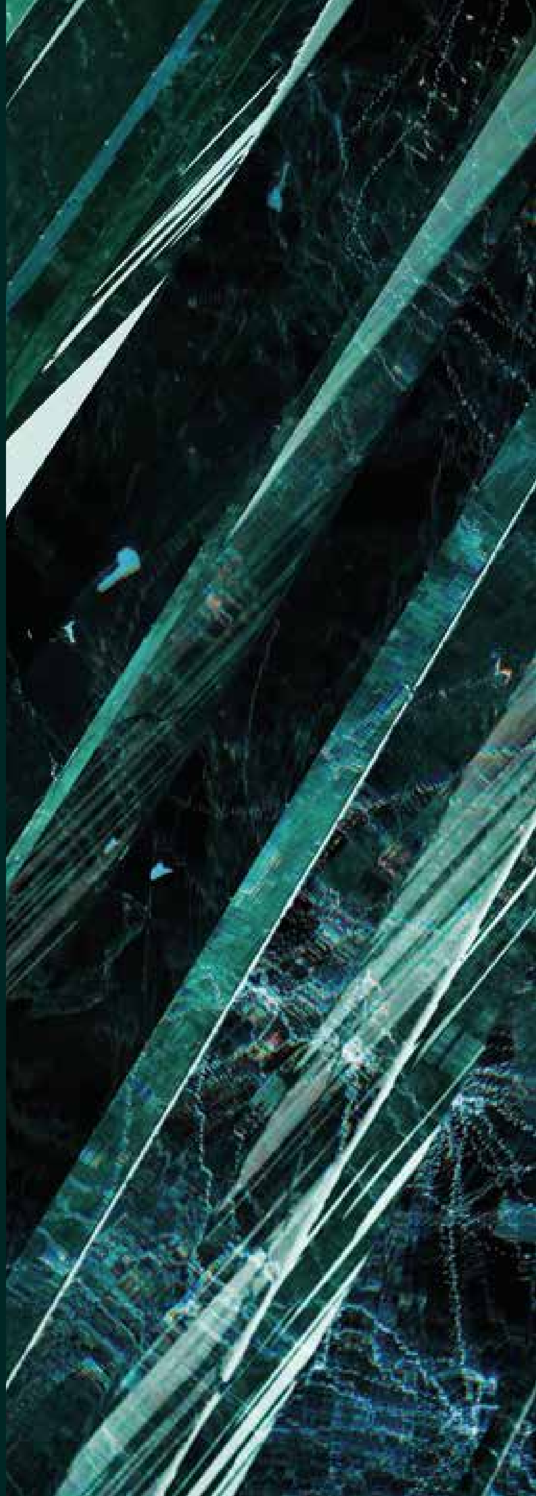
J&T BANKA



ANNUAL REPORT
2021

203.25

billion CZK

Balance sheet total grew more than 16% y-o-y

This version of the Annual Report is a translation from the original which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over this translation. This version of the Annual financial report is non-ESEF compliant and constitutes non-official version of the official Annual Report published in accordance with ESEF regulation in XHTML. All possible care has been taken to ensure that this version is an accurate representation of the original, except for the machine-readable XBRL tags that are embedded only in the official XHTML version. However, in all matters of interpretation of information, views or opinions, the official version of the Annual fi nancial report takes precedence over this version. Statutory Annual Report in line with ESEF regulation can be accessed at: https://www.jtbank.cz/informacni-povinnost/#vyrocni_zpravy

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Selected financial indicators – consolidated

in millions of CZK	2021	2020	2019	2018	2017	2016
Profit before tax						
Tax	3,303	2,002	3,978	2,538	2,617	1,360
Share of profit of equity-accounted investees	(499)	(336)	(822)	(462)	(421)	(407)
Profit from continuing operations	543	169	(1)	—	(17)	(50)
Profit from discontinued operations	2,804	1,666	3,156	2,076	2,196	953
Profit for the year	2,804	1,666	3,156	2,076	2,196	953
Balance at year-end						
Equity	26,223	22,537	21,514	19,230	19,476	19,128
Deposits and loans from banks	5,272	2,437	4,838	2,250	21,923	3,174
Deposits from customers	154,330	138,620	114,551	118,999	91,704	103,053
Due from financial institutions	5,933	2,351	1,455	54,115	47,757	23,423
Loans and advances to customers	93,154	98,795	68,320	71,528	69,109	76,139
Total assets	203,251	175,037	151,722	150,104	142,996	133,114
Financial ratios						
Return on average equity	11.50 %	7.56 %	15.49 %	10.73 %	11.38 %	5.28 %
Return on average assets	1.48 %	1.02 %	2.09 %	1.42 %	1.59 %	0.66 %
Capital adequacy	16.21 %	14.96 %	16.48 %	15.31 %	15.98 %	15.88 %
Cost to income ratio	47.53 %	49.58 %	47.29 %	45.16 %	40.84 %	47.83 %
Average number of employees	875	816	813	719	728	717
Assets per employee	232	215	187	209	196	186
Administrative expenses per employee	(3)	(3)	(3)	(4)	(3)	(3)
Profit after tax per employee	3	2	4	3	3	1

Selected financial indicators – individual

in millions of CZK	2021	2020	2019	2018	2017	2016
Annual results						
Profit before tax	1,879	1,349	3,619	1,919	1,855	1,854
Tax	(420)	(292)	(740)	(385)	(359)	(302)
Profit for the year	1,459	1,057	2,879	1,534	1,496	1,552
Balance at year-end						
Equity	23,477	20,888	19,991	18,606	18,998	18,943
Deposits and loans from banks	4,298	1,405	4,492	3,048	22,009	3,338
Deposits from customers	149,306	132,428	107,549	112,936	84,484	93,833
Due from financial institutions	6,041	2,287	1,442	53,734	46,670	21,105
Loans and advances to customers	88,265	93,381	62,959	66,966	63,785	69,714
Total assets	194,134	166,236	141,889	143,766	134,940	123,554
Financial ratios						
Return on average equity	6.58 %	5.17 %	14.92 %	8.16 %	7.89 %	8.68 %
Return on average assets	0.81 %	0.69 %	2.02 %	1.10 %	1.16 %	1.15 %
Capital adequacy	17.65 %	16.73 %	18.28 %	17.26 %	18.45 %	17.75 %
Cost to income ratio	45.46 %	47.14 %	42.90 %	42.21 %	43.26 %	39.75 %
Average number of employees	581	553	529	485	468	454
Assets per employee	334	301	268	296	288	272
Administrative expenses per employee	(4)	(4)	(4)	(4)	(4)	(4)
Profit after tax per employee	3	2	5	3	3	3

Foreword

Dear clients, partners and friends,

Let me start by thanking you for your trust and collaboration in 2021. J&T BANKA successfully and profitably ended a year full of uncertainties related to the Covid-19 pandemic and its economic impacts.

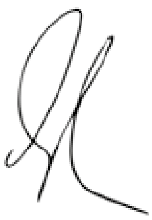
For the economies of the Czech Republic and Slovakia, this was the year when growth in real asset prices driven by loose monetary policy finally began to spill over into consumer prices.

In an effort to control inflation, the Czech National Bank raised interest rates at a record pace to levels the Czech economy has not seen in over 20 years. The European Central Bank is postponing a similar increase in interest rates, but the market is gradually preparing for it to happen. Due to high inflation, real interest rates in the Eurozone and the Czech Republic are now the lowest in two decades and inflation is devaluing household savings at a record pace.

A fragile growth, supply chain problems, low real interest rates, inflation, rising input prices and a volatile energy market are some of the signs indicating that the year 2022 will be a difficult one. At the time of writing this report, Russia has invaded Ukraine and war now rages in Europe. De-escalation of the conflict is not in sight and a return to business as usual in international politics and trade is very unlikely in the years to come. Russia and Ukraine are important producers of a number of key raw materials and agricultural products. Supply disruptions will cause shortages in the world economy and lead to significant instabilities. Where the pandemic years were a period of uncertainty regarding the economic future, the conflict in Ukraine brings the certainty of economic difficulties in the upcoming period.

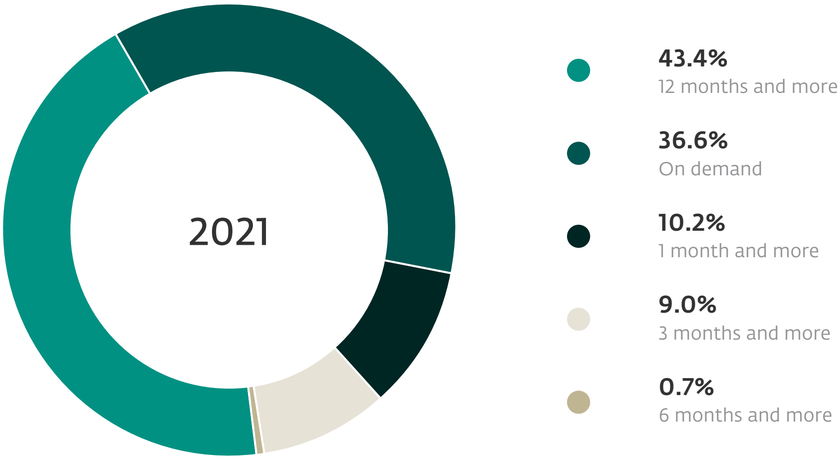
As a bank, we are prepared to face this future and I am firmly convinced that we will help our clients to deal with the hardships it may bring. We will certainly back our clients, who rely on us in their business, with the necessary capital to deal with the difficulties associated with the economic downturn, but we will also be their partner in seizing the opportunities that such economic upheavals inevitably create. For clients who rely on us to protect and improve the value of their assets, we will provide solutions that we believe will prove very reliable in the difficult times ahead. We look forward to continuing our long-term partnerships.

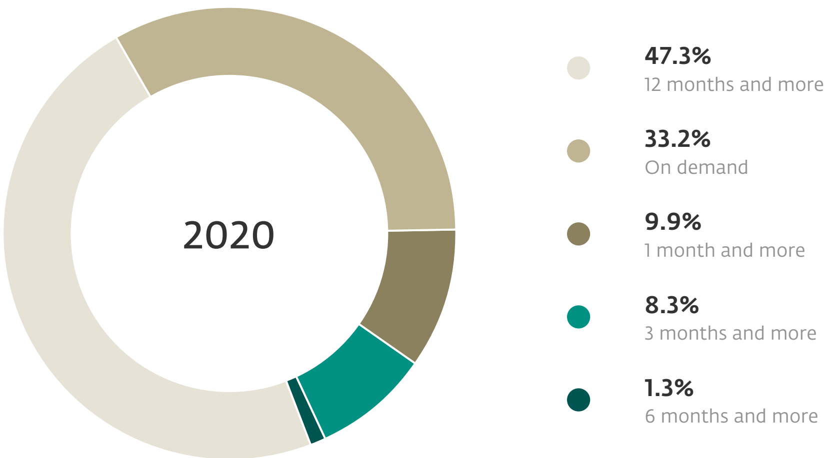
In Prague, on 25 April 2022



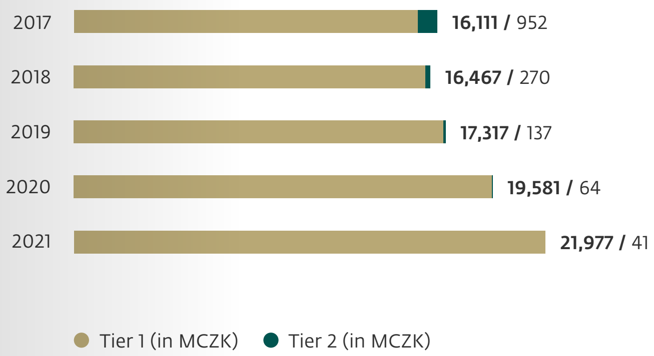
Štěpán Ašer, MBA
CEO of J&T BANKA, a. s.

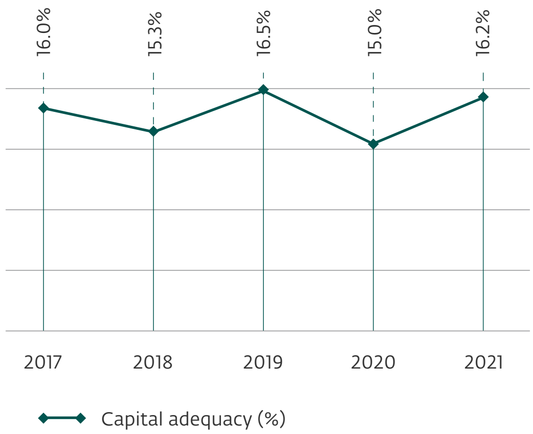
Structure of deposits



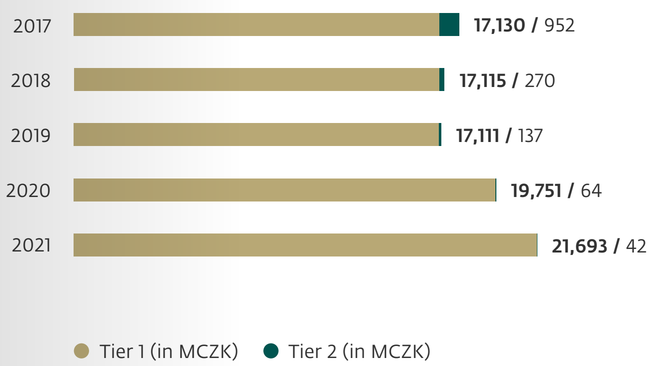


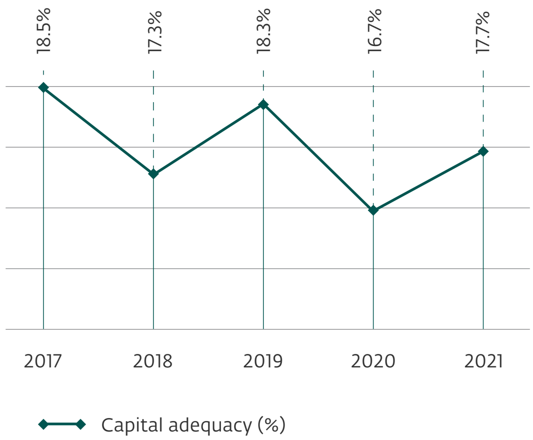
Regulatory capital and capital adequacy / consolidated data



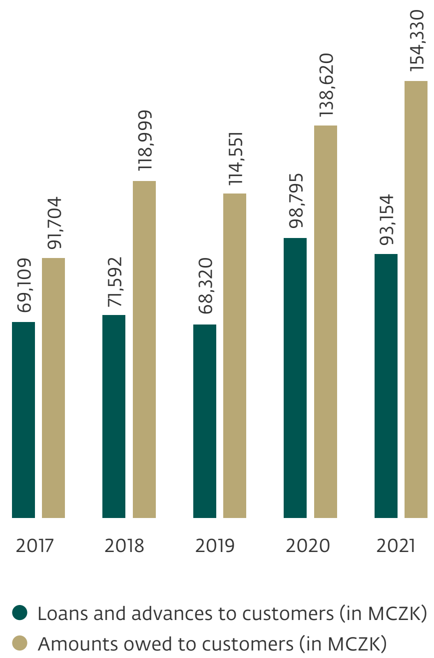


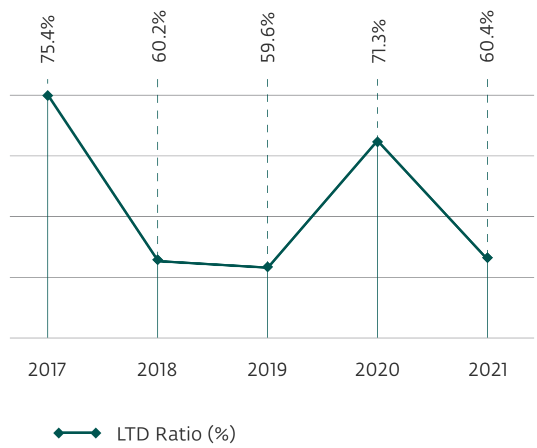
Regulatory capital and capital adequacy / individual data



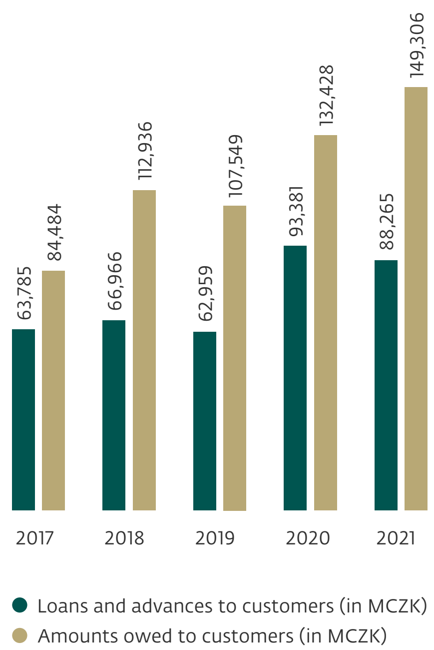


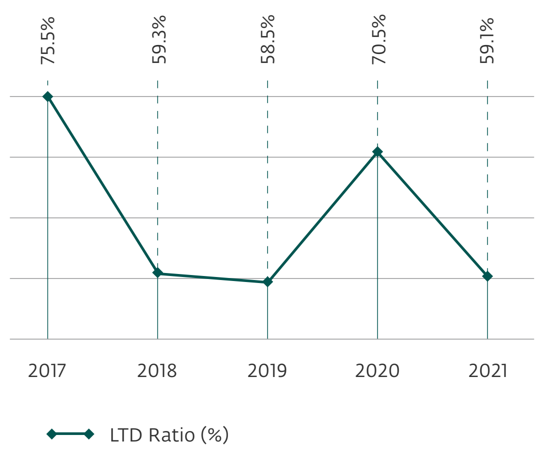
Client deposits and loans / consolidated data



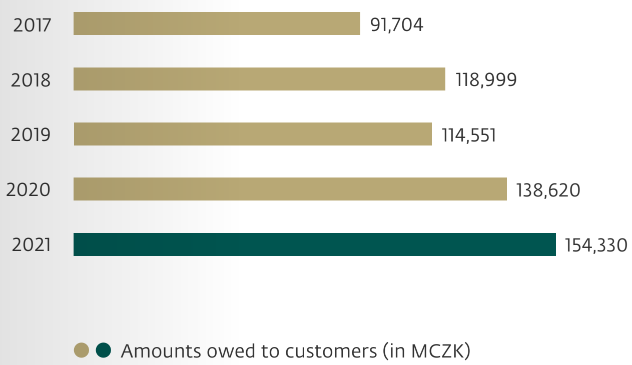


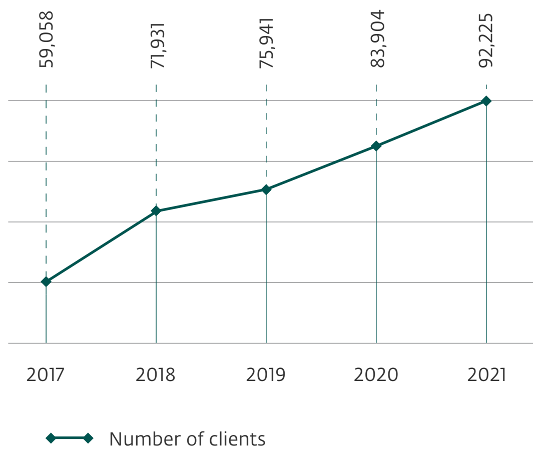
Client deposits and loans / individual data



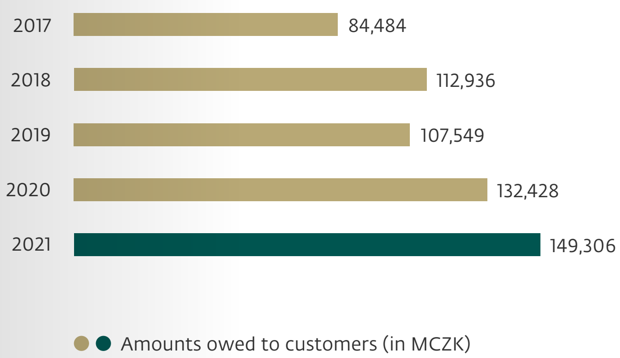


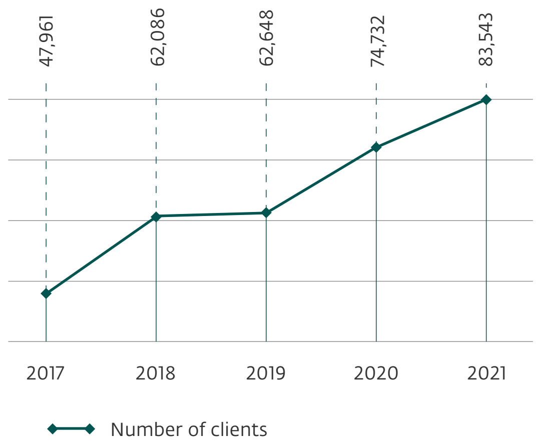
Client deposits and number of clients / consolidated data





Client deposits and number of clients / individual data





Financial results – the Group

The Group closed the year 2021 with a balance sum of CZK 203.25 billion (2020: CZK 175.04 billion), which represents an increase of over 16%. The Group's performance during 2021 reflected not just the relative improvement of the situation and client expectations related to the Covid-19 pandemic, but also the positive financial market trends. In this challenging period, the Group achieved a net annual profit of CZK 2.80 billion, a year-on-year increase of CZK 1.14 billion.

J&T BANKA, a.s., operating in the Czech and Slovak markets, contributes over 95% to the total volume of the Group's assets and more than 85% to the operating profit before the creation of allowances for impairment and provisions – the Group's results are thus highly dependent on the results achieved by J&T BANKA, a.s.

The increase in the Group's balance sum was mainly influenced by the growth in client deposits on the liabilities side. The total value of client deposits was 11.3% higher compared to the end of 2020 and slightly exceeded CZK 154 billion (compared to CZK 138.62 billion in 2020). Of the total volume of payables to clients, more than 71% were deposits in fixed-term and escrow accounts; at the end of 2020, the ratio was 75%. The total number of the Group's deposit clients reached 92,225 at the end of 2021, representing a year-on-year increase of 8,321.

The sufficient volume of resources received from clients enabled the Group's banks to participate in the financing of a number of projects by increasing the volume of corporate loans. The volume of corporate loans provided grew by CZK 4.93 billion year-on-year, reaching CZK 72.05 billion at the end of 2021.

At the same time, the Group recorded a CZK 11.50 billion decrease in the volume of debits arising from client trading on capital markets and a slight increase in receivables from reverse repo loans by CZK 0.65 billion. The year-on-year decline in the volume of trader debits was mainly due to the high baseline set by the previous year, which near its end saw an extraordinary short-term increase in debits. By the end of 2021, trader debits reached CZK 17.7 billion, one of the highest volumes ever recorded in the Group's history. In total, the volume of loans and other receivables from clients at amortised cost decreased by 5.71% year-on-year and reached CZK 93.15 billion. The expansion of the Group's deposit base and at the same time the decline in the total volume of receivables from clients also influenced the Loan-to-Deposit ratio, which reached 60% as at 31 December 2021 (compared to 71% at the end of 2020).

The total volume of securities in the Group's portfolio did not change significantly year-on-year, reaching CZK 24.27 billion (compared to CZK 24.60 billion in 2020).

The Group's equity capital showed year-on-year growth of CZK 3.30 billion and reached CZK 24.76 billion at the end of 2021. One of the reasons for the capital strengthening of the Group was the restriction of the distribution of the share of profits from the previous year, which resulted from a decision taken by the Czech National Bank ("CNB"). Another factor was the 2021 current year earnings. Sufficient capital amount will enable the Group to grow and develop also in the coming years. The capital adequacy on a consolidated basis was 16.21% at the end of the year.

Given the majority share of J&T BANKA, a.s. in the Group's results, the increase in key market interest rates, driven by a spike in the CNB's two-week repo rate, particularly in the second half of 2021, was reflected in the growth of the Group's interest revenues and expenses. Interest expenses rose slightly by 5.70% to CZK 1.73 billion, with the increase mainly due to the year-on-year increase in the volume of liabilities towards clients, which form the main part of the Group's interest-bearing liabilities.

The Group realises most of its liquidity excesses through reverse repo operations with the CNB. The increase by the regulator of the interest rates for these operations in the second half of the year resulted in dynamic growth in interest revenues by 17.0%, which represented a year-on-year increase of CZK 0.87 billion.

As a result, net interest revenue increased by 21.5% to CZK 4.46 billion compared to the previous year and thus constituted the main source of operating revenues (71.3%).

The Group not only strengthened the interest component of operating revenues but also recorded an increase in net profit from fees and commissions. In 2021, this profit will reach CZK 1.60 billion (compared to CZK 1.20 billion in 2020). Despite the economic circumstances impacted by the pandemic and the associated uncertainty, the Group achieved its highest ever net profit from fees and commissions for services rendered.

In 2021, the demand for new corporate bond issuance overcame the previous year's downward trajectory precipitated by the Covid-19 pandemic, which was reflected in the year-on-year increase in fees collected from securities issues.

Continued client demand for asset improvement through trading on capital markets was reflected in an increase in fees from the acquisition of financial instruments, and the Group also saw a growing trend in non-interest income in the area of collective investment and asset management. All the funds managed by J&T INVESTIČNÍ SPOLEČNOST, a.s. had a good year and the management, administration, safekeeping and deposition fees continued growing as in previous years. In 2021, the fees yielded CZK 0.74 billion, an increase of almost two-thirds compared to 2020 (CZK 0.47 billion).

The net profit from trading and investments reached CZK -0.13 billion in 2021. Its development at the Group's consolidated level in the individual years reflects the trends in exchange rates of the Czech crown against the rouble, dollar and euro.

The Group managed to keep operating costs stable. In 2021, they reached CZK 2.92 billion, which is comparable to the level seen in the previous year. Growth in depreciation of tangible and intangible assets reached 16.8%. This corresponds to the Group's increasing investments in digitisation and automation, offset by a decrease in personnel and other administrative costs. The reported year-on-year decrease in administrative expenses was also due to a higher 2020 baseline, which included the cost (in excess of CZK 100 million) of purchasing protective equipment donated to the Czech and Slovak governments in connection with the Covid-19 pandemic. Thanks to the dynamic growth in revenues and a stable cost trend, the Group's operating cost to operating income ratio, which measures the Group's operational efficiency, has reached 47.53% (compared to 49.6% in 2020).

The stabilisation of operating costs on the one hand and the dynamic growth in interest and non-interest income from banking activities on the other hand translated into an 8.4% year-on-year growth in profit before the creation of allowances for impairment and provisions. The profit thus reached CZK 3.23 billion (compared to CZK 2.98 billion in 2020).

The net creation of allowances for impairment of loans in the Group followed primarily the development of risks associated with the Bank's loan portfolio. The net change in allowances for impairment of loans amounted to CZK 0.58 billion, a decrease of 45% compared to the previous year. The risk costs have been affected by updates to the PD curves, LGD, FLI and SICR, while also taking into account simulations of future GDP growth scenarios. In determining the amount of impairment for 2021, the Group has taken into account the ongoing general risks and market uncertainty associated with the impact of the Covid-19 pandemic that may continue affecting all companies.

Financial results – the Bank

The Bank's performance in 2021 was marked by a return to growth with regard to significant balance sheet items and profitability after the partial downturn caused by the Covid-19 pandemic and its economic impact not only on the financial and banking sector but also on the overall macroeconomic environment in which the Bank operates.

The growth trend of the balance sheet total was mainly due to the expansion of the Bank's client base, both in terms of the increase in the number of clients and the volume of funds deposited. As of 31 December 2021, the Bank's total assets increased by almost 17% to CZK 194.13 billion.

The total volume of deposits from clients rose to CZK 149.31 billion, representing a year-on-year increase of 12.7% (compared to CZK 132.43 billion in 2020). The funds deposited in clients' current accounts have increased by almost one third compared to the situation at the end of 2020. Fixed-term deposits and deposits redeemable at notice also recorded an increase of 5.9% year-on-year as a result of rising interest rates. Deposits in fixed-term and escrow accounts, which represent the main source of funding for the Bank's active transactions, account for more than 70% of total deposits from clients, of which approximately 60% are long-term deposits with a maturity of 1 year or more.

The total number of the Group's deposit clients rose to 83,543 (compared to 74,732 in 2020), with individuals remaining the key segment. Their share in the Bank's total deposits amounts to 63%.

The volume of receivables from clients reflected the development of the two dominant components of the loan portfolio – corporate loans and receivables arising from the Bank's clients' margin trading. Corporate loans recorded a year-on-year increase of 9.1% with a volume of CZK 67.92 billion (compared to CZK 62.27 billion in 2020). By contrast, loans resulting from margin trading (reverse repos and debits) fell by around one third year-on-year from CZK 30.92 billion to CZK 20.30 billion. The decrease was mainly due to a higher baseline at the end of 2020.

Receivables from clients, therefore, fell to CZK 88.27 billion (compared to CZK 93.38 billion in 2020). The opposite trend in client loans and deposits resulted in a decline in the Loan-to-Deposit ratio, which fell from 70.5% in 2020 to 59.1% in 2021.

The Bank maintained a stable volume of financial assets throughout the year. The amount of securities invested in individual portfolio types ranged from CZK 20 to 21 billion in both years.

The significant increase in the Bank's liquidity cushion has enabled it to allocate available resources to reverse repo operations with the central bank. Their volume increased by 73.8% year-on-year and by the end of the year exceeded CZK 66.12 billion (compared to CZK 38.05 billion in 2020). In a situation of rising interest rates, this allowed the Bank to translate the seemingly opposite effect of the increase in free liquidity into a year-on-year increase in net interest income, which rose by 22.5%.

The year-on-year growth in interest revenues was driven by a higher average volume of loans provided to clients and, at the same time, a higher volume of free liquidity resulting from the growth in the client deposit base. The Bank realises most of its liquidity excesses through reverse repo operations with the CNB. The spike in the CNB's two-week repo rate, particularly in the second half of 2021, synergistically supported the growth in interest revenues which, after taking all factors into account, rose by 17.8% year-on-year to CZK 5.38 billion (compared to CZK 4.57 billion in 2020). The increase in client deposits, on the other hand, was reflected in the growth of interest expenses, which rose slightly by 5.7% to CZK 1.56 billion (compared to CZK 1.48 billion in 2020). Net interest revenue as at 31 December 2021 amounted to CZK 3.96 billion (compared to CZK 3.23 billion in 2020). For the Bank, this income represents the main source (76%) of its operating income.

In the long term, the net profit from fees and commissions represents a stable component in the structure of the operating revenues. Compared to 2020, which was largely marked by a downturn in fee collections due to pandemic uncertainty, 2021 saw a return to net revenue growth of 26.7% year-on-year. In 2021, the profit from fees and commissions amounted to CZK 1.21 billion (compared to 0.96 billion in 2020).

Although demand for new corporate bond issues did not reach pre-pandemic levels, the Bank successfully participated in the placement of 14 new bond issues during 2021, with the total subscribed volume reaching CZK 15.41 billion. From the Bank's perspective, the year 2021 was marked by increased interest of the Bank's clients in capital market trading, resulting in an increase in trading fees and also the volume of margin trades. Fees and commissions for the provision of securities management and client investment management services were also a significant component of non-interest income.

Dividends received from equity interests reached CZK 0.11 billion (compared to CZK 0.25 billion in 2020). The year-on-year decrease is mainly related to the adjustment of the dividend policies of the subsidiaries in relation to dealing with the impact of the Covid-19 pandemic in 2020.

As more than three-quarters of loans to clients are denominated in euro and a decisive share of the deposit base comprises local financial market resources in Czech crowns, the Bank actively uses derivative transactions to manage the currency structure of the balance sheet. The short-term impact of the revaluation of open derivative positions due to the rapid pace of key interest rate increases by the central bank before the end of the year was reflected in a temporary decline in net profit from trading and investment. At the end of the year, it amounted to CZK -0.11 billion (compared to CZK 0.49 billion in 2020).

Operating expenses recorded a slight year-on-year increase of 3.4% to a total of CZK 2.37 billion (in compared to CZK 2.29 billion in 2020). The Bank is investing heavily in the development of information technology, digitalisation and automation of sales and support processes, which is reflected in an increase in other operating expenses and also in depreciation expenses, which arise as a result of capital expenditure on hardware and software.

Thanks to the increase in total interest and non-interest revenues and, on the contrary, only a slight increase in operating expenses, the profit before the creation of allowances for impairment and provisions reached CZK 2.84 billion (compared to CZK 2.57 billion in 2020), which represents more than 10% year-on-year growth in 2021.

The faster growth in revenues from banking activities compared to the relatively stable cost trend in operations also affected the value of the operating expenses to operating revenues ratio (C/I ratio), which reached 45.5% (compared to 47.1% in 2020).

The amount of the risk costs was mainly influenced by the need to create impairments for loan receivables. The bank has created them in the amount of CZK 0.45 billion in 2021. The Bank's approach to provisioning remains conservative, following the update of PD curves, LGD, FLI and SICR, while also taking into account economic and political uncertainties that have the potential to adversely affect the Bank's individual credit exposures.

The volume of risk costs also reflected the creation of an impairment for the Bank's equity interest in Russia in the amount of CZK 0.52 billion.

Net profit after tax reached CZK 1.46 billion, a 38.0% year-on-year increase (compared to CZK 1.06 billion in 2020). The return on capital rose from 5.2% in 2020 to 6.6% in 2021.

The Bank's equity capital at the end of 2021 equalled CZK 23.48 billion (compared to CZK 20.89 billion in 2020). In 2021, the Bank did not pay out a dividend to its parent company, J&T FINANCE GROUP SE, in compliance with the CNB's decision. Together with the increase in the current year's profit, total equity capital thus increased by 12.4% year-on-year. The Bank is sufficiently equipped with capital in the long term, meets all the regulatory limits set by the Czech National Bank and has an adequate capital reserve for the planned development in the following years as well. The capital adequacy ratio reached 17.65% (compared to 16.73% in 2020).

Financial markets

The year 2021 was the second year of the global crisis caused by the Covid-19 virus. Entering the new year, we had high hopes of finally gaining control over the pandemic, especially with the introduction of vaccines and the vision of increasing vaccination rates in the global population.

The world's major economies were not the only ones that looked to this scenario in the hope of returning to global economic growth. Governments continued to pursue programmes to support especially those sectors which suffered the greatest losses from the pandemic, and central banks kept interest rates extremely low to stimulate entire economies to return to worldwide growth.

But 2021 also brought a new global phenomenon of rising consumer prices, i.e. inflation and a society-wide debate on its so-called "temporary nature". We could thus see central banks take various approaches to this problem, especially in the second half of the year. The Czech National Bank decided to respond by a rapid and sharp rise in base interest rates.

