Subordinated debt	8,546	—	8,655	—	8,655
Other financial liabilities (excluding finance lease liabilities)	425,524	—	425,524	—	425,524

41. Financial commitments and contingencies

In thousands of EUR	31 December 2021	31 December 2020
Loan commitments under IFRS 9	617,647	430,172
Other commitments under IFRS 9	13,058	11,357
Financial guarantee contracts under IFRS 9	118,889	101,128
Guarantees under IAS 37	—	6,168
Pledged assets	790,445	390,495
Total financial commitments and contingencies	**1,540,039**	**939,320**

Loan commitments relate to loan facilities granted by the banks of the Group. Financial guarantee contracts mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties. These guarantees are disclosed in the table above at the amount of the possible obligation in the future. Pledged assets are identified in the relevant notes (see note 19, 20 and 30, in particular). The maximum amount for guarantees given by the Group as at 31 December 2021 is EUR 120,575 thousand (2020: EUR 108,981 thousand). Pledged assets are used as collateral for loan financing.

42. Leases

42.1. Leases as lessee

The Group leases mainly office premises for its business activities, cars and related office equipment. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. Unless recognition exemption for leases is used (see Note 13 (w)), a right-of-use is recognized for such underlying assets.

For reconciliation of right-of-use assets from opening to closing balance refer to Note 30.

For lease related expenses/income refer to Note 8. Net interest income, Note 11. Other operating income or Note Chyba! Nenalezen zdroj odkazů.3. Other operating expenses.

For other information relating to the specified leases see below.

Maturity analysis of lease liabilities is as follows:

In thousands of EUR	31 December 2021	31 December 2020
Less than one year	10,130	8,708
Between one and five years	31,572	28,961
More than five years	16,850	12,410
Total	**58,552**	**50,079**

In thousands of EUR	2021	2020
Total cash outflow for leases	(10,273)	(12,451)

42.2. Leases as lessor

(a) Operating leases

The Group leases out its property under operating leases. The receivable non-cancellable operating lease rentals concern predominantly the new building, where also the headquarters of the Group is located, purchased in 2020:

In thousands of EUR	31 December 2021	31 December 2020
Less than 1 year	4,331	9,834
More than 1 year but less than 2 years	476	447
More than 2 year but less than 3 years	438	431
More than 3 year but less than 4 years	311	412
More than 4 year but less than 5 years	316	297
More than 5 years	2,344	2,477
Total	**8,216**	**13,898**

During the year ended 31 December 2021, EUR 3,313 thousand was recognized as rental income (2020: EUR 4,585 thousand).

(b) Finance leases

The Group offers to its clients finance lease for various assets (e.g. cars, machinery and equipment). The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

In thousands of EUR	31 December 2021	31 December 2020
Undiscounted finance lease payments		
Less than 1 year	23,956	10,741
More than 1 year but less than 2 years	15,148	7,032
More than 2 year but less than 3 years	8,425	5,220
More than 3 year but less than 4 years	3,860	3,061
More than 4 year but less than 5 years	2,238	1,803
More than 5 years	837	1,219
Total undiscounted finance lease payments	**54,464**	**29,076**
Less unearned interest (not yet recognized)	(5,714)	(2,678)
Discounted unguaranteed residual value	—	—
Present value of future leasing payments	**48,750**	**26,398**
Impairment loss allowances	(2,508)	(2,164)

43. Risk management policies and disclosures

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The group specified the amount of Trade receivables and other financial assets under risk management and Other financial liabilities under risk management. It does not include tax assets and tax liabilities into this risk analysis anymore, as they do not represent financial instruments. Comparative period was adjusted correspondingly.

43.1. Credit risk

The Group's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 39. Financial commitments and contingencies). Most loans and advances are to corporates (companies from the non-financial sector, retail and various manufacturing companies). Further loans and advances are to banks and other financial institutions.

The carrying amount of loans and advances and the off-balance sheet amounts represent the maximum accounting loss that would be recognised on these items at the statement of financial position date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The Group's policy is to require suitable collateral to be provided by customers prior to the disbursement of loans by the Group.

The assessment of credit risk in respect of a counterparty or an issued debt is based on the Group's internal rating system, covering both external credit assessments and the Group's internal scoring system.

Credit risk in the banking entities of the Group is managed based on credit analysis and the internal rating methodology.

The Group monitors concentrations of credit risk by sector and by geographic location.

(i) Concentration of credit risk by sector

31 December 2021

In thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Carrying amount
Financial assets						
Cash and cash equivalents	–	–	2,770,963	–	47,674	2,818,637
Financial assets for trading	65,258	58,225	74,003	359	53	197,898
Hedging derivatives	19,764	–	–	–	–	19,764
Investment securities at fair value through profit or loss	3,296	–	396,723	–	–	400,019
Investment securities at fair value through other comprehensive income	205,517	344,510	112,167	–	–	662,194
Investment securities at amortised cost	41,116	499,849	34,026	–	–	574,991
Loans and advances to banks	19	–	635,438	–	–	635,457
Loans and advances to customers	3,755,914	59,985	1,715,836	1,921,750	238	7,453,723
FV changes of portfolio of hedged instruments – Loans and advances to customers	–	–	–	1,091	–	1,091
Trade receivables and other financial assets under risk management	48,667	1,506	188,623	1,292	38	240,126
	4,139,551	964,075	5,927,779	1,924,492	48,003	13,003,900
Amount committed/guaranteed[9]						
Loan commitments under IFRS 9	283,788	–	122,572	224,332	12	(2,947)
Financial guarantee contracts under IFRS 9	111,773	–	8,802	–	–	(1,946)
	395,561	–	131,374	224,332	12	(4,893)
Total	**4,535,112**	**964,075**	**6,059,153**	**2,148,824**	**48,015**	**12,999,007**

[9] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2020

In thousands of EUR	Corporate	State, government	Financial institutions	Individuals	Other	Carrying amount
Financial assets						
Cash and cash equivalents	—	—	1,616,108	—	54,768	1,670,876
Financial assets for trading	59,559	253,018	72,541	602	—	385,720
Hedging derivatives	10,957	—	598	—	—	11,555
Investment securities at fair value through profit or loss	20,730	—	381,538	—	—	402,268
Investment securities at fair value through other comprehensive income	236,880	363,515	121,184	—	—	721,579
Investment securities at amortised cost	61,608	302,287	32,467	—	—	396,362
Loans and advances to banks	—	—	324,698	—	—	324,698
Loans and advances to customers	4,153,278	5	1,533,967	1,472,444	450	7,160,144
FV changes of portfolio of hedged instruments – Loans and advances to customers	—	—	—	2,276	—	2,276
Trade receivables and other financial assets under risk management	38,862	2,180	30,054	883	39	72,018
	4,581,874	921,005	4,113,155	1,476,205	55,257	11,147,496
Amount committed/guaranteed[10]						
Loan commitments under IFRS 9	206,007	—	94,002	141,509	11	(3,521)
Financial guarantee contracts under IFRS 9	92,915	—	9,205	693	—	(2,054)
	298,922	—	103,207	142,202	11	(5,575)
Total	**4,880,796**	**921,005**	**4,216,362**	**1,618,407**	**55,268**	**11,141,921**

[10] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

(ii) Concentration of credit risk of loans and advances to customers by industry

In thousands of EUR	31 December 2021	31 December 2020
Households and employees	1,863,915	1,384,383
Real estate activities	1,308,916	1,102,493
Financial activities	1,087,003	1,166,979
Wholesale and retail trade	539,173	443,085
Arts, entertainment and recreation	428,927	452,803
Construction	400,049	405,986
Production and distribution of electricity, gas and heat	389,254	370,915
Accommodation and food service activities	321,866	277,536
Administrative and support service activities	291,376	177,131
Manufacturing	196,008	236,891
Information and communication	183,899	205,623
Professional, scientific and technical activities	145,969	141,663
Other services	80,260	200,834
Transporting and storage	58,610	445,721
Mining and quarrying	46,524	46,726
Human health services and social work activities	46,097	44,372
Agriculture, forestry and fishing	37,572	30,643
Water supply	24,936	23,563
Education	3,369	2,786
Public administration and defense, compulsory social security	—	11
Total	**7,453,723**	**7,160,144**

(iii) Concentration of credit risk by location of counterparty

31 December 2021

In thousands of EUR	Czech Republic	Slovakia	Cyprus	Luxembourg	Germany	Other	Carrying amount
Financial assets							
Cash and cash equivalents	2,694,014	51,522	—	992	12,467	59,642	2,818,637
Financial assets for trading	121,456	25,188	3,756	2,922	16,866	27,710	197,898
Hedging derivatives	—	—	19,764	—	—	—	19,764
Investment securities measured at fair value through profit or loss	115,365	87,880	—	414	—	196,360	400,019
Investment securities at fair value through other comprehensive income	67,180	332,671	—	11,621	—	250,722	662,194
Investment securities at amortised cost	181,904	317,490	—	1,424	—	74,173	574,991
Loans and advances to banks	70,436	529,823	—	—	24,116	11,082	635,457
Loans and advances to customers	1,501,327	2,673,257	1,170,175	737,868	411,334	959,762	7,453,723
FV changes of portfolio of hedged instruments – Loans and advances to customers	—	1,091	—	—	—	—	1,091
Trade receivables and other financial assets under risk management	197,849	20,230	2,791	12	310	18,934	240,126
	4,949,531	4,039,152	1,196,486	755,253	465,093	1,598,385	13,003,900
Amount committed/guaranteed[11]							
Loan commitments under IFRS 9	182,514	249,608	15,657	4,494	8	178,423	(2,947)
Financial guarantee contracts under IFRS 9	25,659	42,750	6,000	—	—	46,166	(1,946)
	208,173	292,358	21,657	4,494	8	224,589	(4,893)
Total	**5,157,704**	**4,331,510**	**1,218,143**	**759,747**	**465,101**	**1,822,974**	**12,999,007**

[11] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2020

In thousands of EUR	Czech Republic	Slovakia	Cyprus	Luxembourg	Germany	Other	Carrying amount
Financial assets							
Cash and cash equivalents	1,482,204	112,140	–	2,147	11,015	63,370	1,670,876
Financial assets for trading	296,818	41,799	1,181	2,580	22,603	20,739	385,720
Hedging derivatives	–	–	10,957	–	–	598	11,555
Investment securities measured at fair value through profit or loss	40,120	115,122	–	–	1,523	245,503	402,268
Investment securities at fair value through other comprehensive income	110,355	388,905	–	12,374	–	209,945	721,579
Investment securities at amortised cost	–	290,612	–	1,486	1,807	102,457	396,362
Loans and advances to banks	60,634	248,442	–	–	9	15,613	324,698
Loans and advances to customers	1,260,623	2,418,381	1,260,229	1,041,719	106,980	1,072,212	7,160,144
FV changes of portfolio of hedged instruments – Loans and advances to customers	–	2,276	–	–	–	–	2,276
Trade receivables and other financial assets under risk management	32,239	20,373	940	2	30	18,434	72,018
	3,282,993	3,638,050	1,273,307	1,060,308	143,967	1,748,871	11,147,496
Amount committed/guarantees[12]							
Loan commitments under IFRS 9	248,875	163,778	513	6,156	5,009	17,198	(3,521)
Financial guarantee contracts under IFRS 9	23,069	48,074	1,000	–	–	30,670	(2,054)
	271,944	211,852	1,513	6,156	5,009	47,868	(5,575)
Total	**3,554,937**	**3,849,902**	**1,274,820**	**1,066,464**	**148,976**	**1,796,739**	**11,141,921**

The above table displays the credit risk by the country of incorporation of the debtor or issuer of the securities.

Investment securities at fair value through other comprehensive income in the location Other include investments of EUR 51,375 thousand in French Government bonds (2020: EUR 52,914 thousand), EUR 23,248 thousand in Croatian Government bonds (2020: EUR 28,257 thousand) and EUR 17,663 thousand in Latvian Government bonds (2020: EUR 17,706 thousand)

Investment securities at amortised cost in the location Other include as at 31 December 2021 an investment of EUR 10,980 in Belgian government bonds, an investment of EUR 10,938 thousand in Irish government bonds and an investment of EUR 10,460 in Romanian government bonds. As at 31 December 2020 investment securities at amortised cost in the location Other include an investment of EUR 19,996 thousand in bonds of ING Bank B.V. and of EUR 15,780 thousand in Polish government bonds.

In 2021 loans and advances to customers in the location Other primarily relates to companies and customers incorporated in Switzerland and in the United Kingdom (2020: companies and customers incorporated in Switzerland, Croatia, and the Netherlands).

[12] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

(iv) Credit risk – credit quality analysisu

The following tables provide information on the Group's credit risk exposure based on its internal rating grades. The analysis is provided for the most significant exposures at amortised cost and at fair value through other comprehensive income.

Internal grading	Credit risk exposure
1	Very low risk
2	Low risk
3	Low risk
4	Low risk
5	Medium risk
6	Medium risk
7	Medium risk
8	Medium risk
9	Medium risk
10	High Risk
11	High Risk
12	High Risk
Default	Default

Loans and advances to customers

31 December 2021

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	124,930	—	—	—	124,930
Low risk	1,100,971	64,759	—	—	1,165,730
Medium risk	3,907,296	452,824	3,789	—	4,363,909
High Risk	422,809	467,690	4,401	4,648	899,548
Default	38	—	485,408	25,308	510,754
Without classification	816,744	5,377	—	4	822,125
Total	**6,372,788**	**990,650**	**493,598**	**29,960**	**7,886,996**
Loss allowance	(37,116)	(76,055)	(309,614)	(11,034)	(433,819)
Carrying Amount	**6,335,672**	**914,595**	**183,984**	**18,926**	**7,453,177**

31 December 2020

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	138,323	523	—	—	138,846
Low risk	1,007,353	77,329	—	3,306	1,087,988
Medium risk	3,732,588	418,657	16,443	4	4,167,692
High Risk	219,011	283,149	1,768	22,066	525,994
Default	—	34	423,291	31,392	454,717
Without classification	1,186,774	19,215	609	—	1,206,598
Total	**6,284,049**	**798,907**	**442,111**	**56,768**	**7,581,835**
Loss allowance	(85,626)	(58,896)	(262,300)	(14,869)	(421,691)
Carrying Amount	**6,198,423**	**740,011**	**179,811**	**41,899**	**7,160,144**

Loans and advances to banks

31 December 2021

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	105,063	—	—	—	105,063
Low risk	125,613	—	—	—	125,613
Without classification	404,909	—	—	—	404,909
Total	**635,585**	**—**	**—**	**—**	**635,585**
Loss allowance	(128)	—	—	—	(128)
Carrying Amount	**635,457**	**—**	**—**	**—**	**635,457**

31 December 2020

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	318,755	—	—	—	318,755
Low risk	6,029	—	—	—	6,029
Total	**324,784**	**—**	**—**	**—**	**324,784**
Loss allowance	(86)	—	—	—	(86)
Carrying Amount	**324,698**	**—**	**—**	**—**	**324,698**

Bonds at fair value through other comprehensive income

31 December 2021

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	147,598	—	—	—	147,598
Low risk	310,246	—	—	—	310,246
Medium risk	63,551	66,083	—	—	129,634
High Risk	—	46,227	—	—	46,227
Gross carrying amount	**521,395**	**112,310**	**—**	**—**	**633,705**
Loss allowance	(1,843)	(11,506)	—	—	(13,349)
Carrying amount – fair value	**519,552**	**100,804**	**—**	**—**	**620,356**

31 December 2020

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	131,375	—	—	—	131,375
Low risk	361,159	—	—	—	361,159
Medium risk	145,993	58,153	—	—	204,146
High Risk	3,313	—	—	—	3,313
Gross carrying amount	**641,840**	**58,153**	**—**	**—**	**699,993**
Loss allowance	(3,381)	(2,571)	—	—	(5,952)
Carrying amount – fair value	**638,459**	**55,582**	**—**	**—**	**694,041**

Investment securities at amortised cost

31 December 2021

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	191,526	—	—	—	191,526
Low risk	344,539	—	—	—	344,539
Medium risk	—	—	—	—	—
High Risk	—	46,627	—	—	46,627
Total	**536,065**	**46,627**	**—**	**—**	**582,692**
Loss allowance	(187)	(7,514)	—	—	(7,701)
Carrying amount	**535,878**	**39,113**	**—**	**—**	**574,991**

31 December 2020

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Very low risk	15,590	–	–	–	15,590
Low risk	332,202	–	–	–	332,202
Medium risk	1,004	–	–	–	1,004
High Risk	–	55,401	–	–	55,401
Total	**348,796**	**55,401**	**–**	**–**	**404,197**
Loss allowance	(94)	(7,741)	–	–	(7,835)
Carrying amount	**348,702**	**47,660**	**–**	**–**	**396,362**

Loan commitments under IFRS 9

31 December 2021

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	3,223	–	–	3,223
Low risk	174,673	–	–	174,673
Medium risk	410,065	10,461	52	420,578
High Risk	10,133	8,794	–	18,927
Default	24	–	13,279	13,303
Without classification	–	–	–	–
Total	**598,118**	**19,255**	**13,331**	**630,704**
Loss allowance	(952)	(396)	(1,599)	(2,947)
Carrying amount	**597,166**	**18,859**	**11,732**	**627,757**

31 December 2020

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	3,782	–	–	3,782
Low risk	121,095	5	–	121,100
Medium risk	274,078	9,637	–	283,715
High Risk	2,133	974	–	3,107
Default	–	12,226	14,599	26,825
Without classification	3,000	–	–	3,000
Total	**404,088**	**22,842**	**14,599**	**441,529**
Loss allowance	(1,643)	(587)	(1,291)	(3,521)
Carrying amount	**402,445**	**22,255**	**13,308**	**438,008**

Financial guarantee contracts under IFRS 9

31 December 2021

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	50	—	—	50
Low risk	38,206	—	—	38,206
Medium risk	69,546	4,629	—	74,175
High Risk	—	—	113	113
Default	—	—	8,031	8,031
Total	**107,802**	**4,629**	**8,144**	**120,575**
Loss allowance	(286)	(82)	(1,578)	(1,946)
Carrying amount	**107,516**	**4,547**	**6,566**	**118,629**

31 December 2020

In thousands of EUR	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Very low risk	149	—	—	149
Low risk	16,454	—	—	16,454
Medium risk	75,481	3,073	—	78,554
High Risk	638	1,294	72	2,004
Default	—	—	5,652	5,652
Total	**92,722**	**4,367**	**5,724**	**102,813**
Loss allowance	(737)	(35)	(1,282)	(2,054)
Carrying amount	**91,985**	**4,332**	**4,442**	**100,759**

(v) Credit risk – Loss given default and FLI sensitivity

The sensitivity of expected credit losses is affected by the determination of the probability of default and the impairment loss. Therefore, the Group develops an optimistic and pessimistic scenario that reflects the amount of expected losses when the impairment loss changes by 10% ("LGD"). The probability of default is an impact change in GDP as a key indicator of future developments. Therefore, the Group also analyses the effect on the value of expected credit losses when the GDP forecast changes by +/- 1%.

An analysis of the Group's sensitivity to an increase or decrease in Loss given default (LGD) and Gross Domestic Product (GDP) on overall Expected credit losses (ECL) is as follows:

In thousands of EUR	31 December 2021	31 December 2020
Increase in LGD by 10%	30,680	29,780
Decrease in LGD by 10%	(32,764)	(31,823)
Increase in GDP by 1%	(7,428)	(2,732)
Decrease in GDP by 1%	10,625	3,522

(vi) Credit risk – collaterals

The Group holds collateral against loans and advances to customers mainly in the form of pledges, securities, real estates and acceptances of bills of exchange. Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts.

Derivative transactions are subject to collateral management contracts. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group and its counterparties are usually required to post collateral to mitigate counterparty credit risk. The Group's repurchase and reverse repurchase agreements and securities borrowing and lending are also covered by agreements with similar netting terms. The majority of collateral in form of securities in the table below was received within reverse repurchase agreements (see also Note 24.2).

Loans and advances to customers are secured by collateral with the fair values below (carrying amount only for collateralized exposures disclosed):

31 December 2021

In thousands of EUR	Carrying amount 12-month ECL and Lifetime ECL not credit-impaired	Accepted collateral value 12-month ECL and Lifetime ECL not credit-impaired	Carrying amount Lifetime ECL credit-impaired	Accepted collateral value Lifetime ECL credit-impaired
Securities	3,837,994	3,979,249	–	–
Real estate	1,717,402	2,819,753	98,833	108,882
Bills of exchange	4,140	17,363	–	–
Cash deposits	163,297	163,539	1,064	1,064
Other	210,647	570,040	35,749	35,761
Total	**5,933,480**	**7,549,944**	**135,646**	**145,707**

31 December 2020

In thousands of EUR	Carrying amount 12-month ECL and Lifetime ECL not credit-impaired	Accepted collateral value 12-month ECL and Lifetime ECL not credit-impaired	Carrying amount Lifetime ECL credit-impaired	Accepted collateral value Lifetime ECL credit-impaired
Securities	3,001,620	3,190,849	2,535	5,124
Real estate	1,218,818	1,677,178	117,099	129,289
Bills of exchange	7,161	36,781	–	–
Cash deposits	130,497	132,966	2	2
Other	200,020	390,163	46,229	46,922
Total	**4,558,116**	**5,427,937**	**165,865**	**181,337**

As at 31 December 2021 no collateral received by the Group was further used within repurchase operations (2020: nil).

The carrying amount of financial assets for which no loss allowance was recognized because of the collateral is 882,235 thousand EUR as at 31 December 2021 (2020: 536,994 thousand EUR).

In 2021 the Group has taken possession of EUR 145 thousand of collateral held previously as security (2020: EUR 1,320 thousand).

(vii) Credit risk – forbearance

The Group classifies all its receivables from clients into categories performing or non-performing laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: exposures which are more than 90 days past due; exposures where the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due or exposures that have been found credit-impaired (Stage 3), including purchased or originated credit-impaired assets as non-performing. Exposures are classified as performing when they are not classified as non-performing.

Forbearance

The Group treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of financial institutions prepared in accordance with IFRS.

Forbearance is an exposure where the Group decides, due to the debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of the terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g. postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not a result of the debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Exposure forbearance

In thousands of EUR	31 December 2021	31 December 2020
Performing exposure	7,249,374	6,937,626
– performing exposure forborne	348,769	307,396
Non-performing exposure	204,349	222,518
– non-performing exposure forborne	133,466	163,533
Total	**7,453,723**	**7,160,144**

The share of loan exposure forbearance on total loans and advances to customers is 6.47% (2020: 6.58%).

Concentration of loans and advances to customers by economic sector

In thousands of EUR	31 December 2021	31 December 2020
Not forborne		
Non-financial organisations	3,404,219	3,759,442
Financial organisations	1,630,326	1,492,910
Households	1,876,712	1,434,363
Other	60,230	2,500
Total	**6,971,488**	**6,689,215**

In thousands of EUR	31 December 2021	31 December 2020
Forborne		
Non-financial organisations	351,686	391,878
Financial organisations	85,510	41,549
Households	45,037	37,502
Other	2	–
Total	**482,235**	**470,929**

43.2. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of not being able to meet the Group's obligations when they fall due, as well as the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Various methods of managing liquidity risks are used by individual companies in the Group, including individual monitoring of large deposits. The individual banks in the Group manage their liquidity risk through their financial market divisions, which receive information from other departments regarding the liquidity profile of their financial assets and liabilities and details about other projected cash flows arising from expected future projects.

The Group's management focuses on methods used by financial institutions, that is, diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The risk managers then maintain a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid funds. Furthermore, the Group has at its disposal a sufficient amount of bonds that are, if necessary, acceptable for acquiring additional resources through refinancing operations organized by some of the central banks in the countries where the Group operates.

In managing liquidity risk the Group promotes a conservative and prudent approach to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The measures used by the Group for managing liquidity risk are e.g. the ratio of highly liquid assets or liquidity coverage ratio.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed.

(i) Contractual maturities of financial assets and liabilities

31 December 2021

In thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	2,818,637	–	–	2,818,637
Financial assets for trading	34,121	147,008	16,769	197,898
Hedging derivatives	19,764	–	–	19,764
Investment securities measured at fair value through profit or loss	–	–	400,019	400,019
Investment securities at fair value through other comprehensive income	125,903	494,453	41,838	662,194
Investment securities at amortised cost	26,223	548,768	–	574,991
Loans and advances to banks	635,457	–	–	635,457
Loans and advances to customers	2,642,295	4,811,428	–	7,453,723
FV changes of portfolio of hedged instruments – Loans and advances to customers	–	1,091	–	1,091
Trade receivables and other financial assets under risk management	239,376	750	–	240,126
Total	**6,541,776**	**6,003,498**	**458,626**	**13,003,900**

In thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities and provision for insurance contracts				
Trading liabilities	48,581	37,854	–	86,435
Hedging derivatives	2,400	2,650	–	5,050
Deposits and loans from banks	183,477	466,545	–	650,022
Deposits and loans from customers	8,164,752	1,455,000	–	9,619,752
Debt securities issued	134,886	443,502	–	578,388
Subordinated debt	–	2,955	–	2,955
Other financial liabilities under risk management	638,312	48,231	–	686,543
Provision for insurance contracts	–	–	–	–
Total	**9,172,408**	**2,456,737**	**–**	**11,629,145**

The lines of credit that are available to the Group total EUR 72,561 thousand as at 31 December 2021.

31 December 2020

In thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial assets				
Cash and cash equivalents	1,670,876	–	–	1,670,876
Financial assets for trading	59,713	301,836	24,171	385,720
Hedging derivatives	11,555	–	–	11,555
Investment securities measured t fair value through profit or loss	3,260	4,525	394,483	402,268
Investment securities at fair value through other comprehensive income	134,925	559,116	27,538	721,579
Investment securities at amortised cost	17,584	378,778	–	396,362
Loans and advances to banks	324,698	–	–	324,698
Loans and advances to customers	2,939,377	4,220,767	–	7,160,144
FV changes of portfolio of hedged instruments – Loans and advances to customers	2,276	–	–	2,276
Trade receivables and other financial assets under risk management	69,728	2,290	–	72,018
Total	**5,233,992**	**5,467,312**	**446,192**	**11,147,496**

In thousands of EUR	Less than 1 year	More than 1 year	Undefined	Total
Financial liabilities and provision for insurance contracts				
Trading liabilities	16,494	12,767	–	29,261
Hedging derivatives	3,028	7,290	–	10,318
Deposits and loans from banks	174,707	16,563	–	191,270
Deposits and loans from customers	7,683,192	1,185,408	–	8,868,600
Debt securities issued	5,363	440,407	–	445,770
Subordinated debt	5,256	3,290	–	8,546
Other financial liabilities under risk management	428,845	44,431	–	473,276
Provision for insurance contracts	2,101	23,948	–	26,049
Total	**8,318,986**	**1,734,104**	**–**	**10,053,090**

The lines of credit that are available to the Group total EUR 68,592 thousand as at 31 December 2020.

(ii) Contractual maturities of financial liabilities and provision for insurance contracts, including estimated interest payments (undiscounted cash flow)

31 December 2021

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Non-derivative financial liabilities						
Trading liabilities	18,446	(18,446)	(18,446)	–	–	–
Deposits and loans from banks	650,022	(658,327)	(167,216)	(19,317)	(466,688)	(5,106)
Deposits and loans from customers	9,619,752	(9,706,066)	(6,929,108)	(1,263,787)	(1,444,343)	(68,828)
Debt securities issued	578,388	(625,823)	(5,796)	(275,817)	(344,210)	–
Subordinated debt	2,955	(3,487)	(143)	(39)	(3,305)	–
Other financial liabilities under risk management	686,543	(689,225)	(592,506)	(45,876)	(33,993)	(16,850)
Total	**11,556,106**	**(11,701,374)**	**(7,713,215)**	**(1,604,836)**	**(2,292,539)**	**(90,784)**
Derivative financial liabilities						
Currency contracts						
– outflow	65,149	(419,580)	(77,190)	(194,861)	(147,529)	–
– inflow	–	362,008	51,996	192,394	117,618	–
Other derivatives						
– outflow	7,890	(7,889)	(798)	(4,077)	(2,273)	(741)
– inflow	–	–	–	–	–	–
Total	**73,039**	**(65,461)**	**(25,992)**	**(6,544)**	**(32,184)**	**(741)**
Amount committed/guaranteed[13]						
Loan commitments	2,947	(630,704)	(630,704)	–	–	–
Financial guarantee contracts	1,951	(120,575)	(120,575)	–	–	–
Total	**4,898**	**(751,279)**	**(751,279)**	**–**	**–**	**–**

[13] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2020

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Non-derivative financial liabilities						
Trading liabilities	1,137	(1,137)	(1,137)	—	—	—
Deposits and loans from banks	191,270	(196,010)	(48,223)	(130,008)	(12,467)	(5,312)
Deposits and loans from customers	8,868,600	(8,951,773)	(6,374,809)	(1,328,774)	(1,165,795)	(82,395)
Debt securities issued	445,770	(507,164)	(4,611)	(14,613)	(487,940)	—
Subordinated debt	8,546	(9,538)	(3,789)	(1,664)	(4,085)	—
Other financial liabilities under risk management	473,276	(475,568)	(377,683)	(51,140)	(34,275)	(12,470)
Total	**9,988,599**	**(10,141,190)**	**(6,810,252)**	**(1,526,199)**	**(1,704,562)**	**(100,177)**
Provision for insurance contracts	26,049	(26,049)	(1,435)	(666)	(2,885)	(21,063)
	10,014,648	**(10,167,239)**	**(6,811,687)**	**(1,526,865)**	**(1,707,447)**	**(121,240)**
Derivative financial liabilities						
Currency contracts						
– outflow	28,085	(306,151)	(80,443)	(13,272)	(212,436)	—
– inflow	—	283,700	68,948	9,410	205,342	—
Other derivatives						
– outflow	10,357	(10,361)	(706)	(2,322)	(5,277)	(2,056)
– inflow	—	—	—	—	—	—
Total	**38,442**	**(32,812)**	**(12,201)**	**(6,184)**	**(12,371)**	**(2,056)**
Amount committed/guaranteed[14]						
Loan commitments	3,521	(441,529)	(441,529)	—	—	—
Financial guarantee contracts	2,110	(108,981)	(108,981)	—	—	—
Total	**5,631**	**(550,510)**	**(550,510)**	**—**	**—**	**—**

Expected liquidity

In general, cash flows represent expected future cash flows of financial instruments estimated based on contract terms. The expected maturity usually differs from contractual one as historical experience shows that short-term loans and deposits are prolonged. In addition, as outstanding balances on current accounts or short-term deposits are usually not withdrawn on a daily basis and accounts are not cancelled at maturity date, the banks within the Group regularly monitor period and percentage of deposits that remain available and are prolonged. Those ratios are used for managing the liquidity risk.

Expected liquidity of other financial liabilities than those stated below does not defer significantly from their contractual maturity.

31 December 2021

In thousands of EUR	Carrying amount	Expected cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Deposits and loans from customers	9,619,752	(9,987,745)	(6,481,430)	(1,146,093)	(1,754,427)	(605,795)
Subordinated debt	2,955	(3,487)	(143)	(39)	(3,305)	—

31 December 2020

In thousands of EUR	Carrying amount	Expected cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Deposits and loans from customers	8,868,600	(8,990,582)	(5,279,585)	(1,155,255)	(1,502,625)	(1,053,117)
Subordinated debt	8,546	(9,538)	(4,165)	(1,667)	(3,706)	—

[14] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

43.3. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) 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 on risk.

The Group uses the Value at Risk ("VaR") methodology to evaluate market risk on its trading portfolio as a whole using a confidence level of 99% and a horizon of 10 business days. A historical simulation method is implemented for VaR calculation. The Group performs backtesting for market risk associated with its trading portfolio, by applying a method of hypothetical backtesting, on a quarterly basis.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The VaR measure is dependent on the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

In thousands of EUR	31 December 2021	31 December 2020
VaR market risk overall	10,395	45,680
VaR interest risk	2,176	12,559
VaR FX risk	9,069	37,083
VaR stock risk	817	1,600

(i) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group uses various methods for management of interest rate risk. The Group continuously uses asset-liability management in its interest risk management. When purchasing bonds, the current interest position of the Group is taken into account which then serves as a basis for the purchase of fixed or variable bonds. The Group uses interest swaps to hedge interest rates in fixed bonds in its FVOCI portfolio.