All the more attractive for our clients was the possibility of investing in the J&T ARCH INVESTMENTS SICAV, a.s. fund, which entered the market in 2020 under its original name, J&T INVESTMENTS SICAV, a.s. This qualified investor fund targets especially the energy sector, real estate, media, tourism and new economy, and its investment policy follows the very successful activities and experience of the J&T Group in the aforementioned areas. The fund managed to increase the value of its shareholders' interests by more than 10% in the first year of its existence alone (based on the growth of the fund's net asset value published regularly by the investment management company, J&T INVESTIČNÍ SPOLEČNOST, a.s.). Since the fund's inception, the appreciation equalled more than 15.5 percent as of 31 December 2021.

An important milestone in the life of J&T ARCH INVESTMENTS SICAV, a.s. was May 2021, when the fund entered the Prague Stock Exchange with its crown and euro share classes. This significantly expanded the possibility of secondary trading in the fund's shares for its shareholders, not only within the initial offering (sale/redemption) from the investment management company. An equivalent of CZK 6.0 billion in the fund's shares was traded on the floor of the Prague Stock Exchange during this shortened debut year.

The product range is, of course, complemented by traditional and time-tested funds targeting investments in bonds (J&T MONEY CZK and J&T BOND CZK) and stock (J&T OPPORTUNITY CZK, J&T DIVIDEND, J&T RENTIER), which confirmed their quality and irreplaceable role in our clients' portfolios even in this turbulent year.

In 2021, the Bank continued to reinforce its role of active trader not only on the local primary and secondary markets, through the Prague and Bratislava Stock Exchanges, where it actively participated in trading shares and bonds issued by major regional companies. It thus fully contributes to the effective functioning of the local capital market in the long term, as a source of capital and financing for companies and firms in the region. The Bank's subsidiary, J&T IB and Capital Markets, a.s., is thus a major arranger of securities issues in the region.

Information technologies

In 2021, the Bank's activities in the area of information systems and technologies were aimed mainly at improving the quality and extending the services offered to clients, increasing availability and security of the information technologies, and compliance with legislative and regulatory requirements. Along with improving the level of IT services, a number of activities and projects have been launched to respond to the changing needs of business and clients.

The development and operation of information systems in the Bank is ensured by internal departments and in co-operation with selected external suppliers. Overall, activities leading to the transformation of the IT Division towards increased efficiency of internal processes, their management and evaluation were launched during 2021. Organisational changes were made to increase the efficiency of services, readiness for future growth and support for new strategic challenges.

IT operation

The ICT infrastructure operated is located at the Bank's own two geographically separated data centres. They are equipped with IT using redundant components in the power supply, cooling systems and the ICT elements themselves.

Within the infrastructure, investments were made in the renewal of data centres in the individual locations. This will significantly increase the availability and security of support for the Bank's processes and the data being processed. The year 2021 was a stable year in terms of the number of IT service outages. Only minor operating outages occurred, and these were quickly eliminated and had no serious impact on the Bank's operation. The ICT infrastructure and information systems are administered primarily by the Bank's own staff using the services of stable suppliers.

The Bank responded to the situation surrounding the Covid-19 pandemic and the need to protect its employees. For remote and safe work, the Bank used the company's collaboration platforms, improved the internet connection and monitored regularly the loads in all the devices supporting the Bank's operation. It thus prevented any interruption of operating and development activities, and minimised any negative impact.

IT development

In 2021, the Bank completed the delivery of the Instant Payments project. The Bank continued its preparation for implementing new online banking and an investment portal meeting the requirements of the Bank's departments and clients.

During 2021, the Bank initiated a number of changes leading to a fundamental improvement and increase in the efficiency of the Bank's IT Division. The new solution to support Identity Management will facilitate the management of access and authorisations for the Bank's key information systems. The Bank started the process of implementing a platform for managing ICT processes, including a new concept of project management, IT supplies, and operation management. The goal is to have modern IT processes, project teams and an efficient change management system in IT.

The Bank continues its activities to improve the management and standardisation of IT documentation, architectural model, technologies used, integration interfaces and internalisation of know-how about the IT environment. The necessary tools were implemented and user training took place in 2021. The Bank will continue interconnecting the individual information areas and working on extension to other parts of the Bank's IT environment.

Security department

The Security Department is responsible for the creation and development of an efficient and effective system of the Bank's security management, including the system of business continuity management. The Department integrates three areas within the scope of its competence: Cyber Security, Physical Security and Personal Security, for the Bank and its clients. It maintains and updates the regulatory base describing the Bank's security management system in accordance with the requirements of the national laws of the Czech Republic and Slovakia, regulators and other authorities. A number of procedural, personnel and IT activities aimed at improving cybersecurity are being performed, also in view of the Bank's inclusion among the operators of the State's basic infrastructure (autumn of 2020). The Bank regularly updates the BCM process setup and the IS/IT risk analysis. Furthermore, necessary activities were identified and commenced in the areas of methodical instructions and user awareness in response to the new trends and regulatory requirements/recommendations in the area of security.

Human resources

Every one of the Bank's employees is a key corporate value for pursuing the company's strategy and maintaining a high standard of client care. Therefore, the Bank pays great attention to the professional and personal development and career growth of its staff; we strive to ensure a positive and friendly atmosphere and maintain the employees' motivation.

The present management, including human resources management, focuses not only on work performance but also on an appropriate work-life balance. The Bank invests in the development of an internal learning system focused in particular on financial thinking and soft skills. For internal learning, the Bank uses the expertise of its internal staff to the maximum extent possible and focuses on a mutual exchange of experience and knowledge across the Bank's departments. The Bank also focuses on the health of its employees and constantly extends the benefit system to cover healthcare services, and not only because of the Covid-19 pandemic.

The Bank is also open to young talents. It co-operates with universities and its experts take part in university lectures. It continuously supports the Trainee programme for students and graduates of higher-education institutions focusing on the financial sector. This programme has received a great interest and the Bank is able to recruit new staff through this channel.

When electing members of the Supervisory Board and the Board of Directors and when filling management positions and positions in the committees of the Bank, the Bank does not apply a diversity policy in terms of age, gender or education. The aspects that are taken into account for all positions are, in particular, professional experience and qualification of the prospective members and employees. The Bank does not have any diversity policy set forth by an internal standard, it does not have any policy objectives or prescribed quotas in place. However, it ensures equal treatment and equal opportunities for all its employees. The Bank had a total of 608 employees (working at its Prague headquarters and in the Slovak branch) at the end of the year.

Partner of the fine arts, music and sports

The year 2021 was a turbulent year for areas traditionally supported by the Bank. As a result of the pandemic, events were scheduled and cancelled, moved online or held with limited audiences. But institutions were already better prepared for changes and were able to respond more flexibly to government measures. Throughout the pandemic restrictions, the Bank stood by its partners and tried to help them through these difficult times. While doing so, it also implemented a number of its own projects supporting contemporary artists and continued to build the Magnus Art brand.

Rudolfinum Gallery

In the field of fine arts, the Bank honoured its partnership with the Rudolfinum Gallery, one of the foremost fine art galleries in the Czech Republic. The gallery managed to organise three exhibitions in 2021, i.e. one more than in the previous year.

“Compassion Fatigue Is Over” opened in January, presenting the next step in the gallery’s long-term dramaturgy, called Rudolfinum_Time-Based. This exhibition addressed issues of racial intolerance, labour exploitation, rethinking historical narratives, sexuality, gender, fallen and rediscovered utopias, and abstract thinking as a necessary precondition for any rational judgement. Starting in August, the gallery space hosted a Czech-German project called “Cache”, building on the mutual permeability of traditional (painting, drawing) and new media (projection, video, audiovisual installations), which come close to each other in their expressions as they share certain social conditions and thought principles, and thus also generate a related aura of testimony. An exhibition titled “Not Without Joy” was opened to the public in November. This exhibition set itself the task of presenting to the Czech audience works by artists who live authentically and reflect on various life situations, issues and problems whose significance is far above the local and individual levels of reflection. Thanks to the partnership with J&T BANKA, a.s., visitors could see this exhibition for free.

J&T Banka Art Index

We continued our co-operation with the ART+ project aimed at observing the developments in the Czech art market, and published a new J&T Banka Art Index, a ranking of the top one hundred Czech artists born after 1960. Potential collectors and investors considering an acquisition of contemporary works were thus guided through the contemporary art scene and got to know artists who had made it to the top one hundred. Eva Koťátková again ranked first in the J&T Banka Art Index in 2021, while Vendula Chalánková was awarded for making the imaginary leap of the year. On the other hand, Jiří Kovanda, Jan Merta, Vladimír Kokolia and others dropped out of the ranking. It is not that their work suddenly lost its importance and attractiveness, but with the beginning of the new decade, the birthdate limit shifted, and so all authors born between 1950 and 1960 “disappeared”.

Magnus Art Gallery

In the autumn of 2020, the J&T Group moved its headquarters into a brand new building in Prague’s district of Karlín. The building also includes the Magnus Art Gallery, which entered the market with the aim to present interesting private collections based on Czech and global art. The gallery, which is open to the public free of charge, set out to become a place of inspiration, intriguing discussions and meetings.

In 2021, the Bank continued to use this venue to present its eponymous Magnus Art collection, which documents the development of contemporary Czech art from the 1990s to the present day. It successively presented works from 1990–1999 and from 2000–2009.

Co-operation with universities

The Bank’s successful co-operation with the Academy of Arts, Architecture and Design (UMPRUM) continued in 2021, including the announcement of a student competition for the design of golf trophies. This year, the trophy was won for the first time by glass artist and designer Anna Jožová from the glass studio, who found inspiration in the basic tool of every player – a golf club.

The Bank expanded its partnership with art colleges after moving to its new headquarters, where it presented works by students of various Czech art schools in a series of short-term exhibitions During the year, the opportunity to present their works was given to students of Jiří Černický’s painting studio and Aleksandra Vajd’s photography studio from UMPRUM in Prague, as well as students of Josef Bolf’s painting studio at the Academy of Fine Arts in Prague.

Successful J&T Banka Art Index Pop-up at Újezd

Four days as a celebration of contemporary art. That – in brief – was the second edition of the J&T Banka Art Index Pop-up event, which took place at the beginning of September in building number 11 in Prague’s Újezd district. Eighty works by 44 artists, including superstars such as Krištof Kintera, Anna Hulačová, Lubomír Typlt and Ivan Pinkava, were presented in six flats at this address. All the works on display were for sale.

A multimedia touch was given to the event by an interesting innovation that has been finding its way into museums and galleries all around the world, but is still seldom seen in the Czech Republic: scent as an experiential element of the exhibition.

More than 4,300 people came to the pop-up over the four days, which is about a thousand more than in 2019, during the first edition of this extraordinary event. Other statistics also reflect its success. About a third of the works were sold on the spot.

Art Servis

The Bank continued to develop its new service called Art Servis, which it launched in the autumn of 2020. This service helps clients who need advice on art investments, administration of collections, and further requirements on art operations. The service is provided by two art historians – inhouse specialists in art.

Czech Philharmonic Orchestra

Despite the limited operation of music institutions, the Bank supported the violin virtuoso Josef Špaček and continued to be a partner of the Czech Philharmonic Orchestra – along with its traditional partnership with beautiful sound, it also became a new partner of chamber music. The co-operation gives members of the Philharmonic Orchestra not only the possibility to play the top-level violoncello purchased by the Bank and immediately lent to the Czech Philharmonic Orchestra, but also the opportunity to strive to become one of the top ten orchestras in the world.

J&T Banka Ostrava Open

In 2021, the J&T Banka Ostrava Open tennis tournament returned to the City of Ostrava as a WTA 500 category event. The venue was again Ostravar Arena, which reopened its doors to spectators. The singles title was surprisingly taken by Estonia's Anett Kontaveit, who did not lose a set throughout the tournament. The doubles draw was dominated by the Indian-Chinese pair of Sania Mirza and Zhang Shuai, who won their first title as teammates in their only second start on the WTA Tour. The winners received a half-metre sized trophy designed by Jan Pančocha from the Lasvit company, inspired by the flight of a tennis ball.

J&T Banka CSIC3*W Olomouc

In the years 2020 and 2021, great uncertainty surrounded the international show jumping competition traditionally held in Olomouc up until the very last moment. That is why the Bank agreed with the organisers that it would become a partner of the event starting in 2022. In June, this three-star-level contest organised by the Equine Sport Centre in Olomouc will thus be held under the traditional name of J&T Banka CSI3*-W Olomouc.

Czech Rugby Union

Integrity, Passion, Solidarity, Discipline and Respect – values honoured by rugby players around the world. Even though rugby is a tough sport, it is fair. Just like the Czech Rugby Union, we at J&T BANKA, a.s.,, as their general partner again in 2021, are proud to say that we share those values.

J&T Banka Ostrava Beach Open

The Bank's involvement in beach volleyball as its general partner is recent news. Volleyball has almost a hundred-year tradition in the Czech Republic. We belong to the countries with the highest number of beach volleyball courts in Europe, and the popularity of this sport has been growing constantly. The main impulse for the partnership established with J&T Banka Ostrava Beach Open was that we could witness the beginning of an international tradition and provide the fans with another great sporting event similar to those that have been held primarily in the countries of Western Europe, the USA or Australia so far. In 2020, this prestigious tournament held in Ostrava had to be cancelled due to the Covid-19 pandemic, but 2021 was already a success.

The five-day event took place on four courts built right on the premises of Dolní Vítkovice – an industrial complex listed as a European Cultural Heritage site. The tournament promised to be a thrilling spectacle as the players fought for the last available points to qualify for the Olympics. Due to the anti-coronavirus measures, only a thousand spectators were allowed into the stands, but they nevertheless did make some noise. In the end, the biggest Czech success in Ostrava was the pairing of Ondřej Perušič and David Schweiner, who took the silver medal.

Nations Cup

When the traditional Nations Cup was held in Prague's Velká Chuchle in May as part of the international CSIO races, the J&T Bank was there as a partner. The previous pandemic season did not favour show jumping, so the riders appreciated the opportunity offered by the Nations Cup and Sunday's Grand Prix to meet the qualification criteria not only for the Olympic Games, but also for the European and World Championships. Santiago Varela, a course builder for the Tokyo 2020 Olympic Games, accepted the invitation to build the course for Prague's international event.

Support for arts, culture, sports and young talented people in Slovakia

Even in 2021, the Bank was the general partner of the Slovak Center for Design (SCD), which researches and makes accessible objects of cultural value in the field of design, applied arts, architecture and related disciplines through the Slovak Museum of Design. Since 1993, SCD has also organized the prestigious National Award for Design, which is the highest form of award in this area of creative activity in Slovakia.

The partnership with the Oskar Čepán Award continued, referring to the name of the Slovak art theorist, who with his numerous studies on fine arts significantly influenced Slovak art and its theory. Ѐv VAN HETTMER became the laureate of the prestigious award given to visual artists under the age of 35 in 2021.

Young talents also received support. Jana Malečková, who founded the startup Usability Engineering Center, which develops innovations based on the European PSD2 directive, won the J&T BANKA Award for Economics in the Young Innovative Entrepreneur competition. Fintech platform EVERFIN integrates bank accounts in the European Union, enables digital invoicing and immediate payments. Innovation of employees to digitize the processes of companies, sole traders, state and public administration institutions.

Boris Fišera became the winner of the Economics category of the Student Personality of Slovakia competition. In his research, he focused on international finance, monetary policy and financial institutions. He collaborated on a World Bank study examining the impact of Basel III banking regulation on small and medium-sized enterprises.

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The bank also remained in support of sports and extended its long-term partnership with the Slovak national tennis team, both women's and men's. She also helped develop talent in youth teams.

Outlook for 2022

The Bank's mission is to help clients shape their future. On the one hand, it helps them raise capital to implement their business plans, and on the other hand, it creates products for them that help preserve and enhance the value of their fixed assets.

Stagflation risk

After several „covid" waves that hit the world economy, we are now witnessing a war in Ukraine, which will fundamentally affect the subsequent development of the economy and lead to significant instabilities. The world economy is on the verge of great uncertainty. The European economy is entering uncharted waters. Inflation is at levels we have not seen in the Czech Republic or in Europe for several decades. Growing prices will, unfortunately, remain a fixture of the economic environment for a longer period of time and will continue to devalue household savings. Food and energy prices will take a significant bite out of family budgets and consumer spending will fall. Uncertainty about future developments will put a lid on the investment appetite among companies. This will result in a drop in economic growth and a potential fall into recession. Stagflation will thus very likely become an oft-mentioned term in economic discussions.

Suppression of activities in Russia

Due to Russia's deteriorating position on the international scene, our activities in this market have slowed down in recent years. The current situation confirms the correctness of this decision, and we will continue to slow down our activities. We strongly condemn the Russian army's invasion of Ukraine. Such a strong manifestation of aggression cannot be excused or tolerated in today's world.

Prudent financing

The aforementioned economic uncertainties lead us to adopt a more cautious approach to assessing new financing opportunities. Our priority will be to develop cooperation with existing business partners – business relationships solidified over the years and detailed knowledge of the partner's business are important risk-mitigating factors. We are not averse to looking for new partners. However, we will require a higher level of risk hedging for any transactions with them. At the same time, we expect higher interest margins from such deals.

Decline in bond issues

In 2021, we successfully overcame the previous year's downward trajectory in the implementation of new corporate bond issues. For 2022, however, we again expect a significantly lower activity in launching new bond issues on the market, and we also expect the individual issues to be smaller in volume.

Asset protection and appreciation

In terms of products, our priority continues to be offering investments that have the ability to protect and appreciate the investor's assets in times of high inflation. In our opinion, the J&T ARCH INVESTMENTS SICAV fund for qualified investors, which focuses on private equity investments, has great potential.

The fund was established more than a year ago with the ambition to enable clients to invest in the businesses of our long-standing business partners and grow with them. In just a single year, it has become the largest fund under J&T's management and we expect strong investor interest to also continue in 2022.

Investment advice

Our experience shows that many investors' portfolios are still unbalanced and lean towards short-term, price-inelastic assets. In times of high inflation, however, such assets are most at risk of a fall in their real value. In order to better guide clients through a challenging period of high inflation and uncertainty, we are making the introduction of investment advice a priority.

Expansion abroad

After careful consideration, we have decided to expand our operations to another market. In 2022, we plan to complete preparations for the opening of a foreign branch that will be ready to start offering our deposit products from the beginning of 2023. The aim of this step is to diversify the deposit base and expand access to euro-denominated resources.

Modernisation of technologies

We are aware of the technical debt that the Bank has towards its clients. Therefore, we are working hard on the development of a new electronic portal that will provide clients not only with a more up-to-date user experience, but also new tools for managing their assets. We are also significantly investing in strengthening the Bank's technical infrastructure in order to digitalise and streamline other internal processes.

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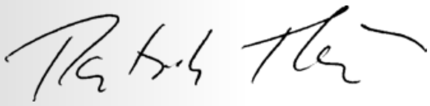
Declaration

To the best of our knowledge, this Consolidated Annual Report presents a true and fair view of business activities, financial position and the economic results of the Bank and the Group in 2021 and of the outlook of the future development of their financial position, business activities and economic results.

In Prague, on 25 April 2022



Patrik Tkáč
Chairman of the Board of Directors
of J&T BANKA, a.s.

Štěpán Ašer, MBA
Member of the Board of Directors and CEO
of J&T BANKA, a.s.

Non-financial information

In accordance with Section 32g (1) of Act No. 563/1991 Coll., on accounting, the Bank as a large accounting entity and a public interest entity provides, within this Consolidated Annual Report, non-financial information and information concerning diversity, supplementing financial and non-financial information set out in other chapters of this Consolidated Annual Report.

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

The Bank 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 evaluation is also made of the potential for their implementation and benefits for society as a whole as well as individuals (whether clients or employees).

Attention is also paid to social and employee matters. Trends are monitored in this area and, if considered meaningful, they are subsequently implemented in the Bank's environment. 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 Bank's non-financial focus also includes respect for human rights and anti-corruption and anti-bribery measures.

Profile of the company and its market position

The Bank is a popular private and investment bank focused on taking care of its clients' property and capitalising jointly on opportunities. Its traditional clientele includes primarily successful and demanding customers who require a high standard of services and an individualised approach that fits their lifestyles and needs. This is also reflected in the portfolio of products and services offered and the Bank's overall mission to interconnect the clients' capital with opportunities on the market, while striving to act as the clients' partner and adviser, or as a broker of unique experiences, with the aim to help its clients not only to protect and appreciate their assets, but also to enjoy them.

A wealthy society is crucial for a long-term existence and successful growth of the private banking sector. In view of the fundamental importance of elites for future development and their positive effect on each individual, the Bank seeks projects, potential for geographic and business growth, and personages who can improve the future of society.

The scope of the Bank's operations in the field of banking, and private banking in particular, which focuses closely on a small, but wealthy segment of potential clients, predetermines the Bank's influence on the financial and capital markets in the individual countries where it operates. In view of its market share and the non-retail focus of its investment and banking services and instruments, the Bank's presence is not that significant in the individual countries and its potential struggle would mean no great shock for these markets.

The Bank, however, has been gradually extending the offer of its services and products towards non-private clients. Such clients can also be provided with further products in the Bank's portfolio, along with the Bank's special and educated client care, but their provision or arrangement is conditional, just like for private clients, on compliance with a great many regulatory requirements. The Bank not only meets these requirements and constantly monitors them in view of its internal processes, but it may actually even adopt a stricter approach than required if it believes that this can ensure better protection for its clients.

Indeed, the Bank strives not only to increase the assets of the Group stakeholders and its customers, but also to create added value which makes the Bank a cherished partner in the eyes of its customers and employees, a partner who is socially responsible and capable not only of generating profits, but doing so while maintaining and protecting important values in the corporate culture and towards third parties.

The Bank has decided to take the path of supporting local culture and sports, and has been taking small, but not insignificant, steps to ensure sustainability of the environment and the protection of its employees' health and safety. This long-term support is an important feature that affects everyday decision-making in connection with the Bank's direction and growth.

Despite the established processes, the Bank will not let up in its efforts to up set new procedures and put them into practice efficiently and with standards ensuring that the results are visible and effective. In 2021, the Bank performed no activities in the area of research and development.

Stakeholders

The Bank is aware of its position and influence over other entities and has therefore tried to identify the group of entities that are affected by the Bank or affect the Bank or the environment in which it operates.

The Bank's clients, employees, shareholders and the regulatory authority, i.e. the Czech National Bank, are deemed to be the most important stakeholders of the Bank from this point of view. External suppliers of all additional services and products, media and local communities are the Bank's further counterparties. The Bank strives to engage all these stakeholders in a dialogue and maintain appropriate relations with them while taking into account the interests of these groups in decision-making.

Employees can regularly participate in satisfaction surveys and thus express their needs. The information obtained within the surveys is used by the Bank in decision-making on changes in working conditions, remuneration and other motivational tools.

Environmental protection and prevention of pollution

The core of the Bank's business model lies in services provided by the Bank's staff to its clients.

The provision of banking and investment services is therefore a business directly generating very little waste. Nonetheless, the Bank still considers it important to minimise the negative impact of its activities on the environment (consumption of water, electricity and paper; waste generation; direct and indirect CO_2 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 Bank 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 Bank is able to minimise through its own programmes and strategies.

Similarly, the Bank strives to motivate its employees to also take measures to protect the environment in their working and private lives. The Bank's staff members are not only encouraged to adopt a pro-active approach, but they even often request or actively propose possible improvements to certain shortcomings. This most frequently occurs in the area of recycling waste, used paper and paper boxes, and as well as with regard to drinking water, with a view to minimising plastic pollution.

On top of complying with the Czech legislative requirements, including those ensuing from the EU and other regulations regarding environmental protection requirements in terms of the company's activities, the Bank is also aware that its everyday work 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 an individual supply serves its purpose, the Bank tries to always find a local or regional supplier of goods and services in order to support these suppliers and also to avoid unnecessary emissions, e.g. from the transport of goods.

Below, we present several specific activities pursued by the Bank in the area of environmental protection:

Bank headquarters

The Bank has its headquarters in a building whose negative effects on its surroundings were already mitigated during its construction (details were described by the Bank in its 2020 Annual Report).

The building is equipped with a system of controlled ventilation outside working hours. Taps with certain flow rates are used; 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. Further, 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 based on environmental accountability and the principles of sustainable development (waste recycling, drinking water supplies, etc.).

Reduction of the volume of waste and its appropriate recycling

Long-term reduction of the quantity of waste generated belongs among important indicators for the Bank's everyday operation, as well as in establishing the long-term strategy and the individual steps aimed to achieve the strategy's objectives. 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 include the following: containers intended for waste separation (plastics, paper, paper documents to be shredded and other materials, where appropriate) are located at all strategic places (e.g. kitchenettes, 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 Bank 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 Bank'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 mice and keyboards).

Neither the Bank nor its services are an important generator of waste. The main risks in this regard include an increased quantity of waste produced by the Bank's staff in its everyday operation. This risk is taken into account in adopting the relevant decisions (purchase of dishwashers, water dispensers, number of waste recycling bins, etc.) so as to prevent any increase in the volume of waste. In contrast, efforts are made to reduce waste wherever possible provided that this does not impede the Bank's operation.

Green investments

In view of its business model consisting in the provision of financial services, the Bank is aware of its important role especially in financing projects and investments related to renewable energy sources. Within its investment and business strategy, the Bank therefore also evaluates, among other indicators, the environmental impact of projects and investments, and their conformity with the Bank'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 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 Bank considers this risk minimal and well-managed.

In 2021, the Bank had over 380 funds in its portfolio that were expected to meet ESG sustainability criteria. The Bank 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).

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 Bank 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 the Bank's internal regulations defining the prohibition of discrimination and the obligation of equal treatment.

The Bank operates 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 Bank 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 the Bank was noted in 2021. The Bank has not recorded any violation of occupational safety rules by the Bank itself and no penalty or sanction has been imposed on the Bank in this respect.

The Bank employs a total of 48% women (49% in 2020) and 52% men (51% in 2020). The ratio of men and women in the Bank's top management did not change compared to the previous year, but the ratio of women increased among the Bank's managers.

Remuneration policy

The Bank 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 Bank and the Group, the Bank has put in place certain internal procedures for setting fair remuneration for the work performed.

The result is a remuneration policy 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 Bank supports 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). The Bank provides its staff 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 in the Bank 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 Bank'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 Bank also supports parents in returning to their positions in the form of part-time jobs; the number of these jobs is constantly growing.

In 2020, the Bank employed 47 part-time employees in the Czech Republic and in its Slovak branch; in 2021, this number increased to 51 part-time employees. In 2021, the staff return rates were 56% in the Czech Republic and 71% in Slovakia (a year-on-year increase).

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 Bank enables its employees to increase their professional qualifications and develop their personal or managerial skills in the long term. The Bank's values are pursued primarily by individuals' own initiative; in spite of that, the Bank 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 Bank and the Group as a whole.

The Bank 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 Bank 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 Bank 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 Bank supports education of its employees – it is a long-term partner of the Investor Club and co-organises educational activities and workshops for students.

The Bank'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 Bank's 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 Bank adds new equipment according to the wishes of its staff.

The Bank also provides an internal communication network application for employees' socialisation. This is a means of communication aimed to connect everyone in 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 Bank's 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. The Bank's Employee Council with elected members also serves to organise such cultural and sporting events.

Employee satisfaction and ideas

The Bank'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. The Bank supports their creativity and ideas that can influence the individual processes in the Bank as well as specific products.

When new employees join the Bank, they meet with senior employees of the HR department and representatives of the Bank's management; these meetings are then repeated every several months. The aim is to discuss the employees' personal motivation and expectations regarding their work in the Bank 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.

Regular eNPS surveys, repeated once every six months, are also used to determine employee satisfaction. Workshops are then held to discuss the results and set action steps to improve the situation.

As one of the Bank's principal values is partnership, each employee is considered to be a partner of the Bank and, in case of a personal predicament, the Bank 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 the area of 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 Bank 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 Bank 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 Bank'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 inside the Bank, 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 Bank 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 Bank and the whole Group consider human rights to be one of the most important values. It holds in all areas of the Bank's activities that human rights mut always be respected and all the legal obligations imposed on the Bank's activities need to be complied with; moreover, the Bank also respects, throughout the Group, the restrictions following from the measures imposed by the United Nations, the EU or the U.S.A. on persons violating human rights.

One of the imperatives followed by the Bank is that neither the Bank nor any companies in its Group will enter into a transaction with a person against whom international sanctions have been imposed, and to this end, the Bank defines Group rules and controls compliance therewith.

It is also a rule that the 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 Bank 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 Bank's non-discriminatory approach towards customers, employees and other persons, as well as the Bank's 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 Bank has 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 business was concluded with a person against whom international sanctions were imposed, and no allegations of any human rights violations by the Bank or its employees were reported or identified.

Anti-corruption and anti-bribery

Within its activities, the Bank is not engaged in any corrupt or other unethical practices when promoting its interests, it always strives to comply with all its statutory duties to the maximum extent and respects the third-party interests.

In its internal regulations, the Bank defines strict rules for ethical behaviour of its employees; it motivates them to comply with the rules and adequately 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 Bank defines preventive and subsequent control mechanisms with a view to detecting such conduct, where any such case is considered a serious breach of working duties in accordance with the internal regulations. Any conduct that has the potential to correspond to the elements of a criminal offence, shall be notified by the Bank to the competent prosecuting bodies.

The option to anonymously report any unfair conduct by employees and third parties, i.e. whistleblowing, constitutes the Bank's basic tool for detecting any unethical conduct or conduct at variance with internal regulations or laws. The tool is administered by the Compliance Department, which is obliged to investigate each reported conduct and submit the results of the investigation to the Bank's Board of Directors with a view to adopting subsequent measures. The Bank's internal regulations guarantee protection of the whistle-blower against any negative consequences of reporting unfair conduct, even if the unfair conduct is not confirmed.

In relation to corruption committed by third parties, the Bank defines, in particular, measures aimed at preventing the legalisation of the proceeds of crime and financing terrorism, including, but not limited to, procedures of client identification and control in conformity with Act No. 253/2008 Coll., on certain measures against legalising the proceeds of crime and financing terrorism, including the implementing regulations and directly effective legislative acts issued by the EU. In particular, the Bank pays 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 Bank and its employees. The Bank 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. The Bank notifies all non-standard transactions to the competent authorities, especially to the Financial Analytical Department.

Some of the Bank'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 Bank 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 Bank 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 Bank and the Group, its clients or third parties. The Bank approves and subsequently records transactions made by persons involving a potential risk factor. Conflicts of interests are evaluated and recorded on an ad hoc basis.

No employee or third party conduct that could be classified as unfair was reported through whistleblowing in 2021. The Bank does not record any violation of a related internal or legal regulation.

Information pursuant to Regulation (EU) 2021/2178

Pursuant to EU Regulation 2021/2178, the Bank publishes the following information:

Quantitative indicators

	Group
taxonomy-eligible exposures	0%
taxonomy-non-eligible exposures	1%
exposures (central governments, CBs, supranational issuers)	38%
derivatives not held for trading	1%
exposure to non-NFRD reporting enterprises	50%
trading book	2%
on-demand interbank loans	0%

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 in the total assets equals 50.5%. Loans (other than loans for the purchase of securities and reverse repurchase agreements) constitute 72% of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU; of those exposures 52% are eligible for taxonomy. These are mostly loans provided for the construction of buildings and other activities in the area of real estate. Loans provided for activities in the energy sector are also significant. Loans to finance the purchase of securities (margin lending) and reverse repurchase agreements constitute 17% of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU, and the Bank considers them taxonomy-non-eligible exposures. Non-trading securities constitute 11% of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU; of these exposures, 48% are taxonomy-eligible – these are almost completely exposures to real estate business.

The table shows the following Bank's shares:

- 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 value of total assets used is presented in the consolidated statement of financial position. The numerator included the assets of credit institutions belonging to the Bank's consolidation unit.

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 Bank 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 Bank 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.

There is currently no established market practice for interpreting the provisions of EU Regulation 2021/2178. The Bank has made every effort to present a complete and unbiased picture of the above exposures.

Environmental responsibility

The Bank's constant ambition is to be a provider of the highest level of services and individual approach to its clients, partners and counterparties, which also means, in today's world, meeting the changing lifestyle preferences and needs of these parties. The Bank perceives its position as one in which it must actively participate in changes to our environment, while not negatively impacting the achievement of appreciation. In contrast, the Bank believes 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.

The Bank's approach to social values is described in detail above in the section "Social and employee affairs". The Bank 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 Bank considers respect for human rights to be one of its most important values and this aspect is taken into account within the Bank and the Group. The Bank 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 Bank's approach to the fight against corruption and bribery and other details in this area are also set out in the mentioned section above.

Aspects of good corporate governance that the Bank considers important and takes into account in its daily activities include, in particular, its behaviour in terms of compliance with legal regulations and the code of ethics, which is based, among other things, on the Code of Ethics published by the Czech Banking Association. Emphasis is also placed on the fight against corruption and sufficient risk management, and internal and external audit.

The Bank'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 Bank 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 Bank 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 Bank's strategy, which is also reflected in the product design processes. Not only the Bank's activity itself is affected by the Bank's strategic steps, as the changes introduced are also reflected in the setting and management of relations with the Bank's clients and counterparties. When assessing appropriate ESG strategies, the Bank plans to favour products that will sufficiently meet the environmental criteria. After a thorough assessment of the situation, consideration is also given to the introduction of qualitative or quantitative criteria in relation to the proportion of environmentally sustainable activities and the methodology related to their evaluation.

Trends monitored in the trading book

The objective of the trading book is to provide the market maker function (bonds, shares, unit certificates), while managing the Bank's overall FX and commodity position. Exposures to taxonomy-eligible economic activities equal 35% of the trading book. Of eligible exposures, 50% consists of real estate exposures and 38% of energy sector exposures. The eligibility of exposures in the trading book was assessed analogously to the banking portfolio.

As the Bank stated above, ESG trends are constantly monitored and evaluated, in particular. The role and preferences are increasing primarily in terms of environmentally and ethically relevant products. In view of the unquestionable contribution, 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 Bank. These trends are being gradually incorporated into the Bank's business objectives.

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

The Bank helps

The Bank, 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.

The Bank 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);

The Bank and its representatives are also enthusiastic supporters of art. The Bank 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 Bank's 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 Bank 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 Bank 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 the Bank as its general partner – also proudly subscribes to these values.

Bank's top management

Patrik Tkáč
Chairman of the Board of Directors

Board of Directors

Patrik Tkáč
Chairman of the Board of Directors

Štěpán Ašer, MBA
Member of the Board of Directors

Igor Kováč
Member of the Board of Directors

Tomáš Klimíček
Member of the Board of Directors

Anna Macaláková
Member of the Board of Directors

Corporate Agents

Alena Tkáčová

Mária Kešnerová

Miloslav Mastný

Supervisory Board

Jozef Tkáč
Chairman of the Supervisory Board

Ivan Jakabovič
Vice-Chairman of the Supervisory Board

Dušan Palcr
Member of the Supervisory Board

Jozef Šepetka
Member of the Supervisory Board

Jitka Šustová
Member of the Supervisory Board

Tomáš Janík
Member of the Supervisory Board

Štěpán Ašer, MBA
Member of the Board of Directors

Igor Kováč
Member of the Board of Directors

Anna Macaláková
Member of the Board of Directors

Tomáš Klimíček
Member of the Board of Directors

Board of Directors

The Board of Directors is the Bank's governing body which manages the Bank's business activities and acts in its name in a manner laid down in the Articles of Association and the Commercial Register. The Board of Directors decides all matters of the Bank unless they fall within the powers of the General Meeting or the Supervisory Board under the law or the Articles of Association or resolutions of the General Meeting.

The Board of Directors is elected by the Supervisory Board. The Czech National Bank reviews professional skills, credibility and experience of all members of the Board. The members of the Board elect its Chairman. The General Meeting decides on the remuneration of the members of the Bank's Board of Directors. Individual members of the Board are elected for five years (their re-election is possible).

The Board of Directors is responsible for the establishment of a comprehensive and appropriate management and control system and for keeping the system functional and effective. It is responsible for ensuring the setting of the Bank'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 also responsible for ensuring the determination, observance and application of requirements for credibility, knowledge and experience of persons through which it ensures the performance of its activities and for the consistent application of proper management, administrative, accounting and other procedures by the Bank. The Bank's Board of Directors approves and regularly assesses primarily the Bank's overall strategy, organizational structure, the risk management strategy including risks arising from the macroeconomic environment in which the Bank operates even depending on the economic cycle including principles of assuming, identifying, measuring, monitoring, reporting and limiting the occurrence or impacts of risks to which the Bank can be exposed. It approves the strategy related to capital, strategy of the information and communication system development, principles of the internal control system, including principles preventing any occurrence of a possible conflict of interests. It also approves compliance and internal audit, security principles including security principles for information and communication systems, a set of limits including the total acceptable risk rate and potential internally determined capital, liquidity and other prudential provisions or premiums which the Bank uses to mitigate risks within the risk rate acceptable for it.

The Bank's Board of Directors also approves new products, activities, systems and other matters being of significant importance for the Bank or having other potential substantial impact on it (the Board of Directors can delegate this power to a specialised committee it designates). It approves the strategic (four-year) and periodical (annual) internal audit plan.

As at 31 December 2021, the Bank's Board of Directors had 5 members:

Patrik Tkáč

Chairman of the Board of Directors

Appointed to the Board of Directors on: 3 June 1998
Term of office to: 22 July 2023

He graduated from the Faculty of National Economy of the University of Economics in Bratislava. In 1994, he obtained a broker's licence from the Slovak Ministry of Finance and in the same year he co-founded J&T Securities, s.r.o., an investment firm. He is a leading representative of the J&T Group and chairman of the Board of Directors of the J&T BANK. Patrik Tkáč is responsible for the Financial Markets Unit.

In addition, he is or was, in the past five years, involved in the following companies:

J&T FINANCE GROUP SE

Id. No.: 27592502
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Vice-Chairman
Status: current

ATLANTIK finanční trhy, a.s.

Id. No.: 26218062
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairman
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3,
Postal Code 118 00
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
Supervisory Board – Member
Status: current

CZECH NEWS CENTER a.s.

Id. No.: 02346826
Prague 7 – Holešovice, Komunardů 1584/42, Postal Code 170 00
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
Supervisory Board – Member
Status: current

Nadace Sirius

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

CZECH MEDIA INVEST, a.s.

Id. No.: 24817236
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairman
Status: current

J&T Wine Holding SE

Id. No.: 06377149
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
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
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
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
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
Supervisory Board – Member
Status: current

Bermon94 a.s.

Id. No.: 07234660
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 000
Supervisory Board – Member
Status: current

EP Global Commerce a.s.

Id. No.: 05006350
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairman
Status: current

J&T ARCH INVESTMENTS SICAV, a.s.

Id. No.: 08800693
Prague 8, Sokolovská 700/113a, Postal Code 186 00
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
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
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
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
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
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
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
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
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
Supervisory Board – Member
Status: current

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

Id. No.: 52661261
Bratislava – Karlova Ves, Dúbravská cesta 14, Postal Code 841 04, Slovakia
Supervisory Board – Member
Status: current

J&T ALLIANCE SICAV, a.s.

Id. No.: 11634677
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

J&T CAPITAL INVESTMENTS, a.s.

Id. No.: 10913203
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairman
Status: current

J&T CAPITAL PARTNERS, a.s.

Id. No.: 10942092
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Chairman
Status: current

J&T banka d.d.

Id. No.: 675539
Varazdin, Međimurska ulica 28, Postal Code 42000, Croatia
Supervisory Board – Member
Status: outdated

PBI, a.s.

Id. No.: 03633527
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Member
Status: outdated

Stamina Private Equity Investments a.s., v likvidaci

Id. No.: 03841669
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Supervisory Board – Member
Status: outdated

Štěpán Ašer, MBA

Member of the Board of Directors and CEO

Appointed to the Board of Directors on: 30 May 2006
Term of office to: 2 June 2026

He graduated from the School of Business and Public Management at 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 finances in the Czech Republic since 1997, first as an analyst, a portfolio manager in Credit Suisse Asset management. In 1999 – 2002, he was a member of the Board of Directors of Commerz Asset Management responsible for the portfolio management and sales. In Česká spořitelna, he focused shortly on institutional clients in the asset management. Since 2003, he has been working in J&T BANKA, a.s. He is responsible for the Trade Unit, Operations Unit and Administration Unit.

In addition, he is or was, in the past five years, involved in the following companies:

J&T FINANCE GROUP SE

Id. No.: 27592502
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
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
Supervisory Board – Member
Status: current

ATLANTIK finanční trhy, a.s.

Id. No.: 26218062
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
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
Supervisory Board – Chairman
Status: current

J&T Bank, a.o.

Id. No.: 1027739121651
115035 Moscow, Kadashevskaya naberezhnaja, 26, Russian Federation
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
Supervisory Board – Chairman
Status: current

J&T Mezzanine, a.s.

Id. No.: 06605991
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

J&T SERVICES ČR, a.s.

Id. No.: 28168305
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

J&T banka d.d.

Id. No.: 675539
Varazdin, Međimurska ulica 28, Postal Code 42000, Croatia
Supervisory Board – Member
Status: outdated

PBI, a.s.

Id. No.: 03633527
Praha 8 - Karlín, Sokolovská 394/17, Karlín, PSČ 186 00
Supervisory Board – Member
Status: outdated

Igor Kováč

Member of the Board of Directors

Appointed to the Board of Directors on: 16 February 2011
Term of office to: 16 February 2026

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 in Volksbank Slovakia as the manager of the Economic Department. Since 2008, he has been working in J&T BANKA, a.s. In the Bank, he is responsible for the Finance Unit.

In addition, he is or was, in the past five years, involved in the following companies:

J&T FINANCE GROUP SE

Id. No.: 27592502
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
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
Supervisory Board – Member
Status: current

J&T INVESTIČNÍ SPOLEČNOST, a.s.

Id. No.: 47672684
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: ncurrent

J&T SERVICES ČR, a.s.

Id. No.: 28168305
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

J&T banka d.d.

Id. No.: 675539
Varazdin, Međimurska ulica 28, Postal Code 42000, Croatia
Supervisory Board – Member
Status: current

J&T Bank, a.o.

Id. No.: 1027739121651
115035 Moscow, Kadashevskaya naberezhnaja, 26, Russian Federation
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
Supervisory Board – Member
Status: current

J&T Mezzanine, a.s.

Id. No.: 06605991
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

Ing. Tomáš Klimíček

Member of the Board of Directors

Appointed to the Board of Directors on: 1 December 2016
Term of office to: 1 December 2026

In 2010, he graduated from the Faculty of Finance and Accounting of the University of Economics in Prague. In 2008–2011, he worked in PricewaterhouseCoopers Audit, s.r.o. He joined J&T BANKA, a.s. in 2011, and became the Head of the Credit Risk Management department in 2012. In the Bank, he is responsible for the Risk Management Department, Administration Unit and Information systems Unit.

In addition, he is or was, in the past five years, involved in the following companies:

J&T Bank, a.o.

Id. No.: 1027739121651
115035 Moscow, Kadashevskaya naberezhnaya, 26, Russian Federation
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
Supervisory 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
Supervisory Board – Member
Status: current

Ing. Anna Macaláková

Member of the Board of Directors

Appointed to the Board of Directors on: 11 June 2018
Term of office to: 11 June 2023

She graduated from the Faculty of National Economy of the University of Economics in Bratislava. Since the end of her studies in 2006, she has worked in the Bratislava Branch in various positions. At the present time, she works in the Bank and occupies the position of head of J&T BANKA, a.s., the foreign bank's branch in Bratislava. Within the Bank, she is responsible for the Bratislava branch.

In addition, she is or was, in the past five years, involved in the following companies:

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

Id. No.: 53859111
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Board of Directors – Chairman
Status: current

Supervisory Board

The Supervisory Board is the Bank's control body. Its activity is governed by legal regulations and the Bank's Articles of Association. The Supervisory Board supervises the activities of the Board of Directors and the business activities of the Bank. The members of the Supervisory Board are elected and removed by the General Meeting (resp. the sole shareholder). According to the Articles of Association, the Supervisory Board has 6 members, with 4 members elected by the sole shareholder and 2 members elected by the Bank's employees. The term of office of members of the Supervisory Board is five years and they may be re-elected.

Jozef Tkáč

Chairman of the Supervisory Board (not an employee of the Bank)

Appointed to the Supervisory Board on: 3 June 1998

Term of office to: 15 October 2023

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 authorized him to prepare activities of an investment bank in Slovakia. In 1990, he became the leading director of the Main Institute for the Slovak Republic in Investiční banka, s.p.ú., Praha and 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, he is or was, in the past five years, involved in the following companies:

J&T FINANCE GROUP SE

Id. No.: 27592502
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Chairman
Status: current

Geodezie Brno, a.s. v likvidaci

Id. No.: 46345906
Brno, Dornych 47, Postal Code 602 00
Supervisory Board – Chairman
Status: current

ATLANTIK finanční trhy, a.s.

Id. No.: 26218062
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

365.bank, a.s.

Id. No.: 31340890
Bratislava – Staré Mesto, Dvořákovo nábrežie 4, Postal Code 811 02, Slovakia
Supervisory Board – Member
Status: current

J&T SERVICES ČR, a.s.

Id. No.: 28168305
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairman
Status: current

Equity Holding, a.s.

Id. No.: 10005005
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Chairman
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3, Postal Code 118 00
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
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
Board of Directors – Vice-Chairman
Status: outdated

Ivan Jakabovič

Vice-Chairman of the Supervisory Board (not an employee of the Bank)

Appointed to the Supervisory Board on: 3 June 1998
Term of office to: 15 October 2023

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, he is or was, in the past five years, involved in the following companies:

J&T FINANCE GROUP SE

Id. No.: 27592502
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Vice-Chairman
Status: current

J&T CAPITAL PARTNERS, a.s.

Id. No.: 10942092
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairman
Status: current

KOLIBA REAL, a.s.

Id. No.: 35725745
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Board of Directors – Chairman
Status: current

EP Power Europe, a.s.

Id. No.: 27858685
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
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
Executive Director
Status: current

Nadace J&T

Id. No.: 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3, Postal Code 118 00
Managing Board – Member
Status: outdated

Energetický a průmyslový holding, a.s.

Id. No.: 28356250
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairman
Status: outdated

EP Energy, a.s.

Id. No.: 29259428
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairman
Status: outdated

EP Industries, a.s.

Id. No.: 29294746
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Member
Status: outdated

Dušan Palcr

Member of the Supervisory Board (not an employee of the Bank)

Appointed to the Supervisory Board on: 15 June 2004

Term of office to: 15 October 2023

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, he is or was, in the past five years, involved in the following companies:

J&T FINANCE GROUP SE

Id. No.: 27592502
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Vice-Chairman
Status: current

J&T Sport Team ČR, s.r.o.

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

AC Sparta Praha fotbal, a.s.

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

I. Český Lawn - Tennis Klub Praha

Id. No.: 45243077
Prague 7 – Holešovice, ostrov Štvanice 38, Postal Code 170 00
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
Managing Board – Member
Status: current

Karlín development II. s.r.o.

Id. No.: 28161980
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
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
Board of directors – Chairman
Status: current

GLOBDATA a.s.

Id. No.: 05642361
Prague 1 – Staré Město, Na Příkopě 393/11, Postal Code 110 00
Supervisory Board – Member
Status: current

Doblecon a.s.

Id. No.: 07015381
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member
Status: current

Česká rugbyová unie, z.s.

Id. No.: 00540706
Prague 6 – Břevnov, U Vojtěšky No. 11, Postal Code 162 00
Executive Committee – President
Status: current

RAILSCANNER, s.r.o.

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

JTZE a.s.

Id. No.: 08839662
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairman
Status: current

Menmar s.r.o.

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

Baunario s.r.o.

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

Alvadose s.r.o.

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

MeasureTake s.r.o.

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

MS Trnitá 4, a.s.

Id. No.: 05783216
Brno – Černá Pole, třída Kpt. Jaroše 1922/3, Postal Code 602 00
Supervisory Board – Member
Status: current

Skytoll CZ s.r.o., v likvidaci

Id. No.: 03344584
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Executive Director
Status: outdated

Karlín development III. s.r.o

Id. No.: 05783216
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Supervisory Board – Member
Status: outdated

Invictus development s.r.o.

Id. No.: 07295049
Prague 4 – Chodov, Stýblova 2352/30a, Postal Code 149 00
Supervisory Board – Chairman
Status: outdated

PBI, a.s

Id. No.: 3633527
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Supervisory Board – Member
Status: outdated

Jozef Šepetka

Member of the Supervisory Board

Appointed to the Supervisory Board on: 9 September 2008

Term of office to: 15 October 2023

He graduated from Faculty of Law of Charles University in Prague. From 1990 he worked in the government – e.g. from 1992 at the Ministry of Foreign Affairs of the Czech Republic. In 1998 he joined J&T BANKA, a.s. as adviser.

In the past five years he has not been involved in any other companies.

Jitka Šustová

Member of the Supervisory Board (elected by employees)

Appointed to the Supervisory Board on: 10 December 2018

Term of office to: 10 December 2023

She has worked in the Bank since 1998. Since then, she has held many positions within the Economic Unit and currently she is the head of the Economic Department. In December 2018, the Bank's employees elected her as a member of the Supervisory Board.

In the past five years she has not been involved in any other companies.

Tomáš Janík

Member of the Supervisory Board (elected by employees)

Appointed to the Supervisory Board on: 10 December 2018

Term of office to: 10 December 2023

He graduated from the Faculty of National Economy of the University of Economics in Bratislava. He has worked in the Bank since 2016. In December 2018, the Bank's employees elected him as a member of the Supervisory Board.

In addition, he is or was, in the past five years, involved in the following companies:

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

Id. No.: 53859111
Bratislava – Staré Mesto, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Board of Directors – Member
Status: current

STAVKONZULT s.r.o.

Id. No.: 03938921
Prague 1 – Nové Město, Revoluční 1403/28, Postal Code 110 00
Executive Director
Status: outdated

Declaration

The members of the Board of Directors and Supervisory Board have neither been convicted of a fraudulent offence nor disqualified by a court from acting as members of the administrative, management or supervisory bodies of another issuer or from acting in the management or conduct of the affairs of another issuer. The Bank's top management members are not, and have not been the subject of any official public incrimination or sanction by statutory or regulatory authorities. In the past five years, the Bank's top management members have not been involved in any bankruptcy of another company.

Committees of the Bank

Assets and Liabilities Committee

The Assets and Liabilities Committee (the "ALCO") has been established by the Bank's Board of Directors. The ALCO's main objective and purpose is to facilitate the Bank's asset and liability management process in terms of liquidity, interest rates, the Bank's profitability and capital adequacy. The ALCO especially monitors liquidity, the Bank's interest and FX risks, observance of internal and external limits in those areas; analyses possible scenarios of the future development; monitors the observance of internal and regulatory capital adequacy limits at an individual and consolidated level, resp. prudential consolidation; evaluates an impact of legislative changes on the Bank's assets and liabilities; responds to the situation in financial markets, analyses prices and products offered by competitor banks and their influence on the Bank's trades and prices; monitors maturity of significant asset and liability transactions; evaluates an impact of expected new trades on the risk, limits and profitability; decides on interest rates of deposit products, measures taken in the market risk management, prudential business activities and in trades. The ALCO's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, ALCO had the following members:

- Kováč Igor, Chairman of the ALCO, Member of the Board of Directors
- Tkáč Patrik, Member of the ALCO, Chairman of the Board of Directors
- Ašer Štěpán, Member of the ALCO, Member of the Board of Directors
- Klimíček Tomáš, Member of the ALCO, Member of the Board of Directors
- Macaláková Anna, Member of the ALCO, Member of the Board of Directors
- Jan Kotek, Member of the ALCO, Manager of the Credit Transactions Unit (as from 1 January 2022, member of the Board of Directors)

Investment Committee

The Investment Committee (the "IC") has been established by the Bank's Board of Directors. The IC's main objective and purpose is to support investments assigned in the business portfolio, the Bank's currency and commodity positions. A further goal of the IC is to co-ordinate and monitor investments in the trading book, currency and commodity positions of the individual members of the regulatory consolidated unit and at the consolidated level. The IC especially discusses and approves limits or other parameters for the business portfolio trades, the Bank's currency and commodity positions to an extent specified by the Bank's internal rules governing limits for making the Bank's transactions; the IC prescribes a set of liquidity risk figures and approves the Bank's emergency liquidity plan and approves the enlistment of a security for trading as a part of the client portfolio management; it regularly evaluates the observance of set limits. The IC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the IC had following members:

- Míšek Radoslav, Chairman of the IC, Manager of the Risk Management Department
- Vodička Petr, Member of the IC, Manager of the Financial Markets Unit
- Kováč Igor, Member of the IC, Member of the Board of Directors
- Klimíček Tomáš, Member of IC, Member of the Board of Directors
- Pavlík Jan, Member of the IC, Manager of the Czech Financial Markets Department – foreign account
- Kešnerová Mária, Member of the IC, Manager of the Economic Unit

Credit Committee

The Credit Committee (the "CC") has been established by the Bank's Board of Directors. The main objective and purpose of establishing the CC is to provide support in the area of transactions in the Bank's non-trading book. In particular, based on a risk analysis of a financed active trade, the CC approves active trades up to CZK 200 million; based on a risk analysis of a financed active trade, it makes a recommendation to the Bank's Board of Directors to approve an active trade above CZK 200 million; based on a risk analysis of a non-performing active trade, it makes a recommendation to the Bank's Board of Directors to approve the method of collecting an active trade; based on the fulfilment of technical indicators, deviations from project plans and external events, it discusses and decides on the categorisation of claims, and is responsible for the quantification of the risks taken. The CC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the CC had following members:

- Klimíček Tomáš, Chairman of the CC, Member of the Board of Directors
- Suk Petr, Member of the CC, Manager of the Administration of Active Trades Department
- Hejduk Tomáš, Member of the CC, Manager of the Credit Risk Management Department
- Plášil Václav, Member of the CC, Manager of the SME Department
- Macaláková Anna, Member the CC, Member of the Board of Directors
- Kotek Jan, Member of the CC, Manager of the Credit Transactions Unit (as from 1 January 2022, member of the Board of Directors)
- Szuťányi Ladislav, Member of the CC, Deputy Manager of the Administration of Active Trades Department

Project Committee

The Project Committee (the "PC") has been established by the Bank's Board of Directors. The PC's main objective and purpose is to manage internal projects with a bank-wide impact (both in the Czech Republic and Slovakia). The PC discusses new projects with a bank-wide impact in the context of the Bank's strategic development, regulatory requirements and business plans, discusses the status of individual projects, and discusses changes to projects with an impact on project content, project schedule or project budget. The PC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the PC had the following members:

- Rokos Ladislav, Chairman of the PC, Manager of the Czech Operations Unit
- Kešnerová Mária, Member of the PC, Manager of Economic Unit
- Klimíček Tomáš, Member of PC, Member of the Board of Directors
- Macaláková Anna, Member of the PC, Member of the Board of Directors
- Tkáčová Alena, Member of the PC, Manager of the Czech Sales Unit
- Vodička Petr, Member of the PC, Manager of the Financial Markets Unit
- Kotek Jan, Member of the PC, Manager of the Credit Transactions Unit (as from 1 January 2022, member of the Board of Directors)
- Sládek Pavel, Member of the PC, Manager of the Information Systems Unit
- Jech Konstantin, Member of the PC, Manager of the Security Department

Executive Committee for the Czech Republic

The Executive Committee for the Czech Republic (the "ECCR") has been established by the Bank's Board of Directors. The main objective and purpose of establishing the ECCR is to ensure operational and process management of the Bank's headquarters' activities. In particular, the ECCR discusses and proposes to the Bank's Board of Directors specific procedures aimed to implement the overall strategy approved by the Bank's Board of Directors at the Bank's headquarters; discusses and proposes to the Bank's Board of Directors the establishment and modifications of rules that clearly articulate ethical and professional principles and expected patterns of conduct and behaviour of the staff in accordance with these principles and rules, and their promotion, application and enforcement at the Bank's headquarters; assesses the organisational set-up of the Bank's headquarters, taking into account the separation of incompatible functions and the avoidance of potential conflicts of interest, and proposes changes to the organisational set-up of the Bank's headquarters to the Bank's Board of Directors; discusses the concept and priorities related to the management of the Bank's human resources at its headquarters; discusses proposals for new products, activities and systems and other matters of fundamental importance to the Bank or otherwise likely to have a material impact, and submits proposals to the Bank's Board of Directors for approval; discusses the Bank's headquarters business conditions and changes thereto, and submits proposals to the Bank's Board of Directors for approval; discusses and approves new Bank's headquarters' projects and their changes in the context of the Bank's strategic development, regulatory requirements and business plans. The ECCR's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the ECCR had the following members:

- Klimíček Tomáš, Chairman of the ECCR, Member of the Board of Directors
- Kešnerová Mária, Member of the ECCR, Manager of Economic Unit
- Tkáčová Alena, Member of the ECCR, Manager of the Czech Sales Unit
- Vodička Petr, Member of the ECCR, Manager of the Financial Markets Unit
- Kotek Jan, Member of the ECCR, Manager of the Credit Transactions Unit (as from 1 January 2022, member of the Board of Directors)
- Sládek Pavel, Member of the ECCR, Manager of the Information Systems Unit
- Jech Konstantin, Member of the ECCR, Manager of the Security Department
- Rokos Ladislav, Member of the ECCR, Manager of the Czech Operations Unit

Sales Committee for the Czech Republic

The Sales Committee for the Czech Republic (the "SCCR") has been established by the Bank's Board of Directors. The main objective and purpose of establishing the SCCR is to support the business direction of the Bank's headquarters. In particular, the SCCR monitors the current state of performance of the Bank's headquarters' business plans and business strategy, analyses competitors' product prices and their impact on the business and prices of the Bank's headquarters' products; proposes business plans for the Bank's headquarters and submits them to the Bank's Board of Directors; evaluates the impact of closed deals within the Czech Sales Division; discusses proposals for the introduction of/changes to products and services at the Bank's headquarters and submits its opinion to the Executive Committee for the Czech Republic; discusses and approves the Bank's headquarters' fee schedules and amendments thereto; decides on exceptions to the Bank's headquarters' fee schedule and the manner of applying fees to individual banking products and services of the Bank's headquarters; decides on the structure of contractual documentation for individual banking products and services provided by the Bank's headquarters; proposes a marketing policy towards the Bank's headquarters' clients and submits proposals to the Bank's Board of Directors; sets out the procedures for the provision of banking services by the Bank's headquarters. The SCCR's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the SCCR had the following members:

- Tkáčová Alena, Chairwoman of the SCCR, Manager of the Czech Sales Unit
- Svoboda Vratislav, Member of the SCCR, Manager of the Czech Private Banking Department
- Kučera Jiří, Member of the SCCR, Manager of the Czech Premium Banking Department
- Plášil Václav, Member of the SCCR, Manager of the SME Department
- Pavlík Jan, Member of the SCCR, Manager of the Czech Financial Markets Department – foreign account
- Rampula Tomáš, Member of the SCCR, Manager of the External Sales Department
- Šrámková Karolina, Member of the SCCR, Manager of the Czech Marketing Department

Security Committee

The Security Committee (the "SC") has been established by the Bank's Board of Directors. The SC's main objective and purpose is to manage security risks. The SC is responsible for working out and submitting proposals for the risk mitigation to an acceptable level, for the check and evaluation of the Bank's security risks and supervision over the implementation of approved proposals for the elimination of security risks by the Bank's Board of Directors. The SC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the SC had the following members:

- Jech Konstantin, Chairman of the SC, Manager of the Security Department
- Klimíček Tomáš, Member of SC, Member of the Board of Directors
- Rokos Ladislav, Member of the SC, Manager of the Czech Operations Unit
- Mácalka Vladimír, Member of the SC, Manager of the Compliance Department
- Broschinski Petr, Member of the SC, Cyber Security Architect

Operational Risk and Damage Committee

The Operational Risk and Damage Committee (the "ORDC") has been established by the Bank's Board of Directors. The ORDC's main objective and purpose is to discuss damage and the Bank's operational risk. A further goal of the ORDC is to co-ordinate and monitor the operational risk for the individual members of the regulatory consolidated unit and at the consolidated level. The ORDC is responsible for working out and submitting proposals for the risk and damage mitigation to an acceptable level, for the check and evaluation of Bank's operational risk and supervision over the implementation of approved proposals for the elimination of operational risk and damage by the Bank's Board of Directors. The ORDC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the ORDC had the following members:

- Mastný Miloslav, Chairman of the ORDC, Manager of the Administration Unit
- Sležka Milan, Member of the ORDC, Manager of the Czech Operations Division
- Míšek Radoslav, Member of the ORDC, Manager of the Risk Management Department
- Šustová Jitka, Member of the ORDC, Manager of the Czech Economic Department
- Tomeš Libor, Member of the ORDC, Manager of the Process Management Department
- Mácalka Vladimír, Member of the ORDC, Manager of the Compliance Department
- Hrušková Veronika, Member of the ORDC, Compliance and GDPR specialist (organisational component of J&T Banka Slovakia)

Valuation Committee

The Valuation Committee (the "VC") has been established by the Bank's Board of Directors. The VC's main objective and purpose is regular assessment of the suitability of the applied valuation methodology for investment instruments, or its revision in relation to the development of legislation. A further goal of the VC is to co-ordinate and monitor the valuation approaches applied for the individual members of the regulatory consolidated unit and at the consolidated level. The VC mainly evaluates the up-to-date status of the valuation methodology, procedures and other facts that may influence the valuation, assesses the current classification of investment instruments. The VC assesses current valuation models and valuation sources and assesses whether there has been any significant change in the criteria used for the determination of fair values. The VC approves recalibration of the model pro valuation of financial instruments within Level 3. The VC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the VC had the following members:

- Míšek Radoslav, Chairman of the VC, Manager of the Risk Management Department
- Vodička Petr, Member of the VC, Manager of the Financial Markets Department
- Kešnerová Mária, Member of the VC, Manager of the Finance Division
- Kubeš Michal, Member of the VC, Member of the Board of Directors of J&T INVESTIČNÍ SPOLEČNOST, a.s.
- Zábojník Miloslav, Member of the VC, Head of the Reporting Department of J&T INVESTIČNÍ SPOLEČNOST, a.s.
- Bušek Lubomír, Member of the VC, external co-operating person

Investment Instruments Committee

The Investment Instruments Committee (the "IIC") has been established by the Bank's Board of Directors. The IIC's main objective and purpose is supervision of the development system of products that are investment instruments, their placing on the market and their administration so as to ensure, in particular, that the interests, goals and characteristics of the clients are taken into account and to prevent potential damage to the clients and minimise conflicts of interests. The IIC evaluates the relevance and applicability of the design, development and administration methodology in relation to the new products and their changes; discusses proposals for change of methodology; discusses the designs of new products and their changes; monitors and evaluates the products offered; evaluates the co-operation with the distributors of the products; revises professional knowledge of persons responsible for creating own products; defines individual target client markets and their parameters reflecting knowledge, experience, financial goals, needs, ability to face loss and individual risk tolerance, regularly reviews individual target markets and their parameters; sets a positive and a negative market with respect to each individual investment product; regularly reviews placing the products offered in the target markets; defines and evaluates the manner of offering and distributing of the products and their compliance with the defined target markets; specifies the standard target markets for the products actively offered by the Bank; evaluates structure of the fees related to individual products and verifies if the costs and fees for the products are compatible with the needs, goals and characteristics of the respective target market; it further specifies the definitions of the client investment strategies linked to the defined investment strategies, analyses the risks of impacts of negative product development on the clients as well as the Bank's resources especially from the viewpoint of changes in the market; evaluates potential conflicts of interests in offering and distributing of the products. The IIC is concerned with both proprietary and distributed investment instruments. The IIC's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the IIC had the following members:

- Vodička Petr, Chairman of the IIC, Manager of the Financial Markets Unit
- Macaláková Anna, Member of the IIC, Member of the Board of Directors
- Tkáčová Alena, Member of the IIC, Manager of the Czech Sales Unit
- Mácalka Vladimír, Member of the IIC, Manager of the Compliance Department
- Kotek Jan, Member of the IIC, Manager of the Loan Trade Unit (as from 1 January 2022, member of the Board of Directors)

Executive Committee for the Slovak Republic

The Executive Committee for the Slovak Republic (the "ECSR") has been established by the Bank's Board of Directors. The main objective and purpose of establishing the ECSR is to support operational and procedural management of the activities of the Bank's Slovak branch. In particular, the ECSR discusses and proposes to the Bank's Board of Directors specific procedures aimed to implement the overall strategy approved by the Bank's Board of Directors at the Bank's Slovak branch; discusses and proposes to the Bank's Board of Directors the establishment and modifications of rules that clearly articulate ethical and professional principles and expected patterns of conduct and behaviour of the staff in accordance with these principles and rules, and their promotion, application and enforcement at the Bank's Slovak branch; sets out the procedures for the provision of banking services by the Bank's Slovak branch; establishes the rules of internal operation of the Bank's Slovak branch; discusses the Bank's Slovak branch's business conditions and changes thereto, and submits proposals to the Bank's Board of Directors for approval; discusses proposals for new products, activities and systems and other matters of fundamental importance to the Bank or otherwise likely to have a material impact, and submits proposals to the Bank's Board of Directors for approval; discusses the concept and priorities related to the management of the Bank's human resources at the Bank's Slovak branch; discusses and approves new Bank's Slovak branch's projects and their changes in the context of the strategic development, regulatory requirements and business plans of the Bank's Slovak branch; decides on the structure of contractual documentation for individual banking products and services provided by the Bank's Slovak branch; discusses proposals for the organisational set-up of the Bank's Slovak branch and submits them to the Bank's Board of Directors; decides on the use of the Social Fund and other special-purpose funds established by the Bank's Slovak branch. The ECSR's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the ECSR had the following members:

- Macaláková Anna, Chairwoman of the ECSR, Member of the Board of Directors
- Tereková Mária, Member of the ECSR, Manager of the Slovak Economic Department
- Janík Tomáš, Member of the ECSR, Manager of the Slovak Operations Division
- Teuschel Radovan, Member of the ECSR, Manager of the Slovak Marketing and Communications Department
- Segeč Ondrej, Member of the ECSR, Manager of the Slovak Private Banking Department
- Čederlová Monika, Member of the ECSR, Manager of the Slovak Comfort Department
- Belejík Marián, Member of the ECSR, Manager of the Business Support Department at the Slovak Operations Division
- Morávek Martin, Member of the ECSR, Slovak senior business consultant
- Jech Konstantin, Member of the ECSR, Manager of the Security Department

Sales Committee for the Slovak Republic

The Sales Committee for the Slovak Republic (the "SCSR") has been established by the Bank's Board of Directors. The main objective and purpose of establishing the SCSR is to support the business direction of the Bank's Slovak branch. In particular, the SCSR monitors the current state of performance of the business plans of the Bank's Slovak branch; analyses competitors' product prices and their impact on the business and prices of the Bank's Slovak branch's products; analyses the introduction of new products of the Bank's Slovak branch and submits proposals for new products to the Executive Committee for the Slovak Republic; discusses and approves draft amendments to the fee schedules of the Bank's Slovak branch; decides on exceptions to the fee schedule of the Bank's Slovak branch and the manner of applying fees to individual banking products and services; evaluates the impact of closed deals in private banking and the Comfort segment; proposes a marketing policy towards the clients of the Bank's Slovak branch and submits proposals to the Bank's Board of Directors. The SCSR's chairman and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2021, the SCSR had the following members:

- Macaláková Anna, Chairwoman of the SCSR, Member of the Board of Directors
- Teuschel Radovan, Member of the SCSR, Manager of the Slovak Marketing and Communications Department
- Janík Tomáš, Member of the SCSR, Manager of the Slovak Operations Division
- Čederlová Monika, Member of the SCSR, Manager of the Slovak Comfort Department
- Segeč Ondrej, Member of the SCSR, Manager of the Slovak Private Banking Department

Remuneration Committee

The Remuneration Committee (the "RC") has been established by the Bank's Supervisory Board. The RC's main objective and purpose is to support the Supervisory Board in defining and assessing the system and guidelines for the remuneration of Bank's employees. The RC drafts system amendments and remuneration policy for the Bank's Supervisory Board; regularly assesses the adherence to the remuneration policy and submits the assessment summary to the Bank's Supervisory Board; reviews the compliance of the remuneration policy with the Bank's current business model and with the Bank's business cycle; submits the output of the assessment to the Bank's Supervisory Board; suggests classifying particular job positions as positions with an impact on Bank's risk profile to the Bank's Supervisory Board; and supports the Supervisory Board in assessing the efficiency and functionality of the remuneration policy. The RC's chairman and members are appointed and removed by the Bank's Supervisory Board.

As at 31 December 2021, the RC had the following members:

- Jakabovič Ivan, Chairman of the RC, Vice-Chairman of the Board of Directors of J&T FINANCE GROUP SE
- Závitkovský Pavel, Member of the RC, external co-operating person
- Vinšová Eva, Member of the RC, HR Director

Audit Committee

The Audit Committee (the "AC") has been established by the Bank's Supervisory Board. The AC's main objective and purpose as an advisory body of the Bank's Supervisory Board consists in supervision over the process of compilation of financial statements and the system of effectiveness of internal control and internal audit, including the risk management process. The AC monitors the effectiveness of internal control and management system; monitors the effectiveness of internal audit and its functional independence; discusses appointing and recalling of the head of Internal Audit Department; monitors the process of compiling financial statements and consolidated financial statements as well as the statutory audit process regarding the financial statements and consolidated financial statements; evaluates the independence of the statutory auditor and audit firm, and especially provides the audited person with additional services; selects and recommends to the Bank's Supervisory Board the statutory auditor; informs the Bank's Supervisory Board of the statutory auditor's results and findings obtained during the statutory audit process monitoring. The AC's chairman and members are appointed and removed by the Bank's General Meeting.