The priorities of the Group for interest rate risk management of liabilities comprise:

- Stability of deposits, especially over longer time periods,
- Fast and flexible reactions to significant changes in inter-bank interest rates through adjustments to interest rates on deposit products,
- Continuously evaluating interest rate levels offered to clients compared to competitors and actual and expected development of interest rates on the local market,
- Managing the structure of liabilities in compliance with the expected development of money market rates in order to optimize interest revenues and minimize interest rate risk.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non-interest-bearing are grouped together in the "maturity undefined" category.

The VaR statistics for the trading portfolio is as follows:

In thousands of EUR	31 December 2021	31 December 2020
VaR interest rate risk	2,176	12,559

A summary of the Group´s interest rate gap position as per the carrying amounts is as follows:

31 December 2021

In thousands of EUR	Do 3 měsíců	Od 3 měsíců do 1 roku	Od 1 roku do 5 let	Více než 5 let	Bez specifikace	Celkem
Financial assets						
Cash and cash equivalents	2,770,931	–	–	–	47,706	2,818,637
Financial assets for trading	9,269	32,493	136,180	2,268	17,688	197,898
Hedging derivatives	–	–	–	–	19,764	19,764
Investment securities measured at fair value through profit or loss	–	–	–	–	400,019	400,019
Investment securities at fair value through other comprehensive income	7,257	169,115	243,045	200,938	41,839	662,194
Investment securities at amortised cost	1,785	68,945	291,383	212,918	(40)	574,991
Loans and advances to banks	405,857	19	–	–	229,581	635,457
Loans and advances to customers	2,772,161	2,513,021	1,688,819	203,256	276,466	7,453,723
FV changes of portfolio of hedged instruments – Loans and advances to customers	–	–	1,091	–	–	1,091
Trade receivables and other financial assets under risk management	2,763	3,181	550	–	233,632	240,126
Total	**5,970,023**	**2,786,774**	**2,361,068**	**619,380**	**1,266,655**	**13,003,900**
Financial liabilities and provision for insurance contracts						
Trading liabilities	43,673	10,816	31,287	–	659	86,435
Hedging derivatives	857	1,616	1,835	742	–	5,050
Deposits and loans from banks	465,443	12,335	172,132	57	55	650,022
Deposits and loans from customers	5,685,931	1,292,789	1,721,839	56,932	862,261	9,619,752
Debt securities issued	3,106	132,299	443,189	–	(206)	578,388
Subordinated debt	2,102	–	853	–	–	2,955
Other financial liabilities under risk management	6,559	2,338	3,274	856	673,516	686,543
Provision for insurance contracts	–	–	–	–	–	–
Total	**6,207,671**	**1,452,193**	**2,374,409**	**58,587**	**1,536,285**	**11,629,145**

31 December 2020

In thousands of EUR	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined	Total
Financial assets						
Cash and cash equivalents	1,615,044	933	–	–	54,899	1,670,876
Financial assets for trading	31,198	30,672	295,334	3,949	24,567	385,720
Hedging derivatives	–	598	–	–	10,957	11,555
Investment securities measured at fair value through profit or loss	6,945	841	–	4,146	390,336	402,268
Investment securities at fair value through other comprehensive income	62,728	133,587	331,459	166,266	27,539	721,579
Investment securities at amortised cost	150	72,682	86,371	237,159	–	396,362
Loans and advances to banks	244,036	17	–	–	80,645	324,698
Loans and advances to customers	3,141,535	2,470,232	1,207,377	200,942	140,058	7,160,144
FV changes of portfolio of hedged instruments – Loans and advances to customers	–	–	2,276	–	–	2,276
Trade receivables and other financial assets under risk management	1,764	2,005	2,153	–	66,096	72,018
Total	**5,103,400**	**2,711,567**	**1,924,970**	**612,462**	**795,097**	**11,147,496**
Financial liabilities and provision for insurance contracts						
Trading liabilities	12,615	6,170	10,431	–	45	29,261
Hedging derivatives	706	2,323	5,234	2,055	–	10,318
Deposits and loans from banks	32,682	123,259	10,724	61	24,544	191,270
Deposits and loans from customers	5,374,105	1,357,560	1,400,147	60,380	676,408	8,868,600
Debt securities issued	2,526	1,080	442,164	–	–	445,770
Subordinated debt	6,134	1,606	806	–	–	8,546
Other financial liabilities under risk management	4,298	3,386	8,134	890	456,568	473,276
Provision for insurance contracts	1,435	666	2,881	21,067	–	26,049
Total	**5,434,501**	**1,496,050**	**1,880,521**	**84,453**	**1,157,565**	**10,053,090**

An analysis of the Group's sensitivity to an increase or decrease in market interest rates on the non-trading portfolio, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

In thousands of EUR	Impact on Profit or Loss		Impact on Other Comprehensive Income	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
decrease in interest rates by 100 bp	15,634	10,866	15,470	15,721
increase in interest rates by 100 bp	(15,634)	(10,866)	(15,470)	(15,721)

In thousands of EUR	Total impact on Equity	
	31 December 2021	31 December 2020
decrease in interest rates by 100 bp	31,104	26,587
increase in interest rates by 100 bp	(31,104)	(26,587)

The rates at which banks borrow funds from each other on the interbank money market are referred to as IBOR rates („Interbank Offered Rates"). In the past, there have been serious cases of manipulation of some reference rates (LIBOR, EURIBOR), the credibility of such rates fell, there have been suspicions that IBOR rates were set in a non-transparent manner, and therefore these rates are currently undergoing a major reform. Given the great economic importance of these rates, it is necessary to ensure the accuracy and reliability of these constructs and of the process of their determination (methodology, management structure). For this reason, working groups are being set up to identify new reference rates and to ensure the transition to alternative, risk-free reference rates.

The Group assesses the following as significant areas of impact of IBOR rate reforms:

- Legal impacts - adjustment of reference rates in legal contracts (loan agreements, agreements on deposit products, ISDA and CEMA agreements, supply agreements, etc.), product sheets, etc.
- Valuation of financial instruments - determination and definition of yield curves, risk management, financial plans, pricing, performance calculations, etc.
- IT systems and processes - technical readiness of systems for the transition to risk-free reference rates, data inputs in source systems, etc.
- Accounting - impact on the modification of financial instruments, their classification, etc.

Risk management

The Group currently uses all IBOR rates that will be terminated or reformed on 1 January 2022 and/or 1 July 2023, except for EUR LIBOR that has already been replaced by EURIBOR.

Specifically, the Group's existing exposures were indexed to following IBOR rates: GBP LIBOR; USD LIBOR; JPY LIBOR; CHF LIBOR and EONIA.

For accounting and risk management purposes the yield curves derived from above mentioned IBOR rates are used for determination of fair values for interest-bearing financial instruments. The Group uses these yield curves for determination of future floating rates and for discounting to present value.

Non-derivative financial assets and liabilities

The Group has currently few contracts that are indexed to GBP LIBOR and only one contract indexed to USD LIBOR. The amendments to financial instruments with contractual terms indexed to US dollar LIBOR will be prepared in upcoming months because the US dollar LIBOR is planned to be discontinued by the end of June 2023.

The amendments to these existing contracts indexed to GBP LIBOR will be completed till the end of the financial year 2022. The alternative reference rate for GBP LIBOR is the Sterling Overnight Index Average (SONIA) synthetic rate, (resp. forward-looking SONIA with margin).

For new agreements concluded after 1 January 2022 the Group will use SONIA excluding margin, eventually, if these loans were indexed to benchmark rates (which may cease to exist in the future, for example USD LIBOR), these contracts will be concluded at net alternative benchmark rates; not synthetic.

In respect of financial markets activities, the changes will only affect the interest on some collateral accounts. The Group is currently in process of concluding new amendments to master agreements (ISDA; GMRA; GMSLA and Master agreement for financial transactions based on the form published by the Czech Banking Association). The Group expects that the changes will affect approximately 10 – 20 contracts.

The Group does not have any significant exposures as of December 31, 2021, which will be affected by the IBOR reform as amended on January 1, 2022 (refer to overview below).

Other balance sheet and off-balance sheet positions do not contain any financial instruments that are the subject of IBOR reform.

The following table shows the significant exposures as of 31 December 2021 that are affected by the IBOR reform as amended on 1 January 2022:

In thousands of EUR	GBP LIBOR Carrying amount
Loans and advances to customers	155,235

In thousands of EUR	USD LIBOR Carrying amount
Loans and advances to customers	139,966

In thousands of EUR	EONIA Carrying amount
Cash and cash equivalents	10,619

Derivatives

The Group holds interest rate swaps that have floating legs indexed to either PRIBOR or EURIBOR. Both benchmark rates are compatible with the European Parliament Regulation 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds so PRIBOR and EURIBOR rates can be used. For PRIBOR there is no transition to an alternative benchmark rate planned. In respect of EURIBOR, it is unclear when the announcement that will set a date for the termination of the publication of EURIBOR will take place.

Hedge accounting

The Group uses interest rate derivatives and currency derivatives as hedging instruments. Interest rate swaps with floating interest rate are indexed to EURIBOR.

(ii) Foreign exchange risk

The breakdown of the carrying amounts by currency translated to thousands of EUR is as follows:

31 December 2021

In thousands of EUR	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	96,511	2,674,758	10,543	16,064	20,761	2,818,637
Financial assets for trading	37,314	155,020	2	715	4,847	197,898
Hedging derivatives	–	19,764	–	–	–	19,764
Investment securities measured at fair value through profit or loss	305,605	88,857	3,184	2,373	–	400,019
Investment securities at fair value through other comprehensive income	495,558	44,195	10,245	93,902	18,294	662,194
Investment securities at amortised cost	383,555	181,903	–	9,533	–	574,991
Loans and advances to banks	558,435	70,208	19	1,358	5,437	635,457
Loans and advances to customers	5,944,802	716,745	558,633	59,829	173,714	7,453,723
FV changes of portfolio of hedged instruments – Loans and advances to customers	1,091	–	–	–	–	1,091
Trade receivables and other financial assets under risk management	136,102	94,577	6,670	1,069	1,708	240,126
Total	**7,958,973**	**4,046,027**	**589,296**	**184,843**	**224,761**	**13,003,900**
Off balance sheet assets	2,519,728	3,518,965	310,683	34,949	164,049	6,548,374
Financial liabilities and provision for insurance contracts						
Trading liabilities	20,198	66,130	25	82	–	86,435
Hedging derivatives	4,977	73	–	–	–	5,050
Deposits and loans from banks	637,651	6,164	–	6,170	37	650,022
Deposits and loans from customers	5,920,350	3,399,602	126,502	118,102	55,196	9,619,752
Debt securities issued	229,440	348,948	–	–	–	578,388
Subordinated debt	2,102	853	–	–	–	2,955
Other financial liabilities under risk management	354,060	268,914	36,114	2,076	25,379	686,543
Provision for insurance contracts	–	–	–	–	–	–
Total	**7,168,778**	**4,090,684**	**162,641**	**126,430**	**80,612**	**11,629,145**
Off balance sheet liabilities	2,953,035	1,705,841	808,722	52,025	379,445	5,899,068
Net position (including Off balance sheet)	356,888	1,768,467	(71,384)	41,337	(71,247)	2,024,061

31 December 2020

In thousands of EUR	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	164,237	1,463,213	9,826	10,897	22,703	1,670,876
Financial assets for trading	74,295	303,237	5	392	7,791	385,720
Hedging derivatives	—	11,555	—	—	—	11,555
Investment securities measured at fair value through profit or loss	329,725	57,296	6,565	6,278	2,404	402,268
Investment securities at fair value through other comprehensive income	608,665	26,560	947	64,556	20,851	721,579
Investment securities at amortised cost	387,684	—	—	8,678	—	396,362
Loans and advances to banks	256,536	60,588	17	1,271	6,286	324,698
Loans and advances to customers	5,166,906	901,835	441,087	61,656	588,660	7,160,144
FV changes of portfolio of hedged instruments – Loans and advances to customers	2,276	—	—	—	—	2,276
Trade receivables and other financial assets under risk management	31,505	32,577	6,142	560	1,234	72,018
Total	**7,021,829**	**2,856,861**	**464,589**	**154,288**	**649,929**	**11,147,496**
Off balance sheet assets	2,403,204	4,083,310	170,000	35,162	187,579	6,879,255
Financial liabilities and provision for insurance contracts						
Trading liabilities	746	28,469	—	46	—	29,261
Hedging derivatives	10,318	—	—	—	—	10,318
Deposits and loans from banks	180,055	6,512	—	4,594	109	191,270
Deposits and loans from customers	5,521,110	3,064,523	122,010	104,435	56,522	8,868,600
Debt securities issued	150,639	295,131	—	—	—	445,770
Subordinated debt	2,697	5,849	—	—	—	8,546
Other financial liabilities under risk management	231,865	199,742	35,020	1,250	5,399	473,276
Provision for insurance contracts	26,049	—	—	—	—	26,049
Total	**6,123,479**	**3,600,226**	**157,030**	**110,325**	**62,030**	**10,053,090**
Off balance sheet liabilities	3,205,292	1,902,917	527,075	20,322	831,822	6,487,428
Net position (including Off balance sheet)	96,262	1,437,028	(49,516)	58,803	(56,344)	1,486,233

Off balance sheet items mostly relate to derivative operations and granted and received guarantees.

The VaR statistic is as follows:

In thousands of EUR	31 December 2021	31 December 2020
VaR foreign exchange risk	9,069	37,083

An analysis of the Group's sensitivity to an increase or decrease in foreign exchange rates is presented in the table below.

Translation risk arising from translating the financial statements of a foreign operation into the presentation currency of the Group, does not meet the definition of currency risk. Consequently, translation risk should not be included in the sensitivity analysis. However, foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation is not fully eliminated.

A one percent strengthening in foreign currencies would have had the following effects on profit or loss and other comprehensive income:

In thousands of EUR	Impact on Profit or Loss		Impact on Other Comprehensive Income	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
EUR	5,870	5,668	(196)	(182)
CZK	(738)	(1,416)	(3)	(4)
USD	697	265	–	–
RUB	492	464	–	–

(iii) Equity price risk

Equity price risk arises from the quoted financial instruments held by the Group, further to changes in perception by the markets of the expected financial performance of the investments concerned. Equity price risk is essentially managed through diversification of the investment portfolio of investment securities at fair value through other comprehensive income and fair value through profit or loss equity securities.

The VaR statistics is as follows:

In thousands of EUR	31 December 2021	31 December 2020
VaR stock risk (trading book)	817	1,600

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below. A 100 bp increase in the price of investment securities at fair value through other comprehensive income would have had a positive effect on other comprehensive income as set out below. A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

In thousands of EUR	Impact on Profit or Loss		Impact on Other Comprehensive Income	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Level 1 – quoted market prices	161	164	109	65
Level 2 – derived from quoted prices	2,875	3,699	136	124
Level 3 – calculated using valuation techniques	1 131	324	173	87
Total	**4,167**	**4,187**	**418**	**276**

In thousands of EUR	Total impact on Equity	
	31 December 2021	31 December 2020
Level 1 – quoted market prices	270	229
Level 2 – derived from quoted prices	3,011	3,823
Level 3 – calculated using valuation techniques	1,304	411
Total	**4,585**	**4,463**

43.4. Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk which is done by the Risk Management Department and which cover the following areas:

- Requirements for the reconciliation and monitoring of transactions.
- Identification of operational risk within the framework of each subsidiary's control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- Reporting of operational risk events by entering the corresponding information into the Regulated Consolidated Group's database of operational risk events (see Note 41.5. Capital management section regarding the definition of the Regulated Consolidated Group).
- This overview of the Group's operational risk events allows the Group to specify the direction of steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

43.5. Capital management

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

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

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

- Tier 1 capital, which is divided into:

  1. Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit of current year is excluded), accumulated other comprehensive income, other transitional arrangements CET1 and non-controlling interests after deduction of goodwill and intangible assets and additional value adjustments;

  2. Additional Tier 1 capital (AT1), which can include qualifying perpetual instruments issued in accordance with CRR (see Note 38. Shareholders' equity)

- Tier 2 capital, which includes qualifying subordinated liabilities.

The Regulated Consolidated Group (RCG) is defined for the purposes of the prudential rules on a consolidated basis by the Czech Act on Banks No. 21/1992, Decree No. 163/2014 Coll. and CRR. According to these regulations, the financial holding group of the ultimate shareholders of J&T FINANCE GROUP SE is defined as RCG. Different consolidation rules are applicable for RCG's purposes – only companies which are subsidiaries have the status of financial institutions as defined by CRR are fully consolidated. The indicators presented below are for the whole RCG as described above.

Regulatory Capital

In thousands of EUR	31 December 2021	31 December 2020
Common Equity Tier 1 capital (CET1)	1,323,858	1,264,152
Additional Tier 1 capital (AT1)	314,372	285,695
Total Tier 1 capital	**1,638,230**	**1,549,847**
Total Tier 2 capital	14,620	12,415
Total regulatory capital	**1,652,850**	**1,562,262**
Risk Weighted Assets (RWA)		
Credit risk of investment portfolio	8,803,124	8,480,560
Total risk exposure amount for position, foreign exchange and commodity risks	330,694	553,314
Traded debt instruments	126,699	175,371
Shares	35,811	26,298
Position risk in collective investment undertakings (CIUs)	821	678
Foreign exchange	167,363	350,967
Commodity risk	—	—
Operational risk (BIA)	940,730	862,697
Risk exposure amount for credit valuation adjustment	18,117	20,268
Total amount of capital requirements	**10,092,665**	**9,916,839**

The capital adequacy ratio is calculated for CET 1 capital, Tier 1 capital and total own funds as a portion of the relevant capital to risk weighted assets (RWA). The regulatory capital is calculated as the sum of the Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital reduced by deductible items. CET1 capital comprises paid-up share capital, the statutory reserve fund, other equity funds, retained earnings and additional value adjustments. Tier 2 capital comprises subordinated debt approved by the Czech National Bank in an amount of EUR 14,620 thousand (2020: EUR 12,415 thousand). The deductible items include intangible assets at net book value and net deferred tax liabilities related to these intangible assets.

Capital adequacy ratios

Requirements for capital adequacy ratios are as follows:

in %	Minimum requirements	Capital conservation buffer	Countercyclical capital buffer	Total requirements
CET1 ratio	4.5	2.5	0.49	7.49
Tier 1 ratio	6.0	2.5	0.49	8.99
Total regulatory capital ratio	**8.0**	**2.5**	**0.49**	**10.99**

An additional Capital conservation buffer of 2.5% for CET1 was imposed by the Czech National bank. The specific countercyclical capital buffer rate is calculated in accordance with §63 ČNB decree No. 163/2014 Sb. and is calculated as a weighted average of the countercyclical buffer rates in effect in the jurisdictions in which the Group has relevant risk exposures. It started to be relevant in 2017 when the Czech Republic and the Slovakia first set their countercyclical buffer rates. These rates are also being gradually introduced in other relevant countries.

The capital adequacy ratios of the RCG as at 31 December 2021 and 2020 were as follows:

in %	31 December 2021	31 December 2020
Common equity tier 1 (CET1)	13.12	12.75
Tier 1 capital	16.23	15.63
Total regulatory capital ratio	**16.38**	**15.75**

44. Assets under management

In thousands of EUR	31 December 2021	31 December 2020
Assets in own-managed funds	3,779,250	3,127,181
Assets under investment management with right of disposal	366,833	255,893
Other entrusted assets	3,221,402	2,579,903
Total assets under management	**7,367,485**	**5,962,977**

Assets under management comprise all client assets managed (or held) solely for investment purposes. In summary, these include all balances due to customers, fiduciary term deposits and all valued portfolio assets. Custodial assets (assets held solely for transaction and safe-keeping purposes) are not included in assets under management. Assets under management are measured at fair value for quoted financial instruments. If these are not quoted, debt and equity financial instruments are valued at amortized cost or using common valuation techniques (e.g. pricing models with market inputs as available), respectively.

(a) Assets in own-managed funds

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

(b) Assets under investment management with right of disposal

Securities, value rights, precious metals and other fiduciary investments from third parties under investment management, where the Group has right of disposal. The amount comprises of both assets deposited with Group companies and of assets deposited with third parties, for which the Group companies hold right of disposal.

(c) Other entrusted assets

Securities, value rights, precious metals and other fiduciary investments from third parties for which only administration or advisory services are exercised.

45. Related parties

Identity of related parties

The Group has, or had, related party relationships as identified in the following table, either at 31 December 2021 and 2020 or during the years with:

(1) Ultimate shareholders and companies they control

(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates

(3) Associates

(4) Joint ventures in which the Group is a venturer

(5) Key management personnel (i. e. Board of Directors) of the Group

"Ultimate shareholders and companies they control" includes the following: Jakabovič Ivan, Tkáč Jozef, LEONARDO III MARINE LIMITED, LEONARDO III YACHT LIMITED, MARLEK LIMITED, SERTENA INVESTMENT LIMITED. J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o., KPRHT 19, s.r.o. and WEBER INVESTMENT, s.r.o. were disposed by the shareholders in the course of the year 2021. None of these produce publicly available consolidated financial statements which include the Group.

The summary of transactions with related parties during 2021 and 2020 is as follows:

In thousands of EUR	31 December 2021 Accounts receivable	31 December 2021 Accounts payable	31 December 2020 Accounts receivable	31 December 2020 Accounts payable
Ultimate shareholders and companies they control	7,414	16,220	4,499	6,051
Associates and joint ventures	36,960	24,243	32,153	7,440
Key management personnel of the entity or its parent and companies they control or jointly control	57,494	19,767	104,676	37,203
Total	**101,868**	**60,230**	**141,328**	**50,694**

There was no provision for doubtful debts due from the "Ultimate shareholders and companies they control" as at 31 December 2021 (31 December 2020: EUR 14 thousand).

The summary of transactions with related parties during 2021 and 2020 is as follows:

In thousands of EUR	2021 Revenues	2021 Expenses	2020 Revenues	2020 Expenses
Ultimate shareholders and companies they control	327	23	179	168
Associates and joint ventures	30,869	11,948	11,451	1
Key management personnel of the entity or its parent and companies they control or jointly control	8,472	1,671	6,383	5,725
Total	**39,668**	**13,642**	**18,013**	**5,894**

The summary of guarantees with related parties at year-end is as follows:

In thousands of EUR	31 December 2021 Guarantees received	31 December 2021 Guarantees granted	31 December 2020 Guarantees received	31 December 2020 Guarantees granted
Ultimate shareholders and companies they control	–	–	–	–
Key management personnel of the entity or its parent and companies they control or jointly control	–	37	–	243
Total	**–**	**37**	**–**	**243**

Transactions with directors and key management

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

In thousands of EUR	31 December 2021	31 December 2020
Remuneration	4,602	2,755
Loans	234	339

Of the loans to directors and key management, new loans of EUR 80 thousand were granted during 2021 (2020: EUR 214 thousand) and EUR 197 thousand was repaid (2020: EUR 30 thousand). The Group's key management personnel received no other remuneration in the form of short-term benefits, post-employment benefits, other long-term employee benefits, early termination benefits, or share-based payments.

46. Unconsolidated structured entities

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

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

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

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

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

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

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

The maximum exposure to loans is reflected by their carrying amounts in the consolidated balance sheet as at 31 December 2021 in amount of EUR 78,547 thousand (2020: EUR 284,306 thousand). There are no additional contractual arrangements with these entities regarding providing any further funding or guarantees. Liabilities of the unconsolidated structured entities due to other entities are subordinated to liabilities due to the Group.

The total assets value for one unconsolidated structured entity (2020: four), as indication of their size, is EUR 189,260 thousand (2020: EUR 606,321 thousand).

47. Subsequent events

The war in Ukraine

The Group conducts operations in the Russian market through its subsidiary, J&T Bank, a.o. and is also exposed to the economic and financial markets of Ukraine. In February 2022, following the recognition of self-proclaimed republics of Donetsk and Lugansk by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of that country.

The current escalation of the military conflict is likely to have a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to the Russian Federation's hostile actions towards Ukraine, a number of countries, including the United States of America, the United Kingdom and the European Union have imposed and/or expanded economic sanctions against a number of Russian individuals and legal entities. The sanctions include asset freezes, trade restrictions, and travel bans, among other things. Further legislation is planned. The expanded sanctions already had or are expected to have a further detrimental effect on economic uncertainty in Russia, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

These events represent non-adjusting events after the reporting period for the consolidated financial statements as at 31 December 2021.

Presented below is the Group's summarized exposure in Russian and Ukrainian market as at 31 March 2022 (unaudited):

In thousands of EUR	31. března 2022
Cash and cash equivalents	62,867
Investment securities (for trading, at FVTPL, at FVOCI, at amortised cost)	122,768
Disposal group held for sale	1,104
Loans and advances to banks	223
Loans and advances to customers	188,876
Trade receivables and other assets	7,410
Current tax assets	100
Investment property	4,526
Intangible assets	208
Property, plant and equipment	10,263
Deferred tax assets	3,236
Trading liabilities	1,255
Deposits and loans from banks	56,475
Deposits and loans from customers	115,107
Other liabilities	6,854
Provisions	5
Deferred tax liability	1,958

The Group realized net revenues to Russian and Ukrainian customers which amounted to EUR 10,132 thousand for the year ended 31 December 2021.

Following these events, the Group has taken the following measures:

- the Group will not provide any new loans to entities with underlying risk in Ukraine and Russia,
- it has analysed in detail the exposures from sectors potentially affected by the impact of the current situation and recognized higher expected credit losses,
- the Group has prepared an impact simulation of 2 alternative scenarios - the expected and worst case scenario, including simulation of P/L impact, impact on capital adequacy and liquidity of the Group.

Based on the analysis performed, the management of the Group has concluded that, as at the date these consolidated financial statements were authorised for issue, the going concern assumption is still appropriate and this event does not have significant impact on the consolidated financial statements as at 31 December 2021.

48. Group entities

The list of the Group entities as at 31 December 2021 and 2020 is set out below:

Company name	Country of incorporation	December 2021			December 2020		
		Consolidated %	Ownership interest	Consolidation method	Consolidated %	Ownership interest	Consolidation method
J&T FINANCE GROUP SE	Czech Republic	parent company			parent company		
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
XT-Card a.s.	Czech Republic	32.00	direct	Equity	32.00	direct	Equity
Colorizo Investment, a.s.	Czech Republic	52.60	direct	Full	52.60	direct	Full
OAMP Hall 1 s.r.o.	Czech Republic	—	—	—	50.00	direct	Equity
OAMP Distribution s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Infrastructure s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Holding s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 2 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 3 s.r.o.	Czech Republic	—	—	—	50.00	direct	Equity
OAMP Hall 4 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 5 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 6 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
CI Joint Venture s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
Logistics Park Nošovice a.s.	Czech Republic	—	—	—	50.00	direct	Equity
Industrual Center CR 11 s.r.o.	Czech Republic	75.00	direct	Equity	—	—	—
SPERIDA, a.s.	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T SME Finance s.r.o.	Slovakia	100.00	direct	Full	—	—	—
J&T Bank, a.o. (J&T Bank ZAO)[1]	Russia	100.00	direct	Full	100.00	direct	Full
Leasing-Medicine Ltd	Russia	100.00	direct	Full	—	—	—
TERCES MANAGEMENT LIMITED[2]	Cyprus	100.00	direct	Full	100.00	direct	Full
Interznanie OAO[3]	Russia	100.00	direct	Full	100.00	direct	Full
J&T REALITY otevřený podílový fond[4]	Czech Republic	88.88	direct	Full	88.88	direct	Full
J&T Banka d.d. (VABA d.d. banka Varaždin)[5]	Croatia	96.03	direct	Full	96.03	direct	Full
J&T Leasingová společnost, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
Rentalit s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct	Full
ALTERNATIVE UPRAVLJANJE d.o.o.	Croatia	100.00	direct	Full	100.00	direct	Full
J&T VENTURES I uzavřený podílový fond[6]	Czech Republic	97.39	direct	Full	94.14	direct	Full
J&T DIVIDEND Fund	Malta	—	—	—	56.77	direct	Full
Rustonka Development II s.r.o.	Czech Republic	100.00	direct	Asset acquisition	100.00	direct	Asset acquisition
JTFG FUND I SICAV, a.s.	Czech Republic	60.54	direct	Full	—	—	—

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Company name	Country of incorporation	December 2021			December 2020		
		Consoli-dated %	Ownership interest	Consolida-tion method	Consoli-dated %	Ownership interest	Consolida-tion method
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	Slovakia	100.00	direct	Full	–	–	–
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00	direct	Full	100.00	direct	Full
Bayshore Merchant Services Inc.	Barbados	100.00	direct	Full	100.00	direct	Full
J&T Trust Inc.	Barbados	100.00	direct	Full	100.00	direct	Full
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00	direct	Full	100.00	direct	Full
Equity Holding, a.s.	Czech Republic	62.64	direct	Full	62.64	direct	Full
Butcher313, s.r.o.	Czech Republic	30.00	direct	Equity	30.00	direct	Equity
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct	Full
Hotel Kadashevskaya, LLC	Russia	99.90	direct	Full	99.90	direct	Full
Narcissus s.r.o.	Czech Republic	49.00	direct	Equity	49.00	direct	Equity
J&T Global Finance VIII., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Global Finance IX., s.r.o	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T Global Finance X., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Global Finance XI., s.r.o.	Czech Republic	100.00	direct	Full	–	–	–
J&T Global Finance XII., s.r.o.	Slovakia	100.00	direct	Full	–	–	–
J&T SERVICES ČR, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T SERVICES SR, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct	Full
365.bank, a.s. (Poštová banka, a.s.)	Slovakia	98.46	direct	Full	98.46	direct	Full
Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a.s.)	Slovakia	–	–	–	78.77	direct	Full
365.life, d. s. s., a. s. (Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.)	Slovakia	98.46	direct	Full	98.46	direct	Full
365.invest, správ. spol., a. s. (PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.)	Slovakia	98.46	direct	Full	98.46	direct	Full
PB Servis, a.s. (POBA Servis, a. s.)	Slovakia	98.46	direct	Full	98.46	direct	Full
PB PARTNER, a.s. v likvidácii	Slovakia	–	–	–	98.46	direct	Full
PB Finančné služby, a.s.	Slovakia	98.46	direct	Full	98.46	direct	Full
SKPAY, a. s. (SPPS, a. s.)	Slovakia	39.38	direct	Equity	39.38	direct	Equity
365.fintech, a.s.	Slovakia	98.46	direct	Full	98.46	direct	Full
ART FOND – Stredoeurópsky fond súčasného umenia, a.s.	Slovakia	86.63	direct	Full	–	–	–
Ahoj, a.s. (Amico Finance, a.s.)	Slovakia	98.46	direct	Full	93.53	direct	Full
Cards&Co, a. s.	Slovakia	100.00	direct	Full	100.00	direct	Full
DanubePay, a. s.	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T NOVA Hotels SICAV, a.s.[7]	Czech Republic	99.20	direct	Full	99.20	direct	Full
DIAMOND HOTELS SLOVAKIA, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct	Full
BHP Tatry, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct	Full
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.[8]	Czech Republic	99.17	direct	Full	99.17	direct	Full
FORESPO SOLISKO a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
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Company name	Country of incorporation	December 2021 Consoli-dated %	December 2021 Ownership interest	December 2021 Consolida-tion method	December 2020 Consoli-dated %	December 2020 Ownership interest	December 2020 Consolida-tion method
FORESPO HELIOS 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO HELIOS 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO HOREC a SASANKA a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO PÁLENICA a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
INVEST-GROUND a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO-RENTAL 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO-RENTAL 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO BDS a.s.	Czech Republic	99.17	direct	Full	99.17	direct	Full
DEVEL PASSAGE s.r.o.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO DUNAJ 6 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
RDF International, spol. s r.o.	Slovakia	99.17	direct	Full	99.17	direct	Full
J&T LOAN FUND[9]	Malta	99.23	direct	Full	99.23	direct	Full
J&T Wine Holding SE	Czech Republic	100.00	direct	Full	100.00	direct	Full
Wine Resort Pouzdřany, s.r.o.	Czech Republic	100.00	direct	Full	—	-	-
OUTSIDER LIMITED	Cyprus	100.00	direct	Full	100.00	direct	Full
Chateau Teyssier (Société civile)	France	80.00	direct	Full	80.00	direct	Full
CT Domaines	France	80.00	direct	Full	80.00	direct	Full
SAXONWOLD LIMITED	Ireland	80.00	direct	Full	80.00	direct	Full
World's End	U.S.A.	80.00	direct	Full	80.00	direct	Full
KOLBY a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
Reisten, s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Mezzanine, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
URE HOLDING LIMITED	Cyprus	45.00	direct	Equity	45.00	direct	Equity
JTH Vision, s. r. o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
JTH Letňany s.r.o.	Czech Republic	50.00	direct	Equity	—	—	—
J&T Credit Participation, s.r.o.	Czech Republic	100.00	direct	Full	—	—	—

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

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

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

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

4 The Group owns a 53.08% share in J&T REALITY otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 35.80% share through the subsidiary 365.bank, a.s. (Poštová banka, a.s.).