As at 31 December 2021, the AC had the following members:

- Závitkovský Pavel, Chairman of the AC, external co-operating person
- Kovář Jakub, Member of the AC, external co-operating person
- Palcr Dušan, Member of the AC, Member of the Supervisory Board and Vice-Chairman of the Board of Directors of J&T FINANCE GROUP SE

Organisational structure

Board of Directo

	Unit Sales CR		Unit Operation CR		Unit Slovak Republic (SR		
Office of the Chairman of the Board Directions	Unit Sales CR Support Department	Division Sales CR	Process Management Department	Division Operation CR	Unit SR Management Department	Division Sale SR	Division O SR
Top Management		Bankers - senior Section	Project Office Department	Banking Operations Department CR	Magnus Department	Division Sales SR Business Support Section	The High T Expositior
Bank Management Department		Business Development Section		Front Office Section	Digital Experience Department SR	Private Banking Department SR	The Košice Expositior
Safety Department		Private Banking Department CR		Payment System Section		Comfort Department SR	Division O SR Busines Departme
Cyber Security Section		Private Banking Section 1		Banking Operations Back Office Department CR		Business Call Centrum Section	Project Managem Section
Personal Security Section		Private Banking Section 2		Financial Markets Back Office Department CR		Comfort Line Section	Product ar Process M ment Sect
Physical Safety and Health and Safety Section		Private Banking Section 3		New Issues Department		Marketing and Communication Department SR	Reporting and Analy Section
Safety Section SR		Private Banking Section 4					Banking O Departme
Digital Experience Department CR		Corporate Center Section					Front Offi Section
Compliance Department		CIS Desk Section					Payment C and Intern Banking S
Compliance Section SR		Tied Agents Section					Back Offic Departme
AML Department		Back Office Section					Back Offic Comfort S
AML Section SR		Premium Banking Department CR					Back Offic Section
Internal Audit and Inspection Department		Branch Brno					Financial M Back Offic Departme
Advisors Department		Branch Ostrava					
Advisors Section 1		Client Center Department CR					
Advisors Section 2		External Sale Department CR					
Advisors Section 3		External Sale Front Office Section					
Advisors Section 4		External Sale Support Section					
		Marketing Department CR					

rs of J&T BANKA

)		Unit Lending Business	Unit Financial Markets	Unit Finance	Unit Administration	Unit Information Systems	Unit Risk Management
peration	Division IT SR	Lending Business Back Office Section	Division Financial Markets	Division Finance	Division Administration	Division Information systems	Division Risk Management and Credit and Loans Administration
Tatras n	Customs Systems Department SR	Lending Business Analysts Section	Division Operation CR Business Support Section	Division Finance Business Support Section	Legal Department CR	IT Governance Department	Section Division Risk Management and Credit and Loan Administration Business Support
e n	Digital Channels Section	Large Corporates Department	Financial Markets Department CR - Other Person's Account	Financial Analysis Department	Legal Department SR	Architecture Section	Risk Management Department
perations s support nt	Supporting Applications Section	SME CR Department	Financial Markets Department CR - Own Account	Economy Department CR		Delivery and Development Department	Credit Risk Management Department
ent	Banking systems Department SR	SME SR Department	Liquidity Management Section	IFRS Reporting and Methodology Section		Analysis Section	Credit and Loans Administration Department CR
nd anage- ion	Bank and Information Systems Section		Financial Markets Department SR	COREP Reporting and Bank. Regulation Methodology Section		Application Development Section	Credit and Loans Back Office Section
sis	Financial and Securities Systems Section		Client Portfolio Management Department	FINREP and Bank Reporting Section		Platform Development Section	Credit and Loans Administration Department SR
peration nt SR	IT Operations Department SR		Financial Market Services Department	Accounting Section		Testing Section	
ce			Research Section	Economy Department SR		IT Operations Department	
Cards et ection			Investment Center Section	Accounting Section		Design of Services Section	
e nt SR			Middle Office Department	Reporting Section		Delivery of Services Section	
e ection						Service Support Section	
e PB						Delivery of Business Services Section	
Markets e nt SR						Application Management Section	
						Business Intelligence Department	
						BI DWH Section	
						BI Reporting Section	
						BI Data Governance Section	

Division
Department
Section

Report of the Supervisory Board

In 2021, the Supervisory Board of J&T BANKA, a.s. had six members. In accordance with the company's valid Articles of Association, four (4) members are elected by the company's shareholders and two (2) members are elected by the company's employees. The Supervisory Board performed its activity in compliance with applicable law, in particular the Business Corporations Act, the Act on Banks and the Bank's Articles of Association. In 2021, the Supervisory Board held a total of four ordinary meetings. In view of the measures related to Covid-19, the meetings were held by videoconference. At the ordinary meetings, the Board discussed especially regular reports on the Bank's activity and its financial situation submitted by the Bank's Board of Directors, reports of the relevant Bank's departments and all other matters arising from respective legal regulations.

The Supervisory Board has reviewed financial statements as of 31 December 2021 audited by the Bank's external auditor, KPMG Česká republika Audit, s.r.o. According to the auditor's report issued on 25 April 2022, the financial statements present, in all material respects, a true and fair view of the assets and liabilities of J&T BANKA, a.s. as of 31 December 2021 and expenses, income and the results of its operations and cash flows for the year 2021 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Supervisory Board states that the Bank's business activities were performed in compliance with applicable law and the Bank's Articles of Association. The Supervisory Board has reviewed the audited report on relations between related parties in 2021 prepared by the Board of Directors. The Supervisory Board confirms that it has no objections to the report. The Supervisory Board agrees with the results of the annual financial statements for 2021 and with the settlement of the profit/loss, i.e. the distribution of profit of J&T BANKA, a.s. for 2021 as proposed by the Bank's Board of Directors and has recommended that the sole shareholder exercising the powers of the General Meeting approve the financial statements.

Correspondent banks

Československá obchodní banka, a.s.

Prague, Czech Republic
SWIFT: CEKO CZ PP
Currency: CZK

KBC Bank NV

Brussels, Belgium
SWIFT: KRED BE BB
Currency: AUD, EUR, GBP, HKD, HUF, CHF, JPY, NOK, PLN, SEK, RUB

Raiffeisen Bank International AG

Vienna, Austria
SWIFT: RZBA AT WW
Currency: CAD, EUR, RON, TRY, USD

UniCredit Bank Czech Republic and Slovakia, a.s.

Prague, Czech Republic
SWIFT: BACX CZ PP
Currency: CZK, EUR, HRK

365.bank, a. s.

Bratislava, Slovak Republic
SWIFT: POBN SK BA
Currency: EUR

Citibank Europe plc, organisational component

Prague, Czech Republic
SWIFT: CITI CZ PX
Currency: MXN, HKD

J&T Bank, a.o.

Moscow, Russian Federation
SWIFT: TRRY RU MM
Currency: RUB

J&T Banka, d.d.

Varazdin, Croatia
SWIFT: VBVZ HR 22
Currency: HRK

Ping An Bank Co., Ltd.

Shenzen, China
SWIFT: SZDB CN BS
Currency: CNY

2.8
billion CZK

Net earnings grew
by 1.14 billion CZK
y-o-y

Corporate governance and data on the issuer

Information about securities, rights and obligations

Information on securities

J&T BANKA, a.s. with its registered office in Prague 8, at Sokolovská 700/113a, Postal Code 186 00, Czech Republic, Id. No.: 47115378, Legal Entity Identifier (LEI): 31570010000000043842, was registered as a joint stock company in the Commercial Register kept by the Municipal Court in Prague, Section B, File 1731, on 13 October 1992 (hereinafter the "Bank" or the "Issuer").

The Bank issued the following subordinated unsecured yield certificates without a maturity date (hereinafter the "certificates"):

Name of the certificate	ISIN	Issue date	Currency	Interest rate	Nominal value
J&T BANKA 10% PERP	CZ0003704249	30.06.2014	CZK	10.00% p.a.	100,000 CZK
J&T BK II 9% PERP	CZ0003704413	21.09.2015	CZK	9.00% p.a.	100,000 CZK
J&T BK III 9% PERP	CZ0003704421	14.12.2015	EUR	9.00% p.a.	5,000 EUR
J&T BK 6,50% PERP	CZ0003706517	23.08.2021	CZK	6.50% p.a.	100,000 CZK

The certificates are unnamed securities issued in the Czech Republic in accordance with Czech legal regulations. The certificates are hybrid financial instruments combining economic characteristics of equity and debt securities and are issued as book-entry registered shares.

Provided that conditions are met under 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, the certificates can be included in Additional Tier 1 instruments of the Bank.

The certificates are traded at the Prague Stock Exchange, a.s. The volume of the issued certificates as at 31 December 2021 amounted to CZK 3 897 million (2020 – CZK 2 597 million).

As at 31 December 2021, neither the certificates nor the Bank had a valid rating.

Data on the number of shares, their nominal value and the Issuer's shareholder structure are given 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 shares or similar securities representing an ownership interest in the Issuer.

Rights and obligations of shareholders and certificate holders

The certificates are not bonds as defined by Act No. 190/2004 Coll., the Bonds Act, as amended. Holders of the certificates are not the Bank's shareholders and are not entitled to dividend payments on account of their ownership.

Holders of the certificates have no ownership interest in the Bank'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 Bank is not subject to obligations specified in Section 118 (5) (a) to (l) of Act No. 256/2004 Coll., the Act on Business Activities on the Capital Market, as amended.

Other rights and obligations are defined in the terms and conditions of issue.

Rights and obligations of shareholders are governed by the provisions of Act No. 90/2012 Coll., the Business Corporations Act. As the Bank has a sole shareholder, the General Meeting is not held and its powers are exercised by the sole shareholder. Rights and obligations of the sole shareholder are identical to the powers of the General Meeting, the position of which is defined in the Bank's Articles of Association. Further information on the performance of the sole shareholder, resp. the powers of the General Meeting, is given in the chapter Corporate governance and data on the issuer.

Definition of Alternative Performance Measures applied

In accordance with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA/2015/1415) and in order to maintain transparency, the Bank has applied the following performance measures in the Annual Report:

Loan to Deposit ratio (LTD ratio)

The measure serves primarily to manage the Bank's liquidity. It is calculated as the ratio of "Loans and other receivables from clients" at the end of the period to "Client deposits" as at the end of the period.

Return on average equity (ROAE)

The measure represents the efficiency of equity capital utilisation and its resulting value expresses the ratio of net profit per crown of equity capital. It is calculated as the ratio of "Profit for the accounting period" to the average "Equity" for the current period determined as arithmetic average of "Equity" as at the end of the current and prior period.

Return on average assets (ROAA)

The measure reflects the level of efficient use of the Bank's assets. It is calculated as the ratio of "Profit for the accounting period" to the average "Assets" for the current period determined as arithmetic average of "Assets" as at the end of the current and prior period.

Cost to income ratio

The measure provides investors with an insight into how efficiently management runs the Bank and its value expresses how much cost it takes to generate one unit of revenue. It is calculated as the ratio of "Operating costs" to "Operating revenue".

The Alternative Performance Measures should only serve as complementary tools for assessing performance and for possible comparison with other banks in the market. The Bank publishes them as it considers them important indicators of its overall economic condition and its evolution over time.

Corporate governance

Corporate governance and the Code

Within its governance, the Bank complies with all the relevant legal obligations following from Czech and EU regulations; at the same time, the Bank has adopted and complies with the main governance standards as defined by the 2018 Code of Corporate Governance of the Czech Republic (the "Code"). The Code was drawn up under the auspices of the Czech Institute of Directors in partnership with Deloitte and in co-operation with corporate governance specialists.

In particular, the Bank has adopted the basic principles of the Code, such as emphasis on transparency, accountability and long-term view, which are important prerequisites for proper corporate governance. The Bank considers these values imperative not only within its corporate governance, but also – and especially – in its approach to customers and business partners. The Bank provides shareholders and investors from time to time with information on business and financial results or other important facts. It also complies with all the obligations to publish the relevant information and to keep the information transparent.

The Bank performs the corporate governance in accordance with the principles stipulated herein; in order to achieve them, it defines the rules of the corporate governance especially in its internal regulations and articles of association which reflect all the statutory duties affecting the corporate governance of a company that is simultaneously a bank and a securities trader. No fundamental changes occurred during 2021 that would have an adverse effect on the company's standards and management.

In accordance with the articles of association, the corporate bodies are the Board of Directors and the Supervisory Board. The Bank also has an Audit Committee and a Remuneration Committee, which help to improve the effectiveness of the Supervisory Board's supervisory activities. 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 Bank applies the diversity principle, having regard to qualification and experience, which is supervised by the Appointment Committee, which performs its activities at the level of the parent company. When assessing suitability of the members of the management body and employees in key positions, the Bank follows the "General guidelines on the assessment of the suitability of members of the management body and key function holders" of the European Banking Authority.

The simple shareholding structure enables the owners to manage the company effectively while exercising sufficient control rules to protect the interests of the company, its investors and creditors in conformity with the rules governing business operations of banks and investment firms.

As a securities trader, the company is obliged to pay an annual contribution to the Guarantee Fund in the amount of 2% of the volume of income from fees and commissions for provided investment services under the Capital Market Undertakings Act. The contribution to the Guarantee Fund for 2021 was calculated on the basis of EUR 1 263.5 million. The contribution for 2021 was CZK 25.3 million.

In 2021, the Bank did not acquire its own shares or interests.

Information about internal control principles and procedures relating to the financial reporting process

The Issuer, to ensure that the accounts give a true and fair view of the state of affairs and financial statements are prepared in a due manner, uses various tools to appropriately recognise individual transactions and to subsequently present them in the financial statements of the Issuer and its Group. 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, the Issuer 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.).

Compliance of the accounting methods used, in particular, with the international accounting standards for financial reporting and setting of controls in the issuer's accounts corresponds to the Economic Department of the issuer. The economic department of the issuer shall also set up the rules and methodology for compilation of the consolidated reports and verifies the correctness of the underlying documents for compilation of the consolidated financial statements.

Information about applied accounting policies, valuation techniques and rules for establishing adjustments is disclosed in the Notes to the financial statements of this annual report.

The accuracy of information presented in the Issuer's financial statements is confirmed by the auditor's opinion. The annual report includes audited financial results of the Issuer and its Group.

In 2021, the Issuer and the Group spent financial means for audit and other services in a volume as follows:

In thousands of CZK	Charged to the Issuer 2021	Charged to the Issuer 2020	Charged to other companies in the Group 2021	Charged to other companies in the Group 2020
Statutory audit	8,439	8,071	3,387	5,507
Other assurance services	2,257	2,478	4,909	5,653
Tax advisory	—	—	—	—
Other non-audit services	158	126	—	—
Total	**10,853**	**10,675**	**8,295**	**11,160**

Competence of the General Meeting

The company has only a sole shareholder, the General Meeting shall not be held and the shareholder shall act in the capacity of the General Meeting. Decisions taken by the shareholder acting in the capacity of the General Meeting must be made in writing and must be delivered to the Company. Decisions of the shareholder must have the form of a notarial deed on the relevant legal acts in cases where a notarial deed is to be made on a decision of the General Meeting. Delivery to the company is made in writing for the attention of any member of the Board of Directors or to the address of the company's registered office recorded in the Commercial Register.

The powers of the General Meeting also include decisions on a change in the Articles of Association, an amount of registered capital and the authorization of the Board of Directors to increase registered capital, election and removal of members of the Supervisory Board, the approval of regular, extraordinary or consolidated financial statements and, in cases when their preparation is stipulated by another legal regulation, of 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 principles of the Board of Directors' activity unless they are contrary to legal regulations. The General Meeting can, in particular, prohibit certain legal actions to any member of the Board of Directors if it is in the interest of the company. The powers of the General Meeting (resp. the sole shareholder) are regulated in the company's valid Articles and Association and respective legal regulations, in particular Act No. 90/2012 Coll., the Business Corporations Act.

Remuneration policy

The Bank applies the remuneration principles in compliance with Decree No. 163/2014 Coll., on activities of banks, savings and credit co-operatives and investment firms (hereinafter the "Decree") and Directive 2013/36/EU (hereinafter the "Directive"). The key concepts of the remuneration policy, regulated in the Employee Remuneration Rules, include, in particular, 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 Bank's overall risk profile and on selected employees in control functions. The Bank's internal audit shall regularly, once a year, evaluate the remuneration principles and submit the results of evaluation to the Remuneration Committee. The assessment period is a calendar year and the frequency of assessment of the individual employees are no more than twice a year, in November and April.

Board of Directors and Supervisory Board

The remuneration of the members of the Board of Directors consists of a fixed and a variable component, with the fixed component being paid on a monthly basis and the variable component in the form of annual bonuses. The fixed component is determined on the basis of the professional experience, expertise, etc. and responsibilities of each member, reflecting the market situation in terms of remuneration for the position. The variable component is a non-claimable part paid on the basis of evaluation determined by KPI. The remuneration principles applicable to the members of the Board of Directors are approved by the Supervisory Board and the shareholders at the General Meeting based on a proposal of the Remuneration Committee, while complying with the condition that the variable component of remuneration will, as a rule, not exceed 100% of the fixed remuneration component. The amount of the variable remuneration component is always proposed by the Remuneration Committee for the relevant calendar year; the Remuneration Committee subsequently evaluates the achievement of set targets and proposes the amount of the variable remuneration component to be awarded for the relevant period. The variable part of the remuneration is subject to the rules for deferred bonuses. Members of the Supervisory Board only receive fixed remuneration based on the agreement on the discharge of office of a member of the Supervisory Board. Based on an analysis performed, members of the Board of Directors and the Supervisory Board have been included among employees with a significant influence on the Bank's overall risk profile. At the same time, they are the persons holding executive powers of the issuer.

Fixed component of Bank employees' remuneration

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

Variable component of Bank employees' remuneration

Employees are not contractually entitled to receive this remuneration component. The variable component of remuneration depends on the fulfilment of the company-wide goals (corporate bonus), on the fulfilment of the individual goals (personal bonus), and, to the limited extent, also on the participation in the fulfilment of the objectives of the department in which the respective employee works (department bonus). For the individual positions, the portions of the overall budget for this type of remuneration intended for the 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 set so as to be gender neutral, i.e. per position, independent of gender. The multiple of the salary for the 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, in particular, a qualitative and quantitative performance assessment, fulfilment of the Bank's strategy in the area of performance, risk management and work development indicators. If the set targets (including the targets related to the degree of the risks to which the Bank is exposed) are not fulfilled, the combination of various levels of the criteria results in the decision not to award the variable remuneration component in part or in full. The Bank does not use the clawback option, i.e. the option to demand the return of remuneration, unless permitted by Czech labour-law legislation in the particular case. Cases of employees motivated to variable remuneration exceeding 100% of the paid fixed salary for the period under evaluation must be approved by the General Meeting and notified to the Czech National Bank in advance; the CNB also has to be notified of the number of employees who have actually achieved such higher remuneration, in accordance with the requirements of the Decree. The variable remuneration component will not exceed 200% of the fixed remuneration paid for the assessment period and will be paid afterwards. 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 amount of the Bonus Pool is based on the sum of the target variable components of individual employees, taking into account the ability of the Bank as a whole to maintain proper and robust capital base, and it is adjusted based on the regularly estimated degree of target performance on the level of the Bank and its individual divisions and departments.

2. “Corporate targets”

Performance targets are set every year and are closely tied to the Bank's strategic plan. The Remuneration Committee annually approves their fulfilment on the basis of audited data and proposes the amount of remuneration for the assessment period. The corporate targets consist of the planned profit (35% weight), risk factors (35% weight) and regulatory and strategic objectives (30% weight). For individual employees, the corporate targets have a weight for the determination of the total variable remuneration component between 25% and 70% 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 on the basis of the priorities of the division for which the relevant manager is responsible. The 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 act in compliance 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 the payment of the deferred variable part of the remuneration will be delayed:

- the amount of 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 taking into account exceptional items, must not fall by more than 15% compared to plan;
- individual J&T BANKA, a.s. 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 a 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 Bank's overall risk profile (from the viewpoint of qualitative and quantitative criteria)

The payment of the variable remuneration component to these employees is postponed in that 40% of the remuneration is paid in money immediately after the employee assessment process has been completed and remuneration has been awarded. The payment of the remaining 60% is postponed and will be paid during the next three years in the ratios of 20% – 20% – 20%; however, the Bank has the right not to pay this portion for objective reasons.

2. Employees in sales positions

Employees in sales positions who are not classified as employees with a significant influence on the Bank's overall risk profile and who receive remuneration exceeding 6 salaries are paid the variable component later, i.e. 40% of remuneration is payable in money immediately after the employee assessment process has been completed and remuneration has been awarded. The payment of the remaining 60% is postponed and will be paid during the next three years in the ratios of 20% – 20% – 20%; however, the Bank has the right not to pay this portion for objective reasons.

3. 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, internal audit and compliance functions are directly supervised by the Remuneration Committee and the Supervisory Board.

Remuneration of persons holding executive powers

The remuneration of persons holding executive powers for 2021 amounted to CZK 171.9 million in total and was distributed among 13 recipients, members of the Board of Directors and other persons holding executive powers and 6 members of the Supervisory Board. For 2021, members of the Board of Directors received remuneration in the amount of CZK 111.6 million in the form of salaries and CZK 2.4 million for the discharge of their office from the parent company. Members of the Supervisory Board received remuneration in the form of salaries amounting to CZK 8.1 million. Other persons holding executive powers received remuneration in money in the form of salaries amounting to CZK 49.6 million. Furthermore, members of the Supervisory Board received remuneration for the discharge of their office in the amount of CZK 0.16 million. In 2021, the Bank did not pay any remuneration for the discharge of office to any other persons holding executive powers. (All the remunerations include contributions to health and social insurance). Members of the Board of Directors, Supervisory Board and persons holding executive powers did not receive any income in money or in kind from the subsidiaries in 2021. No severance pay was paid or awarded and no remuneration exceeding EUR 1 million was paid in 2021. Neither the Bank nor its subsidiaries contribute to supplementary pension insurance schemes or any other similar schemes. The Bank declares that members of its administrative, management and supervisory bodies of the Bank and its subsidiaries do not enjoy any special advantages connected with the termination of activity.

The 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).

Issuer's dividend policy and significant litigations

The Issuer has not approved any specific dividend policy. The distribution of dividends, if any, is subject, for each accounting period, to assessment in terms of the possibilities and needs of the Issuer, as well as in terms of the Issuer's 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 taken into account. Any payment of dividends shall be approved by the Issuer's sole shareholder or the General Meeting if the Issuer has more shareholders, and based on the proposal of the Issuer's Board of Directors. The management of the Issuer assumes that the relevant part of profits of 2021 will be transferred to a special-purpose fund intended for payment of revenues from the subordinated revenue certificates which form part of the Bank's equity, and the remaining part will be used based on the General Meeting's final decision and approval.

As at the date of the Consolidated Annual Report, there are no court or arbitration proceedings pending which have had or may have a material effect on the financial position or profitability of the Issuer in future years.

Material contracts

The Issuer's material transactions made in 2021 are disclosed in the Notes to the financial statements. Contracts entered into between the Group members are given in a separate part of the annual report, the "Report on Relations Between Related Parties".

During the accounting period, neither the Issuer nor any other member of the Issuer's group entered into contracts beyond the ordinary course of business which might be considered material. 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 Issuer confirms that it is not aware of any conflict of interest between obligations of the members of the Board of Directors or the Supervisory Board towards the Issuer and between their private interests and other obligations. The Issuer 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 is appointed as a member of administrative, management and supervisory bodies or a top management member.

The Issuer 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 Issuer's securities for a certain period of time.

24.76
billion CZK

Equity makes it possible to grow by 3.3 billion CZK y-o-y

Consolidated statement of financial position as at 31 December 2021

in millions of CZK	Note	31/12/2021	31/12/2020
Assets			
Cash and cash equivalents	5	68,011	41,519
Due from banks and other financial institutions	6	5,933	2,351
Positive fair value of derivatives	7	1,140	1,063
Loans and advances to customers at amortised cost	10	93,154	98,795
Loans and advances to customers at fair value through profit or loss	10	14	—
Financial assets for trading	8a	3,998	8,353
Financial assets mandatorily at fair value through profit or loss	8b	8,715	8,941
Financial assets at fair value through other comprehensive income	8c	6,800	7,079
Financial assets at amortised cost	8d	4,759	228
Of which pledged as collateral (repurchase agreements)		4,346	126
Disposal groups held for sale	18	114	520
Investment in associates and joint ventures	50	939	701
Current income tax receivable	26	174	143
Deferred tax asset	27	326	382
Investment property	13	830	793
Property, plant and equipment	14	2,351	2,493
Intangible assets	15	182	135
Goodwill	15	37	33
Prepayments, accrued income and other assets	17	5,774	1,508
Total assets		**203,251**	**175,037**
Liabilities			
Deposits and loans from banks	19	5,272	2,437
Deposits from customers	20	154,330	138,620
Negative fair value of derivatives	7	1,699	764
Subordinated debt	21	73	224
Disposal groups held for sale		—	1
Current income tax liability	26	30	7
Deferred tax liability	27	82	99
Provisions	23	1,404	1,561
Financial liabilities at fair value through profit or loss	22	459	30
Other liabilities	22	13,679	8,757
Total liabilities		**177,028**	**152,500**
Share capital	24	10,638	10,638
Retained earnings and other reserves	24	10,228	8,222
Other equity instruments	24	3,897	2,597
Equity		**24,763**	**21,457**
Non-controlling interest	25	1,460	1,080
Total equity		**26,223**	**22,537**
Total equity and liabilities		**203,251**	**175,037**

The accompanying notes, set out on pages 72 to 162, are an integral part of these consolidated financial statements.

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

in millions of CZK	Note	2021	2020
Interest income calculated using effective interest rate method	28	5,980	5,109
Other interest income	28	219	206
Interest expense	29	(1,734)	(1,641)
Net interest income		**4,465**	**3,674**
Fee and commission income	30	1,953	1,532
Fee and commission expense	31	(348)	(329)
Net fee and commission income		**1,605**	**1,203**
Net change in loss allowances for financial assets at fair value through other comprehensive income	11c	6	(95)
Net trading income	32	(133)	985
Other operating income	33	207	139
Operating income		**6,150**	**5,906**
Personnel expenses	34	(1,348)	(1,366)
Other operating expenses	35	(1,387)	(1,401)
Depreciation and amortisation	14,15	(188)	(161)
Operating expenses		**(2,923)**	**(2,928)**
Profit before allowances, provisions and income tax		**3,227**	**2,978**
Net change in provisions for off-balance sheet items and other financial activities	11	–	(89)
Net change in allowances for impairment of financial assets at amortised cost	11	(578)	(1,056)
Profit before tax, excluding profit from equity accounted investees		**2,649**	**1,833**
Profit/Loss from equity accounted investees, net of tax	50	654	169
Profit before tax		**3,303**	**2,002**
Income tax	26	(499)	(336)
Profit for the period		**2,804**	**1,666**

in millions of CZK	Note	2021	2020
Attributable to:			
Shareholders of the parent company		2,277	1,538
Non-controlling interest		527	128
Profit for the period		**2,804**	**1,666**
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments			
Remeasurement to fair value		(98)	14
Expected credit losses		(11)	94
Related tax		21	(3)
Foreign currency translation differences		(39)	(651)
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:			
Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments			
Remeasurement to fair value		91	–
Related tax		(19)	–
Other comprehensive income for the period, net of tax		**(55)**	**(546)**
Total comprehensive income for the period		**2,749**	**1,120**
Attributable to:			
Shareholders of the parent company		2,222	992
Non-controlling interest		527	128
Total comprehensive income for the period		**2,749**	**1,120**

The accompanying notes, set out on pages 72 to 162, are an integral part of these consolidated financial statements. The Board of Directors approved these financial statements on 25 April 2022.

Signed on behalf of the Board:

Štěpán Ašer, MBA
Member of the Board of Directors

Ing. Igor Kováč
Member of the Board of Directors

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

in millions of CZK	Share capital	Capital funds	Translation and revaluation reserve	Retained earnings
Balance as at 1 January 2021	**10,638**	**56**	**(1,816)**	**9,820**
Total comprehensive income for the period				
Profit for the period	–	–	–	2,277
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss				
Foreign exchange translation differences	–	–	(39)	–
Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments				
Remeasurement to fair value	–	–	(98)	–
Expected credit losses	–	–	(11)	–
Related tax	–	–	21	–
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:				
Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments				
Remeasurement to fair value	–	–	91	–
Related tax	–	–	(19)	–
Other comprehensive income	**–**	**–**	**(55)**	**–**
Total comprehensive income for the period	**–**	**–**	**(55)**	**2,277**
Transactions recognised directly in equity				
Dividends	–	–	–	–
Issue of investment certificates and payment of earnings	–	–	–	–
Establishment of special-purpose fund for payment of revenue from ind. certificates	–	–	–	(242)
Transfer of statutory reserve fund	–	3	–	(3)
Effect of changes in ownership interests and new companies within the Group	–	–	–	14
Balance as at 31 December 2021	**10,638**	**59**	**(1,871)**	**11,866**

Further information about equity instruments is disclosed in note 24.

Perpetuity fund	Other equity instruments	Total	Non-controlling interest	Total equity	in millions of CZK
162	**2,597**	**21,457**	**1,080**	**22,537**	**Balance as at 1 January 2021**
					Total comprehensive income for the period
—	—	2,277	527	2,804	Profit for the period
					Other comprehensive income – items that are or may be reclassified subsequently to profit or loss
—	—	(39)	—	(39)	Foreign exchange translation differences
					Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments
—	—	(98)	—	(98)	Remeasurement to fair value
—	—	(11)	—	(11)	Expected credit losses
—	—	21	—	21	Related tax
					Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:
					Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments
—	—	91	—	91	Remeasurement to fair value
—	—	(19)	—	(19)	Related tax
—	**—**	**(55)**	**—**	**(55)**	**Other comprehensive income**
—	**—**	**2,222**	**527**	**2,749**	**Total comprehensive income for the period**
					Transactions recognised directly in equity
—	—	—	(4)	(4)	Dividends
(230)	1,300	1,070	—	1,070	Issue of investment certificates and payment of earnings
242	—	—	—	—	Establishment of special-purpose fund for payment of revenue from ind. certificates
—	—	—	—	—	Transfer of statutory reserve fund
—	—	14	(143)	(129)	Effect of changes in ownership interests and new companies within the Group
174	**3,897**	**24,763**	**1,460**	**26,223**	**Balance as at 31 December 2021**

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

in millions of CZK	Share capital	Capital funds	Translation and revaluation reserve	Retained earnings
Balance as at 1 January 2020	**10,638**	**53**	**(1,270)**	**8,526**
Total comprehensive income for the period				
Profit for the period	–	–	–	1,538
Other comprehensive income - items that are or may be reclassified subsequently to profit or loss				
Foreign exchange translation differences	–	–	(651)	–
Revaluation reserve - financial assets at fair value through other comprehensive income – debt instruments				
Remeasurement to fair value	–	–	14	–
Expected credit losses	–	–	94	–
Related tax	–	–	(3)	–
Other comprehensive income	**–**	**–**	**(546)**	**–**
Total comprehensive income for the period	**–**	**–**	**(546)**	**1,538**
Transactions recognised directly in equity				
Payment of earnings from investment certificates	–	–	–	–
Establishment of special-purpose fund for payment of revenue from ind. certificates	–	–	–	(242)
Transfer of statutory reserve fund	–	3	–	(3)
Effect of changes in ownership interests and new companies within the Group	–	–	–	1
Balance as at 31 December 2020	**10,638**	**56**	**(1,816)**	**9,820**

The accompanying notes, set out on pages 72 to 162, are an integral part of these consolidated financial statements.

Perpetuity fund	Other equity instruments	Total	Non-controlling interest	Total equity	in millions of CZK
164	**2,597**	**20,708**	**806**	**21,514**	**Balance as at 1 January 2020**
					Total comprehensive income for the period
–	–	1,538	128	1,666	Profit for the period
					Other comprehensive income - items that are or may be reclassified subsequently to profit or loss
–	–	(651)	–	(651)	Foreign exchange translation differences
					Revaluation reserve - financial assets at fair value through other comprehensive income – debt instruments
–	–	14	–	14	Remeasurement to fair value
–	–	94	–	94	Expected credit losses
–	–	(3)	–	(3)	Related tax
–	**–**	**(546)**	**–**	**(546)**	**Other comprehensive income**
–	**–**	**992**	**128**	**1,120**	**Total comprehensive income for the period**
					Transactions recognised directly in equity
(244)	–	(244)	–	(244)	Payment of earnings from investment certificates
242	–	–	–	–	Establishment of special-purpose fund for payment of revenue from ind. certificates
–	–	–	–	–	Transfer of statutory reserve fund
–	–	1	146	147	Effect of changes in ownership interests and new companies within the Group
162	**2,597**	**21,457**	**1,080**	**22,537**	**Balance as at 31 December 2020**

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

in millions of CZK	Note	2021	2020
Cash flows from operating activities			
Profit before tax from continuing operations		3,303	2,002
Adjustments for:			
Depreciation and amortisation	14, 15	188	161
Allowances for impairment of financial assets at amortised cost	11	578	1,056
Foreign exchange differences from losses resulting from impairment of loans	11	(126)	(29)
Provision for financial assets		—	89
Profit/(loss) from sold intangible assets and property, plant and equipment		56	37
Change in other provisions		(135)	182
Profit/(loss) from equity accounted investees		(654)	(169)
Unrealised foreign exchange gains/(losses), net		304	196
Impairment of financial assets measured at FVOCI		(6)	95
Change in revaluation of financial assets at fair value through profit or loss		401	(138)
(Increase) / decrease in operating assets:			
Due from banks and other financial institutions		(3,578)	(885)
Loans and other advances to customers		5,244	(31,528)
Financial assets at FVTPL		4,166	(6,198)
Prepayments, accrued income and other assets		(4,200)	(558)
Disposal groups held for sale		405	(386)
Increase / (decrease) in operating liabilities:			
Deposits and loans from banks		2,637	(3,413)
Deposits from customers		15,710	24,069
Other liabilities		4,909	326
Financial liabilities at fair value through profit or loss		429	30
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		858	97
Tax effect			
Income tax expenses paid		(479)	(767)
Net cash flows from operating activities		**30,010**	**(15,731)**
Cash flows from investing activities			
Acquisition of property plant and equipment and intangible assets		(234)	(87)
Proceeds from sale of property plant and equipment and intangible assets		—	37
Acquisition of subsidiaries (excl. cash acquired)	49	(21)	(834)
Financial assets at amortized cost – revenues		11	27
Financial assets at amortized cost – expenses		(4,523)	(19)
Financial assets at amortized cost – revenues		3,606	2,075
Financial assets measured at FVOCI – expenses		(3,168)	(2,379)
Net cash flows used in investing activities		**(4,329)**	**(1,180)**

in millions of CZK	Note	2021	2020
Cash flows from financing activities			
Issue of other equity instruments		1,300	–
Distribution of income from other equity instruments		(230)	(244)
Repayment of subordinated debt		(143)	(598)
Lease liabilities paid		(48)	(96)
Net cash flows from financing activities		**879**	**(938)**
Increase in cash and cash equivalents		**26,560**	**(17,849)**
Cash and cash equivalents at beginning of period	5	41,519	59,834
Effects of exchange rate fluctuations on cash held		(68)	(466)
Cash and cash equivalents at end of period	5	68,011	41,519
Cash flows from operating activities include:			
Interest received		5,652	4,604
Interest paid		1,290	1,116
Interest paid / lease liabilities		2	4

The Group does not hold any cash and cash equivalents that are not available for use by the Group.

The accompanying notes, set out on pages 72 to 162, are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2021

1. General information

J&T BANKA, a.s. ("the Bank") is a joint stock company incorporated on 13 October 1992 in the Czech Republic.

The Bank received a licence to act as securities trader on 25 April 2003 and on 22 December 2003, the Bank's licence was extended to include that activity.

The Bank's activities are focused on private, investment, corporate and retail banking.

The Bank is subject to the regulatory requirements of the Czech National Bank ("CNB"). These requirements include limits and other restrictions concerning capital adequacy, the classification of loans and off-balance sheet liabilities, large exposure, liquidity and the Bank's foreign currency position etc.

Since 2020, the Bank has had its registered office at Sokolovská 700/113a, 186 00 Prague 8.

The Bank, its subsidiaries, mentioned in the table below ("the Group") had on average 875 employees in 2021 (2020: 816). The Group operates in the Czech Republic, Slovakia, Croatia and Russia.

A Slovak branch of the Bank was established on 23 November 2005, and was registered in the Commercial Register of the District Court Bratislava I, section Po, file 1320/B as the organizational unit "J&T BANKA, a.s., pobočka zahraniční banky", Dvořákovo nábrežie 8, 811 02 Bratislava, and with the identification number 35 964 693.

The Bank's ultimate parent is J&T FINANCE GROUP SE owned by Jozef Tkáč (45.05%), Ivan Jakabovič (45.05%) and Rainbow Wisdom Investments Limited (9.90%).

The Czech National Bank is currently conducting administrative proceedings in connection with the on-site inspection. The Bank commented on the CNB's findings and at the same time at the end of 2021 it complied with all corrective measures that lead to the correction of the findings identified by the CNB.

Ownership interests

In connection with the shareholder's intention to centralise financial services under J&T BANKA, a.s., the following companies have become subsidiaries, associates or joint ventures.

The companies included in the consolidated group as at 31 December 2021 (in millions of CZK):

Company	Country of incorporation	Share capital	Shareholding	Consolidation method	Principal activities
J&T BANKA, a.s.	CR	10,638		Parent company	Banking activities
ALTERNATIVE UPRAVLJANJE d.o.o.	HR	0.07	100%	Full	Investment act.
– J&T banka d.d.	HR	1,016	11.86%	Full	Banking activities
ATLANTIK finanční trhy, a.s.	CR	81	100%	Full	Investment act.
J&T Bank, a.o.	RU	1,864	99.95%	Full	Banking activities
– Interznanie OAO	RU	50	50%	Full	Investment property
– Leasing-Medicine Ltd	RU	1	100%	Full	Financing activities
J&T banka d.d.	HR	1,016	84.17%	Full	Banking activities
J&T IB and Capital Markets, a.s.	CR	2	100%	Full	Advisory activities
– XT-card a.s.	CR	10	32%	Equity	IT/Programming activities
– Colorizo Investment, a.s.	CR	3.80	52.63%	Full	Investment property
– OAMP Distribution s.r.o.	CR	0.01	50%	Equity	Real estate development
– OAMP Infrastructure s.r.o.	CR	0.01	50%	Equity	Real estate development
– OAMP Holding s.r.o.	CR	0.01	50%	Equity	Real estate development
– OAMP Hall 2 s.r.o.	CR	0.01	100%	Equity	Real estate development
– OAMP Hall 4 s.r.o.	CR	0.01	100%	Equity	Real estate development
– OAMP Hall 5 s.r.o.	CR	0.01	100%	Equity	Real estate development
– OAMP Hall 6 s.r.o.	CR	0.01	100%	Equity	Real estate development
– CI Joint Venture s.r.o.	CR	3.80	50%	Equity	Real estate development
– Industrial Center CR 11 s.r.o.	CR	0.10	75%	Equity	Real estate development
J&T INVESTIČNÍ SPOLEČNOST, a.s.	CR	20	100%	Full	Investment act.
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	SR	3	100%	Full	Investment act.
J&T Leasingová společnost, a.s.	CR	32	100%	Full	Financing activities

continue→

Company	Country of incorporation	Share capital	Shareholding	Consolidation method	Principal activities
J&T REALITY o.p.f.	CR	–	53.08%	Full	Investment act.
J&T ADVANCED SOLUTION SICAV	MT	–	99.97%	Full	Investment act.
J&T VENTURES I u.p.f.	CR	–	94.14%	Full	Investment act.
Rustonka Development II s.r.o.	CR	0.09	100%	Full	Investment property
TERCES MANAGEMENT LIMITED	CY	0.06	99.00%	Full	Investment act.
– Interznanie OAO	RU	50	50%	Full	Investment property

The Bank provides customers with comprehensive banking services, asset management, financial and capital market transactions for the retail segment, as well as support to start-up and restructuring projects. The Group's operating segments are described in note 38.

On 28 May 2021, the Group purchased a 100% share in Leasing-Medicine Ltd from J&T Bank, a.o.

On 19 July 2021, a share in Logistics Park Nošovice a.s. was sold.

On 8 December 2021, the Group acquired a 75% share in Industrial Center CR 11 s.r.o.

In 2021, OSTRAVA AIRPORT MUTIMODAL PARK, s.r.o. was replaced by the following companies: OAMP Distribution, s.r.o, OAMP Infrastructure, s.r.o., OAMP Holding s.r.o and OAMP Hall 1 to 6, s.r.o. In December 2021, OAMP Hall 1 s.r.o. and OAMP Hall 3, s.r.o. were sold.

In 2021, no restrictions applied to the ownership rights held over subsidiaries, associates and joint ventures.

The companies included in the consolidated group as at 31 December 2020 (in millions of CZK):

Company	Country of incorporation	Share capital	Shareholding	Consolidation method	Principal activities
J&T BANKA, a.s.	CR	10,638		Parent company	Banking activities
ALTERNATIVE UPRAVLJANJE d.o.o.	Croatia	0.07	100%	Full	Investment act.
– J&T banka d.d.	Croatia	1,068	11.86%	Full	Banking activities
ATLANTIK finanční trhy, a.s.	CR	81	100%	Full	Investment act.
J&T Bank, a.o.	Russia	1,835	99.95%	Full	Banking activities
– Interznanie OAO	Russia	57	50%	Full	Investment property
J&T banka d.d.	Croatia	1,068	84.17%	Full	Banking activities
J&T IB and Capital Markets, a.s.	CR	2	100%	Full	Advisory activities
– XT-card a.s.	CR	10	32%	Equity	IT/Programming activities
– Colorizo Investment, a.s.	CR	3.80	52.63%	Full	Investment property
– OSTRAVA AIRPORT MULTIMODAL PARK s.r.o.	CR	–	50%	Equity	Real estate development
– CI Joint Venture s.r.o.	CR	–	50%	Equity	Real estate development
– Logistics Park Nošovice a.s.	CR	107	100%	Equity	Real estate development
J&T INVESTIČNÍ SPOLEČNOST, a.s.	CR	20	100%	Full	Investment act.
J&T Leasingová společnost, a.s.	CR	32	100%	Full	Financing activities
J&T REALITY o.p.f.	CR	–	53.08%	Full	Investment act.
J&T ADVANCED SOLUTION SICAV	Malta	–	99.97%	Full	Investment act.
J&T VENTURES I u.p.f.	CR	–	94.14%	Full	Investment act.
Rustonka Development II s.r.o.	CR	0.10	100%	Full	Investment property
TERCES MANAGEMENT LIMITED	Cyprus	0.06	99.00%	Full	Investment act.
– Interznanie OAO	Russia	57	50%	Full	Investment property

On 24 January 2020, the Group acquired a 50% share in CI Joint Venture s.r.o., which purchased a 100% share in Park Nošovice a.s. on the same date.

On 27 March 2020, a 100% share in Moskovskij Neftechnimiceskij Bank merged with J&T Bank, a.o.

On 18 December 2020, the Group purchased a 100% share in Rustonka Development II s.r.o. This company is the owner of the Rustonka building, in which the Group has had its registered office since 14 September 2020.

In 2020, the Group transferred its share in J&T VENTURES I u.p.f. from its portfolio of financial assets mandatorily at fair value through profit or loss to the portfolio of ownership interests as a result of the reassessment of control over the fund.

In 2020, no restrictions applied to the ownership rights held over subsidiaries, associates and joint ventures.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements comprise the accounts of the members of the Group and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union for the reporting period of 1 January 2021 to 31 December 2021 ("reporting period").

(b) Basis of preparation

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

The members of the Group maintain their accounting books and prepare their statements for regulatory purposes in accordance with local statutory accounting principles. The accompanying financial statements are based on the statutory accounting records together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS.

In particular, information about significant areas of uncertainty estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in note 4.

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:

Standards and interpretations effective for annual periods beginning after 1 January 2021 but not yet endorsed by the EU

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2023.

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group expects that the Standard will not have a significant effect on the financial statements of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The European Commission decided to defer the endorsement indefinitely.

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

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

The Group expects that the Standard will not have a significant effect on the financial statements of the Group.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current

Effective for annual periods beginning on or after 01 January 2023.

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group expects that the Standard will not have a significant effect on the financial statements of the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Effective for annual periods beginning on or after 1 January 2023.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

The Group expects that the Standard will not have a significant effect on the financial statements of the Group.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2023.

The amendments introduced a definition of"accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Group expects that the Standard will not have a significant effect on the financial statements of the Group.

Other new International Financial Reporting Standards and Interpretations not yet effective

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. The management of the Group does not expect that further new standards will have any significant impact on the financial statements of the Group.

(c) Functional and presentation currency

The accompanying consolidated financial statements are presented in the national currency of the Czech Republic, the Czech crown ("CZK"), rounded to the nearest million.

Functional currency is the currency of the primary economic environment in which the entity operates. Individual companies forming the Group determined their functional currencies in accordance with IAS 21.

In determining functional currency, each individual company forming the Group considered mainly factors such as the currency:

- in which sales prices for its services are denominated and settled; and
- of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

3. Accounting policies

The particular accounting policies adopted in preparation of the accompanying consolidated financial statements are described below.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Associates

Associates are enterprises in which the Group has significant influence but not control over financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses and other comprehensive income 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 the recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of or has made payments on behalf of the associate.

(iii) Joint ventures

Joint-ventures are enterprises in which the Group has a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures using the equity method from the date that joint control commences until the date that joint control ceases.

(iv) 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.

(v) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, non-controlling interests and 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, such interest is measured at fair value at the date that control is lost. It is accounted for as equity accounted investee or as an available-for-sale financial asset at fair value through profit or loss depending on the level of influence retained.

(vi) Unification of accounting policies

The accounting policies and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and comply with the accounting policies applied by the Parent Company.

(b) Financial assets and liabilities

Classification and measurement of financial assets and liabilities

Financial assets under IFRS 9

The Group assesses the classification and measurement of a financial asset based on:

- the Bank 's business model for managing the asset such as:
  - the stated policies and objectives for the portfolio and the operation of those policies in practise;
  - how the performance of the portfolio is evaluated and reported to the Group's management;
  - the risks that affect the performance of the business model;
  - the frequency, volume and timing of sales in prior periods, including the reasons for such sales and expectations about future sales activity;
  - the contractual cash flow characteristics of the asset ("SPPI - solely payments of principal and interest on the principal outstanding").

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 and its classification as follows:

- "Hold and collect" – financial assets at amortised costs (AC);
- "Hold, collect and sell" – financial assets at fair value through other comprehensive income (FVOCI);
- "Trading" – financial assets at fair value through profit and loss (FVTPL);
- "Fair value option" – financial assets at fair value through profit and loss;
- "Mandatorily at fair value" – financial assets at fair value through profit and loss.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Group takes into consideration the following criteria when performing an SPPI test:

- non-standard currency characteristics;
- 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.

Financial assets at amortised cost

The "Hold and collect" strategy is aimed at holding financial assets in order to collect contractual cash flows of both principal and interest payments. Examples of such financial assets are loans, securities held to maturity, and trade receivables. Breach of the "Hold and collect" model does not occur even if there is a significant increase in counterparty credit risk during the course of the holding of the financial asset and the Group decided to proceed with the sale of that asset.

Financial assets in the model "Hold and collect" are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments plus or minus the cumulative amortised cost using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance – expected credit loss. Expected credit loss is recognised in profit or loss together with foreign currency differences and interest income using the effective interest rate.

Financial assets at fair value through other comprehensive income

Strategy "Hold, collect and sell" is aimed at both collecting contractual cash flows from the principal and interest and selling financial assets; the model represents so called "mixed" business model. This model distinguishes two different types of accounting treatment for equity instruments and for debt instruments.

Debt instruments that meet the criteria of SPPI test in the business model 'hold, collect and sell' are measured at fair value through other comprehensive income. When the financial asset is derecognized, gain or loss from remeasurement is reclassified to profit or loss. Expected credit losses are recognized in profit or loss together with foreign exchange differences arising from the amortised cost. Interest income is calculated using the effective interest rate and is presented in Net interest income.

If impairment of a debt instrument is identified, accumulated gains or losses recorded in prior periods in other comprehensive income are reclassified to profit and loss as at the reporting date.

Equity instruments that are held within the strategy "Hold", collect and sell" and not held for trading are measured as financial assets at FVOCI including FX differences from remeasurement. When this financial asset is derecognized, gain or loss from remeasurement is not recognized in profit or loss. Where dividends do not decrease the investment value, they are recognized in profit or loss. These assets are not subject to ECL calculation.

Financial assets at fair value through profit or loss

Strategy "Trading" is aimed at actively trading with financial asset. Typical assets in this category are trading derivatives and trading financial assets. Changes in fair values of these assets including FX differences are recognised in profit or loss. These assets are not subject to ECL calculation.

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. Debt instruments are measured at FVTPL, although they meet the criteria for a measurement at AC or FVOCI.

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 which have not passed through the SPPI test and cannot be measured at AC or FVOCI.

Reclassification

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

Initial recognition

On initial recognition at the date of transaction, the Group recognizes financial assets and financial liabilities at fair value adjusted for transaction costs directly attributable to the acquisition/issue or disposal of a financial asset/liability. Trade receivables without a significant financial component are recognized at the transaction price. Transaction costs related to the acquisition of financial assets measured at fair value through profit or loss are directly charged to the statement of comprehensive income.

Financial assets at FVTPL are recognized on the date the Bank commits to purchase the assets. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in the statement of comprehensive income.

Financial assets classified at FVOCI are recognized on the date it commits to purchase the assets.

From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity as differences from revaluation of assets.

Financial assets at AC are recognized on the settlement date.

Measurement

Subsequent to initial recognition, all assets designated at FVTPL and all at FVOCI are measured at fair value according to Note 4 (Determining fair values). Any instrument that does not have a quoted market price on an active market and whose fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial assets is based on their quoted market price at the reporting date, without any deduction for transaction costs. If a quoted market price is not available, the fair value of the asset is estimated 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.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of financial assets at FVTPL are recognised in profit or loss while gains and losses arising from changes in the fair value of FVOCI assets are recognized directly in equity as differences arising from revaluation of assets and liabilities.

When a debt asset measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity instrument designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but is transferred to equity.

Interest on debt instruments measured at FVOCI is recorded in the statement of comprehensive income.

Derecognition

A financial asset is derecognised when the Group's contractual rights to cash flows from financial assets expire or the Group transfers the rights to receive contractual cash flows within a transaction during which in principle all rights and rewards arising from the ownership of financial assets are transferred or during which the Group does not transfer or maintain in principle all risks and rewards arising from the ownership of the financial assets nor does it maintain control over the financial assets. Upon derecognition, the difference between the asset's carrying amount, and the sum of the consideration received and any cumulative gain or loss previously recorded in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when the related obligation specified in the contract has been discharged, cancelled, or expired.

Financial assets measured at FVOCI and FVTPL that are sold are derecognised on the date the Bank commits to sell the assets.

Financial assets held to maturity and provided loans and receivables are derecognised on the date the Group sold them.

Financial liabilities under IFRS 9

Financial 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 - FV Option;
- financial liabilities arising from the transfer of financial assets that do not qualify for derecognition – short sales measured at FVTPL;
- contingent liabilities (if IFRS 9 recognition criteria are met) – measured at FVTPL;
- hybrid financial liabilities when the fair value measurement results in:
  - the elimination or significant limitation of the mismatch between the financial liability that would normally be measured at amortized cost and the related derivative measured at fair value;
  - the measurement of a hybrid contract as a whole, even if it contains an embedded derivative that would otherwise have to be separated.

The change in the fair value of financial liabilities stated at fair value associated with the change in credit risk is presented in other comprehensive income. The other part of the change in FV is presented in profit or loss. It is therefore a distinction between credit risk and asset-specific performance risk - the risk that an individual asset or group of assets will not be performing or whose performance will be weak. An example can be a commitment to investors whose performance is determined by performance specific assets (e. g. investment certificates). The Credit Risk Management department is responsible for assessing the credit risk.

In provisions within liabilities, the Bank also reports ECL for off-balance sheet items in form of granted commitments and guarantees.

Impairment

The Group applies the IFRS 9 model of expected credit losses (ECL), which means that a loss event will no longer need to occur before an impairment allowance is recognised. The impairment model in IFRS 9 shall apply to financial assets measured at amortised cost, debt instruments measured at FVOCI, and loan commitments and financial guarantees measured at amortised cost.

For the purposes of ECL model calculation, the portfolio of financial assets is split into three segments (Stage 1,2,3) or in the group of financial assets that are impaired at the date of the initial recognition - Purchased or originated credit-impaired assets ("POCI"). At the date of the initial recognition, the financial asset is included in Stage 1 or classified as POCI and recorded in Stage 3. Subsequent reclassification to other stages is carried out depending on the rate of increase in credit risk (Stage 2) i.e. the probability of default of a particular asset between the moment of initial recognition and the date of preparation of financial statements (Stage 3).

Stage 1

- initial recognition of a financial asset - the creation of a credit loss for 12-months ECL;
- 12-month ECLs - all discounted cash flows that are not expected to be received until maturity of the financial asset that result from possible default events within the 12 months after the reporting date;
- interest income is calculated using the asset's gross carrying amount ("GCA").

Stage 2

- if the credit risk increases significantly from the initial recognition of the financial asset, the financial asset is reclassified to Stage 2;
- lifetime ECLs are used to calculate impairment;
- interest income is calculated using the asset's gross carrying amount ("GCA").

Stage 3

- the credit quality of the financial asset has significantly deteriorated and resulted in a credit loss or impairment of the asset;
- lifetime ECLs are used to calculate impairment;
- interest income should be calculated from net amortised costs, i.e. from the gross carrying amounts ("GCA") decreased by ECLs
- lifetime ECLs are used to calculate impairment.

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. Hedging does not affect a decision on whether or not an asset is classified as having a low risk of default.

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 reporting period. In this case, the Group determines whether there has been a significant increase in credit risk.

However, financial assets are not deemed financial assets with low credit risk where collateral influences whether a financial instrument has a low credit risk. In addition, financial assets are not deemed financial assets with low credit risk solely due to the fact that they have a lower risk of default than other financial assets.

At the end of the reporting period the Group assesses individual items with low credit risk classified in Stage 1, i.e. evaluating whether they meet this classification.

Purchased or originated credit-impaired financial assets (POCI)

In addition to purchased defaulted loans, POCI may arise as a result of the restructuring of borrowers in financial difficulties that lead to significant changes in terms of the loan and result to derecognition. Apart from recognition of losses arising from significant asset modification no losses are initially recorded, without distinguishing between 12-month and lifetime ECLs. Initial ECL over the lifetime shall be taken into account in the EIR which takes into account credit risk of counterparty that is subsequently used to record interest revenue. Subsequent changes in the ECL are recorded against the impairment loss/gain and loss allowance. These assets are categorized separately and remain so for the entire period of the holding.

Significant increase in credit risk

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial asset as at the reporting date compared with the risk as at the date of initial recognition.

When determining SICR, the Group adheres to the requirements of IFRS 9. These requirements are based on an assumption that the credit risk usually increases significantly before a financial asset becomes past due or other lagging factors (e.g. restructuring) are observed. At each reporting date of a financial asset, the Group will assess whether the credit risk of a financial assets has increased significantly since its initial recognition or not.

The Group may assume that the credit risk associated with the financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

When determining SICR on a financial asset since its initial recognition, the Group uses reasonable and supportable information that is relevant and available without undue cost or effort.

Quantitative factors to be considered in assessment:

- the receivable or its significant portion is overdue for more than 30 days;
- credit risk deterioration will be 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 Group uses internal rating system with 12 rating grades and the transition matrix which defines movements (rating deterioration) considered as significant, the 13th grade is referred as default: The Group uses the transition matrix which defines movements (rating deterioration) considered as significant:
  - ratings 1-3 falling under investment grade are considered to be low credit risk, migrations within these ratings are not considered to be SICRs;
  - for other grades, the PD formula is used, after which the exposure will be assigned to Stage 2;
  - in line with the regulatory recommendation, the Group uses a maximum of three times the PD increase for Stage 2 transition to ensure that the PD threshold for Stage 2 is not greater than three times the rating PD's average PD for any rating class a specific exposure can happen, but only if the corresponding PD is lower than its PD of the highest rating when it is created;
  - at the same time, the value of the thresholds increases with higher ratings, so that for high ratings with a high PD mean less than a threefold increase in PD, all significant changes in PD are captured.

Quantitative factors to be considered in assessment:

- the nature of the project 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 6 months etc.

For other products such as debits and repurchase agreements (reverse repurchase agreements with clients), the Group does not determine ratings, scoring, and PD, and consequently may not compare their development for SICRs purposes over the time as in the case of other credit receivables. In such cases, credit risk deterioration is assessed based on other credit quality factors of an entity from which the Group reports receivables, e.g. specific phases occurring during the debt collection process, exceeding the period for the reporting of receivables from the entity, etc.

Credit impaired financial assets

A financial asset is ‘credit-impaired’ when one or more events defined as the “default of the borrower” that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

To determine whether a financial asset is in default, the Bank assesses the common signs of default that are 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 judgement of the court or administrative authority was ordered to enforce the decision by selling the debtor's assets or executing the debtor's assets,
- the situation when the debtor’s liability (or its significant portion) 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 an institution, to the parent company of that institution or to any of its subsidiaries. This amount is defined as the equivalent of EUR 100 for a retail client and EUR 500 for other clients.
- 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 institution towards the relevant debtor, its parent company or any of its subsidiaries, excluding any exposures involving shares. This percentage has been set at 1%.

- the situation when the receivable in the category of default must be restructured;
  - delay in expected funding from another financial institution for more than 12 months;
  - the situation when payments in the aggregate amount of at least 50% (in the sense of monitoring the repayment from the point of granting the loan) have been reduced, etc.

Financial assets where the debtor's default is proved are classified in Stage 3 or designated as POCI, if the relevant conditions have been met as at the date of the financial asset's initial recognition.

If an impairment of a debt asset measured at FVOCI is identified, the accumulated gains or losses recorded earlier in other comprehensive income are reclassified and recorded in profit or loss in the given period.

In case of an impairment of an equity instrument at FVOCI as a result of a decrease in the registered capital, the resulting gain is recognised in equity.

Determination of expected credit losses (ECL)

The term ECL refers to the multiplication of probability of default (PD), expected loss given default (LGD) and exposure at default (EAD).

Determination of loss given default (LGD)

LGD, which is necessary for the calculation of ECL, is an estimate of the loss arising when default occurs at a given time (expressed as 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 calculation of LGD the Group uses discounting of expected future cash flows.

LGD is determined individually in the form of a scenario analysis. For other exposures the LGD is set by portfolio with respect to the available data and knowledge. For exposures above a given threshold LGD is calculated on an individual basis. For exposures below a given threshold, LGDs can be calculated on a portfolio basis unless the Group entity has already individualised LGD calculation, e.g. for credit analysis or credit rating purposes.

Individual LGD is determined as weighted average of relevant cash flows according to the scenario analysis. The Bank commonly uses scenarios such as: breach of covenants resulting in full repayment request, significant decrease in financial performance (i.e. significantly below the thresholds for immediately full repayment of the contract), realization of collateral or severe drop in performance parameters. In determining the LGD value, the entity takes into account collateral of the receivable, when the entity has legal right that in the event of default of the borrower, the collateral can be realized within reasonable time. For collateralized receivables, the calculation of the present value of the expected future cash flows also takes into account expenses associated with the realization of 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. 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 and loans, or in case of lack of data, LGDs may be determined from historical observations, from parameters set in the regulatory framework 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 probability of default (PD)

Probability of default is assigned as follows:

- if the exposure is included in Stage 1, maximum one-year 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 procedure for calculating the final PD is divided into two steps:

- calculation of one-year PDs as the average of PDs for the previous year;
- calculation of multi-annual (cumulative) PDs.

Probability of default (PD) over a selected number of years is calculated using a credit migration matrix, in particular the Markov Matrix, a square transition matrix multiplied according to the selected number of years. The outcome is multi-annual (depending on the selected horizon) probability of default (PD) of a given rating.

An external rating is assigned to every internal rating stage, so the corresponding external PD falls within the PD interval for the appropriate internal rating stage (on condition that such external PD exists). If external PD does not exist, the rating as close to the centre of the internal rating interval as possible is used.

For the consolidated financial statements purposes, the Group divides the internal rating groups into the following categories:

S&P rating	Rating group	Category
A	1	Very low risk
BBB	2	Low risk
BBB-	3	Low risk
BB+	4	Low risk
BB	5	Medium risk
BB-	6	Medium risk
B+	7	Medium risk
B	8	Medium risk
B-	9	Medium risk
CCC+	10	High risk
CCC	11	High risk
CCC-	12	High risk
D	13	Failed

For debits and reverse repurchase agreements, the collateral is required to be a security traded on an active and liquid market. Therefore:

- for Stage 1, no internal rating is assigned;
- Stage 2 and 3 is assigned to receivables overdue . An internal scoring/external rating must be assigned to an entity.

Probability of default (PD) during the cycle is subsequently adjusted according to macroeconomic developments to reflect the appropriate phases of the economic cycle.

Individual risk management departments are responsible for the calculation and update of relevant PDs. The entities in the Group primarily determine scoring for non-derivative financial assets with fixed or determinable payments that are not quoted on active market. Furthermore, the entities determine scoring for its commitments provided, financial guarantees and undrawn limits. Scorecards are used to assign internal PDs to the appropriate exposures.

Scoring models also use external data (i.e. benchmarking models) that were mainly used for portfolios in which the variables applied are identical or very similar for a large number of banks (e.g. operating financing or personal loans).

Determination of Exposure at default (EAD)

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 the conversion factor. If not enough data is available to prepare a statistical model for determining cash flows, the Group uses historical experience or regulatory parameters according to the type of product as follows:

Type of product	Method of determining CCF
Overdrafts	Internal historical data
Credit cards	Internal historical data
Guarantees	Regulatory values under Basel III

Forward looking indicators

The expected loss model also considers information about future events. This information includes outlooks for industries in which individual counterparties operate, analysis from economic experts, financial analysts reports, data from government institutions, think tanks and other, including also consideration of internal and external sources of information relating to the current and the future state of the general economic issues. The Group assigns counterparties relevant internal assessment of credit risk depending on their creditworthiness.

ECL presentation in the statement of financial position

- for financial assets measured at amortised cost as a deduction from the GCA of the assets;
- for loan commitments and financial guarantee contracts generally as a provision;
- for debt instruments measured at fair value through OCI, expected credit losses are not deducted from the carrying amount of a financial asset, as the carrying amount is already measured at fair value. However, an allowance is recorded as a decrease in revaluation reserve in OCI.

Sensitivity analysis

The sensitivity of expected credit losses is affected by the probability of default (PD) and impairment losses. Therefore, the Group prepares optimistic and pessimistic scenarios reflecting the amount of expected credit losses on a change of impairment losses by 10% (LGD). The probability of default is influenced by the change in GDP as a key indicator of future developments. Therefore, the Group also analyses the impact of a change in GDP by +/- 1% on the value of expected credit losses.

Modification of financial assets

If there is a change in the cash flows of a financial asset due to a change in the contractual terms between the Group and the counterparty (modification not only due to financial difficulties) while the change in the terms of the contract is classified as significant, the financial asset is derecognised and a new financial asset is recognised at fair value, including transaction costs. The present value of cash flows is discounted using a new effective interest rate, which is also used for a calculation of interest revenues.

If the change in the terms of the contract is not classified as significant (i.e. the difference between the net present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows is close to 10%) and the financial asset was not derecognized, the Group recalculates the present value of the modified cash flows from the financial asset, and the difference between the gross carrying amount before the change in the terms and conditions (not considering existing impairment) is recorded as the effect of the modification of assets to the profit or loss. The present value of the modified cash flows is discounted using the original EIR that is also used for the calculation of interest income. Costs and fees adjusting the carrying amount of a modified financial asset are amortized over the remaining term of modified financial asset.

Write-off

The gross carrying amount of a financial asset should be reduced directly when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This involves situations in which the Group determines that the debtor does not have necessary assets or resources of income to repay the debt. The assessment is performed on an item-by-item basis. In the case of write-off, the Group directly decreases the gross carrying amount of a financial asset. Write-offs do not affect profit or loss, as the written-off amounts are included in loss allowances. A write-off constitutes a derecognition event. However, derecognised financial assets may still be recovered by the Group in accordance with its debt recovery policies.

Treasury bills

Treasury bills, comprising bills issued by Czech government agencies, are stated at cost including the amortised discount arising on purchase. The discount is amortised over the term to maturity with the amortisation being included in interest income.

Derivatives

Derivatives including currency forwards, cross currency swaps, interest rate swaps and options are initially recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices and discounted cash flow models. The positive fair value of derivatives is recognised as an asset while the negative fair value of derivatives is recognized as a liability.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when these do not involve financial instruments under IFRS 9, their risks and characteristics are not closely related to those of the host contract, financial instruments enjoy the same conditions as embedded derivatives and would meet the definition of financial derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

On certain cases a derivative may be a component of a hybrid (combined) financial instrument, which is referred to as an embedded derivative. An embedded derivative is accounted for separately from the host instrument if:

- the host contract is not a financial instrument under IFRS 9;
- the host contract itself is not carried through profit or loss;
- the terms of the embedded derivative meet the definition of a derivative should these be contained in a separate contract;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contracts.

Separate embedded derivatives are measured at fair value and changes in their fair value are recognised in profit or loss unless these are not part of a qualified cash flow or a hedging relationship of a net investment. Separate embedded derivatives are recognised in the statement of financial position together with the host contract.

Changes in the fair value of derivatives are included in Net trading income.

Hedge accounting – Fair Value Hedge

The Group decided to continue the original recognition under IAS 39 as part of its choice to apply IFRS 9 when recognising hedging derivatives. Hedging derivatives are derivatives that serve the Group to hedge the currency risk and meet all conditions of the classification of hedging derivatives under International Accounting Standards.

At the inception of a hedging transaction, the relationship between the hedging instrument and the hedged item is documented.

Hedge effectiveness is tested during the inception and duration of the hedging relationship by mutually offsetting changes in fair value or cash flows of the hedging instrument and the hedged item with the result in the range from 80 to 125%.

Changes in the fair value of derivatives for fair value hedges are recognised in the income statement together with changes in the fair value of hedged assets and liabilities, to which a hedging risk can be assigned. Hedge accounting is discontinued when the hedging relationship is terminated by the Group, the hedging instrument expires, is sold, terminated, or the respective contract is exercised, or the hedging relationship ceases to meet the criteria of hedge accounting.

The positive fair value of hedging derivatives is recognised as Positive fair value of derivatives within assets in the statement of financial position. The negative fair value of hedging derivatives is recognised as Negative fair value of derivatives within liabilities and equity in the statement of financial position. A change in the fair value of hedging derivatives and of the hedged item is recognised as Net trading income from trading in the statement of comprehensive income.

(c) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price ("repurchase agreements"), 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 repurchase agreements") are not recorded in the statement of financial position and the consideration paid is recorded as a loan granted. The difference between the sale price and repurchase price is treated as interest and accrued evenly over the life of the transaction. Repurchase and reverse repurchase transactions are recognised on a settlement date basis.

(d) Intangible assets

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.

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.

Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Depreciation is carried out on a straight-line basis over the estimated useful economic lives of assets, ranging from 2 to 21 years.

Software	
Operating applications	3–9 years
Application for management of clients' portfolios	2–10 years
Application for management of banking products	18–21 years
Other intangible assets	2–9 years

(e) Property, plant and equipment

Intangible assets are stated at historical cost less depreciation and impairment losses. Depreciation is provided on a straight-line basis over the estimated useful economic life of the asset.

Buildings	30–50 years
Office equipment, safe deposit boxes	3–10 years
Fixtures and fittings	3–5 years
Right of use	according to the duration of a lease contract

Land is not depreciated.

Assets under construction are not depreciated.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset.

(f) Leases

Group as the lessor

Lease contracts through which the Group transfers all of the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. Finance lease receivables are reported as loans and other receivables from clients at amortised cost and are stated at the present value of minimum lease payments and unhedged residual value. Lease payments are discounted using the interest rate implicit in the lease. Financial revenues reflect a constant periodical rate of return of the Group's net investment in finance leases.

Profit/loss from the sale of assets that are owned by the Group but were previously finance lease assets are recognised in their net amount in Other operating income or expense.

Lease payments classified as operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Group as the lessee

The Group applies IFRS 16 to all leases. At the commencement date of a contract, the Group assesses whether the contract has the character of a lease or contains a lease. A contract has the character of a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether the contract contains a lease for each potential individual lease component.