5 The Group owns a 84.17% share in J&T Banka d.d. through J&T BANKA, a.s. and another 11.86% share through the subsidiary ALTERNATIVE UPRAVLJANJE d.o.o.

6 The Group owns a 94.14% share in J&T VENTURES I otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 3.25% share through the subsidiary J&T IB and Capital Markets, a.s.

7 The Group owns a 48.35% share in J&T NOVA Hotels SICAV, a.s. through J&T BANKA, a.s. and another 50.85% share through the subsidiary 365.bank, a.s. (Poštová banka, a.s.).

[8] The Group owns a 46.51% share in Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. through J&T BANKA, a.s. and effectively another 52.66% share through the subsidiary 365.bank, a.s. (Poštová banka, a.s.).

[9] The Group owns a 49.99% share in J&T LOAN FUND through J&T BANKA, a.s. and another 49.24% share through the subsidiary 365.bank, a.s. (Poštová banka, a.s.).

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 27 April 2022 on the statutory consolidated financial statements included in the consolidated annual report of J&T Finance Group SE, prepared in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements. The accompanying consolidated annual report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory consolidated annual report. Consequently, neither it nor this copy of the auditor's report is a legally binding document. We did not audit the consistency of the accompanying consolidated annual report with the statutory and legally binding consolidated annual report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying consolidated annual report.

Independent Auditor's Report to the Shareholders of J&T Finance Group SE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of J&T Finance Group SE ("the Company") and its subsidiaries (together "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 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated 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), which may be supplemented and 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.

Expected credit losses for loans and advances to customers at amortised cost and loan commitments and guarantees

As at 31 December 2021, loans and advances to customers amounted to EUR 7,886,996 thousand (31 December 2020: EUR 7,581,835 thousand) and related expected credit losses amounted to EUR 433,719 thousand (31 December 2020: EUR 421,691 thousand).

Refer to Note 3 (Significant accounting policies), Note 23 (Loans and advances to customers) and Note 26 (Amounts arising from expected credit losses) in the notes to the consolidated financial statements.

Key audit matter

The Group's management makes material and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to customers (together "credit exposures"). We consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

In the process, the credit exposures are allocated into one of the three stages prescribed by IFRS 9 Financial instruments in order to estimate the loss allowances. Stage 1 and Stage 2 credit exposures are performing exposures, with Stage 2 credit exposures being those for which significant increase in credit risk since origination has been observed. Stage 3 credit exposures are non-performing, credit-impaired exposures.

In estimating the ECLs, the Group considers future cash repayment scenarios, also taking into account the recoverable value of underlying collateral, where relevant. Other key assumptions and judgements in the calculation of the Expected Credit Losses include the following:

- significant increase in credit risk (SICR);
- estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters;
- estimate of credit conversion factor (CCF) for off-balance sheet exposures;
- forward-looking information (FLI) based on scenarios of expected development of selected macroeconomic indicators.

How the audit matter was addressed

Assisted by our own credit risk specialists, valuation and information technology (IT) specialists, we performed, among others, the procedures outlined below:

Assessing the Group's credit and loan impairment policies, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of identifying indicators of default, significantly increased credit risk, and allocating of credit exposures to Stages. In addition, we tested IT control environment for data security and access.

Evaluating whether in its loan staging and ECL measurement the Group appropriately considered the effects of the market disruption resulting from the ongoing COVID-19 pandemic and other aspects of current market conditions such as growth of energy prices and inflationary pressure.

Testing the design, implementation and operating effectiveness of the selected controls within the financial reporting process relating to the ECL estimates, including those over the matching of incoming payments, calculation of days past due, calculation of effective interest rate, collateral valuation and the overall ECL estimate. We performed the testing by inquiry, in combination with observation, inspection of underlying documentation, selected recalculations and, where applicable, reperformance of the controls.

Challenging the key judgments and assumptions applied in the ECL measurement as follows:

- definition of default and of SICR and application thereof – by assessing whether the financial instruments standard's definition of default and staging criteria were consistently applied;
- PD parameter – by reference to external market and internal historical defaults data, and considering any required adjustments to reflect expected changes in circumstances;
- LGD and EAD parameters – by reference to the Company's historical and contractual data and considering any required adjustments to reflect expected changes in circumstances; and
- forward-looking indicators as well as management overlays – by means of corroborating inquiries of the Management Board, applying our knowledge of the marketand inspecting publicly available data and reports.

For a sample of credit exposures, by reference to the underlying documentation (loan files) and through inquiries of the Group's credit officers, evaluating whether the exposures were allocated to appropriate stages of IFRS 9, and whether appropriate internal rating, PD, EAD, CCF and LGD parameters were applied to on-balance and off-balance sheet exposures in determining the related ECLs. As part of the procedure, we specifically focused on the robustness of the Group's financial analysis of the borrower, the repayment pattern for the loan and the collateral provided.

Challenging the loan collateral valuation methods applied (including the appropriateness of any haircuts applied) on a sample of loans pledged by the real estate collateral. As part of the procedure, among other things, we challenged the assumptions applied by the Group by reference to independent market sources (including market pricing data).

Assessing the accuracy and completeness of the Group's disclosures on the loss allowances and the 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 consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

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

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

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

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

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

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process. The Audit Committee is responsible for monitoring the Group's financial reporting process.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 3 October 2014 and our uninterrupted engagement has lasted for 9 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 April 2022 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of consolidated financial statements included in the consolidated annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the consolidated financial statements.

Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of consolidated financial statements that comply with the ESEF Regulation. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation;
- the preparation of consolidated financial statements included in the consolidated annual report in the applicable XHTML format; and
- the selection and application of XBRL mark-ups as required by the ESEF Regulation.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the consolidated financial statements included in the consolidated annual report comply, in all material respects, with the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000").

The nature, timing and extent of procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with the above standard will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included:

- obtaining an understanding of the requirements of the ESEF Regulation;
- obtaining an understanding of the Company's internal control relevant to the application of the ESEF Regulation;
- identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to evaluate whether:

- the consolidated financial statements included in the consolidated annual report were prepared in the applicable XHTML format;
- the disclosures in the consolidated financial statements as specified in the ESEF Regulation were marked up, with all mark-ups meeting the following requirements:
  - the XBRL mark-up language was used;
  - the elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
  - the mark-ups complied with the common rules on mark-ups specified in the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's consolidated financial statements for the year ended 31 December 2021 included in the consolidated annual report are, in all material respects, in compliance with the ESEF Regulation.

Statutory Auditor Responsible for the Engagement

Ondřej Fikrle is the statutory auditor responsible for the audit of the consolidated financial statements of J&T Finance Group SE as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague, 27 April 2022

Unsigned copy

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

Unsigned copy

Ondřej Fikrle
Partner
Registration number 2525

2.0
billion EUR

Equity grew
by 16.8 %

Income statement for the year ended 31 December 2021

In thousands of CZK	Note	2021	2020
Interest income calculated using effective interest rate method	6	860,301	852,366
Other interest income	6	17,371	2,652
Interest expense	6	(917,095)	(839,397)
Net interest income		**(39,423)**	**15,621**
Fee and commission income	7	53,105	57,515
Fee and commission expense	7	(9,896)	(38,552)
Net fee and commission income		**43,209**	**18,963**
Financial markets, net result	8	(9,340)	168,538
Other operating income	11	14,353	17,103
Total income		**8,799**	**220,225**
Personnel expenses	12	(23,612)	(29,789)
Depreciation and amortisation	29, 25	(12,765)	(23,381)
Net impairment gains / (losses) on loans, loan commitments and financial guarantees	26	581,087	(592,413)
Net impairment losses of financial assets except loans, loan commitments and financial guarantees	21	131	—
Other operating expenses	13	(78,190)	(74,049)
Total expenses		**466,651**	**(719,632)**
Profit from operations		**475,450**	**(499,407)**
Profit from equity accounted investments in subsidiaries	12	3,927,994	1,688,774
Profit before tax		**4,403,444**	**1,189,367**
Income tax	13	(97,255)	10,391
Profit for the period		**4,306,189**	**1,199,758**

The notes presented on page 188 to 250 form an integral part of the separate financial statements.

Statement of comprehensive income for the year ended 31 December 2021

In thousands of CZK	2021	2020
Profit for the period	**4,306,189**	**1,199,758**
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	2,500	(1,145)
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences	(187,006)	(615,878)
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components	51,772	113,057
Other comprehensive income for the period, net of income tax	**(132,734)**	**(503,966)**
Total comprehensive income for the period	**4,173,455**	**695,792**

The notes presented on page 188 to 250 form an integral part of the separate financial statements.

The separate financial statements were approved by the Board of Directors on 27 April 2022.

Signed on behalf of the Board of Directors:

Dušan Palcr
Vice-Chairman of the Board of Directors
J&T FINANCE GROUP SE

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

Statement of financial position as at 31 December 2021

In thousands of CZK	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	14	5,687,062	765,810
Financial assets for trading	15	738,347	740,986
Hedging derivatives	16	491,285	287,544
Investment securities measured at fair value through profit or loss	17	56,783	73,808
Investment securities at fair value through other comprehensive income	18	302,688	302,691
Loans and advances to banks	19	—	—
Loans to customers	20	13,050,451	15,307,039
Trade receivables and other assets	21	68,523	87,032
Current income tax receivable		61,932	29,431
Investments in subsidiaries	23	44,008,268	40,761,236
Intangible assets	24	659	760
Property, plant and equipment	25	165,262	213,781
Total assets		**64,631,260**	**58,570,118**
Liabilities			
Loans from banks	26	4,158,081	3,352,690
Loans from customers	27	14,917,652	13,363,823
Debt securities issued	28	—	3,615
Other liabilities	30	195,229	469,888
Provisions	31	8,076	86,581
Deferred tax liabilities	32	183,644	4,048
Total liabilities		**19,462,682**	**17,280,645**
Equity			
Share capital		15,780,308	15,780,308
Share premium		2,551,766	2,551,766
Retained earnings and other reserves		26,836,504	22,957,399
Total equity		**45,168,578**	**41,289,473**
Total equity and liabilities		**64,631,260**	**58,570,118**

The notes presented on page 188 to 250 form an integral part of the separate financial statements.

Statement of changes in equity for the year ended 31 December 2021

In thousands of CZK	Note	Share capital	Share premium	Non-distributable reserves
Balance as at 1 January 2021		**15,780,308**	**2,551,766**	**200,082**
Profit for the period		–	–	–
Other comprehensive income for the period, net of tax – items that are or may be reclassified subsequently to profit or loss		–	–	–
Foreign exchange translation differences		–	–	–
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences		–	–	–
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components		–	–	–
Other comprehensive income for the period, net of tax		**–**	**–**	**–**
Total comprehensive income for the period		**–**	**–**	**–**
Issue of other capital instruments	33	–	–	–
Bonus payments from other capital instruments	33	–	–	–
Balance as at 31 December 2021		**15,780,308**	**2,551,766**	**200,082**

See Note 33 Equity.

Translation reserve	Other reserves and funds	Retained earnings	Total equity	
(2,268,875)	**6,425,610**	**18,600,582**	**41,289,473**	**Balance as at 1 January 2021**
–	–	4,306,189	4,306,189	Profit for the period
(184,506)	51,772	–	(132,734)	Other comprehensive income for the period, net of tax – items that are or may be reclassified subsequently to profit or loss
2,500	–	–	2,500	Foreign exchange translation differences
(187,006)	–	–	(187,006)	Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences
–	51,772	–	51,772	Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components
(184,506)	**51,772**	**–**	**(132,734)**	**Other comprehensive income for the period, net of tax**
(184,506)	**51,772**	**4,306,189**	**4,173,455**	**Total comprehensive income for the period**
–	–	–	–	Issue of other capital instruments
–	–	(294,350)	(294,350)	Bonus payments from other capital instruments
(2,453,381)	**6,477,382**	**22,612,421**	**45,168,578**	**Balance as at 31 December 2021**

Statement of changes in equity for the year ended 31 December 2020

In thousands of CZK	Note	Share capital	Share premium	Non-distributable reserves
Balance as at 1 January 2020		**15,780,308**	**2,551,766**	**200,082**
Profit for the period		–	–	–
Other comprehensive income for the period, net of tax – items that are or may be reclassified subsequently to profit or loss		–	–	–
Foreign exchange translation differences		–	–	–
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences		–	–	–
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components		–	–	–
Other comprehensive income for the period, net of tax		**–**	**–**	**–**
Total comprehensive income for the period		**–**	**–**	**–**
Issue of other capital instruments	33	–	–	–
Bonus payments from other capital instruments	33	–	–	–
Balance as at 31 December 2020		**15,780,308**	**2,551,766**	**200,082**

See Note 33 Equity.

Translation reserve	Other reserves and funds	Retained earnings	Total equity	
(1,651,852)	**5,812,553**	**17,673,999**	**40,366,856**	**Balance as at 1 January 2020**
–	–	1,199,758	1,199,758	Profit for the period
(617,023)	113,057	–	(503,966)	Other comprehensive income for the period, net of tax – items that are or may be reclassified subsequently to profit or loss
(1,145)	–	–	(1,145)	Foreign exchange translation differences
(615,878)	–	–	(615,878)	Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences
–	113,057	–	113,057	Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components
(617,023)	**113,057**	**–**	**(503,966)**	**Other comprehensive income for the period, net of tax**
(617,023)	**113,057**	**1,199,758**	**695,792**	**Total comprehensive income for the period**
–	500,000	–	500,000	Issue of other capital instruments
–	–	(273,175)	(273,175)	Bonus payments from other capital instruments
(2,268,875)	**6,425,610**	**18,600,582**	**41,289,473**	**Balance as at 31 December 2020**

Statement of cash flows for the year ended 31 December 2021

In thousands of CZK	Note	2021	2020
Cash flows from operating activities			
Profit before tax		4,403,444	1,189,367
Adjustments for:			
Depreciation and amortisation	24, 25	12,765	23,381
Unrealised profit on investment securities at fair value through profit and loss	17	(24,021)	126,908
Net interest income	6	39,423	(15,621)
Profit from equity accounted investments in subsidiaries	12	(3,927,994)	(1,688,774)
(Decrease) / increase in allowance for impairment of loans, loan commitments and financial guarantees	22	(581,087)	592,413
Unrealised foreign exchange (gains) / losses, net	8	442,979	(313,069)
Operating loss before changes in working capital		**365,509**	**(85,395)**
(Increase) / decrease in operating assets			
Change in financial assets for trading	15	2,639	(887,780)
Change in hedging derivative assets	16	513,159	(237,895)
Change in investment securities at fair value through profit or loss	17	3,895	363,001
Change in loans and advances to customers and banks	19, 20	1,584,149	(1,366,498)
Change in trade receivables and other assets	21	18,509	(15)
Change in other liabilities	30	1,520	3,962
Cash flows generated from (used in) operating activities		**2,489,380**	**(2,210,620)**
Interest received	19, 20	973,324	422,175
Interest paid	26, 27	(804,826)	(1,004,286)
Income taxes paid	13	(125,089)	(68,306)
Cash flows generated from (used in) operating activities		**2,532,789**	**(2,861,037)**

In thousands of CZK	Note	2021	2020
Cash flows from investing activities			
Purchase of financial instruments at fair value through other comprehensive income	18	—	(2)
Proceeds from sale of financial instruments at fair value through other comprehensive income	18	37,154	26,806
Acquisition of property, plant and equipment, investment property and intangible assets	25	(3,321)	(10,187)
Capital contributions from equity accounted investees	23	—	4,067,675
Capital contributions to equity accounted investees	23	(236,000)	(149,290)
Dividends received	23	—	105,000
Net cash flows used in investing activities		**(202,167)**	**4,040,002**
Cash flows from financing activities			
Proceeds from issued debt securities	28	(3,615)	101
Change in loans from banks and customers	26	2,897,877	(2,839,586)
Payments of lease liabilities (principal)	36	(9,282)	(24,024)
Issue of other capital instruments		—	,500,000
Bonus payments from other capital instruments	34	(294,350)	(273,175)
Dividends paid		—	—
Cash flows generated from / (used in) financing activities		**2,590,630**	**(2,636,684)**
Net decrease/increase in cash and cash equivalents		**4,921,252**	**(1,457,419)**
Cash and cash equivalents as at the beginning of the year	**14**	**765,810**	**2,223,529**
Effect of exchanges rate fluctuations cash held		**—**	**—**
Cash and cash equivalents as at the end of the year	**14**	**5,687,062**	**765,810**

The notes presented on page 188 to 250 form an integral part of the separate financial statements.

Notes to the separate financial statements

1. General information

J&T FINANCE GROUP SE (the "the Company") is a European joint-stock company (Societas Europaea) having its legal seat and domicile at Sokolovská 700/113a, 186 00 Praha 8.

The shareholders of the Company as at 31 December 2021 and 31 December 2020 were as follows:

	Interest in share capital In millions of CZK	Interest in share capital %	Voting rights (registered) In millions of CZK	Voting rights (registered) %
Jozef Tkáč	7,109	45.05	7,109	45.05
Ivan Jakabovič	7,109	45.05	7,109	45.05
Rainbow Wisdom Investment Limited	1,562	9.90	1,562	9.90
Total	**15,780**	**100.00**	**15,780**	**100.00**

The Company, as a financial investor, actively takes positions in a diversified range of investment opportunities including investments in banks, investments in securities and structured investments, such as special project financing, acquisitions financing.

In 2013, the Company established its administrative branch in Slovakia, J&T FINANCE GROUP SE, organizačná zložka. Its principal activities include mediation of providing loans and borrowings from funds solely acquired without a public invitation and without a public offer of property values, lease of real estate without providing other than basic services associated with the lease, mediation services in the field of trade, services and manufacture, business, organizational and economic advisory, and advertising and marketing services.

The members of the Board of Directors as at 31 December 2021 were as follows:

The members of the Board of Directors as at 31 December 2021 were as follows:

Jozef Tkáč – chairman

Ivan Jakabovič – vice chairman

Patrik Tkáč – vice chairman

Dušan Palcr – vice chairman

Štěpán Ašer – member

Igor Kováč – member

The members of the Board of Directors as at 31 December 2020 were as follows:

Jozef Tkáč – chairman

Ivan Jakabovič – vice chairman

Patrik Tkáč – vice chairman

Dušan Palcr – vice chairman

Štěpán Ašer – member

Igor Kováč – member

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") effective for the year ended 31 December 2021, as adopted by the European Union ("EU"). These are Company's separate financial statements prepared in accordance with IFRSs.

The separate financial statements were approved by the Board of Directors on 27 April 2022.

(b) Basis of preparation

The separate financial statements have been prepared under the historical cost convention, except for investment property, derivative financial instruments, financial assets and liabilities at fair value through profit or loss, investment securities at fair value through other comprehensive income, which are at fair value and equity accounted investments in subsidiaries.

The separate financial statements are presented in the Czech koruna, rounded to the nearest thousand. The functional currency is also the Czech koruna ("CZK"). The accounting policies have been consistently applied to all periods presented in these separate financial statements. The accounting policies take into account newly adopted IFRS (see below).

Financial statements prepared in compliance with International Financial Reporting Standards require various judgements, assumptions, and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and judgements made by management with a significant risk of material adjustment in the next year are discussed in Note 4 Critical accounting estimates and assumptions.

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

The following standards, amendments to standards and interpretations are effective for the first time for the year ended 31 December 2021 and have been applied in preparing the Company's financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform. They also introduce disclosures enhancing the understanding of the nature and extent of risks arising from the IBOR reform and how these risks are managed by the entity as well as its progress and management of transitioning from IBORs to alternative benchmark rates.

These amendments, effective for the first time for the year ended 31 December 2021, did not have any material impact on the Company's separate financial statements unless stated otherwise above.

Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective or not yet adopted by the EU for the year ended 31 December 2021, and have not been applied in preparing these financial statements:

- Amendment to IFRS 16 published in March 2021 presenting Covid-19-Related Rent Concessions beyond 30 June 2021. The amendment extends by one year the application period of the IFRS 16 amendment published in May 2020 with the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. This amendment applies only to lessees and allows for concessions that are a direct consequence of COVID-19 not to be presented as modifications. The Company as a lessee does not expect any impact of this amendment on its financial statements.
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022) update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022) prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, proceeds from selling such items, and the cost of producing those items, are recognized in profit or loss.
- Amendments to IAS 37: Provision, Contingent Liabilities Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract' that can either be incremental costs of fulfilling the contract (e.g., direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements to IFRS Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022:
  - IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
  - IFRS 9 – The amendment clarifies that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, are to be included when applying 10% test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
  - IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor due to possible confusion that might arise because of how lease incentives are illustrated in that example.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- IFRS 17: Insurance contracts and Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023, with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied; not yet endorsed in the EU) requires insurance liabilities to be measured at a current fulfilment value instead of historical costs and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts as of 1 January 2023.
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) issued on 9 December 2021, providing insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17 and IFRS 9.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023; not yet endorsed in the EU) help to determine whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Now, IAS 1 will require entities to disclose their material accounting policies rather than their significant accounting policies.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023) that replace definition of a change in accounting estimates is with a definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
- Amendment to IAS 12 Income tax: deferred tax liabilities and deferred tax assets. The amendment refers to deferred tax when the initial recognition of a transaction results in taxable temporary differences and deductible temporary differences and may relate to temporary differences relating to right-of-use assets and lease liabilities (published on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023, not yet endorsed by the EU).

The Company expects that these new standards amendments and interpretations, issued but not yet effective, will not have a material impact on the Company's financial statements unless stated otherwise above.

Other new International Financial Reporting Standards and Interpretations not yet effective

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

3. Significant accounting policies

(a) Investments in subsidiaries

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The separate financial statements include the Company's share of the total recognised gains and losses of its subsidiaries on an equity accounted basis. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable are recognised as a reduction in the carrying amount of the investment. When the Company's share of losses exceeds the carrying amount of the subsidiary, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Company has incurred obligations in respect of the related entity.

Unrealised gains on transactions between the Company and its investees are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 4.2.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate valid as at the statement of financial position date.

Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at the foreign exchange rates ruling at the dates the fair values are determined.

(ii) Translation of foreign operations

The separate financial statements are presented in the Czech koruna (CZK) as the Company's functional currency. The Company has established its foreign branch in Slovakia with functional currency Euro and has several subsidiaries which measure the items included in their financial statements using the currency of the primary economic environment in which the entities operate (the functional currency).

The assets and liabilities of foreign operations are translated into Czech koruna at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated into Czech koruna at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in other comprehensive income.

(c) Financial instruments

(i) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which the financial asset is managed and the contractual cash flow characteristics of the instrument.

The classification of debt instruments is determined based on:

a) The business model under which the asset is held, and

b) The contractual cash flow characteristics of the instrument.

The Company makes an assessment of the objectives 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 Company considers information such as the stated policies and objectives for the portfolio and the operation of those policies, 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, or the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The assessment of the contractual cash flow characteristics determines whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a lending arrangement, the SPPI test is not passed. When performing the SPPI test, the Company takes into consideration the following factors: non-standard interest rate, financial leverage, early repayment options, longer repayment options, non-recourse arrangement, contract-linked instruments, hybrid instruments, instruments purchased with a significant discount/premium.

The Company has more than one business model for managing its financial instruments, which reflect how the Company manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company defines business models as follows:

- "Hold and collect"
- "Hold, collect and sell"
- "Mandatorily at fair value"
- "Trading"
- "Fair value option"

The strategy "Hold and collect" has as an objective to hold financial assets in order to collect contractual cash flows of both principal and interest payments.

The strategy "Hold, collect and sell" has as an objective to both collect contractual cash flows and sell financial assets.

The strategy "Mandatorily at FV" is used for financial assets that are held for the purpose of holding and collecting or holding and collecting and selling, but that have not passed the SPPI test and cannot be measured at AC or FVOCI.

The strategy "Trading" has active trading as its objective. Assets for which this strategy is used are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

The strategy "Fair value option" is used for assets that are at initial recognition irrevocably designated as measured at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains and losses using different bases.

The assessment above being made, the financial assets are classified into one of the following measurement categories:

a) Financial assets at amortised cost (AC)

The relevant business model is to hold assets to collect contractual cash flows and the SPPI test is passed. Examples of such financial assets are loans, investment securities previously held to maturity or trade receivables. Expected credit losses ("ECL"; see below) are calculated and recognized in profit or loss for this category of financial assets. Foreign exchange ("FX") differences as well as interest revenues accrued using the effective interest rate ("EIR") method are also recognized in profit or loss.

b) Financial assets at fair value through other comprehensive income (FVOCI)

In order to be classified as FVOCI, the asset either i) meets the SPPI test and is held within the business model "Hold, collect and sell", which has the objective of both collecting contractual cash flows and selling the financial asset or ii) the asset is an equity instrument that does not meet the SPPI test but is not held for trading and the Company elected to measure such instrument at fair value through other comprehensive income.

Thus, there are two types of instruments that can be classified as FVOCI and the accounting treatment for these financial assets is different:

i) Debt instruments meeting the SPPI test within the business model "Hold, collect and sell"

Under this accounting treatment ECL are recognized in profit or loss and the changes in the fair value of the instrument are recognized in OCI. FX differences in relation to the amortised cost, including impairment, are recognized in profit or loss. Interest revenues calculated using EIR are recognized in profit or loss.

When the financial asset is derecognized, a gain or loss is recognized in profit loss as a result of reclassification of the gain or loss from OCI to profit or loss.

ii) Equity instruments not held for trading where the FVOCI option was elected.

Under this treatment ECL are not calculated, as these assets are already measured at fair value and changes in fair value are recognized in other comprehensive income (OCI) and will not be reclassified to profit or loss upon disposal. FX differences are recognized in OCI as part of the revaluation reserve.

When the equity instrument is sold, the corresponding gain or loss remains in equity.

Dividends from these financial assets are recognized in profit or loss.

c) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the conditions for being classified and measured under one of the two previous categories are classified and measured at fair value through profit or loss.

Financial assets that are acquired to be actively traded (trading business model) are also classified and measured at FVTPL.

Furthermore, an entity may at initial recognition irrevocably designate a financial asset to be measured at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains and losses using different bases.

For this category of assets ECL are not calculated and recognized. Changes is fair value are recognized in profit or loss. FX differences are recognized in profit or loss as well.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Liabilities are classified and measured at amortized cost, with the exception of:

- Financial liabilities held for trading including derivatives – these are measured at FVTPL;
- Financial liabilities that use the option to be measured at FVTPL at acquisition – designated at FVTPL.

In case of liabilities at FVTPL, the change in fair value resulting from a change in the Company's own credit risk is presented in OCI, while the remaining change in fair value is presented in profit or loss.

The following table provides a reconciliation between the line items in the statement of financial position and categories of financial instruments.

31 December 2021

In thousands of CZK	Note	Mandatorily at FVTPL	FVOCI – derivatives	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	14	–	–	–	5,687,062	5,687,062
Financial assets held for trading	15	738,347	–	–	–	738,347
Investment securities measured at fair value through profit or loss	17	56,783	–	–	–	56,783
Investment securities at fair value through other comprehensive income	18	–	–	302,688	–	302,688
Loans to customers	20	–	–	–	13,050,451	13,050,451
Trade receivables and other financial assets under risk management	21	–	–	–	66,430	66,430
Hedging derivatives	16	–	491,285	–	–	491,285
Total financial assets		**795,130**	**491,285**	**302,688**	**18,803,943**	**20,393,046**
Loans from banks	26	–	–	–	4,158,081	4,158,081
Loans from customers	27	–	–	–	14,917,652	14,917,652
Other financial liabilities under risk management	30	–	–	–	189,072	189,072
Total financial liabilities		**–**	**–**	**–**	**19,264,805**	**19,264,805**

31 December 2020

In thousands of CZK	Note	Mandatorily at FVTPL	FVOCI – derivatives	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	14	–	–	–	765,810	765,810
Financial assets for trading	15	740,986	–	–	–	740,986
Investment securities measured at fair value through profit or loss	17	73,808	–	–	–	73,808
Investment securities at fair value through other comprehensive income	18	–	–	302,691	–	302,691
Loans to customers	20	–	–	–	15,307,039	15,307,039
Trade receivables and other financial assets under risk management	21	–	–	–	784,916	784,916
Hedging derivatives	16	–	287,544	–	–	287,544
Total financial assets		**814,794**	**287,544**	**302,691**	**16,857,765**	**18,262,794**
Loans from banks	26	–	–	–	3,352,690	3,352,690
Loans from customers	27	–	–	–	13,363,823	13,363,823
Debt securities issued	28	–	–	–	3,615	3,615
Other financial liabilities under risk management	30	–	–	–	468,855	468,855
Total financial liabilities		**–**	**–**	**–**	**17,188,983**	**17,188,983**

(ii) Recognition

Financial instruments for trading, investment securities measured at fair value through profit and loss and investment securities measured at fair value through other comprehensive income are recognised on the date the Company commits to purchase the assets. Regular way purchases and sales of other financial assets including investment securities at amortised cost are accounted for on the settlement date.

Loans and advances to banks and customers are recognised on the day they are provided by the Company.

(iii) Measurement

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and advances to customers and investment securities at amortised cost. After initial recognition, financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the statement of financial position date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the statement of financial position date.

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

Fair value information

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

Loans from banks and customers: The estimated fair value of fixed-maturity loans is based on discounted cash flows using the appropriate yield curve.

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

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

(v) Gains and losses on subsequent measurement

Gains and losses arising from changes in fair value are recognised in the income statement for instruments held for trading or measured at fair value through profit or loss and directly in other comprehensive income for instruments at fair value through other comprehensive income, except for impairment gains and losses, and foreign exchange gains and losses in the case of debt instruments measured at fair value through other comprehensive income. The cumulative gains or losses of debt instruments at fair value through other comprehensive income, previously recognised in other comprehensive income, are reclassified to profit or loss as a reclassification adjustment, when assets at fair value through other comprehensive income are derecognised. In the case of equity instruments, the cumulative gains or losses from investment securities at fair value through other comprehensive income remain in the equity under IFRS 9 and are not reclassified to profit or loss anymore. Interest income and expenses, from debt instruments at fair value through other comprehensive income, are recorded in the Income statement by applying the effective interest rate method. Dividends from equity instruments at fair value through other comprehensive income are recognised in profit or loss.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire, or the Company transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred a or in which the Company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is derecognised when the Company's obligations specified in the contract expire or are discharged or cancelled.

Investment securities at fair value through other comprehensive income, financial assets for trading and investment securities measured at fair value through profit or loss that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as at the date the Company commits to sell the assets.

Investment securities at amortised cost and loans and advances to banks and customers are derecognised on the day they are disposed of by the Company. If control over investment securities at amortised cost and loans and advances is passed to third parties, the carrying amount of disposed asset at amortised cost is first adjusted through creation or reversal of impairment in the income statement to the lower of selling price and gross value.

(vii) Hedge accounting

The Company uses IFRS 9 for the purposes of hedge accounting.

Hedging instruments that consist of derivatives associated with a currency risk are classified either as cash-flow hedges, fair value hedges or net investment hedges.

From the inception of the hedge, the Company maintains a formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. The Company also periodically assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item attributable to the hedged risk.

In case of a cash flow hedge and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur in case of a cash flow hedge, then the balance in equity is reclassified to profit or loss. In case of a net investment hedge the balance in equity is reclassified to profit and loss when the foreign net investment hedged is disposed of.

In case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss together with the changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line as the hedged item).

(viii) Embedded derivatives

Hybrid financial instruments are a combination of non-derivative host contracts and derivative financial instruments (embedded derivatives). According to IFRS 9, embedded derivative components are separated from the host contracts when:

- The host contract is not an asset in the scope of IFRS 9;
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e., a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

Separated embedded derivatives are carried at fair value with changes recorded in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents represent cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Company includes into Cash and cash equivalents cash on hand, cash deposited with central banks (except for obligatory minimum reserves) and other short term highly liquid investments with original maturities of three months or less, such as Loans from reverse repurchase agreements with maturities of less than three months, Current account with banks and Loans and advances with original maturities of three months or less.

(e) Loans and advances to banks and customers

Loans and advances originated by the Company are classified and measured according to the criteria described in Note (c). Loans and advances are reported net of impairment allowance (refer to accounting policy (h)).

Modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. The Company considers modifications substantial, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original loan. In such case, the original financial asset is derecognized, and a new financial asset is recognized at its fair value. The difference between the carrying amount of the derecognized asset and the fair value of the new asset is recognized in the income statement.

For all loans, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the income statement.

Details regarding the structure and quality of the credit portfolio are given in Note 37 Risk management policies and disclosures.

(f) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price (repos), they remain on the statement of financial position and a liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell (reverse repos) are not recorded on the statement of financial position and the consideration paid is recorded as a loan. The difference between the sale price and the purchase price is treated as interest and accrued evenly over the life of the transaction. Repos and reverse repos are recognised on a settlement date basis.

(g) Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis or to realise the asset and settle the liability simultaneously.

(h) Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets (refer to accounting policy (v)) and investment property are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash generating unit to which they belong.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. It also applies to loan commitments measured at amortised cost and financial guarantees measured at amortised cost (refer to accounting policy (p)).

For the purposes of ECL calculation, financial assets are categorized into three stages (Stage 1, 2, 3). Financial assets that are impaired at the date of the initial recognition represent a separate category - Purchased or originated credit-impaired assets ("POCI"). At the date of the first recognition, the financial asset is included in Stage 1 or POCI. Subsequent reclassification is carried out according to the occurrence of a significant increase in credit risk (Stage 2) or impairment (default) of the asset (Stage 3).

Stage 1 (12-month ECL)

Financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition remain classified in Stage 1. For financial assets in Stage 1, 12-months expected credit losses are recognized. The expected 12-month credit losses result from the default events that are possible within 12 months after the reporting date. Interest revenue from these assets is calculated from the GCA. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has a low credit risk at the reporting date (further described below).

Stage 2 (lifetime ECL not credit-impaired)

This stage is applicable when the credit risk has increased significantly since initial recognition of the financial asset, but the asset is not credit-impaired. Lifetime ECLs are calculated for this stage, i.e., ECLs that result from all possible default events over the expected life of a financial instrument. Interest revenue from these assets is calculated from the GCA.

Stage 3 (lifetime ECL credit-impaired)

In Stage 3, the credit quality of a financial asset has significantly deteriorated (financial instruments that are considered to be in default). Lifetime expected credit losses are recorded for Stage 3, however, the interest revenue is calculated from the net amortised cost.

Financial assets with low credit risk

The credit risk of a financial instrument is considered to be low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. However, collateral does not influence whether a financial instrument has a low credit risk.

Expected credit losses over the remaining life of a financial instrument are not recorded solely due to the fact that it was considered to be a low-risk financial instrument in the previous financial year but due to this assessment at the end of the reporting period. As of that date, the Company determines whether there has been a significant increase in credit risk since initial recognition and whether it is therefore necessary to report the expected credit losses over the lifetime of the instrument.

At the end of the reporting period the Company assesses individual items classified in Stage 1 with low credit risk and if they do not meet this characteristic, they are reclassified to the relevant stage.

Determining a significant increase in credit risk (SICR) from initial recognition

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company considers the change in the risk of default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information (available without undue cost or effort) that is indicative of significant increases in credit risk since initial recognition.

If there has been a significant increase in credit risk since initial recognition, the exposure is included in Stage 2 and the lifetime ECL is estimated. If there has been no significant increase in credit risk since initial recognition, the exposure remains in Stage 1 (12-months ECL). If the exposure is in default, it is classified to Stage 3.

The assessment of significant increase in credit risk is based on an analysis of qualitative and quantitative factors (see below).

Qualitative factors considered in the assessment:

- The nature of the project being financed has changed with a negative impact on the debtor's ability to generate cash flow,
- The debtor does not meet non-financial contractual obligations for more than six months.

Quantitative factors considered in the assessment:

Credit risk deterioration is considered on the basis of a change in rating since initial recognition. The current rating is compared with the rating assigned at the time of initial recognition. The Company uses an internal rating system with 12 rating grades, the 13th grade being referred to as default:

		Current rating											
		1	2	3	4	5	6	7	8	9	10	11	12
Rating at initial recognition	1	1	1	1	2	2	2	2	2	2	2	2	2
	2	1	1	1	1	2	2	2	2	2	2	2	2
	3	1	1	1	1	2	2	2	2	2	2	2	2
	4	1	1	1	1	1	2	2	2	2	2	2	2
	5	1	1	1	1	1	1	2	2	2	2	2	2
	6	1	1	1	1	1	1	1	2	2	2	2	2
	7	1	1	1	1	1	1	1	1	2	2	2	2
	8	1	1	1	1	1	1	1	1	2	2	2	2
	9	1	1	1	1	1	1	1	1	1	2	2	2
	10	1	1	1	1	1	1	1	1	1	1	2	2
	11	1	1	1	1	1	1	1	1	1	1	1	2
	12	1	1	1	1	1	1	1	1	1	1	1	1

Signs of default

To determine whether a financial asset is in default, the Company assesses the common signs of default listed below:

- The situation when the Company filed a petition for declaring the bankruptcy of the debtor,
- The situation when the debtor has applied for bankruptcy announcement,
- The situation when the bankruptcy was announced,
- The debtor has entered or intends to enter into liquidation,
- The court has ruled that the debtor (legal person) was not founded (does not exist) or the debtor (natural person) has died,
- The final judgement of the court or administrative authority was ordered to enforce the decision to sell the debtor's assets or execute the debtor's assets,
- The situation when the debtor`s liability is overdue for more than 90 days:
  - an overdue loan should be considered significant if both the limit expressed as an absolute amount and the limit expressed as a percentage are exceeded. In order for the debtor to be classified as defaulted on the basis of days past due, the overdue liability must be significant continuously for at least 90 days;
  - the absolute component is expressed as the maximum amount for the sum of all overdue amounts owed by a particular debtor to the Company or to any of its subsidiaries. For non-retail exposures, this amount is set at EUR 500 (or its equivalent);
  - the relative component is expressed as a percentage reflecting the overdue loan amount in relation to the total amount of all balance sheet exposures of the Company towards the relevant debtor or any of its subsidiaries, excluding any exposures involving shares. The percentage is set at 1%.
- The situation when the receivable is forced to be re-structuralized,

- It is proven that more than 20% of the funds provided to the debtor by the Company are used by the debtor for another purpose than stated in the contract.

Purchased or originated credit-impaired financial assets (POCI)

All purchased loans are initially measured at fair value on the date of acquisition. As a result, no allowances for credit losses would be recorded on the date of acquisition. Purchased loans may fit into either of the categories – performing loans or POCI. For assessment whether assets are credit impaired similar criteria to those described above are used (signs of default). Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of acquisition. On the other hand, POCI loans are reflected in Stage 3. Any changes in the expected cash flows since the date of acquisition are recorded as a change in Net impairment losses on loans at the end of the reporting period.

In addition to defaulted loans being purchased, POCI may arise as a result of the restructuring of a borrower in financial difficulties that lead to substantial changes to the loan conditions, resulting into derecognition of the original assets and (new) recognition of the modified asset. For those financial assets, the Company applies the credit-adjusted effective interest rate from initial recognition. The credit-adjusted effective interest rate represents the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

Modifications of financial assets are described in the section Forbearance in more detail.

ECL for commitments and guarantees

For financial commitments and financial guarantees the initial ECL is recognized as provision. Changes in ECL in subsequent periods are recorded as gain or loss in profit or loss.

Determination of expected credit losses

ECLs are in fact the outcome from multiplication of the following parameters: probability of default (PD), expected loss given default (LGD) and exposure at default (EAD).

Determination of probability of default (PD)

Probability of default is assigned as follows:

- If the exposure is included in Stage 1, one-year (or lifetime if expected maturity shorter than 12 months) PD is determined,
- If the exposure is included in Stage 2, the corresponding life-time PD is assigned to the exposure,
- If the exposure is included in Stage 3, PD is 100%.

The calculation of PD applied by the Company is divided into 2 steps:

- Calculation of one-year PDs as the long-term average of observed failure rates,
- Calculation of multi-annual (cumulative) PDs.

The probability of default over the selected number of years is calculated based on an annualized migration matrix. The result is a multi-year (based on the choice of horizon) probability of defaults for a given rating.

Each internal rating grade has been linked to an external rating, so that the corresponding external PD fits into the PD interval for the relevant internal rating grade. If no such external PD exists, the rating closest to the middle of the internal rating interval was used. The following table documents the external ratings to which they correspond:

Internal rating	External rating	Category
1	A	Very low risk
2	BBB	Low risk
3	BBB-	Low risk
4	BB+	Low risk
5	BB	Medium risk
6	BB-	Medium risk
7	B+	Medium risk
8	B	Medium risk
9	B-	Medium risk
10	CCC+	High risk
11	CCC	High risk
12	CCC-	High risk
13	D	Default

Employees of the risk management department are responsible for calculating and updating the relevant PDs in line with the Company methodology. The Company primarily determine scoring for non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Furthermore, the Company determine scoring for the commitments provided, financial guarantees and undrawn limits. Scoring cards are used to assign the internal PDs to the relevant exposures.

Scoring models were developed based on data of the Company and J&T Banka.

Determination of loss given default (LGD)

LGD is an estimate of the loss arising when default occurs at a given time (expressed as a percentage). It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including cash flow from the realization of any collateral. For the calculation of LGDs the Company uses discounting of expected future cash flows.

For exposures above a given threshold, LGD is calculated on an individual basis in the form of scenario analyses, for exposures below a given threshold, LGDs can be calculated on a portfolio basis unless the Company entity already has individualized LGD calculations, e.g., from credit analysis or previous credit ratings.

The individual LGD is determined as the weighted average of relevant cash flows according to the scenario analysis. The Company commonly uses scenarios such as: breach of covenants resulting in full repayment request (first and main scenario), significant decrease in financial performance (i.e., significantly below the thresholds for immediately full repayment of the contract, usually cash flow on 50% level of the first scenario), realization of collateral or severe drop in performance parameters (usually cash flow on 10% level of the first scenario).

In determining the LGD value, the entity takes into account collateral of the receivable, when the entity has a legal right, so that in the event of default of the borrower, the collateral can be realized within a reasonable time. For collateralized receivables, the calculation of the present value of the expected future cash flows also takes into account the expenses associated with the realization of the collateral. For the purposes of LGD calculation, the Company takes into account only collateral up to the amount that is not used as security for other assets or assets of third parties if they are entitled to satisfaction before the Company (i.e., the value of such collateral is reduced by the amount owed to more senior debtors). Furthermore, collateral is used only up to the carrying amount of the collateralized assets recognized in the balance sheet.

Determination of Exposure at Default (EAD)

EAD refers to the level of exposure at default of the client which is then multiplied by PD and LGD in order to calculate the expected credit loss (ECL). Thus, EAD is a discounted estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

For off-balance sheet exposures, the EAD represents the approved undrawn commitment adjusted by a credit conversion factor ("CCF"). The CCFs are determined based on historical experience or on regulatory parameters that were used as starting point and applied on the instruments held by the Company and modified to reflect the specifics of the Company.

Forward looking information

Due to the nature of the Company's portfolio, the Company uses publicly available data external rating agencies to derive PD. Published TTC (through the cycle) and PIT (point in time) matrices derived from long-term time-series of defaults are adjusted by the Company using the FLI indicator.

The principle of deriving PDs from TTC matrices (through the cycle matrices published by Moody's) via the Z-component regression equation projecting the macroeconomic impact remained unchanged. The derivation of the z-component was updated through simulating future GDP scenarios. GDP forecasts are taken from central banks (for World from IMF).

In estimating PDs, the Company considers the ECB's recommendation highlighting the procyclical effect and advocating a longer-term view through TTC PDs to reduce ECL volatility over time. Based on the historical series of central bank forecasts, the ARIMA model is used to simulate GDP forecasts for a given country (for years that are not predicted by central banks, most often for 2024 and 2025). The corresponding z-components are generated for 2021 to 2025 based on these forecasts; for 2026, the return to the TTC matrix (Z = 1) is considered.

The model is not calibrated for extreme falls in GDP, so the z-component was capped at -3.54 for which the model meets the input normality assumption.

Differences in determining PD (and consequently calculating ECL) for 2021 compared with the previous procedure:

- no weights or delays were considered to shift the macroeconomic impact of the statutory moratorium and concessions over time;
- creation of 3 PD scenarios (generated at 25%, 50% and 75% of the GDP forecast quantile) for each country.

Used GDP:

Country	Source of forecast	Year GDP	25%	50%	75%
CZE	CNB	2021	1.18	1.70	2.21
CZE	CNB	2022	0.55	2.25	3.99
CZE	CNB	2023	0.08	2.06	4.13
CZE	CNB	2024	-1.27	2.16	5.46
CZE	CNB	2025	-2.18	2.18	6.31
SVK	NBS	2021	3.38	4.56	5.75
SVK	NBS	2022	2.53	4.15	5.75
SVK	NBS	2023	0.60	2.20	3.72
SVK	NBS	2024	0.57	3.28	5.90
SVK	NBS	2025	0.71	3.34	6.02

Derived z-components:

Country	Source of history	Source of forecast	Year GDP	25%	50%	75%
CZE	IMF	CNB	2021	-1.16	-0.86	-0.57
CZE	IMF	CNB	2022	-0.73	0.26	1.26
CZE	IMF	CNB	2023	-1.02	0.22	1.49
CZE	IMF	CNB	2024	-1.85	0.27	2.28
CZE	IMF	CNB	2025	-2.56	0.24	2.92
SVK	IMF	NBS	2021	0.21	0.88	1.56
SVK	IMF	NBS	2022	0.72	1.67	2.60
SVK	IMF	NBS	2023	-0.45	0.50	1.39
SVK	IMF	NBS	2024	-0.66	0.90	2.41
SVK	IMF	NBS	2025	-0.50	1.06	2.63

The resulting ECLs (for Stage 1 receivables) arise as the sum of the sub-ECLs calculated on the three sets of PDs differentiated by the quantile of GDP forecasts from which they arose.

ECL = w1*ECL25 + w2*ECL50 + w3*ECL75

ECL = w1*PD25*LGD*exposure + w2*PD50*LGD*exposure + w3*PD75*LGD*exposure,

where w1 = 25%, w2 = 50%, w3 = 75% (representing the weight of each scenario)

Note: The weights (w1, w2 and w3) were set in compliance with Moody´s Deconstructing Scenario Weights for CECL.

The PD curves are updated continuously when there is a change in the (national banks') GDP forecast of more than 1 pp.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets,
- For loan commitments and financial guarantee contracts generally as a provision,
- Where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision, and
- For debt instruments measured at FVOCI, the ECL is not deducted from the carrying amount of the financial asset because the carrying amount is already measured at fair value. However, the loss allowance is recognized as reduction of the revaluation reserve in OCI, instead.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. This assessment is carried out at the individual asset level.

In case of write off, the Company directly reduces the gross carrying amount of a financial asset. Write-offs do not have any impact on profit or loss, because the amounts written off are already reflected in the loss allowance. A write-off constitutes a derecognition event. Nonetheless, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(i) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Property that is being constructed or developed for future use as investment property is classified as investment property and measured accordingly (see below).

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Company and its cost can be measured reliably. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	30 years
Equipment	8 years
Fixtures, fittings and others	4–15 years
Right-of-Use	Based on lease term

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.

(j) Intangible assets

(i) Software and other intangible assets

Software and other intangible assets acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h)).

The useful lives are usually finite. Those intangible assets that have an indefinite useful life are not amortised and are tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

(ii) Amortisation

Amortisation is charged to the Income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

Software	3 years
Other intangible assets	5 years

(k) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

(l) Employee benefits

For termination employee benefits, a provision is recognised for the amount expected to be paid under long or short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The benefit is classified as short term, if and only if the whole benefit category will be settled within one year; otherwise, it is disclosed as long term.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Amounts due to employees, such as amounts relating to accrued vacation pay or performance bonuses, are recognized as other liabilities.

(m) Loan commitments and financial guarantee contracts

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. An initial ECL is recognized as provision in the case of commitments and guarantees (refer to Note 22). Amounts arising from expected credit losses (ECL)). A change in ECL in subsequent periods (while holding commitments and guarantees and the expected cash flows from the financial asset has changed) will be recorded as expense/revenue through off-balance sheet provisions.

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

Provisions for financial guarantees and loan commitments represent the ECL on the related off-balance sheet liabilities. When it is probable that the Company will have to satisfy its contractual commitments, the ECL is transferred from Stage 1 or Stage 2 to Stage 3 and the amount is appropriately adjusted. When the Company makes the committed payments to the eligible parties, a loan asset is recognized and an ECL on this asset is recognized as well, while the provision for financial guarantees and loan commitments (ECL on the off-balance sheet asset) is released. Release as well as creation of ECLs are recognized in profit or loss under Net impairment losses on loans, loan commitments and financial guarantees.

(n) Trade liabilities and other liabilities

Trade and other liabilities are stated at amortised cost.

(o) Interest income and expense

Interest income and expense is recognised in the income statement as it accrues. Interest income and expense 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. All borrowing costs (except for those that qualify for capitalization) are recognised in the income statement.

(p) Fee and commission income and expense

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

The Company recognises fee and commission income in an amount that reflects the consideration to which the Company expects to be entitled. This core principle is delivered in a five-step model framework: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract, (5) Recognise revenue when (or as) the entity satisfies a performance obligation.

(q) Financial markets, net result

Financial markets, net result include gains and losses arising from disposals and changes in the fair value of financial assets and liabilities at fair value through profit or loss and at fair value through other comprehensive income, gains and losses from foreign exchange trading, as well as realized and unrealized foreign exchange gains and losses.

(r) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(s) Income tax

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities, in a transaction that is not a business combination, that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future since the parent is able to control the reversal of the temporary difference. No taxable temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realised, or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

(t) Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

(i) Company as lessee

The Company recognizes a right-of-use (RoU) asset and a lease liability at the commencement date of the lease (i.e., the date when the underlying asset is available for use).

Lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the renewal option. That is, it considers all relevant factors that create an economic incentive to exercise the option. In case of the office rentals the Company is usually reasonably certain to exercise the renewal option only one time as further developments are too uncertain. In case of digital storage capacity, the renewal options are supposed to be exercised until the end of useful life of the corresponding servers. Similarly, judgment is used for determination of the lease term for contracts, where the contract is for an indefinite period. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Measurement

a) Right-of-Use

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises the following:

- Initial measurement of the lease liability (see below);
- Prepaid lease payments;
- Initial direct costs;
- Estimated costs to dismantle, remove or restore the asset;
- Less lease incentives received.

After initial recognition, the right-of-use asset is measured in the same manner as a comparable asset owned by the Company. Therefore, the Company further applies IAS 16 Property, plant and equipment or IAS 40 Investment property and the right-of-use is presented in a corresponding financial statement caption.

Where relevant, the requirements of IAS 36 Impairment of Assets are applied to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

d) Lease liability

At the commencement date, a lease liability is measured at the present value of the future lease payments that are outstanding as at the commencement date of the lease. Lease payments are discounted at the interest rate implicit in the lease and if it is not available, then the incremental borrowing rate is used.

Lease payments comprise the following:

- Fixed payments (including "in-substance fixed payments") less any lease incentives receivable;
- Variable payments that depend on an index or a rate;
- Residual value guarantees;
- The exercise price of a purchase option that the Company is reasonably certain to exercise; and
- Penalties for early termination of the lease.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. Variable payments that are not based on an index and were not included in the measurement of the lease liability are recognized as an expense.

Lease liabilities are included under "Other liabilities" caption in the statement of financial position.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (leases with a lease term of 12 months or less from the commencement date and that do not contain a purchase option; broader economics of a contract, such as a cost of abandoning or dismantling the subject of a lease, are also considered). Recognition exemption is also applied to leases of low-value assets (i.e., below EUR 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense as incurred.

Modification of lease contract

The Company accounts for a lease modification as a separate lease if both:

a) The modification increases the scope of the lease by adding one or more underlying assets to the right-of-use; and

b) The consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Company allocates the consideration, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

The remeasurement of the lease liability is recognized by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss.

Deferred tax resulting from IFRS 16

Deferred tax asset and deferred tax liability resulting from a right-of-use and a lease liability are presented on net basis.

(u) Revenue from goods sold and services rendered

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: (1) Identify the contract(s) with a customer, (2) Identify the performance obligations in the contract, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations in the contract, (5) Recognise revenue when (or as) the entity satisfies a performance obligation. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

(v) Dividends paid

Dividend expense is recognised in the statement of changes in equity and recorded as liabilities in the period in which they are declared.

(w) Operating segments

As both separate and consolidated financial statements of the Company are presented in a single financial report, segment information is presented only on the basis of the consolidated financial statements, as permitted by the Standard.

(x) Changes in accounting policies

There were no changes in accounting policies neither in 2021 nor in 2020, except for changes resulting from possible modifications of International Financial Reporting Standards (IFRS) as described in Note 2.

4. Critical accounting estimates and assumptions

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

4.1. Financial instruments

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

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

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

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

The following table sets out information about significant unobservable inputs used in measuring financial assets categorized as Level 3 in the fair value hierarchy:

As at 31 December 2021

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2021	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	–	n/a	–

31 December 2020

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31 December 2020	Range of estimates	Fair value measurement sensitivity to unobservable inputs
Bonds	Discounted cash flow	Credit spread	100,781	2.31% – 2.33% (0.46)% – (0.47)%	Increase would result in a lower fair value.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The Company does not recognize financial instruments measured at Level 3 as at 31 December 2021 and therefore, the effects of a change in one or more of the assumptions used to the fair value amounts are not presented. In the comparable period, for fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

31 December 2020

Type of financial assets	Change in unobservable input	Change in fair value
Bonds and other debt	Increase in credit spread by 1%	(3,338)
	Decrease in credit spread by 1%	3,519
	Increase in risk-free rate by 1%	(3,338)
	Decrease in risk-free rate by 1%	3,519

For more information, refer to the following notes:

- Note 15 Financial assets for trading
- Note 17 Investment securities measured at fair value through profit or loss
- Note 18 Investment securities at fair value through other comprehensive income

4.2. Impairment testing

Investments in subsidiaries are subjected to impairment testing if there is any specific indication that there may be an impairment loss. Intangible assets with an indefinite useful life and assets not available for use are tested for impairment at least annually or more frequently if there is any specific indication that they may be impaired. Impairment testing consists of comparing the carrying amount of an asset or a shareholding with its recoverable amount. The recoverable amount of an asset or a shareholding is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset or a shareholding, the company calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or a shareholding is lower than its carrying amount, a loss is recognized in the income statement.

4.3. Functional currency

The management of the Company performed an analysis and came to the conclusion that both currencies, CZK and EUR, are relevant for the activities of the Company. However, after considering all the factors such as an increasing importance of Czech National Bank as a regulatory authority (e.g., for distribution of dividends and capital adequacy monitoring), structure of assets, liabilities, revenues and expenses in terms of currency and role of other competitive forces in the Czech Republic (e.g., tax and labour market regulation), where the headquarters of J&T FINANCE GROUP SE is located, the management made a judgement and determined CZK as the functional currency of the Company.

5. COVID-19 pandemic consequences

The COVID-19 pandemic and measures to prevent its spread continued during 2021 and were again among the main drivers of macroeconomic development. The significant drop in GDP last year was halted and the Czech Republic and the European Union returned to economic growth. Unemployment also remained low.

Inflation presented a new shock. Due to the disrupted supply chains, strong domestic demand supported by government transfers and tight labour market in some countries, the inflation soared to double digits. In the European Union, year-on-year inflation reached 5.3% in December, with differences among the countries in the EU – for example, Estonia saw a change of 12%, whereas Portugal only of 2.8%. In the Czech Republic, inflation reached 6.6%. In addition, data for the first months of 2022 showed that these figures did not represent the highest point, but that inflation was yet to peak (January inflation in the Czech Republic reached 9.9%).

Although the reaction of the central banks at the beginning of the pandemic showed the same features in the form of interest rate reductions, or use of other instruments to loosen monetary policy, the response to rising prices already differed significantly. The Czech National Bank raised the monetary policy rate in several steps, from 0.25% at the end of 2020, to 3.75% in 2021. In February 2022, the Czech National Bank raised the rate by other 0.75 percentage points and indicated further possible increase – albeit more modest – in the coming months. The European Central Bank, on the other hand, left the rates unchanged and has so far signalled a rather modest rise in 2022. A similar situation applies to the US Fed, which is expected to react more strongly and raise rates in 2022. Both the ECB and the Fed have also announced their intention to reduce market interventions in the form of quantitative easing programmes.

During 2021, the Company monitored the development of the pandemic, the measures put in place by state authorities and the recommendations of health experts. As a result, the Group took measures to protect the health of employees with regard to the Company's operations, which included:

- employees were regularly tested for COVID-19;
- the entrance turnstiles on the Group's premises were equipped with body temperature detectors indicating the potential risk of illness;
- the Group's employees were obliged to wear respirators, to keep sufficient distance and to comply with other requirements valid for the period;
- employees were required to comply with the self-isolation and quarantine rules as per the rules in force at the time;
- the Group provided its employees with the opportunity to get vaccinated against COVID-19 at its own premises.

The Company has no restrictions on the availability of services or products, among other things, through increased support for digital and telecommunications channels that allow it to stay in touch with its clients.

The Company did not report any significant impact of the COVID-19 pandemic on its liquidity, and market and credit risks. The impact of the COVID-19 pandemic on the economy was considered when updating the probability-of-default curves (see Note 3(h)).

6. Net interest income

In thousands of CZK	2021	2020
Interest income calculated using effective interest rate		
Loans and advances to banks and customers	860,264	852,318
Other	37	48
Total interest income using effective interest rate	**860,301**	**852,366**
Interest income according to classes of instruments:		
Financial instruments measured at amortised cost	860,301	852,366
Total interest income using effective interest rate	**860,301**	**852,366**
Financial assets held for trading	17,371	2,652
Total other interest income	**17,371**	**2,652**
Total interest expense	**877,672**	**855,018**
Interest expense		
Loans from banks and customers	(915,442)	(837,339)
Bills of Exchange	(60)	(100)
Lease liabilities	(1,593)	(1,958)
Total interest expense	**(917,095)**	**(839,397)**
Interest expense according to classes of instruments:		
Financial instruments measured at amortised cost	(917,095)	(839,397)
Total interest expense	**(917,095)**	**(839,397)**
Total net interest income	**39,423**	**15,621**

7. Net fee and commission income

Fee and commission income arises on financial services provided by the Company, including mainly providing of guarantees, and project and structured finance transactions. Commissions received from such business are shown in fee and commission income.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Nature and timing of satisfaction of performance obligation	Revenue recognition under IFRS 15
Guarantee fees are charged to clients on regular basis, as the time passes.	Revenue is recognised over time as the services are provided.
Payment fees are transaction based and are charged when the traction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

Disaggregation of fee and commission income from contracts with customers

In thousands of CZK	2021	Disaggregation of revenue Czech Republic	Slovakia	Other
Fee and commission income				
Fees on promises and guarantees	53,029	32,752	20,063	214
Other	76	–	76	–
Total fee and commission income	**53,105**	**32,752**	**20,139**	**214**
Fee and commission expense				
Fees on financial instrument operations	(2,638)	(2,635)	(3)	–
Fees on payment transactions	(44)	(4)	(40)	–
Other fees and commission expenses	(7,214)	(5,502)	(1,712)	–
Total fee and commission expense	**(9,896)**	**(8,141)**	**(1,755)**	**–**
Total net fee and commission income	**43,209**	**24,611**	**18,384**	**214**

"Other" includes the Netherlands, and in comparative period also the Russian Federation.

In thousands of CZK	2020	Disaggregation of revenue Czech Republic	Slovakia	Other
Fee and commission income				
Fees on promises and guarantees	57,515	32,355	24,940	220
Total fee and commission income	**57,515**	**32,355**	**24,940**	**220**
Fee and commission expense				
Fees on financial instrument operations	(34,094)	(34,094)	–	–
Fees on payment transactions	(62)	(4)	(58)	–
Other fees and commission expenses	(4,396)	(4,126)	(266)	(4)
Total fee and commission expense	**(38,552)**	**(38,224)**	**(324)**	**(4)**
Total net fee and commission income	**18,963**	**(5,869)**	**24,616**	**216**

"Other" includes the Netherlands and Russian Federation.

8. Financial markets, net result

In thousands of CZK	2021	2020
Net gains (losses) from financial instruments held for trading	224,352	(80,987)
– derivatives	211,974	(68,442)
– debt instruments	(6,771)	(12,545)
– other	19,149	–
Net gains (losses) from non-trading financial assets mandatorily measured at FVTPL	(17,025)	(72,727)
Net gains (losses) from financial instruments measured at FVOCI	37,151	26,806
– dividend income from equity instruments measured at FVOCI	37,151	26,806
Exchange rate gains (losses)	(253,818)	295,446
Total financial markets, net result	**(9,340)**	**168,538**

The Company did not record any loss arising from derecognition of financial assets measured at amortised cost due to modification in 2021 or 2020.

9. Other operating income

In thousands of CZK	2021	2020
Revenues from services and consulting (IFRS 15)	280	653
Rental income (IFRS 16)	14,038	15,635
Other income (IFRS 15)	35	815
Total other operating income	**14,353**	**17,103**

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

10. Personnel expenses

In thousands of CZK	2021	2020
Wages and salaries	(17,768)	(23,436)
Compulsory social security contributions	(5,532)	(6,077)
Other social expenses	(312)	(276)
Total personnel expenses	**(23,612)**	**(29,789)**

The weighted average number of employees during 2021 was 12 (2020: 12), out of which executives represent 4 employees (2020: 4).

11. Other operating expenses

In thousands of CZK	2021	2020
Consulting expenses	(29,945)	(25,813)
Outsourcing	(15,919)	(13,662)
Rental expenses classified as service	(7,788)	(9,350)
Sponsorship and gifts	(1,924)	(3,904)
Transport and accommodation, travel expenses	(1,456)	(1,991)
Materials	(812)	(1,191)
Repairs and maintenance expenses	(315)	(773)
Low-value asset leases	(39)	(339)
Communication expenses	(239)	(195)
Training, courses and conferences	(35)	(89)
Property and other taxes	(59)	(74)
Energy	(24)	(21)
Loss on disposal of property, plant and equipment, investment property and intangible assets	(1,242)	(10)
Advertising	(2)	(6)
Other operating expenses	(18,391)	(16,631)
Total other operating expenses	**(78,190)**	**(74,049)**

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

12. Profit from equity accounted investments in subsidiaries

In thousands of CZK	2021	2020
Equity method revaluation	3,927,994	1,649,518
Transfer from other comprehensive income during the period included in:	–	39,256
foreign exchange translation differences	–	39,256
Total profit from equity accounted investments in subsidiaries	**3,927,994**	**1,688,774**

As at 31 December 2021, the foreign exchange translation differences presented above included TCZK 0 (31 December 2020: TCZK 222,041).

13. Income tax

In thousands of CZK	2021	2020
Current tax expense		
Current year	(4,262)	(6,502)
Adjustments for prior periods	(92,593)	8,556
	(96,855)	**2,054**
Deferred tax income (expense)		
Origination and reversal of temporary differences	(400)	8,337
	(400)	**8,337**
Total income tax expense	**(97,255)**	**10,391**

The corporate income tax rate in the Czech Republic for 2021 and 2020 is 19%. The corporate income tax rate in Slovakia for 2021 and 2020 is 21%.