If a contract contains a lease, the Group as the lessee recognises the right-of-use asset and the lease liability as at the start of the contract. The classification of the right-of-use into tangible/intangible assets class is based on the leased asset, i.e. on the underlying asset. The Group accounts for lease contracts where the leased assets are buildings (office premises, branches) and cars.

The Group uses the exception for lease classification under IFRS 16 for:

- short-term leases
  - leases with a lease term of 12 months or less as at the commencement date of the lease
- leases whose underlying asset has a low value
  - underlying low-value assets can include for instance tablets and personal computers, small items of office furniture and phones ((EUR 5,000/CZK 130,000).

The Group as the lessee recognises lease payments relating to lease contracts in the recognition exemption regime as expenses over the term of the lease.

As at the commencement date, the Group shall measure the right-of-use asset at acquisition cost. Acquisition cost of a right-of-use asset includes the amount of lease liability initial recognition, all lease payments made at or before the commencement date net of all lease incentives received, all initial direct costs incurred by the Bank, an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Group shall measure the right-of-use asset using the model of measuring at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

As at the commencement date, the Group shall measure the lease liability as the present value of lease payments that have not been paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate, if not.

On initial recognition, the Group subsequently measures the lease liability by recognising interest on the lease liability, decreasing the carrying amount of the liability to reflect lease payments, remeasuring the carrying amount to reflect any lease revaluation or modifications.

After commencement date, the Group as the lessee recognises in profit or loss interest on a lease liability and a variable lease payment not included in the measurement of a lease liability.

The Group shall reassess whether the contract has the character of a lease or contains a lease only if the terms and conditions of the contract are changed.

While right-of-use assets are presented under Property, plant and equipment in the statement of financial position, lease liabilities are presented under Other liabilities and provisions. The Group recognises interest expense on a lease liability separately from the right-of-use asset depreciation in the income statement and in the statement of other comprehensive income. Lease liability interest expense represents a component of finance expense.

(g) Investment property

Investment property is represented by assets that are held to generate rental income or to realise a long-term increase in value, and are not used in production or for administrative purposes or sold as part of the ordinary business activities of the Group.

Investment property is measured at fair value, as determined by an independent certified appraiser or by management. Fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or if not available, by applying generally applicable valuation methodologies, such as expert opinions and yield methods. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

(h) Foreign currency translation

Transactions denominated in foreign currencies are translated into CZK at the official Czech National Bank exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date. All resulting gains and losses are recorded in the statement of comprehensive income in Net trading income, in the period in which they arise.

(i) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

For purchased or originated credit-impaired financial assets (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income from trading financial assets, lease receivables, bonds at FVTPL is recognised as other interest income.

Negative income from financial assets is recognized as interest expense, positive income from financial liability as interest income.

The recognised average interest rate is determined as the annual weighted average from open contracts as at the date of the balance sheet date.

Fee and commission is accounted for pursuant to IFRS 15, applying the basic principle according to which revenue is recognised in a manner to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To apply the basic principle of recognising revenue under IFRS 15, the Bank applies the following five-step model:

1. identification of a contract
2. identification of contractual obligations
3. determination of the transaction price
4. allocation of the transaction price to each performance obligation
5. recognition of revenue when a performance obligation is satisfied.

Fees and commissions are divided based on the nature of the fee and the type of service provided as follows:

- fees and commissions for services provided that are recognized as the services are provided. These are recognised on a continuous basis in Net fee and commission income;
  - fees for keeping accounts, asset management, custody, etc.
- fees and commissions for the execution of the transaction are recognized when the transaction is provided and reported on a one-off basis in the Net fee and commission income.
  - Payment fees, fees for the subscription of issued bonds, fees from financial instruments (mediation), clearing fees, etc.

(j) Income tax

Tax paid is calculated in accordance with the provisions of the relevant legislation based on the profit recognized in the statement of comprehensive income prepared pursuant to local statutory accounting standards, after adjustments for tax purposes.

Deferred tax is calculated using the statement of financial position liability method, providing for temporary differences between the accounting and taxation basis of assets and liabilities. Deferred tax liabilities are recognized for taxable temporary differences. 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 utilized. 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 utilized. Currently enacted tax rates are used to determine deferred income taxes.

(k) Social security and pension schemes

Contributions are made to the government's health, retirement benefit and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of social security payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Group has no further pension or post retirement commitments.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks (excluding statutory minimum provisions) and other banks and short-term highly liquid assets with original maturities of three months or less.

(m) Provisions

A provision is recognized in the statement of financial position when the Group has a 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Offsetting of financial assets and liabilities

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 offset the recognized amounts and the transactions are intended to be settled on a net basis.

(o) Segment reporting

IFRS 8 requires that operating segments are identified based on internal reporting about the business units of the Group which are regularly reviewed by the Board of Directors and allow proper allocation of resources and evaluation of the performance. This segment analysis is basis for review and strategic and operational decision making of the management.

At the Group level, the management monitors the consolidated group through individual group companies; therefore, segments are established based on the business activity of the individual companies. The Group's management is provided with the information allowing the evaluation of the performance of individual segments.

The Group's reportable segments according to IFRS 8 are as follows:

- banking;
  - categorisation by country;
- asset management;
- real estate;
- other.

Accounting policies applied to operating segments comply with those described in note 3. For operating segment analysis, all assets and liabilities are allocated to the individual reportable segments.

A segment's profit represents profit before tax generated by the relevant segment.

(p) Business combinations and purchase price allocations

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. For financial statement reporting purposes, allocation of the total purchase price among the net assets acquired is performed with the support of professional advisors. The valuation analysis is based on historical and prospective information available as of 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 analysis are also used to determine the amortisation and depreciation periods for the values allocated to specific intangible and tangible fixed assets.

(q) Disposal groups held for sale

Disposal groups classified as held for sale are measured at the lower of their cost of acquisition and fair value less costs to sell. Disposal groups are classified as held for sale if their carrying amounts are primarily recovered through a sale transaction rather than through continuing use. This condition is regarded as met only if the sale is highly probable and the disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to be completed within one year from the date of classification.

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

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

In the consolidated statement of comprehensive income for the reporting period, and for the comparable period of the previous reporting period, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(r) Dividends

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

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income depends on the classification of financial assets and measurement of ownership interests, i.e.:

- for equity instruments which are held for trading, dividend income is presented in Net trading income in profit or loss;
- for equity instruments designated at FVOCI, dividend income is presented in net trading income except for those resulting from a decrease in share capital of the invested entity, which is recorded in other comprehensive income.

(s) Employee benefits

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.

(t) Other equity instruments

Other equity instruments are issued, subordinated, unsecured and yield certificates with a fixed interest income dependent on the fulfilment of particular conditions (hereinafter "Certificates"). These Certificates have no maturity date.

The Certificates have the character of hybrid financial instruments combining the economic features of equity and debt securities.

The Group classified Certificates in accordance with IAS 32 and assessed all the conditions for the definition as equity instrument. Certificates meet both of the required conditions:

- the Certificates include no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the issuer;
- if the Certificates are or may be settled in the entity's own equity instruments, the Certificates are non-derivative instruments, which include no contractual obligation for the issuer to deliver a variable number of its own equity instruments.

The Group may redeem the Certificates with approval of the Czech National Bank. Holders of Certificates have no right to ask for redemption, except in the event of the Group's liquidation.

The Group commits to paying interest income generated from Certificates to the holders, but may also decide not to pay the interests accrued by the Certificates without compensating this in future periods. The Group will pay interest if there are funds available and approved to be used by the General Meeting of the Group. When there are not sufficient funds available, the payment is reduced proportionately. Payment of earnings can be drawn from:

- the Group's net profit;
- retained earnings;
- other equity components that the Group is authorised to distribute to its shareholders.

As the Group has no obligation to deliver cash to the holders of Certificates or to settle the contractual obligation by providing other financial assets, (i.e. Certificate holders do not have right to redemption of the principal amount or the interest income and as the Certificates have no maturity date), they are included in additional Tier 1 capital (AT1). This inclusion is subject to approval by the Czech National Bank.

4. Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

These principles supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Expected credit losses

Expected credit losses are determined for those assets classified at amortised cost, debt instruments at fair value through other comprehensive income, guarantees and commitments. Basis used for its calculation and principles considered are described in accounting policy 3(b).

Calculation of expected credit losses and identified future liabilities considers uncertainties about the results of related risks and requires significant Group's management assessments when estimating the amount of loss, including future economic conditions and credit behaviour.

Amounts reported as provisions for off-balance sheet items are based on management's judgement and represent the best estimate of expenditures required to settle the liability with uncertain timing or the uncertain amount of the obligation.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable quoted market price requires the use of valuation techniques as described in accounting policy 3(b). For financial instruments that are traded infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of the market factors, pricing assumptions and other risks affecting the specific amounts.

The Bank determines the fair value hierarchy according to IFRS 13 and establishes fair value using the following hierarchical system that reflects the significance of the inputs used in the valuation:

- Level 1 - entries are (unadjusted) quoted prices in active markets for identical assets or liabilities to which the Group has access at value date;
- Level 2 - inputs are inputs other than quoted prices included in level 1 that are directly or indirectly observable for an asset or liability:
  - quoted prices of similar assets or liabilities in active markets,
  - quoted prices of identical assets on markets that are not active,
  - input quantities other than quoted prices that are observable,
  - market-supported inputs;
- Level 3 - inputs are unobservable inputs for an asset or liability.

An active market is the market where transactions for assets or liabilities are carried out frequently and in sufficient volume to ensure regular price information:

a) the items traded on the market are homogeneous;

b) it is possible to find willing buyers and sellers at any time and

c) prices are publicly available.

If there is no active market for the financial asset, the fair value is estimated using valuation techniques. When using valuation techniques, management uses estimates and assumptions based on available information about the estimates and assumptions that market participants would use to determine the price of the financial instrument.

In the vast majority of cases, the fair value of Level 3 investments, debt instruments, provided loans, was estimated using discounted cash flow ("DCF") models, with inputs coming from the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specifics of the industries and countries in which the investments operate. The key assumptions used in the valuations were the expected cash flows and discount rates. Further information about the Level 3 financial instruments is disclosed in note 8.

Valuation of investment property

Investment property is carried at fair value and classified as Level 3 according to the fair value hierarchy.

Fair values of investment property are determined either by independent registered appraisers or by management, in both cases based on discounted cash flow ("DCF") models with inputs coming from rental income projections or based on combination of DCF model and independent registered appraiser´s real estate valuation. These projections are critically assessed by management before inclusion in the models. The discount rates were based on the specificities of the countries in which the investment property is located.

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.

Further information about investment property is disclosed in note 13.

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 49 Acquisitions and disposals of subsidiaries, associates and joint ventures and note 15 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.

a) ATLANTIK finanční trhy a.s.

In 2015, goodwill allocated to the ATLANTIK finanční trhy, a.s. as cash generating unit was written off in full based on the results of the performed impairment testing.

b) J&T INVESTIČNÍ SPOLEČNOST, a.s.

The recoverable amount of the cash-generating unit J&T Investiční společnost, a.s. was calculated based on discounted cash flows. The key assumption was a forecast profit after tax over a specific five-year forecast period. The average growth rate used for this period was 17.72% (2020: 3.24%). Expected cash flows were discounted using a weighted average cost of capital 9.44% (2020: 9.89%). There was no impairment loss identified as a result of this impairment test in 2021 and 2020.

Assessment of control over investment funds

The Group uses its judgement when deciding whether it exercises control over an investment fund. When assessing the duty to consolidate funds, the Group evaluates the following control criteria:

- power;
  - the right to manage the fund's activities is usually defined in the fund's statutes;
  - an investor who has the right and ability to manage the relevant activities of the fund; does not acquire power over

the fund; and if the acquisition and maintenance of those rights can be influenced by a third party - in other words: if the third party can deprive or restrict those rights;

- exposure to variable yields
  - arises from the ownership of allotment certificates or funds' investment shares. In this case, the variability is derived from the change in the value of the allotment certificate or investment share reflecting changes in the fund's performance and the entitlement to a fee for the fund's management, i.e. a management fee set in the form of a fixed amount or expressed as a percentage of a certain financial indicator, and a performance fee payable to the manager when the fund achieves a specified performance level;
  - the assessment of the variability of these yields is performed in proportion to the total variable yields of the investee fund. This assessment shall be made primarily on the basis of the expected yields from the investee's activities;
- ability to affect the yields through power
  - An investor controls a unit only when all the above control criteria are;
  - The Group may also acquire control over funds through investment in subsidiaries that manage, administer or invest in funds.

The duty to consolidate funds arises when:

- control over fund arises - assessed based on control criteria including the principal/agent analysis:
  - principal = consolidate;
  - agent = do not consolidate.

Based on the analysis' results, the Group includes the following funds into its consolidated group as at 31 December 2021:

- J&T REALITY o.p.f. – the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.
- J&T VENTURES I u.p.f. - the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.

The Group included the following funds into its consolidated group as at 31 December 2020:

- J&T REALITY o.p.f. – the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.
- J&T VENTURES I u.p.f. - the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.
- J&T DIVIDEND Fund - the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.

4.1. Covid-19 pandemic

The Covid-19 pandemic and measures to prevent its spread continued through 2022 and were again among the main drivers of macroeconomic developments. The significant fall in GDP last year was halted and the Czech Republic and the European Union returned to economic growth. Similarly, unemployment was kept low.

The new shock that the pandemic dealt to the economy came in the form of inflation, which surged into double digits in some countries due to broken supply chains, strong domestic demand supported by government transfers and a tight labour market. In the European Union, the December year-to-year inflation reached 5.3%, with significant differences between EU countries, for example, Estonia recorded a 12% change and Portugal only a 2.8% increase. In the Czech Republic, the inflation rate reached 6.6%. The data for the first months of 2022 show that these December figures did not represent a ceiling: inflation was yet to peak (inflation in the Czech Republic reached 9.9% in January).

Central banks' response at the start of the pandemic showed the same characteristics: interest rate cuts and the use of other instruments to ease monetary policy, but their response to rising prices was markedly different. The Czech National Bank took several steps to raise the monetary policy rate from 0.25% at the end of 2020 to 3.75% at the end of 2021. In February 2022, it raised it by a further 0.75 p.p., signalling further - albeit more modest - rate growth in the months ahead. The European Central Bank, on the other hand, left rates unchanged and has so far signalled a rather modest rise in 2022. A similar situation applies to the US FED; however, it is expected to have a more pronounced response and implement several rate increases in 2022. Both the ECB and the FED further announced their intention to limit market interventions in the form of quantitative easing programmes.

Over the past year, the Group monitored the development of the pandemic, the measures ordered by state authorities and the views of health experts. As a result, the Group took measures to protect the health of its employees while maintaining the Group's operations, including the following:

- Group employees were regularly tested for Covid-19;
- entrance turnstiles in the Group's premises were equipped with body temperature detectors indicating to employees the potential risk of illness;
- Group employees were required to wear appropriate respirators, keep adequate distance, and observe other measures in effect at the time;
- employees were required to comply with the isolation and quarantine rules as per the Group's rules in force at the time,
- the Group arranged for staff to be vaccinated against Covid-19 on its own premises.

The Group did not experience any limitations in the availability of services or products due to, among other things, the increased support of digital and telecommunication channels allowing it to remain in contact with its clients.

The Group did not report any significant effect of the Covid-19 pandemic on its liquidity, and market and credit risk. The impact of the Covid-19 pandemic on the economy was taken into account when updating the PD curves (see below).

Changes in PD, LGD, FLI, SICR

In 2021, the Bank performed standard updates relating to LGD, FLI and SICR. This mainly involved the inclusion of the most up-to-date data in models. More significant changes were made to the FLI model (see below).

FLI model

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 Group 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,
- Preparation of three PD scenarios (at the 25%, 50% and 75% quantile of GDP forecasts) for each country.

The Group has the largest share of exposures in the loan portfolio as at 31 December 2021 in the Czech Republic (48%), Slovakia (7%), Croatia (7%), and Germany (7%), and therefore we present the development of GDP only for these states. Shares in other countries are insignificant.

Real growth used of GDP (in %):

Country	Year	National Bank	Forecast of the National Bank	Estimated values (ARIMA)		
				pessimistic	basic	optimistic
CZE	2021	CNB	1.85	1.18	1.7	2.21
CZE	2022	CNB	3.55	0.55	2.25	3.99
CZE	2023	CNB	3.77	0.08	2.06	4.13
CZE	2024	CNB		-1.27	2.16	5.46
CZE	2025	CNB		-2.18	2.18	6.31
HRV	2021	HNB	6.8	6.65	7.2	7.74
HRV	2022	HNB	4.4	0.09	2.11	4.18
HRV	2023	HNB		-1.63	1.13	3.83
HRV	2024	HNB		-1.59	1.18	3.99
HRV	2025	HNB		-1.67	1.14	3.89
DEU	2021	DBB	3.7	3.07	3.73	4.4
DEU	2022	DBB	5.2	1.18	2.58	3.99
DEU	2023	DBB		-0.56	1.27	3.16
DEU	2024	DBB		-0.53	1.28	3.1
DEU	2025	DBB		-0.54	1.27	3.1
SVK	2021	NBS	4.51	3.38	4.56	5.75
SVK	2022	NBS	5.86	2.53	4.15	5.75
SVK	2023	NBS	3.78	0.6	2.2	3.72
SVK	2024	NBS		0.57	3.28	5.9
SVK	2025	NBS		0.71	3.34	6.02

Data sources:

Country	National Bank	Data source
CZE	Česká národní banka (CNB)	Monetary Policy Report
HRV	Hrvatska narodna banka (HNB)	Macroeconomic Developments and Outlook
DEU	Deutsche Bundesbank (DBB)	Outlook for the German Economy
SVK	Národná banka Slovenska (NBS)	Economic and Monetary Developments

- 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 = 25% (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.

ECL model - management overlays

The macroeconomic outlooks of national banks predicting positive GDP developments have an impact on the update of probability of default curves and the resulting reduction of loss allowances and provisions. However, with risks and uncertainties associated with the impact of Covid-19 still prevalent in the market in general, which may impact all corporations, the Group performs two management adjustments to correct this positive outlook.

For selected NACE sectors below, the Group sees potential ongoing risks associated with Covid-19; therefore, the original probability of default curves used in 2020 were being preserved in 2021 without applying the new positive macroeconomic outlook.

29 Manufacture of motor vehicles (except motorcycles), trailers and semi-trailers

41 Construction of buildings

42 Civil engineering

43 Specialised construction activities

51 Air transport

55 Accommodation

56 Food and accommodation services

73 Advertising and market research

79 Activities of travel agencies, offices and other booking and related activities

93 Sports, entertainment and recreational activities

For other sectors where the new probability of default parameters were applied, the Group doubled the new default probability parameters to take into account a possible further economic slowdown in all sectors.

The impact of the above management adjustments was as follows:

As at 31/12/2021

in millions of CZK	Loans	Debt securities at FVOCI
Loss allowances and provisions without management adjustments	3,832	31
Impact of use of original PD curves for selected NACE sectors	285	100
Impact of use of doubled PD curves for Stage 1 and Stage 2 for other NACE sectors	171	1
Final amount of loss allowances and provisions after management adjustments	4,288	132

5. Cash and cash equivalents

in millions of CZK	31/12/2021	31/12/2020
Cash in hand	236	328
Current accounts with central banks	751	2,147
Loans to central banks – reverse repurchase agreements	66,128	38,051
Current accounts with banks	692	880
Term deposits in banks up to 3 months	–	72
Loans to other financial institutions – reverse repurchase agreements	191	40
Other cash and cash equivalents	14	3
Expected credit losses (note 11)	(1)	(2)
Total	**68,011**	**41,519**

6. Due from banks and other financial institutions

in millions of CZK	31/12/2021	31/12/2020
Compulsory minimum reserves in central banks	4,875	1,905
Term deposits and loans over 3 months	27	28
Subordinated loans to banks	199	210
Other receivables due from banks	833	212
Expected credit losses (note 11)	(1)	(4)
Total	**5,933**	**2,351**

The parent company's obligatory minimum reserves bear interest and are stated as 2% of primary deposits with maturity of less than two years.

The obligatory minimum reserves of J&T Bank, a.o. are determined as 4.75% of non-residential corporate deposits denominated in RUB, 8% of non-residential corporate deposits in foreign currency, 4.75% of deposits of individuals - residents denominated in RUB, 8% of deposits of individuals - residents in foreign currency, 4.75% of other liabilities in RUB, and 8% of other liabilities in foreign currency reduced by the average balances of deposits and accrued interest multiplied by a coefficient of 0.8.

The obligatory minimum reserves of J&T banka d.d. are determined as 9% of the average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilities, excepting balances with selected banks (12% until 27 March 2020).

The obligatory minimum reserves of the Central Bank of the Russian Federation and the Central Bank of Croatia do not bear interest.

The Group has a prudent liquidity policy and holds a significant part of its liquidity surplus in highly liquid assets. Highly liquid assets include balances with the central banks, short term deposits in financial institutions and highly liquid corporate and government bonds. The Group decides on placements based on the credibility of the counterparty and the offered conditions.

There were no overdue receivables from banks as at 31 December 2021 and 31 December 2020.

The contractual weighted average interest rate on deposits and loans with other banks was 1.20% p.a. (2020: 2.81%).

7. Derivatives

(a) Derivatives held for trading:

31/12/2021

in millions of CZK	Notional amount buy	Notional amount sell	Positive fair value	Negative fair value
FX derivatives	107,646	(105,513)	946	(1,471)
Cross currency derivatives	10,058	(10,079)	175	(153)
Other derivatives	2,844	(2,905)	19	(73)
Total	**120,548**	**(118,497)**	**1 140**	**(1,697)**

31/12/2020

in millions of CZK	Notional amount buy	Notional amount sell	Positive fair value	Negative fair value
FX derivatives	129,905	(129,216)	914	(709)
Cross currency derivatives	10,190	(10,190)	96	(54)
Other derivatives	1,513	(1,477)	37	(1)
Total	**141,608**	**(140,883)**	**1 047**	**(764)**

All derivatives held for trading are classified as Level 2 according to the fair value hierarchy.

Currency contracts, generally forward currency contracts, are commitments to either purchase or to sell a designated currency at a specified date for a specified price. Forward currency contracts result in a credit exposure at a specified future date for a specified price. Forward currency contracts also result in exposure to market risk based on changes in quoted market prices relative to the contracted amounts.

Although all these derivatives represent an economic hedge, they are presented as held for trading purposes.

The foreign currency structure of these transactions was as follows:

Long position	CZK	EUR	GBP	USD	Other
31/12/2021	55%	33%	3%	7%	2%
31/12/2020	61%	30%	3%	4%	2%

The foreign currency structure of the second leg of these transactions was as follows:

Short position	CZK	EUR	GBP	USD	Other
31/12/2021	36%	41%	6%	15%	2%
31/12/2020	34%	42%	13%	9%	2%

(b) Derivatives held for risk management:

31/12/2021

in millions of CZK	Notional amount Long position	Notional amount Short position	Fair value Positive	Fair value Negative
Currency swaps – hedging for equity instruments at FVOCI			**–**	**(2)**
Payable from 1 to 5 years	397	(373)		
Total	**397**	**(373)**	**–**	**(2)**

To hedge equity instruments at FVOCI, a CZK/EUR derivative (buy/sell) was used.

31/12/2020

in millions of CZK	Notional amount Long position	Notional amount Short position	Fair value Positive	Fair value Negative
Currency swaps – hedging for equity instruments at FVOCI			**16**	**–**
Payable from 1 to 5 years	570	(551)		
Total	**570**	**(551)**	**16**	

To hedge equity instruments at FVOCI, a CZK/EUR derivative (buy/sell) was used.

All derivatives held for risk management are classified as level 2 according to the fair value hierarchy that reflects the significance of the inputs used in the valuation.

The carrying amount of hedged equity instruments at fair value through other comprehensive income as at 31 December 2021 was CZK 147 million (2020: CZK 165 million).

The objective of this hedge is to cover the foreign currency exposure to changes in the fair value of foreign currency financial assets at FVOCI. The Group uses currency contracts to achieve hedge effectiveness. The set hedges are in all cases effective.

8. Securities

(a) Financial assets for trading

in millions of CZK	31/12/2021 Fair value	31/12/2020 Fair value
Shares		
– domestic	369	279
– foreign	40	66
Bonds		
– domestic	2,383	6,969
– foreign	1,198	750
Allotment certificates		
– domestic	4	285
– foreign	4	4
Total	**3,998**	**8,353**
Shares		
– listed	409	345
Bonds		
– listed	3,581	7,719
Allotment certificates		
– not listed	8	289
Total	**3,998**	**8,353**
Shares		
– financial institutions	173	96
– corporate	235	249
– insurance companies	1	–
Bonds		
– government	1,447	6,640
– financial institutions	879	396
– corporate	1,255	683
Allotment certificates		
– financial institutions	8	289
Total	**3,998**	**8,353**
Shares		
– Level 1	401	267
– Level 2	4	74
– Level 3	4	4
Bonds		
– Level 1	1,761	6,433
– Level 2	787	855
– Level 3	1,033	431
Allotment certificates		
– Level 2	8	289
Total	**3,998**	**8,353**

Foreign bonds as at 31 December 2021 mainly include non-government bonds of CZK 1,079 million (2020: CZK 604 million) issued by companies from the following states and in the following amounts: Slovakia of CZK 655 million (2020: CZK 388 million), Malta of CZK 244 million (2020: CZK 54 million), Cyprus of CZK 92 million (2020: CZK 30 million), Luxembourg of CZK 72 million (2020: CZK 68 million), the USA of CZK 16 million (2020: CZK 4 million), and the Netherlands of CZK 0 million (2020: CZK 58 million).

Foreign government bonds of CZK 119 million (2020: CZK 146 million) include Polish government bonds of CZK 55 million (2020: CZK 65 million), Romanian government bonds of CZK 53 million (2020: CZK 60 million) and Turkish government bonds of CZK 11 million (2020: CZK 21 million).

(b) Financial assets mandatorily at fair value through profit or loss

in millions of CZK	31/12/2021 Fair value	31/12/2020 Fair value
Shares		
– domestic	–	36
– foreign	59	49
Bonds		
– foreign	–	204
Allotment certificates		
– domestic	4,000	3,136
– foreign	4,656	5,516
Total	**8,715**	**8,941**
Shares		
– listed	59	49
– not listed	–	36
Bonds		
– listed	–	204
Allotment certificates		
– not listed	8,656	8,652
Total	**8,715**	**8,941**
Shares		
– financial institutions	59	49
– corporate	–	36
Bonds		
– corporate	–	204
Allotment certificates		
– financial institutions	8,648	8,522
– corporate	8	130
Total	**8,715**	**8,941**
Shares		
– Level 1	–	49
– Level 3	59	36
Bonds		
– Level 1	–	204
Allotment certificates		
– Level 2	6,092	6,263
– Level 3	2,564	2,389
Total	**8,715**	**8,941**

Foreign allotment certificates mainly include Maltese certificates of CZK 4,387 million (2020: CZK 5,017 million), Slovak allotment certificates of CZK 259 million (2020: CZK 329 million) and Luxembourg allotment certificates of CZK 10 million (2020: CZK 0).

(c) Financial assets at fair value through other comprehensive income

in millions of CZK	31/12/2021 Fair value	31/12/2020 Fair value
Shares and other equity instruments		
– domestic	419	186
– foreign	377	325
Bonds		
– domestic	303	407
– foreign	5,701	6,161
Total	**6,800**	**7,079**
Shares and other equity instruments		
– listed	469	366
– not listed	327	145
Bonds		
– listed	5,202	5,703
– not listed	802	865
Total	**6,800**	**7,079**
Shares and other equity instruments		
– financial institutions	139	128
– corporate	657	383
Bonds		
– government	1,929	1,781
– financial institutions	1,320	895
– corporate	2,755	3,892
Total	**6,800**	**7,079**
Shares and other equity instruments		
– Level 1	272	170
– Level 2	337	324
– Level 3	187	17
Bonds		
– Level 1	3,165	4,043
– Level 2	469	201
– Level 3	2,370	2,324
Total	**6,800**	**7,079**

Foreign shares and other equity instruments in the portfolio as at 31 December 2021 included mainly the shares of Slovak companies of CZK 171 million (2020: CZK 165 million), Russian companies of CZK 139 million (2020: CZK 129 million) and Swiss companies of CZK 51 million (2020: CZK 31 million).

Foreign bonds as at 31 December 2021 included the bonds of Russian companies of CZK 2,442 million (2020: CZK 1,935 million), Slovak companies of CZK 2,150 million (2020: CZK 3,403 million), Maltese companies of CZK 469 million (2020: CZK 0), Croatian companies of CZK 429 million (2020: CZK 742 million), Kazakhstan companies of CZK 90 million (2020: CZK 9 million), Belgian companies of CZK 66 million (2020: CZK 72 million), and the bonds of Dutch companies of CZK 55 million (2020: CZK 0).

The shares and other equity instruments of the following companies in the following segments accounted for a significant share in the Group's total shares and equity instruments at fair value through OCI:

in millions of CZK	Fair value 2021	Dividends received 2021	Fair value 2020	Dividends received 2020
Energy and manufacturing industry	323	(18)	201	(10)
Travel and tourism	147	–	165	–
Financial services	169	–	143	–
IS/IT	116	(1)	–	–
Other	41	(2)	2	–
Total	**796**	**(21)**	**511**	**(10)**

In 2021, other equity instruments of CZK 27 million (2020: CZK 0) from the portfolio of the Group's financial assets were sold. Cumulative gains from this sale were CZK 11 million (2020: CZK 0).

The Group classifies bonds measured at FVOCI into internal rating groups, taking into account a number of factors. The following table summarises these bonds by stages.

Risk category

in millions of CZK	Very low risk	Low risk	Medium risk	Total
Stage 1	3,664	–	772	4,436
Stage 2	–	–	1,568	1,568
Total as at 31/12/2021	**3,664**	**–**	**2,340**	**6,004**
Stage 1	3,375	–	1,734	5,109
Stage 2	–	–	1,459	1,459
Total as at 31/12/2020	**3,375**	**–**	**3,193**	**6,568**

More detailed information on bonds as at 31 December 2021 and their classification, expected credit losses and gross carrying amounts are disclosed in note 11 and 12.

(d) Financial assets at amortised cost

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	POCI	Net carrying amount
Bonds						
– domestic/listed/government	4,523	(1)	–	–	–	4,522
– foreign/listed/government	187	–	–	–	–	187
Promissory notes						
– foreign/listed/corporate	51	(1)	–	–	–	50
Total as at 31/12/2021	**4,761**	**(2)**	**–**	**–**	**–**	**4,759**
Bonds						
– foreign/listed/government	174	–	–	–	–	174
Promissory notes						
– foreign/listed/corporate	57	(3)	–	–	–	54
Total as at 31/12/2020	**231**	**(3)**	**–**	**–**	**–**	**228**

Foreign bonds include Russian bonds of CZK 187 million (2020: CZK 174 million). Bonds mature in 2023. The estimated fair value of these bonds at amortized cost is CZK 198 million.

Domestic bonds include Czech government bonds with a gross value of CZK 4,523 million (2020: CZK 0 million). The bonds are classified in stage 1, the expected credit losses on these bonds amount to CZK 1 million. Bonds mature in 2025. The estimated fair value of these bonds at amortized cost is CZK 4,234 million.

(e) Financial assets valued at Level 3

The Group regularly monitors the classification of securities into the fair value hierarchy. The Bank always assesses the individual ISIN codes of securities according to the frequency and volume of trades. Thus, a situation may arise that securities of one issuer may be classified under Level 1, whereas securities of another issuer may be classified under Level 2 or 3, based on the criteria shown in an internal decision-making tree.

The following table shows a reconciliation of the opening and closing balances for Level 3 financial assets that are recorded at fair value:

in millions of CZK	01/01/2021	Revaluation to OCI	Revaluation to profit or loss	Transfer from Level 2	Additions	Disposals	Reclassification	FX movement	Interest income	31/12/2021
Financial assets for trading										
shares	4	—	—	—	—	—	—	—	—	4
bonds	431	—	(33)	(27)	832	(225)	—	33	22	1,033
Financial instruments mandatorily at fair value through profit or loss										
shares	36	—	(5)	51	14	—	(36)	(1)	—	59
allotment certificates	2,389	—	88	—	302	—	(130)	(85)	—	2,564
Financial assets at fair value through other comprehensive income										
shares and other equity instruments	17	(27)	—	—	56	(27)	166	2	—	187
bonds	2,324	(25)	—	—	383	(138)	—	(193)	19	2,370
Total	**5,201**	**(52)**	**50**	**24**	**1,587**	**(390)**	**—**	**(244)**	**41**	**6,217**

in millions of CZK	01/01/2020	Revaluation to OCI	Revaluation to profit or loss	Transfer from Level 2	Additions	Disposals	FX movement	Interest income	31/12/2020
Financial assets for trading									
shares	3	—	1	—	—	—	—	—	4
bonds	58	—	(15)	285	275	(178)	—	6	431
Financial instruments mandatorily at fair value through profit or loss									
shares	—	—	—	—	36	—	—	—	36
allotment certificates	2,332	—	58	(178)	130	—	47	—	2,389
Financial assets at fair value through other comprehensive income									
shares	2	5	—	—	10	—	—	—	17
bonds	2,024	11	—	512	—	(297)	75	(1)	2,324
Total	**4,419**	**16**	**44**	**619**	**451**	**(475)**	**122**	**5**	**5,201**

The following table sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial assets categorised as Level 3 in the fair value hierarchy:

Type of financial assets	Valuation technique	Significant unobservable input	FV as at 31/12/2021	Range of estimates	FV measurement sensitivity to unobservable inputs
bonds	discounted CF	Credit spread	3,403	0.5%-5.5%	A significant increase may result in lower fair value
		Risk-free rate		-1%-5%	
shares	discounted CF	Discount rates	250	9%-12.6%	A significant increase may result in lower fair value
		EBITDA growth coefficient		2%-4%	A significant increase may result in higher fair value
allotment certificates	net asset value	Expected CF from fund	2,564	Investment based	A significant increase may result in higher fair value

If fair values were by 10% higher or lower than the Group management's estimates, the determined carrying amount of financial assets at Level 3 would be by CZK 622 million higher or lower than the carrying amount recognised as at 31 December 2021 (2020: CZK 520 million).