(i) Reconciliation of the effective tax rate

In thousands of CZK	2021 %	2021	2020 %	2021
Profit before tax		**4,403,444**		**1,189,367**
Income tax at 19% (2020: 19%).	(19.0%)	(836,654)	(19.0%)	(225,980)
Effect of tax rates in foreign jurisdictions	(0.0%)	–	(0.0%)	(554)
Non-deductible expenses	(3.82%)	(168,242)	(2.4%)	(28,706)
Non-taxable income	27.19%	1,197,239	21.6%	257,075
Other	(2.16%)	(95,088)	0.1%	8,556
Total income tax expense	**2.2%**	**(97,255)**	**(0.3%)**	**10,391**

(ii) Income tax recognized in other comprehensive income

In thousands of CZK	Before tax 2021	Tax impact 2021	Po zdanění 2021	Net of tax 2020	Tax impact 2020	Net of tax 2020
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss						
Foreign exchange translation differences	2,500	—	2,500	(1,145)	—	(1,145)
Share of other comprehensive income of equity accounted investments in subsidiaries – foreign exchange translation differences	(7,795)	(179,211)	(187,006)	(761,201)	145,323	(615,878)
Share of other comprehensive income of equity accounted investments in subsidiaries – net change in other components	51,772	—	51,772	113,057	—	113,057
Total	**46,477**	**(179,211)**	**(132,734)**	**(649,289)**	**145,323**	**(503,966)**

(iii) Movements in deferred tax balances during the year

In thousands of CZK	Balance as at 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange translation differences	Balance as at 31 December 2021
Property, plant and equipment	(38)	—	—	—	(38)
Leases (IFRS 16)	227	(400)	—	15	(158)
Derivatives	(4,237)	—	(179,211)	—	(183,448)
Total	**(4,048)**	**(400)**	**(179,211)**	**15**	**(183,644)**

In thousands of CZK	Balance as at 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange translation differences	Balance as at 31 December 2020
Property, plant and equipment	(38)	—	—	—	(38)
Leases (IFRS 16)	—	222	—	5	227
Derivatives	(157,823)	8,115	145,323	148	(4,237)
Total	**(157,861)**	**8,337**	**145,323**	**153**	**(4,048)**

14. Cash and cash equivalents

In thousands of CZK	31 December 2021	31 December 2020
Cash and cash equivalents		
Cash on hand	112	210
Current accounts with banks	5,686,950	765,600
Total cash and cash equivalents	**5,687,062**	**765,810**

15. Financial assets for trading

In thousands of CZK	31 December 2021	31 December 2020
Non-derivative financial assets for trading		
Bonds	–	717,259
Perpetuity certificates	652,174	–
Total non-derivative financial assets for trading	**652,174**	**717,259**
Trading derivatives		
Currency contracts	86,172	23,726
Put share options	–	–
Option contracts for credit spread	1	1
Total trading derivatives	**86,173**	**23,727**
Total financial assets for trading	**738,347**	**740,986**

As at 31 December 2021, the Company reported no bonds, as at 31 December 2020, bonds for trading comprised corporate bonds as well.

Income from debt and other fixed-rate instruments is recognised in other interest income.

As at 31 December 2021 and 31 December 2020, no financial assets for trading were subject to pledge.

(i) Fair value measurement of financial assets for trading

As at 31 December 2021

In thousands of CZK	Perpetuity	Total
Fair value of non-derivative financial assets for trading		
Level 2 – derived from quoted prices	652,174	652,174
Level 3 – calculated using valuation techniques	–	–
	652,174	**652,174**
Fair value of trading derivatives		
Level 2 – derived from quoted prices		86,173
		86,173
Total financial assets for trading		**738,347**

As at 31 December 2020

In thousands of CZK	Bonds	Total
Fair value of non-derivative financial assets for trading		
Level 2 – derived from quoted prices	616,478	616,478
Level 3 – calculated using valuation techniques	100,781	100,781
	717,259	**717,259**
Fair value of trading derivatives		
Level 2 – derived from quoted prices		23,727
		23,727
Total financial assets for trading		**740,986**

(ii) Detail of fair value measurement in Level 3

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

In thousands of CZK	Bonds	Total
Balance as at 1 January 2021	**100,781**	**100,781**
Total gains (losses) recognized in profit or loss	—	—
Additions		652,174
Disposals	(100,781)	(100,781)
Interest income less interest received	—	—
Effect of movement in foreign exchange	—	—
Balance as at 31 December 2021	**—**	**652,174**

In thousands of CZK	Bonds	Total
Balance as at 1 January 2020	**—**	**—**
Total gains (losses) recognized in profit or loss	—	—
Additions	100,781	100,781
Disposals	—	—
Interest income less interest received	—	—
Effect of movement in foreign exchange	—	—
Balance as at 31 December 2020	**100,781**	**100,781**

There were no transfers of financial assets for trading between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2021 and 2020.

16. Hedging derivatives

In thousands of CZK	31 December 2021	31 December 2020
Hedging derivatives		
Forward currency contracts (active)	491,285	287,544
Total hedging derivatives	**491,285**	**287,544**

The Company hedges its foreign investments in subsidiaries 365.bank, a.s., and J&T INTEGRIS GROUP LIMITED against changes in foreign currency (CZK/EUR). The Company uses currency forwards as hedging instruments for such purposes. The hedging is treated as net investment hedge under IFRS 9, because investments in subsidiaries are measured by equity method.

As at 31 December 2021, the balances of the net investment hedges were as follows:

	Notional amount		Fair value	
In thousands of CZK	**Buy**	**Sell**	**Positive**	**Negative**
Net investment hedge				
Hedged investments in subsidiaries	**X**	**X**	**491,285**	**—**
Currency forward				
Maturity less than 3 months	15,432,000	(14,916,000)	X	X
Maturity 3 months – 1 year	—	—	X	X
Maturity 1 – 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

In thousands of CZK	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in FVOCI	Hedge ineffectiveness recognised in profit or loss
Net investment hedge				
Hedged investments in subsidiaries	**Hedging derivatives (assets)**	**960,941**	**960,941**	**—**

In thousands of CZK	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Net investment hedge			
Hedged investments in subsidiaries	**n/a**	**—**	**Profit from equity accounted investments in subsidiaries**

In thousands of CZK	Changes in fair value used for calculating hedge ineffectiveness	Translation reserve	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Investments in subsidiaries	(960,941)	(960,941)	n/a

As at 31 December 2020, the balances of the net investment hedges were as follows:

In thousands of CZK	Notional amount		Fair value	
	Buy	Sell	Positive	Negative
Net investment hedge				
Hedged Investments in subsidiaries	**X**	**X**	**287,544**	**—**
Currency forward				
Maturity less than 3 months	16,039,200	(15,747,000)	X	X
Maturity 3 months – 1 year	—	—	X	X
Maturity 1 – 5 years	—	—	X	X
Maturity more than 5 years	—	—	X	X

In thousands of CZK	Line in SOFP where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in FVOCI	Hedge ineffectiveness recognised in profit or loss
Net investment hedge				
Hedged Investments in subsidiaries	**Hedging derivatives (assets)**	**(736,122)**	**(736,122)**	**—**

In thousands of CZK	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
Net investment hedge			
Hedged Investments in subsidiaries	**n/a**	**222,041**	**Profit from equity accounted investments in subsidiaries**

In thousands of CZK	Changes in fair value used for calculating hedge ineffectiveness	Translation reserve	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged item			
Investments in subsidiaries	736,122	736,122	n/a

Fair value measurement of hedging derivative assets and liabilities

In thousands of CZK	31 December 2021	31 December 2020
Fair value of hedging derivative assets		
Level 2 – derived from quoted prices	491,285	287,544
Total	**491,285**	**287,544**

There were no transfers of hedging derivatives between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2021 and 2020.

17. Investment securities measured at fair value through profit or loss

In thousands of CZK	31 December 2021	31 December 2020
Shares and other equity instruments	56,783	73,808
Investment funds units	–	–
Investment securities mandatorily measured at fair value through profit or loss	**56,783**	**73,808**
Total investment securities measured at fair value through profit or loss	**56,783**	**73,808**

As at 31 December 2021, there were no pledged investment securities at FVTPL (31 December 2020: nil).

(i) Fair value measurement of investment securities measured at fair value through profit or loss

Investment securities mandatorily measured at fair value through profit or loss

As at 31 December 2021

In thousands of CZK	Shares and other equity instruments	Investment funds units	Total
Level 2 – derived from market prices			
	56,783	**–**	**56,783**

As at 31 December 2020

In thousands of CZK	Shares and other equity instruments	Investment funds units	Total
Level 2 – derived from market prices	73,808	–	73,808
	73,808	**–**	**73,808**

(ii) Detail of fair value measurement in Level 3

There were no investment securities measured at fair value through profit or loss in Level 3 of the fair value hierarchy as at 31 December 2021 and 1 January 2020.

There were no transfers of investment securities at fair value through profit or loss between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2021 and 2020.

18. Investment securities at fair value through other comprehensive income

In thousands of CZK	31 December 2021	31 December 2020
Shares and other equity instruments	4,416	4,418
Other financial assets	298,272	298,273
Total investment securities at fair value through other comprehensive income	**302,688**	**302,691**

Investment securities at fair value through other comprehensive income comprise primarily perpetuity issued by J&T BANKA, a.s.

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

As at 31 December 2021, pledged investment securities at fair value through other comprehensive income totalled TCZK 45 (31 December 2020: TCZK 47).

(i) Equity investment securities at fair value through other comprehensive income

Equity investment securities at fair value through other comprehensive income comprise the following individually significant securities with corresponding dividend income recognised during the relevant period (listed major investments in terms of industry sector):

	31 December 2021		31 December 2020	
In thousands of CZK	Fair value	Dividend income	Fair value	Dividend income
Investment securities at fair value through other comprehensive income	302,688	37,151	302,691	26,806
Total	**302,688**	**37,151**	**302,691**	**26,806**

During 2021 and 2020 no equity investment securities at fair value were derecognised. There was no cumulative loss on disposal in the corresponding years.

During 2021 and 2020, no cumulative loss totalling was transferred within equity from other comprehensive income to retained earnings.

(ii) Fair value measurement of investment securities at fair value through other comprehensive income

31 December 2021

In thousands of CZK	Shares and other equity instruments	Other financial assets	Total
Level 2 – derived from quoted prices	–	298,272	298,272
Level 3 – calculated using valuation techniques	4,416	–	4,416
Total	**4,416**	**298,272**	**302,688**

31 December 2020

In thousands of CZK	Shares and other equity instruments	Other financial assets	Total
Level 2 – derived from quoted prices	–	298,273	298,273
Level 3 – calculated using valuation techniques	4,418	–	4,418
Total	**4,418**	**298,273**	**302,691**

(iii) Detail of fair value measurement in Level 3

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

In thousands of CZK	Shares and other equity instruments	Total
Balance as at 1 January 2021	**4,418**	**4,418**
Total gains (losses) recognized in other comprehensive income	–	–
Total gains for the period recognised in profit or loss	–	–
Additions	–	–
Disposals	–	–
Interest income less interest received	–	–
Effect of movement in foreign exchange	(2)	(2)
Balance as at 31 December 2021	**4,416**	**4,416**

In thousands of CZK	Shares and other equity instruments	Total
Balance as at 1 January 2020	**4,416**	**4,416**
Total gains (losses) recognized in other comprehensive income	–	–
Total gains for the period recognised in profit or loss	–	–
Additions	–	–
Disposals	–	–
Interest income less interest received	–	–
Effect of movement in foreign exchange	2	2
Balance at 31 December 2020	**4,418**	**4,418**

There were no transfers of investment securities at FVOCI between Level 1, Level 2 or Level 3 of the fair value hierarchy for the years ended 31 December 2021 and 2020.

19. Loans and advances to banks

In thousands of CZK	31 December 2021	31 December 2020
Subordinated loans	–	–
Net loans and advances to banks at amortised cost	**–**	**–**

20. Loans to customers

In thousands of CZK	31 December 2021	31 December 2020
Loans and advances to customers	13,195,493	15,976,394
Expected Credit Losses (refer to Note 22)	(145,042)	(669,355)
Net loans and advances to customers at amortised cost	**13,050,451**	**15,307,039**
Loans and advances to customers	**13,050,451**	**15,307,039**

There were no loans and advances to customers measured at fair value through profit or loss as at 31 December 2021 and 31 December 2020.

There were no non-interest-bearing loans as at 31 December 2021 and 31 December 2020.

21. Trade receivables and other assets

In thousands of CZK	31 December 2021	31 December 2020
Trade receivables	36,154	38,385
– gross	163,349	172,631
– allowance	(127,195)	(134,246)
Securities settlement balances	3,864	19,283
Other receivables	25,898	27,248
– gross	722,814	763,122
– allowance	(696,916)	(735,874)
Accrued income	514	—
Total receivables presented under risk management at amortised cost	**66,430**	**84,916**
Prepayments	1,898	1,823
Advance payments	179	245
– gross	179	245
– allowance		—
Other tax receivables	—	2
Inventories	16	46
Total non-financial receivables and other assets	**2,093**	**2,116**
Total trade receivables and other assets	**68,523**	**87,032**

Other receivables include other individually insignificant items, such as cash collateral provided for the purposes of derivative trading.

For details on ECL refer to Note 37.

22. Amounts arising from expected credit losses (ECL)

The following tables show reconciliations from the opening to the closing balance of the loss allowance and provisions by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(h).

(a) Loans and advances to customers at amortised cost

In thousands of CZK	2021 12-month ECL	2021 Lifetime ECL not credit impaired	2021 Lifetime ECL credit impaired	2021 Purchased credit impaired	2021 Total
Balance as at 1 January	**652,212**	**17,143**	**–**	**–**	**669,355**
Net remeasurement of loss allowance	(240,808)	(10,243)	–	–	(251,051)
New financial assets	42,023	–	–	–	42,023
Derecognition	(298,169)	–	–	–	(298,169)
Effect of movement in foreign exchange	(17,116)	–	–	–	(17,116)
Balance as at 31 December (refer to Note 20)	**138,142**	**6,900**	**–**	**–**	**145,042**

In thousands of CZK	2020 12-month ECL	2020 Lifetime ECL not credit impaired	2020 Lifetime ECL credit impaired	2020 Purchased credit impaired	2020 Total
Balance as at 1 January	**171,056**	**18,966**	**–**	**–**	**190,022**
Net remeasurement of loss allowance	512,806	(1,822)	–	–	510,984
New financial assets	–	–	–	–	–
Derecognition	(3,972)	–	–	–	(3,972)
Effect of movement in foreign exchange	(27,678)	(1)	–	–	(27,679)
Balance as at 31 December (refer to Note 20)	**652,212**	**17,143**	**–**	**–**	**669,355**

The Expected Credit Losses for Loans to customers decreased by TCZK 524,313 (2020: increased by TCZK 479,333).

(b) Trade receivables presented under risk management at amortised cost

In thousands of CZK	2021 Lifetime ECL not credit impaired	2021 Lifetime ECL credit impaired	2021 Total
Balance as at 1 January	**–**	**870,120**	**870,120**
Write-offs/Use of	–	–	–
Derecognition	–	(131)	(131)
Effect of movement in foreign exchange	–	(45,878)	(45,878)
Balance as at 31 December (refer to Note 21)	**–**	**824,111**	**824,111**

In thousands of CZK	2020 Lifetime ECL not credit impaired	2020 Lifetime ECL credit impaired	2020 Total
Balance as at 1 January	**–**	**842,499**	**842,499**
Write-offs/Use of		(42)	(42)
Derecognition	–	–	–
Effect of movement in foreign exchange	–	27,663	27,663
Balance as at 31 December (refer to Note 21)	**–**	**870,120**	**870,120**

(c) Loan commitments and financial guarantee contracts

In thousands of CZK	2021 12-month ECL	2021 Lifetime ECL not credit impaired	2021 Lifetime ECL credit impaired	2021 Total
Balance as at 1 January	**86,581**	**—**	**—**	**86,581**
Net remeasurement of loss allowance	(82,950)	—	—	(82,950)
New financial commitments and financial guarantees issued	10,940	—	—	10,940
Commitments and financial guarantees derecognized	(1,879)	—	—	(1,879)
Foreign exchange and other movements	(4,616)	—	—	(4,616)
Balance as at 31 December (refer to Note 35)	**8,076**	**—**	**—**	**8,076**

In thousands of CZK	2020 12-month ECL	2020 Lifetime ECL not credit impaired	2020 Lifetime ECL credit impaired	2020 Total
Balance as at 1 January	**1,290**	**—**	**—**	**1,290**
Net remeasurement of loss allowance	85,618	—	—	85,618
New financial commitments and financial guarantees issued	—	—	—	—
Commitments and financial guarantees derecognized	(217)	—	—	(217)
Foreign exchange and other movements	(110)	—	—	(110)
Balance as at 31 December (refer to Note 35)	**86,581**	**—**	**—**	**86,581**

23. Investments in subsidiaries

The value of investment in subsidiaries is derived from the value of share on the equity on their direct and indirect subsidiaries. The sub-groups which are presented by the following entities are disclosed in detail in Note 40 Group entities.

In thousands of CZK	31 December 2021	Share capital	% share-holding	Principal activities	Country
J&T Credit Participation, s.r.o.	0	200	100.0%	Funding	CZ
J&T INTEGRIS GROUP LIMITED	1,086,785	6,929	100.0%	Holding company	CY
J&T BANKA, a.s.	20,990,674	10,638,127	100.0%	Banking	CZ
365.bank, a.s.	17,985,424	9,613,680	98.5%	Banking	SK
J&T Wine Holding SE	1,455,628	900,620	100.0%	Target business financing	CZ
J&T Mezzanine, a.s.	2,170,123	2,000	100.0%	Mezzanine funding	CZ
J&T SERVICES ČR, a.s.	314,242	141,134	100.0%	Intra-group service	CZ
J&T INVESTMENTS SICAV*	100	100	100.0%	Investment fund shares financing	CZ
Compact Property Fund*	4,260	3,500	100.0%	Investment fund	CZ
J&T NOVA Hotels SICAV, a.s.*	932	100	100.0%	Investment fund	CZ
JTFG FUND I SICAV, a.s. *	100	100	100.0%	Investment fund	CZ
Total	**44,008,268**				

In thousands of CZK	31 December 2020	Share capital	% share-holding	Principal activities	Country
J&T INTEGRIS GROUP LIMITED	1,093,879	6,929	100.0%	Holding company	CY
J&T BANKA, a.s.	18,844,896	10,638,127	100.0%	Banking	CZ
365.bank, a.s.	17,325,666	9,613,680	98.5%	Banking	SK
J&T Wine Holding SE	1,303,953	900,620	100.0%	Target business financing	CZ
J&T Mezzanine, a.s.	1,902,055	2,000	100.0%	Mezzanine funding	CZ
J&T SERVICES ČR, a.s.	285,495	141,134	100.0%	Intra-group service	CZ
J&T INVESTMENTS SICAV*	100	100	100.0%	Investment fund shares financing	CZ
Compact Property Fund*	4,260	3,500	100.0%	Investment fund	CZ
J&T NOVA Hotels SICAV, a.s.*	932	100	100.0%	Investment fund	CZ
Total	**40,761,236**				

* The Company holds only the Founder shares of the Funds (not investment shares).

In 2021, the Company provided capital contributions into its subsidiaries J&T Wine Holding SE of TCZK 235,700. A new company J&T Credit Participation, s.r.o. was established in which the Company paid up the share capital of TCZK 200, and a new fund JTFG FUND I SICAV, a.s. was established in which the Company owns the Founder shares of TCZK 100.

In the past, the Company invested in J&T Bank (Schweiz) AG in Liquidation which entered into liquidation in 2012. As its result, control has been lost. Therefore, the share is no longer reported as the subsidiary of the Company, although the Company is still legal owner.

24. Intangible assets

In thousands of CZK	Software and other intangible assets	Total
Gross carrying amount at 1 January 2020	1,494	1,494
Accumulated depreciation and impairment at 1 January 2020	(1,461)	(1,461)
Net carrying amount at 1 January 2020	**33**	**33**
Additions	761	761
Amortisation for the year	(34)	(34)
Impairment	—	—
Disposals	—	—
Effect of movement in foreign exchange	—	—
Net carrying amount at 31 December 2020	**760**	**760**
Gross carrying amount at 31 December 2020	2,291	2,291
Accumulated depreciation and impairment at 31 December 2020	(1,531)	(1,531)
Gross carrying amount at 1 January 2021	2,291	2,291
Accumulated depreciation and impairment at 1 January 2021	(1,531)	(1,531)
Net carrying amount at 1 January 2021	**760**	**760**
Additions	30	30
Amortisation for the year	(132)	(132)
Impairment	—	—
Disposals	—	—
Effect of movement in foreign exchange	1	1
Net carrying amount at 31 December 2021	**659**	**659**
Gross carrying amount at 31 December 2021	2,262	2,262
Accumulated depreciation and impairment at 31 December 2021	(1,603)	(1,603)

Assets under development and borrowing costs

As at 31 December 2021, there were no intangible assets under development (otherwise included in Other intangible assets) (31 December 2020: nil).

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2020: nil).

25. Property, plant and equipment

In thousands of CZK	Land and buildings	Right-of-Use Land and buildings	Fixtures, fittings and equipment	Total
Gross carrying amount at 1 January 2020	168,861	117,585	74,397	360,843
Accumulated depreciation and impairment at 1 January 2020	(37,090)	(17,419)	(67,599)	(122,108)
Net carrying amount at 1 January 2020	**131,771**	**100,166**	**6,798**	**238,735**
Additions		9,426		9,426
Depreciation charge for the year	(4,810)	(18,352)	(185)	(23,347)
Impairment	–		–	–
Changes due to modifications under IFRS 16	–	(17,653)	–	(17,653)
Disposals	–	–	–	
Effect of movement in foreign exchange	4,376	2,114	130	6,620
Net carrying amount at 31 December 2020	**131,337**	**75,701**	**6,743**	**213,781**
Gross carrying amount at 31 December 2020	174,410	110,989	77,328	362,727
Accumulated depreciation and impairment at 31 December 2020	(43,073)	(35,288)	(70,585)	(148,946)
Gross carrying amount at 1 January 2021	174,410	110,989	77,328	362,727
Accumulated depreciation and impairment at 1 January 2021	(43,073)	(35,288)	(70,585)	(148,946)
Net carrying amount at 1 January 2021	**131,337**	**75,701**	**6,743**	**213,781**
Additions	–	24,475	3,293	27,768
Depreciation charge for the year	(4,373)	(8,237)	(23)	(12,633)
Impairment	–	–	–	–
Changes due to modifications under IFRS 16	–	–	–	–
Disposals	(3,183)	(51,581)	(40)	(54,804)
Effect of movement in foreign exchange	(6,582)	(1,766)	(501)	(8,849)
Net carrying amount at 31 December 2021	**117,198**	**38,592**	**9,472**	**165,262**
Gross carrying amount at 31 December 2021	160,900	56,307	74,618	291,825
Accumulated depreciation and impairment at 31 December 2021	(43,702)	(17,715)	(65,146)	(126,563)

As at 31 December 2021, no Company's property, plant and equipment was subject to pledges (31 December 2020: nil).

As at 31 December 2021, the Company's property, plant and equipment was insured up to an amount of TCZK 283,293 (31 December 2020: TCZK 299,076).

Assets under construction and borrowing costs

As at 31 December 2021, the property, plant and equipment under construction (otherwise included in Fixtures, fittings and equipment) totalled TCZK 3,177 (31 December 2020: nil).

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during 2021 and 2020.

Idle assets

As at 31 December 2021 and 31 December 2020, the Company had no material idle assets.

26. Loans from banks

In thousands of CZK	31 December 2021	31 December 2020
Other received loans	4,158,081	3,352,690
Loans from banks at amortised cost	**4,158,081**	**3,352,690**
Total loans from banks	**4,158,081**	**3,352,690**

27. Loans from customers

In thousands of CZK	31 December 2021	31 December 2020
Other received loans	14,917,652	13,363,823
Loans from customers at amortised cost	**14,917,652**	**13,363,823**
Total loans from customers	**14,917,652**	**13,363,823**

28. Debt securities issued

In thousands of CZK	31 December 2021	31 December 2020
At amortised cost	–	3,615
Total debt securities issued	**–**	**3,615**

There were no debt securities issued designated at fair value through profit or loss at 31 December 2021 and 31 December 2020.

The following table shows the detail for debt securities issued at amortised cost:

In thousands of CZK	31 December 2021	31 December 2020
Issued bills of exchange and loan notes	–	3,615
Total other debt securities issued	–	3,615
Total debt securities issued at amortised cost	**–**	**3,615**

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

The Company has not had any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2021 and 2020.

Bills of exchange and debt securities were repaid in 2021.

29. Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of CZK	Lease liabilities[1]	Liabilities from debt securities issued	Subordinated debt	Loans from banks and customers	Retained earnings and other reserves	Total
Balance as at 1 January 2021	**76,897**	**3,615**	**–**	**16,716,513**	**14,393,249**	**31,190,274**
Changes from financing cash flows	–	–	–	–	–	–
Proceeds from issued debt securities	–	(3,615)	–	–	–	(3,615)
Change in loans from banks and customers	–	–	–	2,897,877	–	2,897,877
Payments of lease liabilities (principal)	(9,282)	–	–	–	–	(9,282)
Issue of other capital instruments	–	–	–	–	–	–
Bonus payments from issued other capital instruments	–	–	–	–	(294,350)	(294,350)
Dividends paid						
Total changes from financing cash flows	**(9,282)**	**(3,615)**	**–**	**2,897,877**	**(294,350)**	**2,590,630**
The effect of changes in foreign exchange rates	(12,007)	–	–	(557,408)	–	(569,415)
Other changes						
Liability-related						
Transfers and other non-cash movements	(17,653)	–	–	(91,923)	–	(109,576)
Interest expense	1,593	–	–	915,502	–	917,095
Interest paid	2	–	–	(804,828)	–	(804,826)
Total liability-related other changes	**(16,058)**	**–**	**–**	**18,751**	**–**	**2,693**
Total equity-related other changes						
Balance as at 31 December 2021	**39,550**	**–**	**–**	**19,075,733**	**14,098,899**	**33,214,182**

[1] Lease liabilities are included under Other liabilities in the financial statements and thus do not constitute a separate financial statements caption.

In thousands of CZK	Lease liabilities[1]	Liabilities from debt securities issued	Subordinated debt	Loans from banks and customers	Retained earnings and other reserves	Total
Balance as at 1 January 2020	**100,921**	**3,514**	**—**	**19,646,434**	**14,377,063**	**34,127,932**
Changes from financing cash flows	—	—	—	—	—	—
Proceeds from issued debt securities	—	101	—	—	—	101
Change in loans from banks and customers	—	—	—	(2,839,586)	—	(2,839,586)
Payments of lease liabilities (principal)	(24,024)	—	—	—	—	(24,024)
Issue of other capital instruments	—	—	—	—	500,000	500,000
Bonus payments from issued other capital instruments	—	—	—	—	(273,175)	(273,175)
Dividends paid						
Total changes from financing cash flows	**(24,024)**	**101**	**—**	**(2,839,586)**	**226,825**	**(2,636,684)**
The effect of changes in foreign exchange rates	—	—	—	74,554	(1,145)	73,409
Other changes						
Liability-related						
Lease liabilities from new leases	—	—	—	—	—	—
Transfers and other non-cash movements	—	—	—	—	—	—
Interest expense	—	—	—	839,397	—	839,397
Interest paid	—	—	—	(1,004,286)	—	(1,004,286)
Total liability-related other changes	**—**	**—**	**—**	**(164,889)**	**—**	**(164,889)**
Total equity-related other changes	**—**	**—**	**—**	**—**	**(209,494)**	**(209,494)**
Balance at 31 December 2020	**76,897**	**3,615**	**—**	**16,716,513**	**14,393,249**	**31,190,274**

30. Other liabilities

In thousands of CZK	31 December 2021	31 December 2020
Employee benefits	11,764	11,876
Lease liabilities (refer to Note 36)	39,550	76,897
Securities settlement balances	—	47
Trade payables	16,863	4,088
Unbilled supplies	6,503	7,025
Other liabilities	114,392	368,922
Total other liabilities under risk management (refer to Note 37)	**189,072**	**468,855**
Other tax liabilities	5,753	535
Deferred income	—	498
Other	404	
Total other non-financial liabilities	**6,157**	**1,033**
Total	**195,229**	**469,888**

Other liabilities represent received monetary performance for the settlement of a derivative totalling TCZK 74,200 (2020: TCZK 317,300).

[1] Lease liabilities are included under Other liabilities in the financial statements and thus do not constitute a separate financial statements caption.

31. Rezervy

In thousands of CZK	31 December 2021	31 December 2020
Financial guarantee contracts issued under IFRS 9 (refer to Note 35 (e))	5,514	1,136
Loan commitments issued under IFRS 9 (refer to Note 35 (e))	2,562	85,445
Total provisions	**8,076**	**86,581**

The Company has issued no loan commitment nor financial guarantee contracts that are measured at fair value through profit or loss.

32. Deferred tax assets and liabilities

32.1. Unrecognised deferred tax assets

The Company has no unrecognized tax losses.

Tax losses expire over a period of five years for losses arisen after 1 January 2004 in the Czech Republic. The Company determines its tax liability in the Czech Republic and calculates its tax liability also separately for the Slovak branch and subsequently applies policies to prevent double taxation in compliance with relevant legislation of the Czech Republic. The deadline to exercise the tax losses in Slovakia is four years.

Some deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these assets, it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

32.2. Recognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have been recognised:

In thousands of CZK	31 December 2021 Assets	31 December 2021 Liabilities	31 December 2020 Assets	31 December 2020 Liabilities
Property, plant and equipment	–	38	–	38
Leases (IFRS 16)	–	158	227	–
Derivatives	–	183,448	–	4,237
Subtotal	–	183,644	227	4,275
Netting*	–	–	–	(227)
Total	**–**	**183,644**	**–**	**4,048**

* Netting – gross deferred tax assets and liabilities were netted when applicable.

33. Shareholders' equity

(i) Share capital

The authorized, issued and fully paid share capital of J&T FINANCE GROUP SE as at 31 December 2021 and 31 December 2020, consists of 10 ordinary shares with a par value of CZK 200,000; 13,778,752 ordinary shares with a par value of CZK 1,000; and 1,999,556,188 ordinary shares with a par value of CZK 1. The shareholders are entitled to receive dividends and to one vote per share at meetings of the Company's shareholders. The share capital amounted to TCZK 15,780,308 both in 2021 and 2020.

(ii) Non-distributable reserves

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

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

(iii) Translation reserve

The translation reserve comprises the foreign exchange differences arising from the translation of the financial statements of the branch.

(iv) Other reserves and funds

In 2016, the Company also issued and sold subordinated unsecured certificates with a nominal value of TEUR 100 and no maturity date in the amount of TCZK 5,407,000. The whole emission was purchased by CEFC Hainan International Holdings CO., Ltd. These certificates bear a 9% (first two years) and 5% (subsequently) annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. These certificates bear a 9% (first two years) and 5% (subsequently) annual yield that is subject to approval, distributed semi-annually from retained earnings. Following the approval by the Czech National Bank (CNB) on 21 April 2016, these instruments also comply with the requirements to be recognized as additional capital AT1.

On 12 October 2020 the Company issued and subsequently sold further subordinated unsecured certificates with a nominal value of TCZK 100 and no maturity date in the amount of TCZK 500,000. These certificates bear a 7.5% annual yield that is fully discretionary and subject to approval, distributed semi-annually from retained earnings. The issuance of these instruments was approved by the Czech National Bank (CNB) on 18 September 2020, and the instruments are listed on the Prague Stock Exchange. The instruments comply with the requirements to be recognized as additional capital AT1.

In 2016, a special purpose capital fund (Perpetuity fund) for distribution of yield from certificates described above was established by the Company. The fund is part of retained earnings and distribution of income from the fund complies with the prospectus of the capital instrument. The total amount of yield paid in 2021 was TCZK 294,350 (2020: TCZK 273,175) and is presented as distribution of retained earnings in the statement of changes in equity.

(v) Dividends

In 2021 and 2020, the Company did not pay any dividends to its shareholders.

34. Fair value information

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

31 December 2021

In thousands of CZK	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Celkem
Financial assets					
Cash and cash equivalents	5,687,062	–	5,687,062	–	5,687,062
Loans and advances to customers	13,050,451	–	–	13,049,828	13,049,828
Trade receivables and other financial assets under risk management	66,430	–	–	66,430	66,430
Financial liabilities					
Loans from banks	4,158,081	–	4,161,617	–	4,161,617
Loans from customers	14,917,652	–	13,413,453	–	13,413,453
Debt securities issued	–	–	–	–	–
Other financial liabilities under risk management	189,072	–	189,072	–	189,072

31 December 2020

In thousands of CZK	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Celkem
Financial assets					
Cash and cash equivalents	765,810	–	765,810	–	765,810
Loans and advances to customers	15,307,039	–	–	14,930,054	14,930,054
Trade receivables and other financial assets under risk management	84,916	–	–	84,916	84,916
Financial liabilities					
Loans from banks	3,352,690	–	3,344,435	–	3,344,435
Loans from customers	13,363,823	–	13,363,823	–	13,363,823
Debt securities issued	3,615	–	3,615	–	3,615
Other financial liabilities under risk management	468,855	–	468,855	–	468,855

35. Financial commitments and contingencies

In thousands of CZK	31 December 2021	31 December 2020
Loan commitments under IFRS 9	7,731,107	6,772,838
Financial guarantee contracts under IFRS 9	14,010,478	12,566,226
Pledged assets	51	47
Total financial commitments and contingencies	**21,741,636**	**19,339,111**

Loan commitments relate to loan facilities granted by the Company. Financial guarantee contracts mostly represent various guarantees issued in relation to loans, bills of exchange issued by other parties, lease contracts and other liabilities of third parties. These guarantees are disclosed in the table above at the amount of the possible obligation in the future. The maximum amount for guarantees given by companies as at 31 December 2021 is TCZK 14,052,370 (31 December 2020: TCZK 12,610,451).

36. Leases

36.1. Leases as lessee

The Company leases mainly office premises for its business activities, cars and related office equipment. The administration space leases typically run for an initial period of five to fifteen years, with an option to renew after that date. Unless recognition exemption for leases is used (see Note 3 (t)), a right-of-use is recognized for such underlying assets.

For reconciliation of right-of-use assets from opening to closing balance refer to Note 30.

For lease related expenses/income refer to Note 6 Net interest income, Note 9 Other operating income, or Note 11 Other operating expenses

For other information relating to the specified leases see below.

Maturity analysis of lease liabilities is as follows:

In thousands of CZK	31 December 2021	31 December 2020
Less than one year	9,457	19,417
1–5 years	28,437	74,779
Over 5 years	8,102	7,645
Total	**45,996**	**101,841**

In thousands of CZK	2021	2020
Total cash outflow for leases	(9,282)	(18,932)

36.2. Leases as lessor

(a) Operating leases

The Company leases out its property under operating leases.

In thousands of CZK	31 December 2021	31 December 2020
Up to 1 year	13,655	15,117
1–2 years	–	–
2–3 years	–	–
3–4 years	–	–
4–5 years	–	–
Over 5 years	–	–
Total	**13,655**	**15,117**

During the year ended 31 December 2021, TCZK 14,038 was recognized as rental income (2020: TCZK 15,635).

(b) Finance leases

The Company does not have any finance leases.

37. Risk management policies and disclosures

The Company has exposure to the following risks:

- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

37.1. Credit risk

The Company's primary exposure to credit risk arises through its loans and advances provided. The maximum amount of credit exposure is represented by the respective carrying amounts in the statement of financial position. In addition, the Company is exposed to off-balance sheet credit risk through commitments to extend credit and financial guarantees (refer to Note 35 Financial commitments and contingencies).

The carrying amount of loans and advances and the off-balance sheet amounts represent the maximum accounting loss that would be recognised on these items at the statement of financial position date if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The Company's policy is to require suitable collateral to be provided by customers prior to the disbursement of loans by the Company.

The assessment of credit risk in respect of a counterparty or an issued debt is based on the Company's internal rating system, covering both external credit assessments and the Company's internal scoring system.

The Company monitors concentrations of credit risk by geographic location.

(i) Concentration of credit risk by location

31 December 2021

In thousands of CZK	Czech Republic	Slovakia	Cyprus	Russian Federation	Other	Carrying amount
Financial assets						
Cash and cash equivalents	5,653,987	32,925	–	150	–	5,687,062
Financial assets for trading	738,347	–	–	–	–	738,347
Hedging derivatives	–	–	491,285	–	–	491,285
Investment securities measured at fair value through profit or loss	–	56,783	–	–	–	56,783
Investment securities at fair value through other comprehensive income	298,272	–	–	4,416	–	302,688
Investment securities at amortised cost						
Loans and advances to banks						
Loans and advances to customers	10,001,944	–	3,046,341	2,166	–	13,050,451
FV changes of portfolio of hedged instruments – Loans and advances to customers						
Trade receivables and other financial assets under risk management	14,779	29,005	–	50	22,596	66,430
	16,707,329	**118,713**	**3,537,626**	**6,782**	**22,596**	**20,393,046**
Amount committed/guaranteed						
Loan commitments under IFRS 9	7,719,168	–	11,940	–		(5,514)*
Financial guarantee contracts under IFRS 9	8,867,095	4,418,676	–	–	724,706	(2,562)*
	16,586,263	**4,418,676**	**11,940**	**–**	**724,706**	**(8,076)**
Total	**33,293,592**	**4,537,389**	**3,549,566**	**6,782**	**747,302**	**20,384,970**

31 December 2020

In thousands of CZK	Czech Republic	Slovakia	Cyprus	Russian Federation	Other	Carrying amount
Financial assets						
Cash and cash equivalents	720,898	44,764	–	148	–	765,810
Financial assets for trading	38,587	702,399	–	–	–	740,986
Hedging derivatives	–	–	287,544	–	–	287,544
Investment securities measured at fair value through profit or loss	–	73,808	–	–	–	73,808
Investment securities at fair value through other comprehensive income	298,273	–	–	4,418	–	302,691
Investment securities at amortised cost	–	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–	–
Loans and advances to customers	8,094,169	348,376	6,849,041	15,453	–	15,307,039
FV changes of portfolio of hedged instruments – Loans and advances to customers	–	–	–	–	–	–
Trade receivables and other financial assets under risk management	32,319	41,826	–	61	10,710	84,916
	9,184,246	**1,211,173**	**7,136,585**	**20,080**	**10,710**	**17,562,794**
Amount committed/guaranteed						
Loan commitments under IFRS 9	6,762,492	–	10,346	–	–	(1,136)*
Financial guarantee contracts under IFRS 9	7,843,445	4,667,250	–	–	55,531	(85,445)*
	14,605,937	**4,667,250**	**10,346**	**–**	**55,531**	**(86,581)**
Total	**23,790,183**	**5,878,423**	**7,146,931**	**20,080**	**66,241**	**17,476,213**

* The figure represents the provision for potential counterparties, not the total.

The above table displays the credit risk by the country of incorporation of the debtor or issuer of the securities.

Financial guarantee contracts under IFRS 9 recognised under "Other" in 2020, represent guarantees to the Netherlands. In 2021, they represent guarantees to the Netherlands and Ireland.

(ii) Credit risk – credit quality analysis

The following tables provide information on the Company's credit risk exposure based on its internal rating grades. The analysis is provided for the most significant exposures at amortised cost and at fair value through other comprehensive income.

Internal grading	Credit risk exposure
1	Very low risk
2	Low risk
3	Low risk
4	Low risk
5	Medium risk
6	Medium risk
7	Medium risk
8	Medium risk
9	Medium risk
10	High risk
11	High risk
12	High risk
Default	Default

Loans and advances to customers

31 December 2021

In thousands of CZK	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
Very low risk					
Low risk	2,027	–	–	–	2,027
Medium risk	13,113,529	79,937	–	–	13,193,466
High risk	–	–	–	–	–
Default	–	–	–	–	–
Without classification	–	–	–	–	–
	13,115,556	**79,937**	**–**	**–**	**13,195,493**
Impairment	(138,142)	(6,900)	–	–	(145,042)
Carrying amount	**12,977,414**	**73,037**	**–**	**–**	**13,050,451**

31 December 2020

In thousands of CZK	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
Very low risk	–	–	–	–	–
Low risk	–	–	–	–	–
Medium risk	15,901,008	75,386	–	–	15,976,394
High risk	–	–	–	–	–
Default	–	–	–	–	–
Without classification	–	–	–	–	–
Loss allowance	(652,212)	(17,143)	–	–	(669,355)
Carrying amount	**15,248,796**	**58,243**	**–**	**–**	**15,307,039**

Loan commitments under IFRS 9[2]

31 December 2021

In thousands of CZK	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Very low risk				
Low risk	3,000	–	–	3,000
Medium risk	7,728,107	–	–	7,728,107
High risk	–	–	–	–
Default	–	–	–	–
Without classification	–	–	–	–
	7,731,107	**–**	**–**	**7,731,107**
Loss allowance	(5,514)	–	–	(5,514)
Carrying amount	**7,725,593**	**–**	**–**	**7,725,593**

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

31 December 2020

In thousands of CZK	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Very low risk	–	–	–	–
Low risk	–	–	–	–
Medium risk	6,773,974	–	–	6,773,974
High risk	–	–	–	–
Default	–	–	–	–
Without classification	–	–	–	–
Loss allowance	(1,136)	–	–	(1,136)
Carrying amount	**6,772,838**	**–**	**–**	**6,772,838**

Financial guarantee contracts under IFRS 9

31 December 2021

In thousands of CZK	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Very low risk	–	–	–	–
Low risk				
Medium risk	14,052,369	–	–	14,052,369
High risk	–	–	–	–
Default	–	–	–	–
	14,052,369	**–**	**–**	**14,052,369**
Loss allowance	(2,562)	–	–	(2,562)
Carrying amount	**14,049,807**	**–**	**–**	**14,049,807**

31 December 2020

In thousands of CZK	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Very low risk	–	–	–	–
Low risk	–	–	–	–
Medium risk	12,651,671	–	–	12,651,671
High risk	–	–	–	–
Default	–	–	–	–
Loss allowance	(85,445)	–	–	(85,445)
Carrying amount	**12,566,226**	**–**	**–**	**12,566,226**

(iii) Credit risk – Loss given default and Probability of default

An analysis of the Company's sensitivity to an increase or decrease in Loss given default (LGD) and Probability of default (PD) on overall Expected credit losses (ECL) is as follows:

In thousands of CZK	31. prosince 2021	31. prosince 2020
Increase in LGD by 10%	16,877	66,542
Decrease in LGD by 10%	(13,870)	(66,938)
Increase in PD by 10%	16,952	66,938
Decrease in PD by 10%	(13,870)	(66,938)

(iv) Credit risk – collaterals

Collaterals are used as assets that can be realized in the event of failure of the primary source of repayment of debts.

Derivative transactions are subject to collateral management contracts. In general, under these agreements, in certain circumstances – e.g., when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Company and its counterparties are usually required to post collateral to mitigate counterparty credit risk.

Loans and advances to customers are secured by collateral with the fair values below:

31 December 2021

In thousands of CZK	Carrying amount 12-month ECL and Lifetime ECL not credit impaired	Accepted collateral value 12-month ECL and Lifetime ECL not credit impaired	Carrying amount Lifetime ECL credit impaired	Accepted collateral value Lifetime ECL credit impaired
Other	–	–	–	–
Total	**–**	**–**	**–**	**–**

31 December 2020

In thousands of CZK	Carrying amount 12-month ECL and Lifetime ECL not credit impaired	Accepted collateral value 12-month ECL and Lifetime ECL not credit impaired	Carrying amount Lifetime ECL credit impaired	Accepted collateral value Lifetime ECL credit impaired
Other	348,376	–	–	–
Total	**348,376**	**–**	**–**	**–**

In 2021, the Company does not recognize any movables serving as collateral for a provided loan to customer (2020: TCZK 348,376).

To manage risks the Company enters into derivatives transactions. The derivatives are collateralized based on the relevant ISDA agreements and CSA amendments. The fair value of the hedging derivative as at 31 December 2021 is TCZK 491,285 (receivable) (2020: TCZK 287,544 (receivable)). The value of cash collateral received as at 31 December 2021 is TCZK 74,200 (2020: TCZK 317,300). The fair value of the derivatives and the collateral received is not offset in the Company's balance sheet.

(v) Credit risk – forbearance

The Company classifies all its receivables from clients into categories performing or non-performing laid down by Regulation (EU) No 575/2013 of the European Parliament and Council Regulation (CRR) of 26 June 2013 and complementary legislation in the respective countries: exposures which are more than 90 days past due; exposures where the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due or exposures that have been found credit-impaired (Stage 3), including purchased or originated credit-impaired assets as non-performing. Exposures are classified as performing, unless classified as non-performing

Forbearance

The Company treats forbearance in accordance with the Technical Standard on non-performing exposures and forbearance measures published by the European Banking Authority (EBA) and in accordance with the Public Statement of the European Securities and Markets Authority (ESMA) on the treatment of forbearance practices in the financial statements of financial institutions prepared in accordance with IFRS.

Forbearance is an exposure where the Company decides, due to the debtor's financial problems, to grant a concession which in other circumstances would not be granted. The concession may consist in the modification of the terms and conditions of the contract or in debt refinancing. The modification of the terms and conditions may include, but is not limited to, a decrease in interest rate, reduction of the interest or principal, change in the repayment schedule (e.g., postponement of interest payment due date, temporary payment holiday, prolongation of the final due date of the loan, fee or accessories for the debtor, modification or non-monitoring of covenants, interest or instalment capitalisation, partial debt write-off). Any modification of terms and conditions or refinancing which is not a result of the debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Exposure forbearance

In thousands of CZK	31. prosince 2021	31. prosince 2020
Performing exposures	13,050,451	15,307,039
– performing exposure forborne	–	–
Non-performing exposures	–	–
– non-performing exposure forborne	–	–
Total	**13,050,451**	**15,307,039**

The share of loan exposure forbearance on total loans and advances to customers is 0% (2020: 0%).

The Company did not realize any losses from financial assets for which the contractual cash flows have been modified during the reporting period (in 2020 none).

37.2. Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both the risk of not being able to meet the Company's obligations when they fall due, as well as the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Company monitors its liquidity profile of financial assets and liabilities and details about other projected cash flows arising from expected future projects.

The Company's management uses diversification of sources of funds. This diversification makes the Company flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Company's liquidity risk management strategy. The risk managers then maintain a portfolio of short-term liquid assets, made up of loans and advances to banks and other short-term facilities, to ensure that sufficient liquidity is maintained within the Company as a whole.

As part of its liquidity risk management strategy the Company also holds a portion of its assets in highly liquid funds.

In managing liquidity risk, the Company promotes a conservative and prudent approach to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

The table below provides an analysis of assets and liabilities into relevant contractual maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. Expected maturities differ from contracted ones as historical evidence shows that most short-term loans and deposits are prolonged. The analysis is presented under the most prudent consideration of maturity dates, where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed.

(i) Contractual maturities of financial assets and liabilities

31 December 2021

In thousands of CZK	Up to 1 year	More than 1 year	Maturity undefined	Total
Financial assets				
Cash and cash equivalents	5,686,950	–	112	5,687,062
Financial assets for trading	86,172	1	652,174	738,347
Hedging derivatives	491,285	–	–	491,285
Investment securities measured at fair value through profit or loss	–	–	56,783	56,783
Investment securities at fair value through other comprehensive income	–	–	302,688	302,688
Loans and advances to customers	6,883,147	6,167,304	–	13,050,451
Trade receivables and other financial assets under risk management	66,430	–	–	66,430
Total	**13,213,984**	**6,167,304**	**1,011,757**	**20,393,046**

In thousands of CZK	Up to 1 year	More than 1 year	Maturity undefined	Total
Financial liabilities				
Loans from banks	1,494,597	2,663,484	–	4,158,081
Loans from customers	5,011,772	9,905,880	–	14,917,652
Debt securities issued				
Other financial liabilities under risk management	150,033	39,039	–	189,072
Total	**6,656,402**	**12,608,403**	**–**	**19,264,805**

The lines of credit that are available to the Company total CZK 2,327,092 as at 31 December 2021.

31 December 2020

In thousands of CZK	Up to 1 year	More than 1 year	Maturity undefined	Total
Financial assets				
Cash and cash equivalents	765,810	–	–	765,810
Financial assets for trading	23,727	717,259	–	740,986
Hedging derivatives	287,544	–	–	287,544
Investment securities measured at fair value through profit or loss	–	–	73,808	73,808
Investment securities at fair value through other comprehensive income	–	–	302,691	302,691
Loans and advances to customers	6,713,667	8,593,372	–	15,307,039
Trade receivables and other financial assets under risk management	784,916	–	–	84,916
Total	**7,875,664**	**9,310,631**	**376,499**	**17,562,794**

In thousands of CZK	Up to 1 year	More than 1 year	Maturity undefined	Total
Financial liabilities				
Loans from banks	3,352,690	–	–	3,352,690
Loans from customers	1,633,317	11,730,506	–	13,363,823
Debt securities issued	3,615	–	–	3,615
Other financial liabilities under risk management	401,174	67,681	–	468,855
Total	**5,390,796**	**11,798,187**	**–**	**17,188,983**

The lines of credit that are available to the Company total CZK 674,757 as at 31 December 2020.

(ii) Contractual maturities of financial liabilities, including estimated interest payments (undiscounted cash flow)

31 December 2021

In thousands of CZK	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities						
Loans from banks	4,158,081	(4,220,556)	(2,210,200)	(1,508,265)	(502,091)	–
Loans from customers	14,917,652	(16,559,055)	(222,657)	(5,451,815)	(10,884,583)	–
Debt securities issued						
Other financial liabilities under risk management	189,072	(196,031)	–	(159,492)	(36,539)	–
	19,264,805	**(20,975,642)**	**(2,432,857)**	**(7,119,572)**	**(11,423,213)**	**–**
Amount committed/guaranteed[2]						
Loan commitments	5,514	(7,731,107)	(7,731,107)	–	–	–
Financial guarantee contracts	2,562	(14,010,478)	(14,010,478)	–	–	–
	8,076	**(21,741,585)**	**(21,741,585)**	**–**	**–**	**–**

31. prosince 2020

In thousands of CZK	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities						
Loans from banks	3,352,690	(3,436,188)	(425,340)	(3,010,848)	–	–
Loans from customers	13,363,823	(13,413,452)	–	(1,649,860)	(11,763,592)	–
Debt securities issued	3,615	(3,615)	(3,615)	–	–	– –
Other financial liabilities under risk management	468,855	(468,855)	(390,233)	(10,941)	(67,681)	–
	17,188,983	**(17,322,110)**	**(819,188)**	**(4,671,649)**	**(11,831,273)**	**–**
Amount committed/guaranteed[2]						
Loan commitments	1,136	(6,772,838)	(6,772,838)	–	–	–
Financial guarantee contracts	85,445	(12,610,451)	(12,610,451)	–	–	–
	86,581	**(19,383,289)**	**(19,383,289)**	**–**	**–**	**–**

Expected liquidity

In general, contractual cash flows do not differ significantly from expected contractual future cash flows of financial instruments.

[2] Amounts committed/guaranteed – credit risk monitoring of loan commitments and financial guarantees is based on maximum credit risk exposure.

37.3. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company'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 on risk.

(i) Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Company uses various methods for management of interest rate risk. The Company continuously uses asset-liability management in its interest risk management. When purchasing bonds, the current interest position of the Company is taken into account which then serves as a basis for the purchase of fixed or variable bonds.

The priorities of the Company for interest rate risk management of liabilities comprise:

- Stability of liabilities, especially over longer time periods,
- Fast and flexible reactions to significant changes in inter-bank interest rates through adjustments to interest rates on liability products,
- Continuously evaluating interest rate levels offered to clients compared to competitors and actual and expected development of interest rates on the local market,
- Managing the structure of liabilities in compliance with the expected development of money market rates in order to optimize interest revenues and minimize interest rate risk.

The table below provides information on the extent of the Company's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have a contractual maturity date or are non-interest-bearing are grouped together in the "maturity undefined" category.

A summary of the Company´s interest rate gap position as per the carrying amounts is as follows:

31 December 2021

In thousands of CZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
Financial assets						
Cash and cash equivalents	5,686,950	–	–	–	112	5,687,062
Financial assets for trading	86,172	–	1	–	652,174	738,347
Hedging derivatives	491,285	–	–	–	–	491,285
Investment securities measured at fair value through profit or loss	–	–	–	–	56,783	56,783
Investment securities at fair value through other comprehensive income	–	–	–	–	302,688	302,688
Loans and advances to customers	2,623,774	4,688,027	5,738,650	–	–	13,050,451
Trade receivables and other financial assets under risk management	66,430	–	–	–	–	66,430
	8,954,611	**4,688,027**	**5,738,651**	**–**	**1,011,757**	**20,393,046**
Financial liabilities						
Loans from banks	2,194,380	1,491,361	472,340	–	–	4,158,081
Loans from customers	–	5,011,772	9,905,880	–	–	14,917,652
Issued bonds	–	–	–	–	–	–
Other financial liabilities under risk management	150,033	–	–	–	39,039	189,072
	2,344,413	**6,503,133**	**10,378,220**	**–**	**39,039**	**19,264,805**
Net position (excluding Off balance sheet)	**6,610,198**	**(1,815,106)**	**(4,639,569)**	**–**	**972,718**	**1,128,241**
Off balance net position	**617,332**	**–**	**–**	**–**	**–**	**617,332**
Net position (including Off balance sheet)	**7,227,530**	**(1,815,106)**	**(4,639,569)**	**–**	**972,718**	**1,745,573**

31 December 2020

In thousands of CZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
Financial assets						
Cash and cash equivalents	765,810	–	–	–	–	765,810
Financial assets for trading	23,728	–	115,641	601,617	–	740,986
Hedging derivatives	287,544	–	–	–	–	287,544
Investment securities measured at fair value through profit or loss	–	–	–	–	73,808	73,808
Investment securities at fair value through other comprehensive income	–	–	–	–	302,691	302,691
Loans and advances to customers	348,403	6,230,544	8,728,092	–	–	15,307,039
Trade receivables and other financial assets under risk management	54,711	30,205	–	–	–	784,916
	1,480,196	**6,260,749**	**8,843,733**	**601,617**	**376,499**	**17,562,794**
Financial liabilities						
Loans from banks	620,845	2,731,845	–	–	–	3,352,690
Loans from customers	–	–	13,363,823	–	–	13,363,823
Issued bonds	–	–	–	–	3,615	3,615
Other financial liabilities under risk management	332,533	7,879	10,087	76,898	41,457	468,855
	953,378	**2,739,724**	**13,373,910**	**76,898**	**376,499**	**17,188,983**
Net position (excluding Off balance sheet)	**–**	**3,521,025**	**(4,530,177)**	**524,719**	**331,426**	**373,811**
Off balance net position	**318,415**	**–**	**–**	**–**	**–**	**318,415**
Net position (including Off balance sheet)	**845,233**	**3,521,025**	**(4,530,177)**	**524,719**	**331,479**	**692,226**

There are no financial assets or financial liabilities sensitive to changes in market rates as all of them bear interest at a fixed rate.

IBOR reform

The rates at which banks borrow funds from each other on the interbank money market are referred to as IBOR rates („Interbank Offered Rates"). In the past, there have been serious cases of manipulation of some benchmark rates (LIBOR, EURIBOR) and the credibility of such rates fell, and as there have been suspicions that IBOR rates were set in a non-transparent manner, these rates are currently undergoing a major reform. Given the great economic importance of these rates, it is necessary to ensure the accuracy and reliability of these constructs and of the process of their determination (methodology, management structure). For this reason, working groups are being set up to identify new benchmark rates and to ensure the transition to alternative, risk-free benchmark rates.

The Company assesses the following as significant areas of impact of IBOR rate reforms:

- Legal impacts – adjustment of benchmark rates in legal contracts (loan agreements, agreements on deposit products, ISDA and CEMA agreements, supply agreements, etc.), product sheets, etc.
- Valuation of financial instruments – determination and definition of yield curves, risk management, financial plans, pricing, performance calculations, etc.
- IT systems and processes – technical readiness of systems for the transition to risk-free benchmark rates, data inputs in source systems, etc.
- Accounting – impact on the modification of financial instruments, their classification, etc.

The Company has been intensively analysing and quantifying the impacts of the transition to the system of risk-free benchmark rates, and therefore the company is not expected to be significantly affected by the IBOR reform.

Risk Management

The Company considers all IBOR rates which are planned to be discontinued or reformed as at 1 January 2022 and 1 July 2023, with the exception of EUR LIBOR, which the Company already replaced with EURIBOR. Namely, this includes the following: GBP LIBOR; USD LIBOR; JPY LIBOR; CHF LIBOR and EONIA.

Yield curves prepared based on the above IBOR rates are used to determine the fair values of interest-sensitive instruments for accounting purposes as well as for internal risk management purposes. Curves enter into these calculations both to perform discounting to present value and to determine future float rates.

Non-derivative financial assets and liabilities

The Company has no contracts with interest linked to LIBOR rates, and therefore the company is not expected to be significantly affected by the IBOR reform.

(ii) Foreign exchange risk

The breakdown of the carrying amounts by currency translated to thousands of CZK (TCZK) is as follows:

31 December 2021

In thousands of CZK	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash balances at central banks	2,138,399	3,548,513	16	134	–	5,687,062
Financial assets held for trading	–	738,347	–	–	–	738,347
Hedging derivatives	–	491,285	–	–	–	491,285
Investment securities measured at fair value through profit or loss	56,783	–	–	–	–	56,783
Investment securities at fair value through other comprehensive income	298,317	–	–	4,371	–	302,688
Loans and advances to customers	12,080,473	967,813	–	2,165	–	13,050,451
Trade receivables and other financial assets under risk management	31,156	12,959	–	–	22,315	66,430
	14,605,128	**5,758,917**	**16**	**6,670**	**22,315**	**20,393,046**
Off balance sheet assets	**16,210,287**	**28,256,613**	**–**	**–**	**481,320**	**44,948,220**
Currency forwards	–	19,361,772	–	–	–	19,361,772
Assets under management	–	–	–	–	–	–
Loan commitments and guarantees	12,174,639	8,894,841	–	–	–	21,069,480
Other Off balance sheet assets	4,035,648	–	–	–	481,320	4,516,968
Financial liabilities						
Loans from banks	4,158,081	–	–	–	–	4,158,084
Loans from customers	4,388,204	10,529,448	–	–	–	14,917,652
Issued bonds						
Other financial liabilities under risk management	81,570	107,427	–	–	75	189,072
	8,627,855	**10,636,875**	**–**	**–**	**75**	**19,264,805**
Off balance sheet liabilities	**18,897,191**	**2,174,341**	**–**	**–**	**–**	**21,071,532**
Currency forwards	18,744,440	–	–	–	–	18,744,440
Loan commitments and guarantees	152,751	2,174,341	–	–	–	2,327,092
Other Off balance sheet assets						
Net position (excluding Off balance sheet)	**5,977,273**	**(4,877,958)**	**16**	**6,670**	**22,240**	**1,128,241**
Net position (including Off balance sheet)	**3,290,369**	**21,204,314**	**16**	**6,670**	**503,560**	**25,004,929**

31 December 2020

In thousands of CZK	EUR	CZK	USD	RUB	Other	Total
Financial assets						
Cash and cash balances at central banks	42,559	720,676	19	2,556	–	765,810
Financial assets for trading	702,398	38,588	–	–	–	740,986
Hedging derivatives	–	287,544	–	–	–	287,544
Investment securities measured at fair value through profit or loss	73,808	–	–	–	–	73,808
Investment securities at fair value through other comprehensive income	298,320	–	–	4,371	–	302,691
Loans and advances to customers	10,889,220	4,402,366	–	15,453		15,307,039
Trade receivables and other financial assets under risk management	44,780	20,418	–	–	19,718	84,916
	12,051,085	**5,469,592**	**19**	**22,380**	**19,718**	**17,562,794**
Off balance sheet assets	**–**	**19,046,847**	**–**	**–**	**–**	**19,046,847**
Currency forwards	1,807,877	–	–	–	485,960	2,293,837
Assets under management	10,851,393	8,432,140	–	–	–	19,283,533
Loan commitments and guarantees	287,715	317,697	–	–	–	605,412
Other Off balance sheet assets	–	19,046,847	–	–	–	19,046,847
	12,946,985	**27,796,684**	**–**	**–**	**485,960**	**41,229,629**
Financial liabilities						
Loans from banks	3,352,567	123	–	–	–	3,352,690
Loans from customers	3,992,133	9,371,690	–	–	–	13,363,823
Issued bonds	–	3,615	–	–	–	3,615
Other financial liabilities under risk management	445,288	23,567	–	–	–	468,855
	7,789,988	**9,298,995**	**–**	**–**	**–**	**17,418,983**
Off balance sheet liabilities						
Currency forwards	18,728,432	–	–	–	–	18,728,432
Loan commitments and guarantees	522,006	152,751	–	–	–	674,757
Other Off balance sheet assets	590,579	818,511	–	–	–	1,409,090
	19,841,017	**971,262**	**–**	**–**	**–**	**20,812,279**
Net position (excluding Off balance sheet)	**4,261,097**	**(3,929,403)**	**19**	**22,380**	**19,718**	**373,811**
Net position (including Off balance sheet)	**(2 632,935)**	**22,896,019**	**19**	**22,380**	**505,678**	**20,791,161**

An analysis of the Company's sensitivity to an increase or decrease in foreign exchange rates is presented in the table below.

A one percent strengthening in foreign currencies would have had the following effects on profit or loss and other comprehensive income:

In thousands of CZK	Impact on Profit or Loss		Impact on Other Comprehensive Income	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
EUR	59,773	139,595	(2,983)	(2,997)

(iii) Equity price risk

Equity price risk arises from the quoted financial instruments held by the Company, further to changes in perception by the markets of the expected financial performance of the investments concerned. Equity price risk is essentially managed through diversification of the investment portfolio of investment securities at fair value through other comprehensive income and fair value through profit or loss equity securities.

A 100 bp increase in the price of non-derivative financial assets at fair value through profit or loss would have had a positive effect on profit or loss as set out below. A 100 bp increase in the price of investment securities at fair value through other comprehensive income would have had a positive effect on other comprehensive income as set out below. A 100 bp decrease in price would have had an equal but opposite effect on profit or loss and other comprehensive income.

	Impact on Profit or Loss		Impact on Other Comprehensive Income	
In thousands of CZK	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Level 1 – quoted market prices	568	738	—	—
Level 2 – derived from quoted prices	6,522	6,165	2,983	2,983
Level 3 – calculated using valuation techniques	—	1,008	44	44
Total	**7,090**	**7,911**	**3,027**	**3,027**

	Total impact on Equity	
In thousands of CZK	**31 December 2021**	**31 December 2020**
Level 1 – quoted market prices	568	738
Level 2 – derived from quoted prices	9,504	9,147
Level 3 – calculated using valuation techniques	44	1,052
Total	**10,116**	**10,938**

37.4. Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Company's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

This responsibility is supported by the development of overall standards within the Company for the management of operational risk which is done by the Risk Management Department and which cover the following areas:

- requirements for the reconciliation and monitoring of transactions.
- identification of operational risk within the control system and development of conditions for decreasing and limiting operational risk (while the required level of activities is secured), as well as its impacts and consequences; recommendations for appropriate solutions in this area.
- reporting of operational risk events by entering the corresponding information into the Company's database of operational risk events
- this overview of the Company's operational risk events allows the Company to specify the direction of steps and processes to take in order to limit these risks, as well as to make decisions with regard to:
- accepting the individual risks that are faced;
- initiating processes leading to limitation of possible impacts; or
- decreasing the scope of the relevant activity or discontinuing it entirely.

38. Related parties

Identity of related parties

The Company has, or had, related party relationships as identified in the following table, either at 31 December 2021 and 2020, or during the years with:

(1) Ultimate shareholders and companies they control

(2) Entities with joint control or significant influence over the Company and its subsidiaries or associates

(3) Subsidiaries of the Company

(4) Associates of the Company

(5) Joint ventures in which the Company is a venturer

(6) Key management personnel (i.e., Board of Directors) of the Company

"Ultimate shareholders and companies they control" includes the following: Jakabovič Ivan, Tkáč Jozef, DANILLA EQUITY LIMITED, J&T Securities, s.r.o., KOLIBA REAL a.s., KPRHT 3, s.r.o., KPRHT 14 s.r.o. and KPRHT 19, s.r.o. None of these entities prepare publicly available consolidated financial statements which include the Company.