The following table sets out information about significant unobservable inputs used as at 31 December 2020 in measuring financial assets categorised as Level 3 in the fair value hierarchy:

Type of financial assets	Valuation technique	Significant unobservable input	FV as at 31/12/2020	Range of estimates	FV measurement sensitivity to unobservable inputs
bonds	discounted CF	Credit spread	2,755	0.5%-5%	A significant increase may result in lower fair value
		Risk-free rate		-1%-1.5%	
shares	discounted CF	Discount rates	57	7.3%-10%	A significant increase may result in lower fair value
		EBITDA growth coefficient		2%-3.5%	A significant increase may result in higher fair value
allotment certificates	net asset value	Expected CF from fund	2,389	Investment based	A significant increase may result in higher fair value

The effect of the remeasurement of fair values of the Level 3 financial assets as a result of an increase or decrease of some of the inputs used on the calculation of fair values is shown below:

in millions of CZK	Effect on profit or loss Increase	Effect on profit or loss Decrease	Effect on OCI Increase	Effect on OCI Decrease
Bonds 2021				
change in risk-free rates by 1%	(35)	37	(103)	108
change in credit markups by 1%	(37)	39	(103)	108
Shares 2021				
change in discount rates by 1%	(1)	2	–	–
change in EBITDA by 5%	–	–	–	–
Bonds 2020				
change in risk-free rates by 1%	(18)	19	(109)	116
change in credit markups by 1%	(18)	19	(128)	138
Shares 2020				
change in discount rates by 1%	(1)	2	–	–
change in EBITDA by 5%	–	–	–	–

9. Repurchase and resale agreements

(a) Resale agreements (reverse repurchase agreements)

The Group purchases financial assets under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Ownership title to the securities is transferred to the Group, or the entity which is a loan provider. Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2021 and 31 December 2020, assets purchased pursuant to the agreements to resell them were as follows:

in millions of CZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks (note 5)	64,984	66,128	up to 1 month	66,197
Loans and other advances to customers (note 10)	167	111	up to 1 month	111
Loans and other advances to customers (note 10)	565	349	up to 3 months	354
Loans and other advances to customers (note 10)	4,465	2,113	over 3 months	2,117
Total as at 31 December 2021	**70,181**	**68,701**		**68,779**

in millions of CZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks (note 5)	37,433	38,091	up to 1 month	38,094
Loans and other advances to customers (note 10)	890	545	up to 1 month	547
Loans and other advances to customers (note 10)	2,240	1,376	up to 3 months	1,385
Total as at 31 December 2020	**40,563**	**40,012**		**40,026**

(b) Repurchase agreements

Transactions where securities are sold under a repurchase agreement (repurchase transaction) at a predetermined price are accounted for as loans collateralised by the securities. Ownership title to securities is transferred to the Bank, or the entity which is a loan provider. Securities transferred under repurchase agreements are reported within the respective items of securities in the Group's statement of financial position. The amount received from the transfer of securities under repurchase agreements is presented under "Deposits and loans from banks" or "Deposits from customers".

in millions of CZK	Fair value of assets provided as collateral	Carrying amount of liability	Repurchase date	Repurchase price
Loans from banks (note 19)	24	21	up to 1 month	21
Loans from banks (note 19)	4,322	3,732	up to 3 years	3,685
Total as at 31 December 2021	**4,346**	**3,753**		**3,706**
Loans from banks (note 19)	126	119	up to 1 month	119
Total as at 31 December 2020	**126**	**119**		**119**

10. Loans and other advances to customers at amortised cost

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Stage 3 - POCI	Net carrying amount
Loans and advances to customers and overdraft	76,071	(363)	(477)	(3,128)	(50)	72,053
Receivables from reverse repurchase agreements with customers	2,573	–	–	–	–	2,573
Margin lending (debits)	17,729	–	–	–	–	17,729
Receivables from provided finance leases	807	(7)	(2)	(39)	–	759
Other receivables	158	(1)	–	(115)	(2)	40
Total as at 31 December 2021	**97,338**	**(371)**	**(479)**	**(3,282)**	**(52)**	**93,154**

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Stage 3 - POCI	Net carrying amount
Loans and advances to customers and overdraft	70,994	(870)	(308)	(2,586)	(103)	67,127
Receivables from reverse repurchase agreements with customers	1,921	–	–	–	–	1,921
Margin lending (debits)	29,224	–	–	–	–	29,224
Receivables from provided finance leases	361	(1)	–	(35)	–	325
Other receivables	206	(4)	–	(2)	(2)	198
Total as at 31 December 2020	**102,706**	**(875)**	**(308)**	**(2,623)**	**(105)**	**98,795**

The amount of non-interest bearing loans as at 31 December 2021 totalled CZK 188 million (2020: CZK 385 million). Thereof, loans acquired from former Podnikatelská banka of CZK 37 million remain subject to bankruptcy proceedings (2020: CZK 37 million) or loans that are overdue, do not bear interest and are subject to recovery. 100% allowances are established for these receivables.

The contractual weighted average interest rate on loans to customers was 5.25% (2020: 4.79%).

For further information about loans and advances to customers refer to note 11.

11. Expected credit losses

a) Cash, cash equivalents and due from banks and other financial institutions

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**6**	**–**	**–**	**–**	**6**
Net change in credit risk	(4)	–	–	–	(4)
New financial assets originated or purchased	1	–	–	–	1
Financial assets derecognised during the period	(1)	–	–	–	(1)
Total as at 31 December 2021	**2**	**–**	**–**	**–**	**2**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**8**	**—**	**—**	**—**	**8**
Net change in credit risk	4	—	—	—	4
New financial assets originated or purchased	1	—	—	—	1
Financial assets derecognised during the period	(7)	—	—	—	(7)
Total as at 31 December 2020	**6**	**—**	**—**	**—**	**6**

b) Loans and advances to customers at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**875**	**308**	**2,623**	**105**	**3,911**
Transfers:					
– transfers to Stage 1	9	(7)	(2)	—	—
– transfers to Stage 2	(122)	123	(1)	—	—
– transfers to Stage 3	(225)	(40)	265	—	—
Net change in credit risk	(555)	235	944	(35)	589
Changes due to modification without derecognition	10	(68)	9	10	(39)
New financial assets originated or purchased	597	—	—	—	597
Unwind of discount	—	—	1	(6)	(5)
Financial assets derecognised during the period	(189)	(29)	(255)	(13)	(486)
Write-offs/Use of allowances	(1)	(26)	(224)	(7)	(258)
Acquisitions through business combinations	1	—	—	—	1
Foreign exchange rate movements	(29)	(17)	(78)	(2)	(126)
Total as at 31 December 2021	**371**	**479**	**3,282**	**52**	**4,184**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**229**	**117**	**2,372**	**102**	**2,820**
Transfers:					
– transfers to Stage 2	(90)	94	(4)	—	—
– transfers to Stage 3	(6)	(68)	73	1	—
Net change in credit risk	550	196	644	15	1,405
Changes due to modification without derecognition	71	6	229	(1)	305
New financial assets originated or purchased	241	—	—	1	242
Unwind of discount	—	—	(62)	4	(58)
Financial assets derecognised during the period	(103)	(31)	(631)	(1)	(766)
Write-offs/Use of allowances	—	—	—	(8)	(8)
Foreign exchange rate movements	(17)	(6)	2	(8)	(29)
Total as at 31 December 2020	**875**	**308**	**2,623**	**105**	**3,911**

Write-offs and the use of allowances for the year ended 31 December 2021 amounted to CZK 258 (2020: CZK 8 million), mainly comprising the use of an allowance for loans of CZK 86 million (2020: CZK 16 million), to which allowances of CZK 171 million (2020: CZK 7 million) were established at the time of sale. The remaining part of the decrease in allowances accounts for the release of an allowance reported in "Financial assets derecognised during the period".

c) Financial assets at fair value through other comprehensive income

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**76**	**67**	**–**	**–**	**143**
Transfers:					
– transfers to Stage 2	(74)	74	–	–	–
Net change in credit risk	(58)	(56)	–	–	(114)
New financial assets originated or purchased	143	–	–	–	143
Financial assets derecognised during the period	(35)	–	–	–	(35)
Foreign exchange rate movements	(1)	(4)	–	–	(5)
Total as at 31 December 2021	**51**	**81**	**–**	**–**	**132**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**10**	**40**	**–**	**–**	**50**
Net change in credit risk	39	28	–	–	67
New financial assets originated or purchased	31	–	–	–	31
Financial assets derecognised during the period	(3)	–	–	–	(3)
Foreign exchange rate movements	(1)	(1)	–	–	(2)
Total as at 31 December 2020	**76**	**67**	**–**	**–**	**143**

d) Financial assets at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**3**	**–**	**–**	**–**	**3**
Net change in credit risk	(14)	–	–	–	(14)
New financial assets originated or purchased	13	–	–	–	13
Total as at 31 December 2021	**2**	**–**	**–**	**–**	**2**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**–**	**5**	**–**	**–**	**5**
Transfers:					
– transfers to Stage 1	3	(3)	–	–	–
Net change in credit risk	–	(1)	–	–	(1)
Foreign exchange rate movements	–	(1)	–	–	(1)
Total as at 31 December 2020	**3**	**–**	**–**	**–**	**3**

e) Financial commitments and guarantees

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**51**	**5**	**51**	**—**	**107**
Transfers					
– transfers to Stage 2	(22)	22	—	—	—
– transfers to Stage 3	(21)	—	21	—	—
Net change in credit risk	(160)	(22)	16	—	(166)
New financial assets originated or purchased	182	—	—	—	182
Financial assets derecognised during the period	(7)	(2)	(6)	—	(15)
Foreign exchange rate movements	(1)	—	(3)	—	(4)
Total as at 31 December 2021	**22**	**3**	**79**	**—**	**104**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**19**	**6**	**6**	**—**	**31**
Transfers					
– transfers to Stage 3	(3)	—	3	—	—
Net change in credit risk	31	(1)	42	—	72
New financial assets originated or purchased	38	—	—	—	38
Financial assets derecognised during the period	(32)	—	—	—	(32)
Foreign exchange rate movements	(2)	—	—	—	(2)
Total as at 31 December 2020	**51**	**5**	**51**	**—**	**107**

f) Other assets

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**—**	**16**	**—**	**—**	**16**
Net change in credit risk	—	1	—	—	1
New financial assets originated or purchased	—	8	—	—	8
Financial assets derecognised during the period	—	(1)	—	—	(1)
Write-offs/Use of allowances	—	(1)	—	—	(1)
Acquisitions through business combinations	—	1	—	—	1
Total as at 31 December 2021	**—**	**24**	**—**	**—**	**24**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**—**	**23**	**1**	**—**	**24**
New financial assets originated or purchased	—	1	—	—	1
Financial assets derecognised during the period	—	(4)	(1)	—	(5)
Foreign exchange rate movements	—	(4)	—	—	(4)
Total as at 31 December 2020	**—**	**16**	**—**	**—**	**16**

12. Gross carrying amount of financial assets

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**89,325**	**6,535**	**6,307**	**539**	**102,076**
Transfers:					
– transfers to Stage 1	77	(19)	(58)	–	–
– transfers to Stage 2	(4,882)	4,882	–	–	–
– transfers to Stage 3	(1,621)	(18)	1,639	–	–
Partial repayment of the principal / drawing of loan during the reporting period (/+)	(1,215)	546	92	(43)	(620)
Movement in interest – accrued less paid (except for full repayment)	204	(20)	(21)	(40)	123
Increase due to origination and acquisition – gross	43,122	–	–	26	43,148
Financial assets derecognised during the period	(43,407)	(1,856)	(715)	(39)	(46,017)
Depreciation and sale of receivables	(1)	(26)	(224)	(7)	(258)
Changes due to modification without derecognition (net)	10	(68)	9	10	(39)
Acquisitions through business combinations	187	–	–	–	187
Foreign exchange rate movements	(1,506)	(210)	(153)	(23)	(1,892)
Total as at 31 December 2021	**80,293**	**9,746**	**6,876**	**423**	**97,338**

"Increase due to origination and acquisition – gross" for Stage 3 – POCI amounting to CZK 26 million represents loans with significant modifications, measured at fair value. The original impact of modification of CZK 3 million was recognised in profit or loss.

Gross carrying amount of debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**5,109**	**1,459**	**–**	**–**	**6,568**
Transfers:					
– transfers to Stage 2	(387)	387	–	–	–
Fair value adjustment to OCI – relevant only for FA at FVOCI	(81)	9	–	–	(72)
Movement in interest – accrued less paid (except for full repayment)	26	8	–	–	34
Increase due to origination and acquisition – gross	2,949	–	–	–	2,949
Financial assets derecognised during the period	(3,132)	(142)	–	–	(3,274)
Foreign exchange rate movements	(48)	(153)	–	–	(201)
Total as at 31 December 2021	**4,436**	**1,568**	**–**	**–**	**6,004**

Gross carrying amount of securities at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**231**	**–**	**–**	**–**	**231**
Movement in interest – accrued less paid (except for full repayment)	14	–	–	–	14
Increase due to origination and acquisition – gross	4,523	–	–	–	4,523
Financial assets derecognised during the period	(11)	–	–	–	(11)
Foreign exchange rate movements	4	–	–	–	4
Total as at 31 December 2021	**4,761**	**–**	**–**	**–**	**4,761**

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**61,187**	**4,276**	**5,173**	**504**	**71,140**
Transfers:					
– transfers to Stage 1	21	(1)	(20)	–	–
– transfers to Stage 2	(5,486)	5,880	(394)	–	–
– transfers to Stage 3	(1,578)	(409)	1,960	27	–
Partial repayment of the principal / drawing of loan during the reporting period (/+)	922	(83)	441	(15)	1,265
Movement in interest – accrued less paid (except for full repayment)	224	(5)	(64)	20	175
Increase due to origination and acquisition – gross	56,006	–	–	31	56,037
Financial assets derecognised during the period	(22,032)	(3,124)	(1,028)	(20)	(26,204)
Depreciation and sale of receivables	–	–	–	(8)	(8)
Changes due to modification without derecognition (net)	71	6	229	(1)	305
Acquisitions through business combinations	5	3	–	–	8
Foreign exchange rate movements	(15)	(8)	10	1	(12)
Total as at 31 December 2020	**89,325**	**6,535**	**6,307**	**539**	**102,706**

"Increase due to origination and acquisition – gross" for Stage 3 – POCI amounting to CZK 31 million represents loans with significant modifications, measured at fair value. The original impact of modification of CZK -1 million was recognised in profit or loss.

Gross carrying amount of debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**4,904**	**1,695**	**–**	**–**	**6,599**
Fair value adjustment to OCI – relevant only for FA at FVOCI	25	3	–	–	28
Partial repayment of the principal / drawing of loan during the reporting period (/+)	(45)	–	–	–	(45)
Movement in interest – accrued less paid (except for full repayment)	6	(1)	–	–	5
Increase due to origination and acquisition – gross	2,404	–	–	–	2,404
Financial assets derecognised during the period	(1,785)	(297)	–	–	(2,082)
Foreign exchange rate movements	(400)	59	–	–	(341)
Total as at 31 December 2020	**5,109**	**1,459**	**–**	**–**	**6,568**

Gross carrying amount of securities at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**215**	**77**	**–**	**–**	**292**
Transfers:					
– transfers to Stage 1	64	(64)	–	–	–
Movement in interest – accrued less paid (except for full repayment)	4	6	–	–	10
Increase due to origination and acquisition – gross	19	–	–	–	19
Financial assets derecognised during the period	(17)	(10)	–	–	(27)
Foreign exchange rate movements	(54)	(9)	–	–	(63)
Total as at 31 December 2020	**231**	**–**	**–**	**–**	**231**

13. Investment property

Investment property as at 31 December 2021 primarily include a building of Interznanie OAO totalling CZK 308 million (2020: CZK 291 million) and a building of Rustonka Development II s.r.o. totalling CZK 504 million (2020: CZK 500 million).

Investment property is classified as Level 3 according to fair value hierarchy. Investment fair value is determined based on the independent expert opinion, assuming expected income and valuation of similar properties that have been analysed using the relevant market parameters available at valuation date (see section 3 (g) – Investment property).

The following overview shows information about significant unobservable inputs used to measure assets classified at Stage 3 as at 31 December 2021:

Type of asset	Valuation technique	Significant unobservable input	FV as at 31/12/2021	Range of estimates	FV measurement sensitivity to unobservable inputs
Investment property	income (DCF) comparison approach	Price per sq. m	830	CZK/m² 79,790 – 129,630	A significant movement may increase/ decrease the fair value of an instrument

As at 31 December 2020:

Type of asset	Valuation technique	Significant unobservable input	FV as at 31/12/2020	Range of estimates	FV measurement sensitivity to unobservable inputs
Investment property	income (DCF) comparison approach	Price per sq. m	793	CZK/m² 76,920 – 128,537	A significant movement may increase/ decrease the fair value of an instrument

in millions of CZK	2021	2020
1 January	**793**	**429**
Changes as a result of acquisitions	–	500
Transfer to assets	15	(1)
Additions	16	–
Disposals	–	(51)
Revaluation (note 33)	29	–
Effects of movements in foreign exchange	(23)	(84)
Total as at 31 December	**830**	**793**

Investment property was fully insured as at 31 December 2021 and as at 31 December 2020.

Rental income from investment property of CZK 31 million (2020: CZK 13 million) was reported in Other operating income. Operating expenses directly attributable to investment property of CZK 4 million (2020: CZK 6 million) were reported in Other operating expenses.

14. Property, plant and equipment

in millions of CZK	Land and buildings	Fixtures, fittings and equipment	Right-of-use assets Land and buildings	Right-of-use assets Equipment - cars	Total
Acquisition cost					
1 January 2020	313	118	270	22	723
Additions	4	11	10	3	28
Additions from acquisitions	2,000	174	—	—	2,174
Disposals	(19)	(22)	(5)	(4)	(50)
Transfer from investment property	1	—	—	—	1
Effects of movements in foreign exchange	(45)	(7)	3	—	(49)
Effect of changes in reassessment or modification of lease liabilities (+/-)	—	—	32	3	35
Transfer to Disposal groups held for sale	(73)	—	—	—	(73)
31 December 2020	**2,181**	**274**	**310**	**24**	**2,789**
Accumulated depreciation					
1 January 2020	62	70	85	8	225
Additions	20	6	90	9	125
Disposals	(17)	(20)	(4)	(3)	(44)
Effects of movements in foreign exchange	(5)	(4)	—	—	(9)
Utilisation	—	—	(1)	—	(1)
31 December 2020	**60**	**52**	**170**	**14**	**296**
Acquisition cost					
1 January 2021	2,181	274	310	24	2,789
Additions	13	11	55	6	85
Disposals	(36)	(6)	(105)	(6)	(153)
Transfer from investment property	(15)	—	—	—	(15)
Effects of movements in foreign exchange	(91)	(23)	(10)	(1)	(125)
Effect of changes in reassessment or modification of lease liabilities (+/-)	—	—	53	1	54
31 December 2021	**2,052**	**256**	**303**	**24**	**2,635**
Accumulated depreciation					
1 January 2021	60	52	170	14	296
Additions	53	32	41	8	134
Disposals	(27)	(4)	(104)	(6)	(141)
Effects of movements in foreign exchange	(2)	(1)	(3)	—	(6)
31 December 2021	**84**	**80**	**104**	**16**	**284**
Net book value					
31 December 2020	**2,121**	**222**	**140**	**10**	**2,493**
31 December 2021	**1,968**	**176**	**199**	**8**	**2,351**

Property is insured against theft and natural disaster.

15. Intangible assets and goodwill

in millions of CZK	Software	Other intangible assets	Goodwill	Total
Acquisition cost				
1 January 2020	649	149	427	1,225
Additions	69	3	–	72
Additions from acquisitions	–	3	–	3
Disposals	(32)	(17)	–	(49)
Effects of movements in foreign exchange	(2)	–	(48)	(50)
31 December 2020	**684**	**138**	**379**	**1,201**
Amortisation and impairment losses				
1 January 2020	545	130	394	1,069
Additions	43	2	–	45
Disposals	(32)	–	–	(32)
Effects of movements in foreign exchange	(1)	–	(48)	(49)
31 December 2020	**555**	**132**	**346**	**1,033**
Acquisition cost				
1 January 2021	684	138	379	1,201
Additions	146	8	4	158
Additions from acquisitions	1	1	–	2
Disposals	(49)	(1)	–	(50)
Effects of movements in foreign exchange	(5)	–	2	(3)
31 December 2021	**777**	**146**	**385**	**1,308**
Amortisation and impairment losses				
1 January 2021	555	132	346	1,033
Additions	54	1	–	55
Disposals	(1)	–	–	(1)
Additions from acquisitions	1	1	–	2
Effects of movements in foreign exchange	(2)	–	2	–
31 December 2021	**607**	**134**	**348**	**1,089**
Carrying amount				
31 December 2020	**129**	**6**	**33**	**168**
31 December 2021	**170**	**12**	**37**	**219**

In 2021, the value of goodwill increased due to the purchase of a 100% share in Leasing-Medicine Ltd. in the form of a business combination in accordance with IFRS 3. In 2020, no increase in the value of goodwill was identified (see note 49).

Based on impairment testing, no impairment losses on goodwill were accounted for in 2021 and 2020 (see note 4).

16. Leases

(a) Leases entered into as lessee

The Group accounts for leases pursuant to IFRS 16.

(b) Leases entered into as lessor

Operating lease The Group mainly reports liabilities from leases associated with the Rustonka building, owned by Rustonka Development II s.r.o., member of the Group since December 2020. Rustonka Development II s.r.o. has a lease agreement with its sister company outside the Group that has also entered into a sublease agreement with similar parameters with other companies in the Group. The Group's management believes it is legally permissible for companies included in the consolidation group to offset lease-related receivables and payables as well as related lease income and expenses even though the leases are conducted through a sister company outside the Group. Therefore, at the end of 2021 and 2020, the Group performed an offset within prepaid expenses and deferred revenues in the balance sheet used by individual companies to report expenses / revenues incurred for specific building modifications in accordance with the requirements of the Group's parent company, which were paid at the beginning of the tenancy relationship.

Expected receivables from operating lease payments (excluding the rent in the Rustonka building for the above reasons) are shown in the following table.

in millions of CZK	31/12/2021	31/12/2020
Up to one year	46	46
Total	**46**	**46**

The Group provides to its clients finance leases for various assets (e.g. cars, machinery, equipment, etc.). The expected lease payments are shown in the following table.

in millions of CZK	31/12/2021
Gross amount of a finance lease receivable	
Up to one year	472
1 year to 2 years	257
2 years to 3 years	119
3 years to 4 years	31
4 years to 5 years	18
Over 5 years	3
Total	**901**
Unrealized revenue	(94)
Present value of future lease payments	**807**
Expected credit losses	(48)

in millions of CZK	31/12/2020
Gross amount of a finance lease receivable	
Up to one year	160
1 year to 2 years	103
2 years to 3 years	68
3 years to 4 years	29
4 years to 5 years	18
Over 5 years	16
Total	**394**
Unrealized revenue	(33)
Present value of future lease payments	**361**
Expected credit losses	(36)

17. Prepayments, accrued income and other assets

in millions of CZK	31/12/2021	31/12/2020
Other trade receivables	403	254
Receivables from customers from securities trading	3,986	669
Advance paid on profit share	445	–
Other receivables	162	95
Prepayments and accrued income	742	296
Receivables from fees for portfolio management	–	68
Advance payments – other	56	141
Other tax receivables	4	1
Allowances for impairment of other assets	(24)	(16)
Total	**5,774**	**1,508**

As at 31 December 2021, other trade receivables include fees for the issue of bonds and promissory notes of CZK 75 million (2020: CZK 17 million) and a large number of low-value items that are separately immaterial.

Receivables from customers from securities trading increased in 2021 due to higher volume of customer trades around the year-end compared with the end of 2020.

Most other assets are measured at amortised cost; the gross carrying amount of CZK 5,798 million is included in Stage 2, excepting CZK 449 million (2020: CZK 13 million) assigned to Stage 1 and CZK 5 million (2020: CZK 1 million) assigned to Stage 3. Changes in allowances for other assets are disclosed in note 11.

18. Disposal groups held for sale

in millions of CZK	31/12/2021	31/12/2020
J&T Ostravice Active Life UPF	64	64
J&T DIVIDEND Fund	–	310
Property, plant and equipment	50	146
Total	**114**	**520**

In 2021, a vote of J&T Ostravice Active life UPF shareholders took place. The shareholders approved the redemption of allotment certificates, which will take place in 2022. The redemption of the allotment certificates will reduce the Group's interest in the fund.

In 2020, J&T Dividend Fund was reclassified from financial assets mandatorily at fair value through profit or loss to assets held for sale owing to the Group’s intention to actively sell the respective assets to clients on the market during the course of 2021. The fund’s majority stake was sold out during the course of 2021.

Property, plant and equipment represent collateralised assets provided to secure credit receivables. It is expected that these assets will be sold within one year to satisfy receivables from unpaid loans.

19. Deposits and loans from banks

in millions of CZK	31/12/2021	31/12/2020
Deposits from central banks	–	498
Deposits from banks	1,519	1,820
Loans from banks – repurchase agreements (note 9)	3,753	119
Total	**5,272**	**2,437**

Deposits from banks include current deposits, term deposits and other financial liabilities. The contractual weighted average interest rate on liabilities to banks as at 31 December 2021 was 0.50% (2020: 2.29%).

20. Deposits from customers

in millions of CZK	31/12/2021	31/12/2020
Current accounts	44,501	33,933
Term deposits and escrow accounts	109,645	104,577
Other liabilities	184	110
Total	**154,330**	**138,620**

The contractual weighted average interest rate on liabilities to banks was 0.66% (2020: 1.15%).

21. Subordinated debt

in millions of CZK	31/12/2021	31/12/2020
Subordinated debt – term deposits	73	224
Total	**73**	**224**

in millions of CZK	2021	2020
Interest expense for subordinated debt:	6	31
– of which interest paid	3	21

The subordinated debt – term deposits from customers with a maturity up to 2025 bear an interest rate 6.10% and 6.50% p.a.

The subordinated debt was approved by the national regulator as a part of the capital for regulatory purposes.

22. Other liabilities and financial liabilities at fair value through profit or loss

Other liabilities

in millions of CZK	31/12/2021	31/12/2020
Payables to clients from securities trading	12,164	7,454
Estimated payables, accruals and deferred income	233	331
Trade payables	188	238
Payables to employees	52	43
Social security liabilities	22	20
Lease liabilities	208	150
– up to one year	45	37
– over 1 year	163	113
Other tax liabilities	66	65
Advance received on profit share	439	–
Other liabilities	307	456
Total	**13,679**	**8,757**

Payables to clients from securities trading increased at the end of 2021 due to higher volume of customer trades around the year-end compared with the end of 2020.

Other liabilities primarily include payables from clearing of CZK 26 million (2020: CZK 81 million) and incoming and outgoing payments from nostro accounts of CZK 2 million (2020: CZK 4 million) and other minor items.

Financial liabilities at fair value through profit or loss

in millions of CZK	31/12/2021	31/12/2020
Financial liabilities at fair value through profit or loss	459	30
Total	**459**	**30**

Financial liabilities at fair value through profit or loss include liabilities from short sales, settled during January 2022.

23. Provisions

in millions of CZK	31/12/2021	31/12/2020
Provision for employee bonuses	1,261	1,391
Other provisions	4	33
Provision for loyalty programmes – customers	28	28
Provision for off-balance sheet items (loan commitments and guarantees)	104	107
Stage 1	22	51
Stage 2	3	5
Stage 3	79	51
Provision for loyalty programmes – employees	7	2
Total	**1,404**	**1,561**

A provision for employee bonuses is established in relation to the approval of Group employees' annual bonuses. The annual bonus is defined as variable benefit component of employee remuneration which the company may grant and pay to an employee in proportion to his/her job performance in the evaluated period, most commonly a year. It also comprises bonuses with deferred due payment.

Other provisions are short-term and expected to be utilised within 12 months after the reporting date.

in millions of CZK	Balance as at 01/01/2021	Additions/ Creation	Use/ Release	Foreign exchange differences	Balance as at 31/12/2021
Employee bonuses	1,391	766	(877)	(19)	1,261
Other provisions	33	1	(30)	–	4
Loyalty programmes – customers	28	–	–	–	28
Off-balance sheet items	107	183	(182)	(4)	104
Loyalty programmes – employees	2	9	(4)	–	7
Total	**1,561**	**959**	**(1,093)**	**(23)**	**1,404**

24. Equity

in millions of CZK	31/12/2021	31/12/2020
The share capital has been fully paid up and consists of:		
10,637,126 ordinary shares with a nominal value of CZK 1,000/share	10,637	10,637
700,000 ordinary shares with a nominal value of CZK 1.43/share	1	1
Total share capital	**10,638**	**10,638**

The Group does not provide any employee incentive scheme involving the option to buy own shares, or remuneration in the form of equity options.

The allocation of the profit will be approved at the general meeting. The Group's management assumes that a relevant part of profit will be transferred to the special-purpose capital fund for the distribution of revenue from certificates that are part of the Group's equity and the remaining part will be used based on a decision and approval by a general meeting.

Retained earnings

Retained earnings are distributable to the Group's shareholders and are subject to the approval of the shareholders' general meeting. As at 31 December 2021, retained earnings amounted to CZK 11,866 million (2020: CZK 9,820 million). For details related to retained earnings, refer to the Consolidated statement of changes in equity.

Capital funds

Capital funds consist of a reserve fund, non-distributable fund, statutory fund and other capital funds.

As at 31 December 2021, capital funds amounted to CZK 59 million (2020: CZK 56 million).

Translation and revaluation reserve

Translation and revaluation reserve comprises items arisen from the following:

- changes in the fair value of financial assets available for sale;
- all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The sum of translation and revaluation reserve was negative as at 31 December 2021, amounting to CZK 1,871 million (2020: CZK -1,816 million).

Other equity instruments and Perpetuity fund

On 19 June 2014, the Czech National Bank approved the issue prospectus for revenue certificates with an expected total nominal amount of CZK 1,000 million and interest revenue of 10% p.a.

On 12 September 2015, the Czech National Bank approved the prospectus for the second issue of revenue certificates with an expected total nominal amount of CZK 1,000 million and interest revenue of 9% p.a.

On 11 December 2015, the Czech National Bank approved the prospectus for the third issue of revenue certificates with an expected total nominal amount of EUR 50 million and interest revenue of 9% p.a.

On 10 August 2021, the Czech National Bank approved the issue prospectus for revenue certificates with an expected total nominal amount of CZK 1,300 million and interest revenue of 6.5% p.a.

As at 31 December 2021, the volume of issued certificates was CZK 3,897 million (2020: CZK 2,597 million).

On 30 June 2014, the Group's Board of Directors also approved the establishment of a special-purpose capital fund for the payment of revenue from certificates of CZK 100 million (Perpetuity fund). This fund was created from retained earnings. In 2021, the Bank transferred another CZK 242 million (2020: CZK 242 million) within the distribution of profit for 2020. The payment of revenue from certificates depends on a decision of the Group as the issuer and is governed by the conditions defined in the prospectus. In 2021, revenue of CZK 230 million (2020: CZK 244 million) was distributed from this fund. As at 31 December 2021, the special-purpose capital fund for the payment of revenue from certificates amounted to CZK 174 million (2020: CZK 162 million).

25. Non-controlling interest

in millions of CZK	2021	2020
J&T Bank, a.o.	1	1
Interznanie, OAO	(3)	(3)
TERCES MANAGEMENT LIMITED	5	5
J&T REALITY, o.p.f.	513	518
J&T banka d.d.	(10)	(10)
Colorizo Investment, a.s.	949	422
J&T VENTURES I o.p.f.	5	14
J&T DIVIDEND Fund	–	133
Total	**1,460**	**1,080**

The following table provides information on companies from the consolidated Group that have a significant non-controlling interest.

31/12/2021

in millions of CZK	J&T REALITY, o.p.f.	J&T banka d.d.	Colorizo Investment, a.s.
Non-controlling interest	46.92%	3.97%	47.37%[1]
Assets	1,127	2,688	1,678
Liabilities	34	2,307	562
Net assets	**1,093**	**381**	**1,116**
Carrying amount of non-controlling interest	513	(10)	949
Income	79	107	676
Profit for the period	(11)	10	663
Total profit/loss for the period	**(11)**	**10**	**663**
Profit/loss for the period attributable to non-controlling interest	(5)	–	527[2]
Cash flows from operating activities	(13)	(130)	(150)
Cash flows from financing activities	–	49	306
Cash flows from investing activities	–	(1)	–
Increase / (decrease) in cash and cash equivalents	(13)	(82)	156

1 47.37% share corresponds to the share of voting rights, non-controlling interest in net assets is described in the Articles of Association of Colorizo Investments a.s. and is nonlinear.
2 47.37% represents the share of voting rights. The non-controlling interest in the Profit for the accounting period is 80%.

31/12/2020

in millions of CZK	J&T REALITY, o.p.f.	J&T banka d.d.	Colorizo Investment, a.s.	J&T DIVIDEND Fund
Non-controlling interest	46.92%	3.97%	47.37%	43.23%
Assets	1,135	3,639	973	310
Liabilities	31	3,242	516	1
Net assets	**1,104**	**397**	**457**	**309**
Carrying amount of non-controlling interest	518	(10)	422	133
Income	77	106	189	–
Profit for the period	7	(58)	160	–
Total profit/loss for the period	**7**	**(58)**	**160**	**–**
Profit/loss for the period attributable to non-controlling interest	3	(2)	127	–
Cash flows from operating activities	(13)	(5)	(5)	–
Cash flows from financing activities	–	10	3	–
Increase in cash and cash equivalents	(13)	5	(1)	–

26. Income tax

Income tax for 2021 was calculated in accordance with Czech tax regulations at the rate of 19% (2020: 19%). The corporate income tax rate for 2022 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax regulations. The tax paid by the branch in Slovakia is offset against the income tax for the Group as a whole paid in the Czech Republic. The income tax rate in Slovakia is 21 % (2020: 21%). In 2022, the income tax rate in Slovakia will be 21%.

Effects of different tax rates applicable to the individual subsidiaries are taken into account when calculating the total income tax and are presented in line "Effect of tax rates in foreign jurisdictions". The corporate income tax rate in Russia for 2021 is 20% (2020: 20%). The corporate income tax rate in Croatia for 2021 is 18% (2020: 18%).

The management believes that it has adequately provided for the tax liabilities in the accompanying consolidated financial statements.

Reconciliation of the expected income tax expense is as follows:

in millions of CZK	2021	2020
Profit before tax	3,303	2,002
Income tax using income tax rate (19%)	627	380
Reconciliation:		
Effect of tax rates in foreign jurisdictions	5	–
Non-taxable income	(277)	(180)
Non-deductible expenses	144	128
Other	–	8
Total income tax	**499**	**336**
Effective tax rate	15.1%	16.8%
of which:		
Income tax – deferred	(28)	104
Income tax – current	(471)	(440)

The main adjustments when calculating the taxable profit from the accounting profit relate to tax exempt income to be deducted from, and tax non-deductible expenses to be added to the tax base. The main non-deductible expenses are tax non-deductible allowances for receivables, provisions, gifts and entertainment expenses.