The summary of transactions with related parties during 2021 and 2020 is as follows:

In thousands of CZK	31 December 2021		31 December 2020	
	Receivables	Liabilities	Receivables	Liabilities
Ultimate shareholders and companies they control	–	39,039	–	41,214
Subsidiaries	15,734,159	16,469,435	9,089,970	14,041,618
Key management personnel of the entity or its parent and companies they control or jointly control	–	–	–	–
Total	**15,734,159**	**16,508,474**	**9,089,970**	**14,082,832**

The summary of transactions with related parties during 2021 and 2020 is as follows:

In thousands of CZK	2021		2020	
	Income	Expenses	Income	Expenses
Ultimate shareholders and companies they control	–	–	–	–
Subsidiaries	883,332	920,886	933,897	1,053,257
Key management personnel of the entity or its parent and companies they control or jointly control	–	–	–	–
Total	**883,332**	**920,886**	**933,897**	**1,053,257**

The summary of guarantees with related parties at year-end is as follows:

In thousands of CZK	31 December 2021		31 December 2020	
	Guarantees received	Guarantees granted	Guarantees received	Guarantees granted
Other key management personnel of the entity or its parent and group companies	–	13,253,454	–	12,464,752
Total	**–**	**13,253,454**	**–**	**12,464,752**

The amount of Guarantees received represents mainly the guarantee that subsidiaries of J&T Integris group limited (bond issuers) will meet their obligation to their creditors.

The summary of loan commitments with related parties at year-end is as follows:

In thousands of CZK	31 December 2021		31 December 2020	
	Loan commitments received	Loan commitments granted	Loan commitments received	Loan commitments granted
Other key management personnel of the entity or its parent and group companies	2,327,092	7,719,168	674,757	6,772,838
Total	**2,327,092**	**7,719,168**	**674,757**	**6,772,838**

Transactions with directors and key management

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

In thousands of CZK	31 December 2021	31 December 2020
Remuneration	5,404	10,975
Loans	–	–

Of the loans to directors and key management, new loans of TCZK 0 were granted during 2021 (2020: TCZK 0). The Company's key management personnel received no other remuneration in the form of short-term benefits, post-employment benefits, other long-term employee benefits, early termination benefits, or share-based payments.

39. Subsequent events

The Group conducts operations in the Russian market through its subsidiary, J&T Bank, a.o. and is also exposed to the economic and financial markets of Ukraine. In February 2022, following the recognition of self-proclaimed republics of Donetsk and Lugansk by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of that country. The current escalation of the military conflict is likely to have a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to the Russian Federation's hostile actions towards Ukraine, a number of countries, including the United States of America, the United Kingdom and the European Union have imposed and/or expanded economic sanctions against a number of Russian individuals and legal entities. The sanctions include asset freezes, trade restrictions, and travel bans, among other things. Further legislation is planned. The expanded sanctions already had or are expected to have a further detrimental effect on economic uncertainty in Russia, including more volatile equity markets, a depreciation of the Russian ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

These events represent non-adjusting events after the reporting period for the separate financial statements as at 31 December 2021.

Presented below is the Company's summarized exposure in Russian and Ukrainian market as at 31 March 2022 (unaudited):

In thousands of CZK	31 March 2022
Cash in bank accounts	139
Investments instruments at fair value through equity	4,371
Loans to customers	339,566
Total	**344,076**

The Company realized net revenues to Russian and Ukrainian customers which amounted to TCZK 1,065 for the year ended 31 December 2021.

Following these events, the Group has taken the following measures:

- the Group will not provide any new loans to entities with underlying risk in Ukraine and Russia,
- it has analyzed in detail the exposures from sectors potentially affected by the impact of the current situation and recognized higher expected credit losses,
- the Group has prepared an impact simulation of 2 alternative scenarios - the expected and worst-case scenario, including simulation of P/L impact, impact on capital adequacy and liquidity of the Group.

Based on the analysis performed, the management of the Group has concluded that, as at the date these separate financial statements were authorized for issue, the going concern assumption is still appropriate and this event does not have significant impact on the separate financial statements as at 31 December 2021.

There are no other subsequent events to be reported in these separate financial statements for the period ended as 31 December 2021.

40. Group entities

The list of the Group entities as at 31 December 2021 and 2020 is set out below:

		31 December 2021			31 December 2020		
Company name	Country of incorporation	Consolidated %	Ownership interest	Consolidation method	Consolidated %	Ownership interest	Consolidation method
J&T FINANCE GROUP SE	Czech Republic		parent company			parent company	
J&T BANKA, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
ATLANTIK finanční trhy, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T INVESTIČNÍ SPOLEČNOST, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T IB and Capital Markets, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
XT-Card a.s.	Czech Republic	32.00	direct	Equity	32.00	direct	Equity
Colorizo Investment, a.s.	Czech Republic	100.00	direct	Full	52.60	direct	Full
OAMP Hall 1 s.r.o.	Czech Republic	—	-	-	50.00	direct	Equity
OAMP Distribution s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Infrastructure s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Holding s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 2 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 3 s.r.o.	Czech Republic	—	-	-	50.00	direct	Equity
OAMP Hall 4 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 5 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
OAMP Hall 6 s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
CI Joint Venture s.r.o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
Logistics Park Nošovice a.s.	Czech Republic	—	—	—	50.00	direct	Equity
Industrual Center CR 11 s.r.o.	Czech Republic	75.00	direct	Equity	—	—	—
CI Joint Venture s.r.o.	Czech Republic	50.00	direct	Equity	—	—	—
SPERIDA, a.s. v likvidácii	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T Bank, a.o. (J&T Bank ZAO)[1]	Russia	100.00	direct	Full	100.00	direct	Full
Leasing-Medicine Ltd	Russia	100.00	direct	Full	—	—	—
TERCES MANAGEMENT LIMITED[2]	Cyprus	100.00	direct	Full	100.00	direct	Full

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Company name	Country of incorporation	31 December 2021 Consolida-ted %	Ownership interest	Consolida-tion method	31 December 2020 Consolida-ted %	Ownership interest	Consolida-tion method
Interznanie OAO[3]	Russia	100.00	direct	Full	100.00	direct	Full
J&T REALITY otevřený podílový fond[4]	Czech Republic	88.88	direct	Full	88.88	direct	Full
J&T Banka d.d. (VABA d.d. banka Varaždin)[5]	Croatia	96.03	direct	Full	96.03	direct	Full
J&T Leasingová společnost, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
Rentalit s.r.o.	Czech Republic	100.00	—	Full	100.00	direct	Full
ALTERNATIVE UPRAVLJANJE d.o.o.	Croatia	100.00	direct	Full	100.00	direct	Full
J&T VENTURES I uzavřený podílový fond[6]	Czech Republic	97,39	direct	Full	94.14	direct	Full
J&T DIVIDEND Fund	Malta	—	direct	—	56.77	direct	Full
Rustonka Development II s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct	Full
JTFG FUND I SICAV, a.s.	Czech Republic	60.54	direct	Full	—	—	—
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	Slovakia	100.00	direct	Full	—	—	—
J&T INTEGRIS GROUP LIMITED	Cyprus	100.00	direct	Full	100.00	direct	Full
Bayshore Merchant Services Inc.	BVI	100.00	direct	Full	100.00	direct	Full
J&T Trust Inc.	Barbados	100.00	direct	Full	100.00	direct	Full
J&T MINORITIES PORTFOLIO LIMITED	Cyprus	100.00	direct	Full	100.00	direct	Full
Equity Holding, a.s.	Czech Republic	62,64	direct	Full	62.64	direct	Full
Butcher313, s.r.o.	Czech Republic	30.00	direct	Equity	30.00	direct	Equity
J&T Finance, LLC	Russia	99.90	direct	Full	99.90	direct	Full
Hotel Kadashevskaya, LLC	Russia	99.90	direct	Full	99.90	direct	Full
Narcissus s.r.o.	Czech Republic	49.00	direct	Equity	49.00	direct	Equity
J&T Global Finance VIII., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Global Finance IX., s.r.o	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T Global Finance X., s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Global Finance XI., s.r.o	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Global Finance XII., s.r.o	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T SERVICES ČR, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T SERVICES SR, s.r.o.	Slovakia	100.00	direct	Full	100.00	direct	Full
365.bank, a.s. (Poštová banka, a.s.)	Slovakia	98.46	direct	Full	98.46	direct	Full
Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a.s.)	Slovakia	—	—	—	78.77	direct	Full
365.life, d. s. s., a. s. (Dôchodková správcovská spoločnosť Poštovej Banky, d.s.s., a.s.)	Slovakia	98,46	direct	Full	98.46	direct	Full
365.invest, správ. spol., a. s. (PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ.spol., a.s.)	Slovakia	98,46	direct	Full	98.46	direct	Full
PB Servis, a.s.	Slovakia	98,46	direct	Full	98.46	direct	Full
PB PARTNER, a.s. v likvidácii	Slovakia	—	—	—	98.46	direct	Full
PB Finančné služby, a.s.	Slovakia	98,46	direct	Full	98.46	direct	Full

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Company name	Country of incorporation	31 December 2021			31 December 2020		
		Consolida-ted %	Ownership interest	Consolida-tion method	Consolida-ted %	Ownership interest	Consolida-tion method
SKPAY, a. s. (SPPS, a.s.)	Slovakia	39.38	direct	Equity	39.38	direct	Equity
365.fintech, a.s.	Slovakia	98,46	direct	Full	98.46	direct	Full
ART FOND – Stredoeurópsky fond súčasného umenia, a.s.	Slovakia	86,63	direct	Full	–	–	–
Ahoj, a.s. (Amico Finance, a.s.)	Slovakia	93,53	direct	Full	93.53	direct	Full
Cards&Co, a. s.	Slovakia	100.00	direct	Full	100.00	direct	Full
DanubePay, a. s.	Slovakia	100.00	direct	Full	100.00	direct	Full
J&T NOVA Hotels SICAV, a.s.[7]	Czech Republic	99.20	direct	Full	99.20	direct	Full
DIAMOND HOTELS SLOVENSKO, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct	Full
BHP Tatry, s.r.o.	Slovakia	99.20	direct	Full	99.20	direct	Full
Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.[8]	Czech Republic	99.17	direct	Full	99.17	direct	Full
FORESPO SOLISKO a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO HELIOS 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO HELIOS 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO HOREC a SASANKA a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO PÁLENICA a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
INVEST-GROUND a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO-RENTAL 1 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO-RENTAL 2 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO BDS a.s.	Czech Republic	99.17	direct	Full	99.17	direct	Full
DEVEL PASSAGE s.r.o.	Slovakia	99.17	direct	Full	99.17	direct	Full
FORESPO DUNAJ 6 a.s.	Slovakia	99.17	direct	Full	99.17	direct	Full
RDF International, spol. s r.o.	Slovakia	99.17	direct	Full	99.17	direct	Full
J&T LOAN FUND[9]	Malta	99.23	direct	Full	99.23	direct	Full
J&T Wine Holding SE	Czech Republic	100.00	direct	Full	100.00	direct	Full
OUTSIDER LIMITED	Cyprus	100.00	direct	Full	100.00	direct	Full
Chateau Teyssier (Société civile)	France	80.00	direct	Full	80.00	direct	Full
JCP MALTUS DOMAINES & CHATEAUX (CT Domaines)	France	80.00	direct	Full	80.00	direct	Full
SAXONWOLD LIMITED	Ireland	80.00	direct	Full	80.00	direct	Full
World's End	U.S.A.	80.00	direct	Full	80.00	direct	Full
KOLBY a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
Reisten, s.r.o.	Czech Republic	100.00	direct	Full	100.00	direct	Full
J&T Mezzanine, a.s.	Czech Republic	100.00	direct	Full	100.00	direct	Full
URE HOLDING LIMITED	Cyprus	45.00	direct	Equity	45.00	direct	Equity
JTH Vision, s. r. o.	Czech Republic	50.00	direct	Equity	50.00	direct	Equity
JTH Letňany s.r.o.	Czech Republic	50.00	direct	Equity	–	–	–
J&T Credit Participation, s.r.o.	Czech Republic	100.00	direct	Full	–	–	–

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

[1] The Group owns a 99.945% share in J&T Bank, a.o. through the subsidiary J&T BANKA, a.s.; and 0.055% share is directly owned by J&T FINANCE GROUP SE (under other fixed income securities).

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

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

[4] The Group owns a 53.08% share in J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST., a.s., through the subsidiary J&T BANKA, a.s. and another 35.80% share through the subsidiary 365.bank, a.s.

[5] The Group owns a 84.17% share in J&T Banka d.d. through J&T BANKA, a.s. and another 11.86% share through the subsidiary ALTERNATIVE UPRAVLJANJE d.o.o.

[6] The Group owns a 94.14% share in J&T VENTURES I otevřený podílový fond through the subsidiary J&T BANKA, a.s. and another 3.25% share through the subsidiary J&T IB and Capital Markets, a.s.

[7] The Group owns a 48.35% share in J&T J&T SICAV, a.s. through J&T BANKA, a.s. and another 50.85% share through the subsidiary 365.bank, a.s.

[8] The Group owns a 46.51% share in Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s. through J&T BANKA, a.s. and another 52.66% share through the subsidiary 365.bank, a. s.

[9] The Group owns a 49.99% share in J&T LOAN FUND through J&T BANKA, a.s. and another 49.24% share through the subsidiary 365.bank, a. s.

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This document is an unsigned 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 Shareholder of J&T Finance Group SE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate financial statements of J&T Finance Group SE ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 unconsolidated financial position of the Company as at 31 December 2021, and of its unconsolidated financial performance and its unconsolidated 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), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of investments in subsidiaries

Investments in subsidiaries amounted to CZK 44,008,268 thousand as at 31 December 2021 (31 December 2020: CZK 40,761,236 thousand).

Refer to Note 3 (Significant accounting policies) and Note 23 (Investments in subsidiaries).

Key audit matter

At the reporting date, the Company had ten directly owned subsidiaries, carried under the equity method in the separate financial statements. As at each reporting date, Management Board assesses whether indications exist that their investments' carrying amounts might not be recoverable. Indications of impairment may include, among other things, significant operating losses, possibility of bankruptcy or information about significant changes with an adverse effect on the investment.

If and when such impairment indications are identified for an investment, the Management Board estimates its recoverable amount, being the higher of its fair value less costs to sell or value-in-use. In such case, the determination of the recoverable amounts, performed primarily based on discounted cash flow models, involves significant Management Board judgment and complex assumptions, such as in respect of the growth rates, discount rates and forecasted net operating profit, among other things. No impairment indicators were identified by the Company as part of its current year's assessment.

Based on the above-mentioned factors, satisfying ourselves in respect of the existence of any impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.

How the audit matter was addressed

Our procedures in the area included, among others:

Testing the design and implementation of selected controls within the financial reporting process relating to the impairment trigger / impairment testing of investments in subsidiaries, including those over the validation of the impairment trigger test/ impairment test assumptions and outcomes;

Challenging the Company's judgments as to the existence of impairment indicators in respect of its investments in subsidiaries. As part of the procedure, we performed the following:

- Independent assessment of the investees' financial performance by reference to their most recent financial information for the current year;
- Inspection of the investees' budgets for the subsequent year(s), related inquiries of the investee's auditors, and inspection of supporting documentary evidence, where applicable. Based on the above, also considering the effects of the COVID-19 pandemic and market disturbance in the last quarter of 2021, assessing reasonableness of the said budgets;
- Evaluation of the quality of the Company's and investees' forecasting by comparing historical projections with actual outcomes;
- Inspection of minutes of the Company's and investees' management board and supervisory board meeting minutes for any matters relevant to impairment assessment.

Expected credit losses for loans and advances to customers

As at 31 December 2021, loans and advances to customers amounted to 13 195 493 thousand (31 December 2020: CZK 15 976 394 thousand) and related expected credit losses amounted to CZK 145,042 thousand (31 December 2020: CZK 669,355 thousand).

Refer to Note 3 (Significant accounting policies), Note 20 (Loans and advances to customers) and Note 22 (Amounts arising from expected credit losses).

Key audit matter

The Company's management makes material and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances (together "loans") provided to customers. We consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.

In the process, the loans are allocated into one of the three stages prescribed by IFRS 9 Financial instruments in order to estimate the loss allowances. Stage 1 and Stage 2 loans are performing loans, with Stage 2 loans being those for which significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, credit-impaired loans.

In estimating the ECLs, the Company considers future cash repayment scenarios, also taking into account the recoverable value of underlying collateral, where relevant. Other key assumptions and judgements in the calculation of the Expected Credit Losses include the following:

- definition of significant increase in credit risk (SICR);
- estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters;
- estimate of credit conversion factor (CCF) for off-balance sheet exposures;
- forward-looking information (FLI) based on scenarios of expected development of selected macroeconomic indicators.

How the audit matter was addressed

Our procedures in the area, performed assisted by our own credit risk specialists, included, among other things:

Assessing the Company's credit and loan impairment policies, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of identifying indicators of default, significantly increased the credit risk, and allocating of loans to Stages.

Evaluating whether in its loan staging and ECL measurement the Company appropriately considered the effects of the market disruption resulting from the ongoing COVID-19 pandemic and other aspects of current market conditions such as growth in energy prices and inflationary pressures.

Testing the design and implementation of the selected controls within the financial reporting process relating to the ECL estimates, including those over the validation of the ECL measurement outcomes. We performed the testing by inquiry, in combination with the observation, inspection of underlying documentation, and selected recalculations.

For a sample of loans, by reference to the underlying documentation (loan files) and through inquiries of the Company's credit officers, we evaluated whether the loans were allocated to appropriate stages of IFRS 9, and whether appropriate EAD, PD and LGD parameters were applied to loan exposures in determining the related ECLs.

We assessed the accuracy and completeness of the Company's disclosures on the loss allowances and the 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 annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

The Company has not prepared an annual report as at 31 December 2020, as it includes the respective information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process. The Audit Committee is responsible for monitoring the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 3 October 2014 and our uninterrupted engagement has lasted for 9 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 26 April 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

Statutory Auditor Responsible for the Engagement

Ondřej Fikrle is the statutory auditor responsible for the audit of the financial statements of J&T Finance Group SE as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague, 27 April 2022

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

Unsigned copy

Ondřej Fikrle
Partner
Registration number 2525

7.4

billion EUR

Asset managed
by the Group

Text part of the annual report

Description of the Company

Company name: J&T FINANCE GROUP SE

Registered office: Sokolovská 700/113a, Karlín, 186 00 Praha 8

Identification No.: 275 92 502

Legal form: Societas Europaea (SE)

Registered in: the Commercial Register of the Municipal Court in Prague, Section H, Insert No. 1317

Principal business activities: manufacturing, trade and services not specified in appendixes 1 to 3 of the Trade Licensing Act

Principal activities: acquisition and holding of ownership interests in legal entities

Board of Directors of the Company as at 31 December 2021:

Chairman of the Board of Directors: Jozef Tkáč

Vice–chairman of the Board of Directors: Patrik Tkáč

Vice–chairman of the Board of Directors: Ivan Jakabovič

Vice–chairman of the Board of Directors: Dušan Palcr

Member of the Board of Directors: Igor Kováč

Member of the Board of Directors: Štěpán Ašer

Supervisory Board as at 31 December 2021:

Chairperson of the Supervisory Board: Marta Tkáčová

Member of the Supervisory Board: Ivan Jakabovič

Member of the Supervisory Board: Jana Šuterová

Description of the decision-making procedures and structure of the statutory body, supervisory board, or another executive or controlling body of the issuer:

In accordance with the Company's Articles of Association, its bodies comprise the Board of Directors and the Supervisory Board. The Company has also established an audit committee and a remuneration committee that help the Supervisory Board to carry out its supervisory activities more effectively. Persons who are members of the corporate bodies meet the requirements related to professional qualification, credibility and experience. In selecting the members of its bodies, the Company applies the diversity principle, taking into account qualification and experience, which is supervised by the appointment committee, which performs its activities at the level of the parent company.

The Board of Directors decides on all matters of the Company unless they fall within the powers of the general meeting or the Supervisory Board or the relevant committees established by the Company, primarily the audit committee and the remuneration committee.

The Company has not adopted and does not apply the Code of Corporate Governance.

Internal control principles and procedures relating to the financial reporting process:

To ensure that the accounts give a true and fair view of the state of affairs and that both the separate and consolidated financial statements are prepared in due manner, the Company uses the services of the subsidiary J&T SERVICES ČR a.s ("J&T Services"), which provides administrative support. J&T Services uses various tools to appropriately recognise individual transactions and to subsequently present them in the financial statements of the issuer and its Group. The key tools include in particular maximum automation of recurring transactions, procedures and processes within appropriate systems and applications, regular monitoring and testing of these systems and setting of access rights to individual systems and applications. In addition to periodical reviews of the general ledger, J&T also applies a system of allocating responsibility and reconciliation of accounts in terms of individual analytical account balances. Each general ledger account has its administrator who has to provide regularly, or on demand, information on the particular analytical account (balance, reconciliation to primary data, breakdown to individual amounts, etc.). J&T Services also lays down the rules and methodology for the preparation of the consolidated financial statements and examines the correctness of the underlying information for the preparation of the consolidated financial statements.

The compliance of the applied accounting policies with, in particular, International Financial Reporting Standards and the setting of the Company's accounting controls fall within the responsibility of the Department of the Board of Directors.

Information about the applied accounting policies, valuation techniques and rules for establishing loss allowances is disclosed in the notes to the financial statements that form an integral part of this annual report.

The accuracy of information presented in the Company's financial statements is confirmed by the auditor's opinion. The annual report includes audited financial results of both the Company and the Group.

In 2021 and 2020, the auditor charged the following amounts to the Company and the Group for the audit and other services:

In thousands of CZK	Amounts charged to the Company 2021	Amounts charged to the Company 2020	Amounts charged to the other companies from the Group 2021	Amounts charged to the other companies from the Group 2020
Statutory audit	8,275	6,972	23,317	25,195
Other assurance services	0	0	6,347	8,653
Other services	0	0	3,146	3,671
Total	**8,275**	**6,972**	**37,519**	**37,519**

In 2021, KPMG Česká republika Audit, s.r.o. provided the companies from the Group with the following non-audit services:

- Assurance of the reports for the prudential consolidation unit;
- Regulatory trainings;
- General and tailor-made trainings.

Powers of the general meeting:

The powers of the general meeting include mainly the decisions on changes in the Articles of Association, the amount of registered capital, and the authorisation of the board of directors to increase the registered capital, election and removal of the members of the supervisory board, approval of the regular, extraordinary or consolidated financial statements and, in cases when their preparation is stipulated by another legal regulation, of the interim financial statements. The general meeting also decides on the distribution of profit and other own resources or the settlement of a loss, it gives instructions to the board of directors and approves the principles of the board of directors' activity unless they are contrary to legal regulations. The general meeting can particularly prohibit certain legal actions to any board member if it is the interest of the Company. The powers of the general meeting are regulated in the Company's Articles of Association in force and the relevant legal regulations, in particular Act No. 90/2012 Coll., on Business Corporations.

Remuneration:

In thousands of CZK	2021
Members of the statutory body	3,270
Members of the supervisory board	80
Other persons with managing powers	2,054

The Company's key management received no other remuneration in the form of short-term benefits, post-employment benefits, other long-term employee benefits, early termination benefits, or share-based payments.

The remuneration committee submits the proposed remuneration for the members of the board of directors to the general meeting for approval, supervises the remuneration of the individual key employees who execute internal controlling functions, and submits recommendations for their remuneration to the Company's supervisory board.

Activities of the Company:

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges their volume.

Financial results of the Company:

The Company has a long history as a strong and stable institution. As at 31 December 2021, the Company reported total assets of CZK 64.6 billion, equity of CZK 45.2 billion and registered capital of CZK 15.8 billion. It achieved a profit of CZK 4.3 billion in 2021.

The balance of Company's assets and its financial position are disclosed in the financial statements prepared as at 31 December 2021, which form a separate part of the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

Expected economic development in 2022:

In 2022, the Company will continue to focus all its activities on the administration of own assets through holding ownership interests in its subsidiaries and providing guarantees and on fulfilment of the related obligations.

Administrative branches of the Company:

The Company has a branch which was established in Slovakia. It was recorded in the Commercial Register under name J&T FINANCE GROUP SE, organizačná zložka, ID: 47 251 735, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovakia.

Securities, rights and obligations of their holders:

In 2020, based on an approval of the Czech National Bank J&T FINANCE GROUP SE, ID: 275 92 502, Legal Entity Identifier (LEI): 315700E9POA724IWFP59, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, recorded in the Commercial Register maintained by the Municipal Court in Prague, section H, file no. 1317 ("the Company" or "the Issuer") issued subordinated unsecured yield certificates without a maturity date with a yield of 7.5% p. a., at the nominal value of CZK 100,000, ISIN CZ0003527657 ("the Certificates").

The Certificates are unnamed securities issued in the Czech Republic in compliance with Czech law. They are hybrid financial instruments, combining the characteristics of equity and debt securities and are issued as book-entered bearer securities.

Provided that the conditions stipulated in Article 52 (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 are met, the Certificates can be included to additional Tier 1 capital of the Company.

The Certificates are traded on the Prague Stock Exchange. The volume of the issued certificates as at 31 December 2021 was CZK 500 million.

As at 31 December 2021, neither the Certificates nor the Company had a valid rating.

Data on the number of shares, their nominal value and the Issuer's shareholder structure are stated in the financial statements. The Issuer's persons with managing powers do not own any shares, options, or comparable investment instruments whose value relates to the shares or similar securities representing an ownership interest in the Issuer.

Rights and obligations of shareholders and certificate holders

Certificates are not bonds as defined in Act No. 190/2004 Coll., on Bonds, as amended. The holders of the Certificates are not the Company's shareholders and are not entitled to dividend payments.

The certificate holders have no ownership interest in the Company's equity and their Certificates do not entitle them to exercise any direct or indirect voting rights. As approved by the Czech National Bank, the Company is not subject to the obligations stipulated in Section 118 (5) (a) through (l) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended.

The other rights and obligations are stipulated in the terms and conditions of the issue.

Acquisition of own shares or ownership interests:

In the reporting period, the Company did not acquire any own shares.

Research and development expenditures:

In the reporting period, the Company did not incur any research and development expenditures.

Environmental protection:

In the period from 1 January 2021 to 31 December 2021, the Company realised no environmental protection activities. The Group's environmental activities are described in the Company's consolidated financial statements.

Material subsequent events:

The material subsequent events are disclosed in the notes to the financial statements. The Company's management is not aware of any other events that have occurred since the balance sheet that would have any material impact on the annual report and the financial statements.

Representation:

The Board of Directors represents that, to the best of its knowledge, this annual report and consolidated annual report gives true and fair view of the Company's and its consolidated unit's financial position, business activities and operational results for the past accounting period and the future outlook of the financial position, business activities and operational results, and no significant circumstances have been omitted.

Prague, 27 April 2022

Dušan Palcr
Vice-Chairman
of the Board of Directors
J&T FINANCE GROUP SE

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

Report on relations

between the controlling entity and the controlled entity, and between the controlled entity and other entities controlled by the same controlling entity for the reporting period 2021 of J&T FINANCE GROUP SE prepared in accordance with Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (the Act on Business Corporations)

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Identification No.: 275 92 502, registered in the Commercial Register maintained by the Municipal Court in Prague, section H, insert No. 1317 ("the Company"), based on data available. The period covered by the report: from 1 January 2021 to 31 December 2021 (hereinafter referred to as the "2021 accounting period").

I. The structure of relations between the controlling entities and the controlled entity, and between the controlled entity and entities controlled by the same controlling entity, the role of the Company in the structure, and manner and means of control.

The Board of Directors of the Company is aware that during the period from 1 January 2021 to 31 December 2021, the Company was directly controlled by the following persons:

Ivan Jakabovič

Date of birth: 8 October 1972, residing at 32 rue COMTE FELIX GASTALDI, 98000 Monaco, Monaco, who, along with Jozef Tkáč (see below), controls J&T FINANCE GROUP SE (hereinafter "Ivan Jakabovič" or the "Controlling entity")

In addition, Ivan Jakabovič owns shares in the following companies:

J & T Securities, s.r.o.

Identification No.: 31 366 431, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

Jozef Tkáč

Date of birth: 16 June 1950, residing at Júlová 10941/32, 831 01 Bratislava – Nové Mesto, Slovak Republic, who, along with Ivan Jakabovič (see above), controls J&T FINANCE GROUP SE (hereinafter "Jozef Tkáč" or the "Controlling entity")

The Board of Directors of the Company is aware that during the 2021 accounting period, the Company was part of the following structure:

J&T FINANCE GROUP SE controls the following entities:

J&T BANKA, a.s.

Identification No.: 471 15 378, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

ALTERNATIVE UPRAVJANJE d.o.o.

Identification No.: 30770704700, with its registered office at ALEJA KRALJA ZVONIMIRA 1, Varaždin, Republic of Croatia

In addition, this company owns a share in:

J&T banka d.d.

Identification No.: 0675539, with its registered office at Aleja kralja Zvonimira 1, 42000 Varaždin, Republic of Croatia

ALTERNATIVE UPRAVJANJE d.o.o. has 11.86% share in this company

ATLANTIK finanční trhy, a.s.

Identification No.: 262 18 062, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

Identification No.: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic
J&T FINANCE GROUP SE holds 100% of founders' shares of the investment fund. The Company indirectly holds 46.51 % of allotment certificates through J&T BANKA, a.s., and another 53.49 % of allotment certificates through 365.bank, a.s.

In addition, this company controls:

Devel Passage s. r. o.

Identification No.: 43 853 765, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO BDS a.s.

Identification No.: 272 09 938, with its registered office at Janáčkovo nábřeží 478/39, Smíchov, 150 00 Prague 5, Czech Republic

FORESPO DUNAJ 6 a. s.

Identification No.: 47 235 608, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 1 a. s.

Identification No.: 47 234 032, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 2 a. s.

Identification No.: 47 234 024, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HOREC A SASANKA a. s.

Identification No.: 47 232 994, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO PÁLENICA a. s.

Identification No.: 47 232 978, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 1 a.s.

Identification No.: 36 782 653, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 2 a. s.

Identification No.: 36 781 487, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO SOLISKO a. s.

Identification No.: 47 232 935, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

INVEST-GROUND a. s.

Identification No.: 36 858 137, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

OSTRAVICE HOTEL, a.s.

Identification No.: 275 74 911, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s., has 50% share in this company

RDF International, spol. s r.o.

Identification No.: 31 375 898, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Bank, a.o.

Identification No.: 1027739121651, with its registered office at Kadashevskaya Embankment 26, 115035, Moscow, Russian Federation

J&T BANKA, a.s. has a 99.945% share in this company

In addition, this company owns a share in:

Interznanie OAO

Identification No.: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 115035, Moscow, Russian Federation

J&T BANKA, a.s. has a 50% share in this company

Leasing-Medicine Ltd

Identification No.: 1027733018610, with its registered office at Office 6, Entrance 1, Bldg.10, Korovinskoe Shosse, Moscow, Russian Federation

J&T BANKA, a.s. has a 100% share in this company

J&T BANKA, a.s., pobočka zahraničnej banky

Identification No.: 35 964 693, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T banka d.d.

Identification No.: 0675539, with its registered office at Aleja kralja Zvonimira 1, 42000Varaždin, Republic of Croatia

J&T BANKA, a.s. has a 84.17% share in this company

J&T IB and Capital Markets, a.s.

Identification No.: 247 66 259, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

Colorizo Investment, a.s.

Identification No.: 079 01 241, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T IB and Capital Markets, a.s. has a 52.63% share in this company

In addition, this company controls:

CI Joint Venture s.r.o.

Identification No.: 078 99 327, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

Colorizo Investment, a.s. has a 50% share in this company

Industrial Center CR 11 s.r.o.

Identification No.: 096 37 681, with its registered office at V celnici 1034/6, Nové Město, 110 00 Prague 1, Czech Republic

Colorizo Investment, a.s. has a 75% share in this company

OAMP Distribution s.r.o.

Identification No.: 093 81 333, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

Colorizo Investment, a.s. has a 50% share in this company

OAMP Infrastructure s.r.o.

Identification No.: 093 81 325, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

Colorizo Investment, a.s. has a 50% share in this company

OAMP Holding s.r.o.

Identification No.: 093 81 341, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

Colorizo Investment, a.s. has a 50% share in this company

In addition, this company controls:

OAMP Hall 2 s.r.o.

Identification No.: 078 99 505, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

OAMP Hall 4 s.r.o.

Identification No.: 078 99 670, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

OAMP Hall 5 s.r.o.

Identification No.: 078 99 726, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

OAMP Hall 6 s.r.o.

Identification No.: 078 99 751, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic

J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.

Identification No.: 538 59,222, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic (since 9 June 2021)

J&T SME Finance s.r.o.

Identification No.: 107 30 834, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T VENTURES I otevřený podílový fond

Identification No.: 715 08 121, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T IB and Capital Markets, a.s. has a 3.25% share in this company

SPERIDA, a.s. v likvidácii

Identification No.: 52 424 693, with its registered office at Dúbravská cesta 14, 841 04 Bratislava – Karlova Ves, Slovak Republic

XT-Card a.s.

Identification No.: 274 08 256, with its registered office at Seifertova 327/85, 130 00 Prague 3, Czech Republic

J&T IB and Capital Markets, a.s. has a 32% share in this company

J&T INVESTIČNÍ SPOLEČNOST, a.s.

Identification No.: 476 72 684, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T Leasingová společnost, a.s.

Identification No.: 284 27 980, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls

Rentalit s.r.o.

Identification No.: 088 06 594, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T LOAN FUND, podfond J&T AIF Fund SICAV PLC

Identification No.: SV 472, with its registered office at TG Complex, Suite 2, Level 3, Brewery Street, Imriehel, BKR 3000, Republic of Malta. The Company holds 49.99% of investment shares through J&T BANKA, a.s. and another 50.01% of investment shares through 365.bank, a.s., and at the same time it has an option to acquire founders' shares from Mr. Roman Hajda.

J&T NOVA Hotels SICAV, a.s.

Identification No.: 096 41 173, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic,

J&T FINANCE GROUP SE holds 100% of founders' shares of the investment fund. The Company indirectly holds 48.35 % of allotment certificates through J&T BANKA, a.s., and another 51.65 % of allotment certificates through 365.bank, a.s.

In addition, this company controls:

BHP Tatry s. r. o.

Identification No.: 45 948 879, with its registered office at Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic

DIAMOND HOTELS SLOVAKIA, s.r.o.

Identification No.: 35 838 833, with its registered office at Hodžovo nám. 2, 816 25 Bratislava, Slovak Republic

J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.

Identification No.: 715 07 949, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic The Company holds 53.08% of units through J&T BANKA, a.s., and another 36.36% of units through 365.bank, a.s.

J&T VENTURES I otevřený podílový fond

Identification No.: 715 08 121, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

The Company holds 84.14% of units through J&T BANKA, a.s., and another 3.25% of units through J&T IB and Capital Markets, a.s.

Rustonka Development II s.r.o.

Identification No.: 055 85 571, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

TERCES MANAGEMENT LIMITED

Identification No.: HE 201003, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 23, P.C. 1061, Nicosia, Republic of Cyprus

J&T BANKA, a.s. has a 99% share in this company

In addition, this company controls:

Interznanie OAO

Identification No.: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 113035 Moscow, Russian Federation TERCES MANAGEMENT LIMITED a.s. has a 50% share in this company

J&T Bank, a.o.

Identification No.: 1027739121651, with its registered office at Kadashevskaya Embankment 26, 115035, Moscow, Russian Federation

J&T FINANCE GROUP SE has a 0.055% share in this company

In addition, this company controls:

Interznanie OAO

Identification No.: 1037700110414, with its registered office at Kadashevskaya Embankment 26, 115035, Moscow, Russian Federation

J&T BANKA, a.s. has a 50% share in this company

J&T Bank Switzerland Ltd. in liquidation

Identification No.: CH02030069721, with its registered office at Talacker 50, 12th floor, P.C. 8001, Zurich, Swiss Confederation

J&T Credit Participation s.r.o.

Identification No.: 099 19 821, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

JTFG FUND I SICAV, a.s.

Identification No.: 099 03 089, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T FINANCE GROUP SE, a.s. has a 60.54% share in this company (since 9 February 2021)

J&T INTEGRIS GROUP LIMITED

Identification No.: HE 207436, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, Office 301, P.C. 1082, Nicosia, Republic of Cyprus

In addition, this company controls:

Bayshore Merchant Services Inc.

Identification No.: 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands

In addition, this company controls:

J&T Trust Inc.

Identification No.: 00011908, with its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados

J&T Global Finance VIII., s.r.o.

Identification No.: 060 62 831, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T Global Finance IX., s.r.o.

Identification No.: 51 836 301, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Global Finance X., s.r.o.

Identification No.: 074 02 520, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T Global Finance XI., s.r.o.

Identification No.: 099 20 021, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T Global Finance XII., s.r.o.

Identification No.: 53 546 229, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T MINORITIES PORTFOLIO LIMITED

Identification No.: HE 260754, with its registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, Office 301,

P.C. 1082, Nicosia, Republic of Cyprus

In addition, this company controls:

Butcher313, s.r.o.

Identification No.: 072 82 010, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T MINORITIES PORTFOLIO LIMITED has a 30% share in this company

Equity Holding, a.s.

Identification No.: 100 05 005, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

J&T MINORITIES PORTFOLIO LIMITED has a 62.64% share in this company

J&T FINANCE, LLC

Identification No.: 1067746577326, with its registered office at Kadashevskaya Embankment, 26, Moscow, Russian Federation

J&T MINORITIES PORTFOLIO LIMITED has a 99.9% share in this company

In addition, this company controls:

Hotel Kadashevskaya, LLC

Identification No.: 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115035, Moscow, Russian Federation

TERCES MANAGEMENT LIMITED

Identification No.: HE 201003, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 23, P.C. 1082, Nicosia, Republic of Cyprus

J&T FINANCE, LLC a.s. has a 1% share in this company

Narcissus s.r.o.

Identification No.: 078 47 653, with its registered office at Na Hřebenech II 1718/8, Nusle, 140 00 Prague 4, Czech Republic

J&T MINORITIES PORTFOLIO LIMITED has a 49% share in this company

J&T Mezzanine, a.s.

Identification No.: 066 05 991, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

JTH Vision s. r. o.

Identification No.: 059 41 750, with its registered office at Krupská 33/20, 415 01 Teplice, Czech Republic

J&T Mezzanine, a.s. has a 50% share in this company

JTH Letňany s.r.o.

Identification No.: 049 19 211, with its registered office at Krupská 33/20, 415 01 Teplice, Czech Republic

J&T Mezzanine, a.s. has a 50% share in this company

URE HOLDING LIMITED

Identification No.: HE 379721, with its registered office at 16 Iouniou 1943, 9 AREA B, Flat/Office 202, 3022, Limassol, Republic of Cyprus

J&T Mezzanine, a.s. has a 45% share in this company

J&T SERVICES ČR, a.s.

Identification No.: 281 68 305, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

J&T SERVICES SR, s.r.o.

Identification No.: 46 293 329, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

J&T Wine Holding SE

Identification No.: 063 77 149, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

In addition, this company controls:

KOLBY, a.s.

Identification No.: 255 12 919, with its registered office at Česká č.ev. 51, 691 26 Pouzdřany, Czech Republic

OUTSIDER LIMITED

Identification No.: HE 372202, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat/Office 21, P.C. 1061, Nicosia, Republic of Cyprus

In addition, this company controls:

SOCIETE CIVILE D'EXPLOITATION AGRICOLE DU CHATEAU TEYSSIER

Identification No.: 316 809 391, with its registered office at Château Teyssier, Vignonet, 33330, Saint Emilion, France

OUTSIDER LIMITED has an 80% share in this company

In addition, this company controls:

JCP MALTUS DOMAINES & CHATEAUX (CT Domaines SARL)

Identification No.: 507 402 386, with its registered office at Château Teyssier, Vignonet, 33330, Saint Emilion, France

Reisten, s.r.o.

Identification No.: 255 33 924, with its registered office at Zahradní 288, 692 01 Pavlov, Czech Republic

SAXONWOLD LIMITED

Identification No.: 508611, with its registered office at 2 Aurburn Villas Carrickbrennan Road Monkstown Co. Dublin, A94HX03, Ireland

J&T Wine Holding SE has a 80% share in this company

In addition, this company controls:

WORLD´S END LLC

Identification No.: 200807010154, with its registered office at 5 Financial Plaza, 116, Cnr Trancas & Big Ranch Road, Nap, California, 94558, United States of America

Wine Resort Pouzdřany, s.r.o.

Identification No.: 099 88 891, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

365.Bank, a.s. (Poštová banka, a.s.)

Identification No.: 31 340 890, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

J&T FINANCE GROUP SE has a 98.46% share in this company

In addition, this company controls:

Ahoj, a.s. (Amico Finance, a.s.)

Identification No.: 48 113 671, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

365.bank, a.s. has a 100% share in this company

ART FOND – Stredoeurópsky fond súčasného umenia, a.s.

Identification No.: 47,979 160, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic

365.bank, a.s. has an 87.99% share in this company

Cards&Co, a. s.

Identification No.: 51,960 761, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic

In addition, this company controls:

DanubePay, a.s.

Identification No.: 46 775 111, with its registered office at Miletičova 21, 821 08 Bratislava, Slovak Republic

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

Identification No.: 034 51 488, with its registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic
J&T FINANCE GROUP SE holds 100% of founders' shares of the investment fund. The Company indirectly holds 46.51 % of allotment certificates through J&T BANKA, a.s., and another 53.49 % of allotment certificates through 365.bank, a.s.

In addition, this company controls:

Devel Passage s. r. o.

Identification No.: 43 853 765, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO BDS a.s.

Identification No.: 272 09 938, with its registered office at Janáčkovo nábřeží 478/39, Smíchov, 150 00 Prague 5, Czech Republic

FORESPO DUNAJ 6 a. s.

Identification No.: 47 235 608, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 1 a. s.

Identification No.: 47 234 032, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HELIOS 2 a. s.

Identification No.: 47 234 024, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO HOREC A SASANKA a. s.

Identification No.: 47 232 994, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO PÁLENICA a. s.

Identification No.: 47 232 978, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 1 a.s.

Identification No.: 36 782 653, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO - RENTAL 2 a. s.

Identification No.: 36 781 487, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

FORESPO SOLISKO a. s.

Identification No.: 47 232 935, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

INVEST-GROUND a. s.

Identification No.: 36 858 137, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

OSTRAVICE HOTEL, a.s.

Identification No.: 275 74 911, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s., has 50% share in this company

RDF International, spol. s.r.o.

Identification No.: 31 375 898, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic

365.life, d. s. s., a. s. (Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.)

Identification No.: 35 904 305, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

J&T LOAN FUND, podfond J&T AIF Fund SICAV PLC

Identification No.: SV 472, with its registered office at TG Complex, Suite 2, Level 3, Brewery Street, Imriehel, BKR 3000, Republic of Malta. The Company holds 49.99% of investment shares through J&T BANKA, a.s. and another 50.01% of investment shares through 365.bank, a.s., and at the same time it has an option to acquire founders' shares from Mr. Roman Hajda.

J&T NOVA Hotels SICAV, a.s.

Identification No.: 096 41 173, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic,

J&T FINANCE GROUP SE holds 100% of founders' shares of the investment fund. The Company indirectly holds 48.35 % of allotment certificates through J&T BANKA, a.s., and another 51.65 % of allotment certificates through 365.bank, a.s.

In addition, this company controls:

BHP Tatry s. r. o.

Identification No.: 45 948 879, with its registered office at Dvořákovo nábrežie 6, 811 02 Bratislava, Slovak Republic

DIAMOND HOTELS SLOVAKIA, s.r.o.

Identification No.: 35 838 833, with its registered office at Hodžovo nám. 2, 816 25 Bratislava, Slovak Republic

J&T REALITY otevřený podílový fond, J&T INVESTIČNÍ SPOLEČNOST, a.s.

Identification No.: 476 72 684, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic. The Company holds 53.08% of units through J&T BANKA, a.s., and another 36.36 % of units through 365.bank, a.s.

PB Finančné služby, a. s.

Identification No.: 35 817 453, with its registered office at Hattalova 12, 831 03 Bratislava, Slovak Republic

PB Servis, a. s.

Identification No.: 47 234 571, with its registered office at Karloveská 34, 841 04 Bratislava, Slovak Republic

365.invest, správ. spol., a. s. (PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.)

Identification No.: 31 621 317, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

SKPAY, a. s. (SPPS, a. s.)

Identification No.: 46 552 723, with its registered office at Nám. SNP 35, 811 01 Bratislava, Slovak Republic

365.bank, a.s. has a 40% share in this company

365.fintech, a.s.

Identification No.: 51 301 547, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava – mestská časť Staré Mesto, Slovak Republic

The Board of Directors of the Company is aware that during the 2021 accounting period, the Company was controlled by the same entities as the following other controlled entities, which, however, were no longer related parties as at 31 December 2021:

J&T Global Finance VI., s.r.o. v likvidácii

Identification No.: 50 195 131, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic (until 17 February 2021)

Logistics Park Nošovice a.s.

Identification No.: 285 78 651, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic (until 19 July 2021)

PB PARTNER, a. s. v likvidácii

Identification No.: 36 864 013, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic (until 30 June 2021)

Poštová poisťovňa, a.s. (Poisťovňa Poštovej banky, a. s.)

Identification No.: 31 405 410, with its registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic

Poštová banka, a.s. has a 80% share in this company (until 3 July 2021)

Skytoll CZ s.r.o.

Identification No.: 033 44 584, with its registered office at Pobřežní 297/14, Karlín, 186 00 Prague 8, Czech Republic (until 14 August 2021)

1.4 The role of the Company

The Company acts as a holding company with shares in other legal entities.

1.5 Manner and means of control

The controlling entities control the Company by holding Company's shares of 90.1% of the voting rights. Thus, the exercise of the voting rights is the principal means of control. In the accounting period from 1 January 2021 to 31 December 2021, no particular contracts existed between the controlling entities and the Company in respect of manner and means of control.

II. Overview of acts made in the past accounting period at the instigation or in the interest of the Controlling Entity or entities controlled by the Controlling Entity where such acts concerned assets with a value exceeding 10% of the Controlled Entity's equity identified from the last financial statements for the accounting period directly preceding the accounting period for which this Report on Relations has been prepared.

In the last accounting period, the Company performed no acts at the instigation or in the interest of the Controlling Entity or the entities controlled by the Controlling Entity in respect of assets the value of which exceeds 10% of Company's equity identified from the last financial statements for the accounting period directly preceding the accounting period for which this Report on Relations has been prepared.

III. Overview of contracts between the Controlled Entity and the Controlling Entity or between controlled entities.

In the 2021 accounting period, the following contracts were entered into between the Company and the controlling entity or between the entities controlled by the same controlling entities:

Contracts between the Company and Jozef Tkáč:

- Performance contract

  Scope: Chairman of the Board of Directors

Contracts between the Company and Ivan Jakabovič:

- Performance contract

  Scope: Vice-chairman of the Board of Directors

Contracts between the Company and Equity Holding, a.s.

- Loan agreement

  Scope: providing funds to the Company

Contracts between the Company and J&T BANKA, a.s.:

- Guarantee agreement

  Scope: guarantees performance for selected clients of the bank
- Contract on the business lease of movable property

  Scope: inventory lease
- Contract on the lease of movable property and financial settlement

  Scope: inventory lease in the building at Dvořákovo nábrežie 8, Bratislava
- Contract on cooperation in the provision of J & T Family and Friends banking services and participation in the Magnus loyalty programme

  Scope: provision of J & T Family and Friends and Magnus loyalty system programme
- Contract on financial settlement

  Scope: settlement of receivables and liabilities resulting from value added tax as they are members of one VAT group
- Contract on mediation

  Scope: concluding contracts with potential clients
- Cost distribution agreement

  Scope: cost distribution in relation to the entry of the strategic investor
- Agreement on cost distribution

  Scope: distribution of cost of consolidation package audit
- Services agreement

  Scope: provision of services related to debt securities
- Framework agreement on trading on the financial market

  Scope: negotiation of currency derivative transactions
- Agreement on deposit of securities

  Scope: ensuring deposit of securities
- Services agreement

  Scope: maintenance of current account in accordance with bank's Terms and Conditions
- Services agreement

  Scope: issue of debit cards in accordance with bank's Terms and Conditions
- Contract on the lease of a safe deposit boxes

  Scope: lease of a safe deposit box in accordance with bank's Terms and Conditions
- Services agreement

  Scope: fixed term transactions with currency instruments in accordance with bank's Terms and Conditions
- Contract on the provision of Internet banking services

  Scope: provision of Internet banking services
- Contract with the administrator and Special arrangement to the contract with the administrator

  Scope: the perpetuity issue
- Overdraft contract

  Scope: providing funds to the Company
- Contract on the provision of services (outsourcing)

  Scope: provision of services related to controlling function (internal audit and compliance)
- Contract on the provision of services (outsourcing)

  Scope: provision of services related to risk management
- Contract on the provision of services (outsourcing)

  Scope: provision of services related to analytical functions

Contracts between the Company and J&T BANKA, a.s. pobočka zahraniční banky:

- Framework agreement / consignment agreement on arranging a purchase or sale of securities

Scope: provision of services related to securities

- Contract on the provision of banking services

  Scope: provision of banking services

- Framework agreement on the provision of services for legal entities

  Scope: provision of banking and investment services

Contracts between the Company and J&T FINANCE LLC:

- Loan agreement

  Scope: providing funds to a related entity

Contracts between the Company and J&T Global Finance VIII, s.r.o.:

- Loan agreement

  Scope: providing funds to the Company

- Guarantee agreement

  Scope: provision of guarantee to a related entity

Contracts between the Company and J&T Global Finance IX, s.r.o.:

- Loan agreement

  Scope: providing funds to the Company

- Guarantee agreement

  Scope: provision of guarantee to a related entity

Contracts between the Company and J&T Global Finance X., s.r.o.:

- Loan agreement

  Scope: providing funds to the Company

- Guarantee agreement

  Scope: provision of guarantee to a related entity

Contracts between the Company and J&T Global Finance XI, s.r.o.:

- Loan agreement

  Scope: providing funds to the Company

- Guarantee agreement

  Scope: provision of guarantee to a related entity

Contracts between the Company and J&T Global Finance XII, s.r.o.:

- Loan agreement

  Scope: providing funds to the Company

- Guarantee agreement

  Scope: provision of guarantee to a related entity

Contracts between the Company and J&T INTEGRIS GROUP LIMITED:

- Novation agreement and loan agreement

  Scope: providing funds to the Company

Contracts between the Company and J&T Mezzanine, a.s.:

- Agreement on provision additional payment outside the registered capital

  Scope: provision additional payment outside the registered capital

- Loan agreement no. 01/JTFG SE/2017

  Scope: providing funds to the Company

- Loan agreement no. 02/JTFG SE/2018

  Scope: providing funds to the Company

- Loan agreement no. 05/JTFG SE/2018

  Scope: providing funds to the Company

- Loan agreement no. 06/JTFG SE/2018

  Scope: providing funds to the Company

- Loan agreement no. 07/JTFG SE/2018

  Scope: providing funds to the Company

- Loan agreement no. 08/JTFG SE/2019

  Scope: providing funds to the Company

- Loan agreement no. 09/JTFG SE/2019

  Scope: providing funds to the Company

- Loan agreement no. 10/JTFG SE/2020

  Scope: providing funds to the Company

- Loan agreement no. 11/JTFG SE/2020

  Scope: providing funds to the Company

- Loan agreement no. 12/JTFG SE/2021

  Scope: providing funds to the Company

- Loan agreement no. 13/JTFG SE/2021

  Scope: providing funds to the Company

- Loan agreement no. 14/JTFG SE/2021

  Scope: providing funds to the Company

- Loan agreement no. 15/JTFG SE/2021

  Scope: providing funds to the Company

- Loan agreement no. 16/JTFG SE/2021

  Scope: providing funds to the Company

Contracts between the Company and J&T MINORITIES PORTFOLIO LIMITED:

- Loan agreement

  Scope: providing funds to a related entity

Contracts between the Company and J&T SERVICES ČR, a.s.:

- Contract of mandate on the provision of expert tax assistance and advisory

  Scope: tax advisory services
- Personal data processing agreement

  Scope: personal data processing in HR and payroll
- Contract for the provision of professional assistance

  Scope: personnel and payroll administration
- Contract on the provision of services (outsourcing)

  Scope: preparation of consolidated financial statements under IFRS for selected consolidated entities
- Contract on the provision of services – OLAS

  Scope: provision of logistics services
- Contract on the lease of non-residential premises Scope: lease of non-residential premises
- Services agreement

  Scope: provision of services – KIS application
- Contract for the provision of professional assistance

  Scope: bookkeeping
- Contract on the provision of administration assistance

  Scope: administration
- Contract on the lease of movable assets

  Scope: lease of movable assets
- Contract on the lease of motor vehicle

  Scope: lease of a vehicle
- Contract on the provision of services Legal Managements

  Scope: Legal Management services
- Contract on the lease of motor vehicle

  Scope: lease of a vehicle
- Personal data processing agreement

  Scope: processing of personal data according to GDPR

Contracts between the Company and J&T SERVICES SR, s.r.o.:

- Services agreement

  Scope: provision of all services necessary for the operation of the company

Contracts between the Company and J&T Wine Holding SE:

- Agreement on provision additional payment outside the registered capital

  Scope: provision additional payment outside the registered capital
- Loan agreement no. 02/JTWH/2020

  Scope: providing funds to the Company
- Loan agreement no. 03/JTWH/2020

  Scope: providing funds to the Company

Contracts between the Company and Poštová Banka, a.s.:

- Overdraft contract

  Scope: providing funds to the Company

IV. Assessment of advantages and disadvantages arising from relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and entities controlled by the same Controlling Entity including a statement on whether advantages or disadvantages prevail and what are the risks arising from this fact for the Controlled Entity. Assessment of whether the controlled entity incurred a loss and judgement of its settlement under Sections 71 and 72 of the Act on Business Corporations.

Having reviewed the relations between the Company and the Controlling Entity and the entities controlled by the same Controlling Entity, the Board of Directors declares that the Company did not gain any advantages or suffer any disadvantages arising on the relations between the Company and the controlling entity and/or entities controlled by the same controlling entity. The Company incurred no loss that would require to be settled in accordance with Sections 71 and 72 of the Act on Business Corporations.

The Board of Directors declares that it has collated and reviewed the information for the purpose of this report on relations with due diligence. The conclusions made were drawn upon a thorough review of collated available information, and the Board of Directors considers all information disclosed in this report on relations as true and complete.

Prague, on 31 March 2022

Dušan Palcr Vice-Chairman of the Board of Directors J&T FINANCE GROUP SE	Igor Kováč Member of the Board of Directors J&T FINANCE GROUP SE

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

Report of the Board of Directors of J&T FINANCE GROUP SE on business activities of the Company and the balance of its assets for the period from 1 January 2021 to 31 December 2021

This report has been prepared by the Board of Directors of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, ID: 275 92 502, registered in the Commercial Register maintained by the Municipality Court in Prague, section H, insert No. 1317 ("the Company"), in accordance with Section 436 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives ("The Act on Business Corporations"), as amended.

I. The composition of Company's statutory bodies in the period from 1 January 2021 to 31 December 2021 was as follows:

Board of Directors of the Company:

Chairman of the Board of Directors: Jozef Tkáč

Vice–chairman of the Board of Directors: Patrik Tkáč

Vice–chairman of the Board of Directors: Ivan Jakabovič

Vice–chairman of the Board of Directors: Dušan Palcr

Member of the Board of Directors: Igor Kováč

Member of the Board of Directors: Štěpán Ašer

Supervisory Board of the Company:

Chairman of the Supervisory Board: Marta Tkáčová

Member of the Supervisory Board: Ivan Jakabovič

Member of the Supervisory Board: Jana Šuterová

II. Business activities of the Company and the balance of its assets

The nature of the Company's business activities has not changed compared to the previous accounting period. The Company administers its assets and enlarges its volume.

During the period from 1 January 2021 to 31 December 2021, the Company continued to hold and administer own assets, consisting of:

A) 100% share in the following companies:

J&T BANKA, a.s.

Identification No.: 471 15 378, registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic;

J&T Bank Switzerland Ltd. in liquidation

Identification No.: CH02030069721, registered office at Talacker 50, 12th floor, P.C. 8001 Zurich, Swiss Confederation;

J&T Credit Participation, s.r.o.

Identification No.: 099 19 821, registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic;

J&T INTEGRIS GROUP LIMITED

Identification No.: HE 207436, registered office at 11 Kyriakou Matsi, NIKIS CENTER, 3rd Floor, office 301, P.C. 1082, Nicosia, Cyprus;

J&T Mezzanine, a.s.

Identification No.: 066 05 991, registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic;

J&T NOVA Hotels SICAV, a.s.

Identification No.: 096 41 173, registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic;

J&T SERVICES ČR, a.s.

Identification No.: 281 68 305, registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic;

J&T Wine Holding SE

Identification No.: 063 77 149, registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Czech Republic;

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

Identification No.: 034 51 488, registered office at Na příkopě 393/11, Staré Město, 110 00 Prague 1, Czech Republic;

J&T FINANCE GROUP SE holds 100% of the founders' shares of the investment fund. Through J&T BANKA, a.s., the Company indirectly holds 46.51% of units, and another 53.49% of units through 365.bank, a.s.

B) 98.46% share in the companies:

365.bank, a.s.,

Identification No.: 31 340 890, registered office at Dvořákovo nábrežie 4, 811 02 Bratislava, Slovak Republic, registered in the Commercial Register maintained by the District Court in Bratislava I, section Sa, insert No. 501/B.

The Company has a long history as a strong and stable institution. As at 31 December 2021, the Company recorded assets of CZK 64.6 billion, equity of CZK 45.2 billion and registered capital of CZK 15.8 billion. In the accounting period, the Company achieved profit of CZK 4.3 billion.

The balance of Company's assets and its financial position are disclosed in the financial statements as at 31 December 2021, which are attached as an independent appendix to the annual report. Detailed information on the balance of Company's assets is included in the financial section of the Company's annual report.

III. Major decisions of Company's bodies

During the period from 1 January 2021 to 31 December 2021, the Board of Directors and the Supervisory Board of the Company adopted necessary decisions relating to the ordinary business activities of the Company and the fulfilment of obligations arising to the members of Companies statutory bodies based on relevant regulations and Company's Statute.

Prague, 27 April 2022

Dušan Palcr
Vice-Chairman of the Board of Directors
J&T FINANCE GROUP SE

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

Report of the supervisory board of J&T FINANCE GROUP SE

Report of the supervisory board of J&T FINANCE GROUP SE on the review of its operations for the period from 1 January 2021 to 31 December 2021

This report has been prepared by the Supervisory Board of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, identification number: 275 92 502, recorded in the Commercial Register maintained by the Municipal Court in Prague, section H, insert No. 1317 ("the Company").

I. Report on the activities of the supervisory board

In the period from 1 January 2021 to 31 December 2021, the Company's Supervisory Board was composed as follows:

Chairperson of the Supervisory Board: Marta Tkáčová

Member of the Supervisory Board: Ivan Jakabovič

Member of the Supervisory Board: Jana Šuterová

The Company's Supervisory Board performed its activity in compliance with relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended ("the Business Corporations Act") and the Company's articles of association. In the past period, the Supervisory Board supervised the activity of the Board of Directors, examined the Company's accounting books, and, at its meetings, evaluated the Company's economic situation and management, its interim results of operations and activities in the period from 1 January 2021 to 31 December 2021.

II. The Company's financial statements and consolidated financial statements and the proposed settlement of the profit/loss for the period from 1 January 2021 to 31 December 2021, made by the Board of Directors

The Supervisory Board has reviewed the Company's financial statements and consolidated financial statements for the period from 1 January 2021 to 31 December 2021, and the proposed settlement of the Company's profit/loss for the period from 1 January 2021 to 31 December 2021 made by the Board of Directors.

The Company's Supervisory Board declares that the Company's financial statements and consolidated financial statements for the period from 1 January 2021 to 31 December 2021, correspond with reality, have been prepared in compliance with valid Czech legislation, that the Company's accounting and accounting records and books present the Company's financial position in all material aspects and that the financial statements prepared based on these accounting records present a true and fair view of the Company's object of accounting and its financial position.

The Supervisory Board has no objections to the proposed settlement of the profit/loss for the period from 1 January 2021 to 31 December 2021, made by the Board of Directors and recommends that the general meeting approve the financial statements and consolidated financial statements and the proposed settlement of the Company's profit/loss for the period from 1 January 2021 to 31 December 2021, as made by the Company's Board of Directors.

III. Report of the Board of Directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from 1 January 2021 to 31 December 2021

The Supervisory Board has reviewed the report of the Board of Directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from 1 January 2021 to 31 December 2021, prepared by the Company's Board of Directors in compliance with Section 82 et seq. of the Business Corporations Act, and declares that it has no objections to this report and that in connection with contracts and agreements concluded between related parties, no damage was caused to the Company in the accounting period from 1 January 2021 to 31 December 2021.

IV. Report on control activities of the Supervisory Board

Evaluating the results for the period from 1 January 2021 to 31 December 2021, the Supervisory Board declares that it has ascertained neither any fundamental or formal deficiencies in the Company's operation and activity, nor any fundamental or formal defects in the discharge of the duties of the Company's members of the Board of Directors and that the Company's business activities were carried out in compliance with relevant legislation and the Company's articles of association.

Based on the above matters, the Company's Supervisory Board recommends that the Company's general meeting approve:

- the financial statements and consolidated financial statements for the period from 1 January 2021 to 31 December 2021;
- the proposed settlement of the Company's profit/loss for the period from 1 January 2021 to 31 December 2021, as made by the Board of Directors;
- the report of the Board of Directors on relations between the controlling entity and the Company and between the Company and entities controlled by the same controlling entity for the period from 1 January 2021 to 31 December 2021

Bratislava, 27 April 2022

Marta Tkáčová
Chairperson of the Supervisory Board
J&T FINANCE GROUP SE

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

Report of the Board of Directors of J&T FINANCE GROUP SE on the balance of its assets for the period from 1 January 2021 to 31 December 2021, and proposal on settlement of Company´s financial result

This report has been prepared by the Board of Directors has of J&T FINANCE GROUP SE, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Prague 8, Identification No.: 275 92 502, recorded in the Commercial Register maintained by the Municipal Court in Prague, section H, insert No. 1317 ("the Company").

The Board of Directors states that the financial statements as at 31 December 2021 include all operations occurring in the period from 1 January 2021 to 31 December 2021. The details regarding respective parts are disclosed in the financial statements.

The Company's financial statements as at 31 December 2021 will be audited by an external auditor, KPMG Česká republika Audit, s.r.o, with its registered office at Pobřežní 648 / 1a, 186 00 Prague 8, Identification No.: 496 19 187, recorded in the Commercial Register maintained by the Municipality Court in Prague, section C, insert No. 24185.

The Company's Board of Directors states that the Company's financial statements correspond to the reality and are in accordance with the applicable legislation of the Czech Republic, the Company's accounting and accounting records show the Company's financial position in all material respects, and the financial statements prepared on the basis of these accounting records provide a true and fair picture of the subject of accounting and financial situation of the Company.

Main indicators of the financial statement as at 31 December 2021 (in TCZK):

Total assets	64,631,260
Liabilities	19,462,682
Profit for the period	4,173,455
Investments in subsidiaries	44,008,268
Loans to customers	13,050,451
Profit from equity accounted investments in subsidiaries	3,927,994

The profit for the period from 1 January 2021 to 31 December 2021 amounts to CZK 4,306,188,533.88.

The accumulated retained earnings of previous years totalled CZK 18,306,232,031.91 as at 31 December 2021.

The Board of Directors proposes that the General Meeting approves the annual financial statements of the Company as at 31 December 2021.

The Board of Directors of the Company proposes that the General Meeting approves the following settlement of the economic result for the period from 1 January 2021 to 31 December 2021:

The Board of Directors of the Company proposes to the General Meeting to decide that:

- Profit of CZK 307,500,000 will be transferred to the perpetuity fund account;
- The remaining profit of CZK 3,998,688,533.88 will be transferred to retained earnings of previous years.

Prague, 27 April 2022

Dušan Palcr
Vice-Chairman of the Board of Directors
J&T FINANCE GROUP SE

Ing. Igor Kováč
Member of the Board of Directors
J&T FINANCE GROUP SE

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