27. Deferred tax asset

The following deferred tax assets and liabilities have been recognised:

in millions of CZK	31/12/2021	31/12/2020
Difference between the carrying and tax value of property, plant and equipment and intangible assets	–	2
Financial assets at fair value through other comprehensive income	19	(1)
Financial assets at FVTPL	(4)	(6)
Investment property	(58)	(52)
Allowances for credit receivables	33	26
Tax losses	1	27
Provision for bonuses and untaken holidays	220	247
Other temporary differences	33	40
Net deferred tax asset	**244**	**283**

Total deferred tax of CZK 244 million (31 December 2020: CZK 283 million) comprises a net deferred tax liability of CZK 82 million (31 December 2020: CZK 99 million) and a net deferred tax asset of CZK 326 million (31 December 2020: CZK 382 million) arising at the level of the Bank and other companies of the Group.

The deferred tax asset or liability is calculated using the 2021 corporate income tax rate, i.e. 19%; 20% for J&T Bank, a.o., 18% for J&T banka d.d., and 21% for the Bank's Slovak branch (2020: 19%, 20%, 18% and 21%).

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax assets in 2021.

in millions of CZK	31/12/2021	31/12/2020
Deferred tax liability, net as at 31 December	283	159
Deferred tax expense/revenue in the period (see note 26)	(28)	104
Deferred tax recognised in equity	(5)	(3)
Foreign exchange differences	(6)	23
Deferred tax asset	**244**	**283**

Deferred tax assets were not recognised for:

in millions of CZK	2021	2020
Tax losses carried forward	106	185

Expiration of unrecognised tax losses is as follows:

in millions of CZK	2022	After 2022
Tax loss for 2020	7	178
Tax loss for 2021	18	88

Deferred tax asset for tax losses carried forward is only recognised to the extent that it is probable that taxable profit will be available in the future.

28. Interest income

in millions of CZK	2021	2020
Interest income from:		
Due from financial institutions	66	63
Loans and advances to customers	4,949	4,234
Reverse repurchase transactions	678	570
Bonds and other fixed income securities	506	448
Total	**6,199**	**5,315**

Interest income from "Loans and advances to customers" includes fees associated with the provision of loans of CZK 289 million (2020: CZK 135 million) that are part of effective interest rate.

Interest income by asset classes

in millions of CZK	2021	2020
Interest income from:		
Financial assets at fair value through profit or loss:		
– financial assets held for trading	147	159
Finance lease receivables	72	47
Other interest income	**219**	**206**
Financial assets at FVOCI	310	280
Financial assets at amortised cost	49	9
Loans and other advances at amortised cost	5,621	4,820
– of which:		
unpaid interest on impaired loans	250	256
unpaid interest on loans with forbearance	14	21
Interest income calculated using effective interest rate	**5,980**	**5,109**
Total	**6,199**	**5,315**

29. Interest expense

in millions of CZK	2021	2020
Interest expense on:		
Deposits and loans from banks	(54)	(14)
Deposits from customers	(1,641)	(1,597)
Lease liabilities	(4)	(4)
Repurchase transactions	(35)	(26)
Total	**(1,734)**	**(1,641)**

Interest expense by liability classes

in millions of CZK	2021	2020
Interest expense on:		
Financial liabilities at amortised cost	(1,734)	(1,641)
Total	**(1,734)**	**(1,641)**

30. Fee and commission income

All fee and commission income is recognised in compliance with IFRS 15 Revenue from Contracts with Customers.

The following overview presents the segmentation of fee and commission income by the Group's business segments:

31/12/2021

in millions of CZK	Banks CR	Banks SR	Banks RU	Banks HR	Asset management	Real estate	Total
from issues and administration of securities	359	44	–	–	–	–	403
from trading of financial instruments	362	57	1	1	10	–	431
for management, administration, depository services	219	1	–	–	523	–	743
from administrative services for collective investment	142	13	–	–	–	1	156
from lending activity	94	11	5	–	–	–	110
for payment services	52	19	11	–	–	–	82
other	19	3	1	5	–	–	28
Total	**1,247**	**148**	**18**	**6**	**533**	**1**	**1,953**

31/12/2020

in millions of CZK	Banks CR	Banks SR	Banks RU	Banks HR	Asset management	Real estate	Total
from issues and administration of securities	308	43	–	–	–	–	351
from trading of financial instruments	361	38	1	1	–	21	422
for management, administration, depository services	153	–	–	–	312	–	465
from administrative services for collective investment	113	8	–	–	–	2	123
from lending activity	39	15	11	–	–	–	65
for payment services	58	10	15	–	–	–	83
other	12	3	–	8	–	–	23
Total	**1,044**	**117**	**27**	**9**	**312**	**23**	**1,532**

31. Fee and commission expense

in millions of CZK	2021	2020
Fee and commission expense on:		
transactions in financial instruments	(247)	(227)
administration, custody and safekeeping of valuables	(51)	(45)
mediation of payment transactions	(26)	(32)
other	(24)	(25)
Total	**(348)**	**(329)**

32. Net trading income

in millions of CZK	2021	2020
Realised/unrealised gains on securities	(293)	264
Net income /(loss) on derivative operations	(406)	1,080
Net profit/(loss) from foreign currency translation	(264)	(403)
Dividend income	830	44
Total	**(133)**	**985**

The increase of dividend income in 2021 is due to dividends on financial assets mandatorily at fair value in the amount of CZK 771 million (2020: CZK 1 million). The revaluation of these financial assets was recorded against these revenues due to the decrease of the net present value of these assets.

in millions of CZK	2021	2020
Financial assets and liabilities at fair value through profit or loss:		
– those held for trading	(545)	1,149
– financial assets voluntarily at fair value	–	1
– financial assets mandatorily at fair value	634	212
Financial assets at fair value through other comprehensive income	42	26
Foreign exchange differences	(264)	(403)
Total	**(133)**	**985**

33. Other operating income

in millions of CZK	2021	2020
Revenues from services and consulting	66	74
Rental income from investment property	31	13
Revenues from revaluation of investment property (note 33)	29	—
Income from rendered operating leases	4	4
Rental income	6	8
Income from sale of ownership interests (note 49)	6	—
Other income	65	40
Total	**207**	**139**

Other income of CZK 65 million as at 31 December 2021 (2020: CZK 40 million) comprises a high number of low-value items that are separately immaterial.

34. Personnel expenses

in millions of CZK	2021	2020
Wages and salaries	(796)	(916)
Remuneration paid to key management personnel	(172)	(118)
Compulsory social security contributions	(283)	(248)
Other social expenses	(97)	(84)
Total	**(1,348)**	**(1,366)**
Average number of employees during the reporting period	**875**	**816**

As at 31 December 2021, the board of directors of the Group's parent company had 5 members (2020: 5).

35. Other operating expenses

in millions of CZK	2021	2020
Rental expense	(145)	(143)
of which recognition exemption applied under IFRS 16		
– lease of low-value assets	(53)	(36)
– short-term leases	(32)	(53)
Contributions to Deposit Insurance Fund	(52)	(54)
Contributions to Crisis Resolution Fund	(91)	(81)
Taxes and charges	(31)	(84)
Operating costs:		
Outsourcing	(392)	(319)
Advertising expenses and promotion	(190)	(165)
Repairs and maintenance – IS, IT	(42)	(43)
Audit, legal and tax consulting	(65)	(59)
– statutory audit of the annual financial statements	(27)	(17)
– other assurance services	(6)	(8)
– tax advisory	(3)	(2)
– other services	(35)	(33)
Expenses related to rented premises	(16)	(22)
Consulting expenses	(80)	(46)
Sponsorship and gifts	(29)	(126)
Communication expenses	(22)	(22)
Materials	(16)	(17)
Transport and accommodation, travel expenses	(8)	(10)
Expenses related to investment property	(5)	(5)
Other operating expenses	(203)	(207)
Total	**1,387**	**(1,401)**

Other operating expenses of CZK 203 million as at 31 December 2021 (2020: CZK 207 million) include many sundry items that are not significant on an individual basis.

While monetary payments of the principal of a lease liability amounted to CZK 48 million (2020: CZK 96 million), monetary payments of the interest part of the lease liability amounted to CZK 5 million (2020: CZK 5 million).

The Crisis Resolution Fund is a source for the use of crisis resolution tools at the Bank as parent company, the use of which may be proposed by the Czech National Bank in situations when it is feasible, credible and in the public interest. This fund does not serve for direct payouts of deposit compensation.

Taxes and charges include a special bank levy to the Slovak Tax Authority for the Slovak branch of the Bank. This levy does not fall within the scope of IAS 12 Income Taxes and, consequently, the Group considers the levy to be operational in nature. On 9 July 2020, the National Council of the Slovak Republic approved an act amending certain laws in connection with the improvement of the business environment affected by measures to prevent the spread of dangerous infectious human disease Covid-19, also abolishing the obligation to pay bank levy instalments for Q3 and Q4 2020. In 2021, the levy was canceled.

36. Analysis of changes in liabilities from financial cash flows

in millions of CZK	Subordinated debt	Lease liabilities
Balance as at 1 January 2020	**809**	**195**
Changes in financial cash flows		
Repayment of subordinated debt	(598)	–
Lease liabilities paid	–	(96)
Total changes in financial cash flows	**(598)**	**(96)**
Foreign exchange differences	**22**	**6**
Other changes	**–**	**45**
Related changes	**–**	**–**
Interest expense	22	4
Interest paid	(31)	(4)
Total related changes and liabilities	**(9)**	**–**
Balance as at 31 December 2020	**224**	**150**
Balance as at 1 January 2021	**224**	**150**
Changes in financial cash flows		
Repayment of subordinated debt	(143)	–
Lease liabilities paid	–	(48)
Total changes in financial cash flows	**(143)**	**(48)**
Foreign exchange differences	**(3)**	**(8)**
Other changes	**–**	**114**
Related changes		
Interest expense	6	4
Interest paid	(11)	(4)
Total related changes and liabilities	**(5)**	**–**
Balance as at 31 December 2021	**73**	**208**

Other changes in the lease liability include new lease contracts (note 14) and the effects of lease adjustments.

37. Financial commitments and contingencies

Financial commitments and contingencies comprise:

in millions of CZK	Stage 1	Stage 2	Stage 3	Total 2021
Unused credit lines	10,498	333	331	11,162
Granted guarantees	1,486	75	202	1,763

in millions of CZK	Stage 1	Stage 2	Stage 3	Total 2020
Unused credit lines	5,374	266	382	6,022
Granted guarantees	1,875	80	118	2,073

Clients' assets taken into custody and administration as at 31 December 2021 amounted to CZK 127,590 million (2020: CZK 101,651 million).

38. Segment information

(a) Business segments

Information on business segments is disclosed in note 3(o).

31/12/2021

in millions of CZK	Banking CR	Banking SR	Banking RU	Banking HR	Asset management	Real estate	Other	Total
Net interest income	4,055	(114)	287	84	89	(13)	77	4,465
Inter-segment	(444)	474	—	(6)	(1)	(4)	(19)	—
Net fee and commission income	931	135	10	4	525	—	—	1,605
Inter-segment	148	—	—	5	(151)	—	—	2
Net trading income	(23)	2	(19)	10	7	(6)	(98)	(127)
Inter-segment	(16)	—	—	—	—	7	13	4
Other operating income	(83)	1	27	19	(5)	180	68	207
Inter-segment	(35)	44	(27)	—	(8)	27	3	4
Operating income	**4,880**	**24**	**305**	**116**	**616**	**161**	**47**	**6,150**
Other significant non-cash items								
Net change in provisions for off-balance sheet items and other financial activities	(6)	5	1	—	—	—	—	—
Net change in allowances for impairment of financial assets at amortised cost	(520)	62	(16)	13	(86)	—	(32)	(578)
Profit from interests in joint ventures and investments in associates	—	—	—	—	—	653	1	654
Profit before tax	**2,463**	**(293)**	**83**	**13**	**417**	**709**	**(89)**	**3,303**
Asset segment	**182,071**	**4,709**	**5,942**	**2,652**	**1,759**	**4,532**	**1,586**	**203,251**
Liability segment	**142,309**	**26,341**	**3,872**	**2,012**	**89**	**2,256**	**149**	**177,028**

31/12/2020

in millions of CZK	Banking CR	Banking SR	Banking RU	Banking HR	Asset management	Real estate	Other	Total
Net interest income	3,301	(111)	256	68	94	12	54	3,674
Inter-segment	(531)	580	(8)	(10)	(6)	(7)	(19)	(1)
Net fee and commission income	755	105	17	7	319	—	—	1,203
Inter-segment	97	—	—	9	(97)	—	—	9
Net trading income	714	6	152	11	—	(10)	17	890
Inter-segment	(24)	(2)	—	—	—	—	(4)	(30)
Other operating income	8	2	19	9	—	19	82	139
Inter-segment	(12)	24	(31)	—	(11)	31	(1)	—
Operating income	**4,778**	**2**	**444**	**95**	**413**	**21**	**153**	**5,906**
Other significant non-cash items								
Net change in provisions for off-balance sheet items and other financial activities	(86)	(4)	1	—	—	—	—	(89)
Net change in allowances for impairment of financial assets at amortised cost	(770)	(183)	(38)	(10)	(53)	(3)	1	(1,056)
Profit from interests in joint ventures and investments in associates	—	—	—	—	—	169	—	169
Profit before tax	**1,993**	**(557)**	**184**	**(52)**	**281**	**148**	**5**	**2,002**
Asset segment	**156,271**	**2,080**	**5,551**	**3,522**	**2,232**	**4,092**	**1,289**	**175,037**
Liability segment	**119,142**	**24,655**	**3,469**	**3,088**	**575**	**1,502**	**69**	**152,500**

Basic ratios of entities within the Group are as follows:

31/12/2021

in millions of CZK	Average no. of employees	Total assets	Income	Profit / loss before tax	Tax
J&T BANKA, a.s. (branch)	140	27,284	835	228	(36)
J&T INVESTIČNÍ SPOLEČNOST, a.s.	28	478	525	258	(49)
ATLANTIK finanční trhy, a.s.	4	111	294	2	–
J&T IB and Capital Markets, a.s.	8	340	65	(79)	16
J&T Bank, a.o.	155	6,490	489	115	(21)
Interznanie, OAO	19	430	52	11	(2)
J&T banka d.d.	58	2,688	132	10	–
J&T Leasingová společnost, a.s.	22	1,373	86	(13)	(2)
J&T REALITY o.p.f.	–	1,127	79	(11)	–
TERCES MANAGEMENT LIMITED	–	526	–	(1)	–
Colorizo Investment, a.s.	–	1,678	676	667	(4)
Rustonka Development II s.r.o.	–	2,605	159	59	(15)
J&T VENTURES I u.p.f.	–	228	–	(1)	(1)
ALTERNATIVE UPRAVLJANJE d.o.o.	–	30	–	–	–

*Figures for OAMP Distribution s.r.o., OAMP Infrastructure s.r.o., OAMP Holding s.r.o., OAMP Hall 2 s.r.o., OAMP Hall 4 s.r.o., OAMP Hall 5 s.r.o., OAMP Hall 6 s.r.o., CI Joint Venture s.r.o, Industrial Center CR 11 s.r.o. And Leasing-Medicine Ltd (Lizing-Medicina ooo), i.e. companies that are also part of the Group, are part of the figure for companies exercising direct control over them.

31/12/2020

in millions of CZK	Average no. of employees	Total assets	Income	Profit / loss before tax	Tax
J&T BANKA, a.s. (branch)	133	25,346	902	64	(47)
J&T INVESTIČNÍ SPOLEČNOST, a.s.	25	318	331	151	(29)
ATLANTIK finanční trhy, a.s.	2	850	385	10	(3)
J&T IB and Capital Markets, a.s.	9	336	52	30	3
J&T Bank, a.o.	124	5,980	490	72	(13)
Interznanie, OAO	19	414	52	7	(2)
J&T banka d.d.	67	3,639	124	(57)	(1)
J&T Leasingová společnost, a.s.	17	1,082	82	(45)	–
J&T REALITY o.p.f.	–	1,135	77	7	–
TERCES MANAGEMENT LIMITED	–	513	3	3	–
Colorizo Investment, a.s.	–	972	188	159	–
Rustonka Development II s.r.o.	–	2,716	–	–	–
J&T VENTURES I u.p.f.	–	262	–	–	–
ALTERNATIVE UPRAVLJANJE d.o.o.	–	31	–	–	–

*Figures for OSTRAVA AIRPORT MULTIMODAL PARK s.r.o., CI Joint Venture s.r.o. and Logistics Park Nošovice a.s., which are also part of the Group, are included in the figure for companies exercising direct control

None of the entities within the Group was granted any public aid.

Stated accounting balances are before consolidation adjustments.

(b) Geographical segments

In presenting information on the basis of geographical areas, revenue/expense is based on the customer/counterparty's country of domicile and assets/liabilities are based on the geographical location of the assets/liabilities.

More details about splitting the credit risk for loans according to the actual loan purpose and location are comprised in note 41d.

Statement of financial position as at 31 December 2021:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Cash, cash equivalents and due from banks and other financial institutions	68,197	3,501	1,723	523	73,944
Securities and positive fair value of derivatives	12,437	3,256	6,567	3,152	25,412
Investment in associates and joint ventures	939	—	—	—	939
Loans and other advances to customers	29,090	5,907	50,333	7,838	93,168
Current income tax receivable	165	7	—	2	174
Deferred tax asset	255	70	1	—	326
Investment property	522	—	2	306	830
Property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	7,431	236	335	342	8,344
Disposal groups held for sale	64	—	21	29	114
Total assets	**119,100**	**12,977**	**58,982**	**12,192**	**203,251**
Deposits and loans from banks	1,121	221	3,752	178	5,272
Deposits from customers	94,799	24,551	30,357	4,623	154,330
Negative fair value of derivatives	554	29	1,114	2	1,699
Subordinated debt	21	52	—	—	73
Current income tax liability	30	—	—	—	30
Deferred tax liability	9	—	—	73	82
Other liabilities and equity	34,171	1,082	7,898	(1,386)	41,765
Total equity and liabilities	**130,705**	**25,935**	**43,121**	**3,490**	**203,251**

Exposures to Russia and Ukraine mainly represent securities and positive fair value of derivatives in the amount of CZK 2,895 million and loans and other receivables from clients in the amount of CZK 1,694 million. Among liabilities to these countries, the largest item is deposits from clients in the amount of CZK 3,657 million.

The negative value in the line Other liabilities and equity is mainly due to exchange rate differences from exchange rates recalculations of foreign currency holdings.

Statement of financial position as at 31 December 2020:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Cash, cash equivalents and due from banks and other financial institutions	39,947	2,143	1,230	550	43,870
Securities and positive fair value of derivatives	11,591	4,330	7,001	2,742	25,664
Investment in associates and joint ventures	701	–	–	–	701
Loans and other advances to customers	25,034	7,736	56,882	9,143	98,795
Current income tax receivable	79	43	–	21	143
Deferred tax asset	300	82	–	–	382
Investment property	500	–	2	291	793
Property, plant and equipment, intangible assets, goodwill, prepayments, accrued income and other assets	3,516	146	276	231	4,169
Disposal groups held for sale	64	–	394	62	520
Total assets	**81,732**	**14,480**	**65,785**	**13,040**	**175,037**
Deposits and loans from banks	145	1,513	626	153	2,437
Deposits from customers	85,116	23,861	24,914	4,729	138,620
Negative fair value of derivatives	310	1	221	232	764
Subordinated debt	153	1	70	–	224
Current income tax liability	7	–	–	–	7
Deferred tax liability	3	–	–	96	99
Disposal groups held for sale	–	–	1	–	1
Other liabilities and equity	30,798	902	2,703	(1,518)	32,885
Total equity and liabilities	**116,532**	**26,278**	**28,535**	**3,692**	**175,037**

Exposures to Russia and Ukraine mainly represent securities and positive fair value of derivatives in the amount of CZK 2,555 million and loans and other receivables from clients in the amount of CZK 1,961 million. Among liabilities to these countries, the largest item is deposits from clients in the amount of CZK 3,331 million.

The negative value in the line Other liabilities and equity is mainly due to exchange rate differences from the translation of foreign currency investments.

Statement of comprehensive income for the year ended 31 December 2021:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Net interest income	1,167	310	2,304	684	4,465
Net fee and commission income	941	203	437	24	1,605
Net additions to loss allowances for financial assets at fair value through other comprehensive income	(9)	36	(19)	(2)	6
Net trading income	653	414	(321)	(879)*	(133)
Other operating income	87	27	58	35	207
Operating income	**2,839**	**990**	**2,459**	**(138)**	**6,150**
Personnel expenses	(891)	(267)	(60)	(130)	(1,348)
Other operating expenses	(1,011)	(185)	(70)	(121)	(1,387)
Depreciation and amortisation	(133)	(27)	(14)	(9)	(183)
Net change in loss allowances for property, plant and equipment	—	—	(5)	—	(5)
Profit before allowances, provisions and income tax	**804**	**511**	**2,310**	**(398)**	**3,227**
Net change in allowances for impairment of financial assets at amortised cost	(297)	(595)	349	(35)	(578)
Profit before tax, excluding profit from equity accounted investees	**507**	**(84)**	**2,659**	**(433)**	**2,649**
Profit from equity accounted investees, net of tax	654	—	—	—	654
Profit before tax	**1,161**	**(84)**	**2,659**	**(433)**	**3,303**

*The item mainly includes a position against the United Kingdom in the negative amount of CZK 634 million and Switzerland in the negative amount of CZK 157 million.

Statement of comprehensive income for the year ended 31 December 2020:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Net interest income	1,022	256	1,785	611	3,674
Net fee and commission income	662	172	333	36	1,203
Net additions to loss allowances for financial assets at fair value through other comprehensive income	(15)	(82)	1	1	(95)
Net trading income	428	530	202	(175)	985
Other operating income	60	13	28	38	139
Operating income	**2,157**	**889**	**2,349**	**511**	**5,906**
Personnel expenses	(1,048)	(120)	(57)	(141)	(1,366)
Other operating expenses	(889)	(320)	(63)	(129)	(1,401)
Depreciation and amortisation	(101)	(27)	(23)	(10)	(161)
Profit before allowances, provisions and income tax	**119**	**(422)**	**2,206**	**231**	**2,978**
Net change in loss allowances for off-balance sheet items and other financial activities	(78)	(8)	(3)	—	(89)
Net change in allowances for impairment of financial assets at amortised cost	(119)	(437)	(401)	(99)	(1,056)
Profit before tax, excluding profit from equity accounted investees	**(78)**	**(23)**	**1,802**	**132**	**1,833**
Loss from equity accounted investees, net of tax	169	—	—	—	169
Profit before tax	**91**	**(23)**	**1,802**	**132**	**2,002**

39. Related parties: General

The outstanding balances and transactions with related parties of the Group are with presented in the following tables. All material transactions with related parties were carried out based on the arm's length principle.

The transactions with the related parties are divided into the following categories:

I. Parent company J&T FINANCE GROUP SE.

II. Majority owners of J&T FINANCE GROUP SE Jozef Tkáč and Ivan Jakabovič and companies they own. These companies do not prepare consolidated financial statements that would include the Group, with the exception of J&T FINANCE GROUP SE.

III. Subsidiaries This category includes the subsidiaries of J&T FINANCE GROUP SE outside the Group that are included in the consolidated financial statements

IV. Associates and joint-ventures. This category includes associates and joint ventures of the Group and J&T FINANCE GROUP SE.

V. Key management personnel of the Group or its parent and companies controlled or jointly controlled by this key management personnel. This category includes related parties which are connected to the Group through key management personnel of the Group or its parent.

On-balance and off-balance sheet items as at 31/12/2021

in millions of CZK	I.	II.	III.	IV.	V.	Total
Receivables	4	184	1,447	789	867	3,291
Liabilities	5,742	392	953	508	496	8,091
Granted guarantees	–	–	–	–	1	1
Received guarantees	–	–	42	–	–	42
Provided loan commitments	1,417	1	100	799	37	2,354
Received collateral	–	135	313	647	162	1,257
Profit / loss items for period ended 31/12/2021						
Expenses	(1,048)	(1)	(1,474)	–	(44)	(2,567)
Income	853	8	1,240	62	129	2,292

On-balance and off-balance sheet items as at 31/12/2020

in millions of CZK	I.	II.	III.	IV.	V.	Total
Receivables	219	117	2,156	793	1,197	4,483
Liabilities	765	116	1,367	80	987	3,315
Granted guarantees	–	–	–	–	6	6
Received guarantees	–	–	42	–	–	42
Provided loan commitments	116	1	88	–	33	238
Provided collateral	–	–	18	–	–	18
Received collateral	–	48	330	793	550	1,720
Profit / loss items for period ended 31/12/2020						
Expenses	(1,078)	–	(1,726)	–	(144)	(2,948)
Income	1,162	4	1,370	72	133	2,741

Receivables from related parties consist primarily of loans and overdrafts.

Payables to related parties especially include term deposits, deposits payable on demand, savings and tied deposits.

Revenues and expenses consist mainly of gains / losses on currency derivatives, interest income, income from fees and commission and brokering fees.

Receivables/payables from/to key management personnel

in millions of CZK	2021	2020
Provided loans	23	12
Deposits received	183	44

The members of the Board of Directors, Supervisory Board, Executive Board for the CR, Executive Board for the SR and Investment Instrument Committee represent the Group's key executives.

The Group'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.

Loans to the Group's employees as at 31 December 2021 amounted to CZK 95 million (2020: CZK 84 million). The loans provided to key management personnel were provided on the arm's length basis.

40. Risk management policies and disclosures

The strategy, main goals and processes

The fundamental goal of risk management is profit maximization with respect to the risk taken, while considering the Group's risk appetite.

In doing so, it must be ensured that the outcome of Group activities is predictable and in compliance with both business goals and risk appetite of the Group.

In order to meet this goal, the risks faced by the Group are managed in a quality and prudential manner within the framework of the Group:

- In terms of the above, risks are monitored, assessed and eventually limited, at least as strictly as required by the Czech National Bank. The internal limits are regularly reviewed (especially in the case of significant changes of market conditions) to ensure their compliance with both the Group's overall strategy and market and credit conditions. The adherence to the limits is monitored and reported daily (on an individual basis). In case of their potential breach, the Group immediately adopts appropriate remedial measures.
- The Group establishes goals for capital adequacy that it wants to attain over a specified time horizon (i.e. the level to which risks should be covered by capital) and threshold limits below which capital adequacy cannot decrease.
- The Group establishes targets for selected indicators of liquidity that it wants to achieve in a specified time horizon, and certain limits, below which the system of liquidity indicators cannot decrease.
- The Group establishes goals for other selected risk indicators (the risk of excessive leverage, the credit risk, the concentration risk, operational risk etc.) and threshold limits below which the system of indicators cannot decrease.

All internal limits have been approved independently of business units of the Group. The key indicators (capital adequacy ratio, liquidity and other risk categories) and their limits are part of the Group's Risk Appetite Statement.

41. Credit risk

The Group's primary exposure to credit risk arises through its loans and advances and financial assets. The amount of credit exposure in this regard is represented by the carrying amounts of the assets in the statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through commitments and guarantees to extend credit.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Forbearance

The Group monitors quality of loan receivables to customers according to categories performing and non-performing exposures forborne and non-forborne. 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 the financial institutions prepared in accordance with International Financial Reporting Standards.

Forbearance is an exposure where the Group decides, due to 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 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 result of debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Performing and non-performing exposures may also be recognised as exposures without concession provided no modification of terms and conditions or refinancing was made in respect to the given receivable.

Performing exposures comprise primarily exposures classified in Stage 1 and 2. Non-performing exposures comprise receivables with debtor's failure classified in Stage 3 Under special conditions defined by EBA, exposures in Stage 2 might also be categorised as non-performing exposures. If more than 20% of total debtor's exposure is overdue more than 90 days, the Group shall include all of the debtor's balance sheet and off-balance sheet exposures as non-performing. The Group also evaluates the classification of debtors from the same group of related parties to verify the condition for being classified as non-performing exposure.

As at 31/12/2021

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Performing exposures	90,039	(850)	89,189
– of which performing exposures forborne	5,827	(239)	5,588
Non-performing exposures	7,299	(3,334)	3,965
– of which non-performing exposures forborne	4,931	(2,129)	2,802
Total	**97,338**	**(4,184)**	**93,154**

As at 31/12/2020

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Performing exposures	95,860	(1,183)	94,677
– of which performing exposures forborne	6,145	(273)	5,872
Non-performing exposures	6,846	(2,728)	4,118
– of which non-performing exposures forborne	5,850	(2,288)	3,562
Total	**102,706**	**(3,911)**	**98,795**

in millions of CZK	2021	2020
Share of exposures forborne in the total loans provided to customers	9.01%	9.55%
Share of non-performing exposures in total loans to customers	4.26%	4.17%

(b) Concentration of loans to customers by economic sector

As at 31/12/2021

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Not forborne			
Non-financial institutions	53,951	(1,572)	52,379
Financial institutions	30,025	(174)	29,851
Households	2,604	(70)	2,534
Total	**86,580**	**(1,816)**	**84,764**
Forborne			
Non-financial institutions	9,494	(2,270)	7,224
Financial institutions	1,143	(18)	1,125
Households	121	(80)	41
Total	**10,758**	**(2,368)**	**8,390**

As at 31/12/2020

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Not forborne			
Non-financial institutions	58,773	(1,129)	57,644
Financial institutions	29,766	(131)	29,635
Households	2,172	(90)	2,082
Total	**90,711**	**(1,350)**	**89,361**
Forborne			
Non-financial institutions	10,667	(2,417)	8,250
Financial institutions	1,150	(60)	1,090
Households	178	(84)	94
Total	**11,995**	**(2,561)**	**9,434**

(c) Concentration of loans to customers by industry

in millions of CZK	2021	2020
Real estate activities	23,562	17,942
Wholesale and retail	11,868	9,885
Financial activities	9,523	11,576
Cultural, sports, entertainment and recreation activities	8,965	9,810
Production and distribution of electricity, gas and heat	7,841	4,637
Construction	7,050	7,779
Accommodation and food service activities	5,424	4,990
Manufacturing	4,537	5,927
ICT	4,510	5,131
Administrative and support service activities	1,960	2,606
Transportation and storage	1,396	11,628
Private households and employed persons	1,190	1,441
Professional, scientific and technological activities	1,178	1,462
Mining, quarrying and agriculture	1,156	1,226
Healthcare and social work	669	655
Water supply, services relating to water, waste management and redevelopment	611	617
Education	83	73
Agriculture, forestry and fishing	68	106
Other	1,563	1,304
Total	**93,154**	**98,795**

(d) Concentration of loans to customers by location

in millions of CZK	2021	2020
Czech Republic	29,076	25,034
Cyprus	17,285	16,944
Luxembourg	15,026	24,326
Germany	6,699	2,807
Slovakia	5,907	7,736
Croatia	3,464	3,957
Austria	3,010	3,768
Switzerland	2,970	3,438
Great Britain	1,874	1,512
The Netherlands	1,695	2,435
Russia	1,694	1,851
Poland	1,272	842
France	973	1,039
Cayman Islands	871	517
Malta	613	427
Maldives	328	356
Ireland	183	221
Monaco	3	366
Guernsey – Channel Islands	–	956
Other	211	263
Total	**93,154**	**98,795**

(e) Concentration of loans to customers by location of project implementation and collateral

in millions of CZK	2021	2020
Czech Republic	44,002	39,752
Croatia	6,694	4,443
Slovakia	6,568	7,586
Germany	6,404	1,581
Great Britain	3,909	13,487
France	3,602	7,852
Austria	3,269	4,861
USA	3,037	943
Spain	2,602	1,212
Ukraine	1,899	1,824
Luxembourg	1,724	3,513
Russia	1,694	1,850
Slovenia	1,362	1,546
China	1,274	4,801
Poland	1,272	843
Moldova	991	–
Hungary	871	517
Tanzania	499	–
Cyprus	488	543
The Netherlands	430	466
Maldives	329	356
Greece	136	36
Malta	–	63
Monaco	–	362
Other	98	358
Total	**93,154**	**98,795**

The concentration of credit risk arising from repurchase agreements and loans to clients of brokers reflects the counterparty risk associated with securities and cash received as collateral.

(f) Credit risk associated with provided loans and repurchase agreements

As at 31 December 2021

in millions of CZK	Loans to banks	Repurchase agreements – financial institutions	Loans to customers	Debits and repurchase agreements – customers
Stage 1 and 2 – individually				
Gross amount	7,391	66,318	69,600	20,303
Expected credit losses	(2)		(848)	
Stage 1 and 2 – collectively				
Gross amount	–	–	136	–
Expected credit losses	–	–	(2)	–
Stage 3 and POCI – individually				
Gross amount	–	–	7,299	–
Expected credit losses	–	–	(3,334)	–
Total	**7,389**	**66,318**	**72,851**	**20,303**
Stage 1 and 2 – by maturity				
– to maturity date	7,389	66,318	68,880	20,203
– up to 1 month past due	–	–	4	–
– 1-3 months past due	–	–	2	–
Stage 3 and POCI – by maturity				
– to maturity date	–	–	3,143	–
– up to 1 month past due	–	–	1	–
– 1-3 months past due	–	–	28	–
– 3-6 months past due	–	–	127	–
– 6-12 months past due	–	–	161	–
– more than 12 months past due	–	–	505	–
Total	**7,389**	**66,318**	**72,851**	**20,303**

As at 31 December 2020

in millions of CZK	Loans to banks	Repurchase agreements – financial institutions	Loans to customers	Debits and repurchase agreements – customers
Stage 1 and 2 – individually				
Gross amount	5,422	38,091	64,717	31,143
Expected credit losses	(6)	–	(1,183)	–
Stage 1 and 2 – collectively				
Gross amount	–	–	–	–
Expected credit losses	–	–	–	–
Stage 3 and POCI – individually				
Gross amount	–	–	6,844	2
Expected credit losses	–	–	(2,728)	–
Total	**5,416**	**38,091**	**67,650**	**31,145**
Stage 1 and 2 – by maturity				
– to maturity date	5,416	38,091	63,459	31,143
– up to 1 month past due	–	–	60	–
– 1-3 months past due	–	–	1	–
– 3-6 months past due	–	–	14	–
Stage 3 and POCI – by maturity				
– to maturity date	–	–	3,663	–
– up to 1 month past due	–	–	2	–
– 3-6 months past due	–	–	342	–
– 6-12 months past due	–	–	24	2
– more than 12 months past due	–	–	85	–
Total	**5,416**	**38,091**	**67,650**	**31,145**

The part of the receivables that is not past due is presented in the line "To maturity date" and the Group does not assume any problems with the counterparty's payment behaviour. Receivables past due are reported in the appropriate columns according to their maturity.

The following table summarises receivables by internal rating.

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Risk category					
Very low risk	1,890	–	–	–	1,890
Low risk	3,574	90	–	–	3,664
Medium risk	51,790	6,837	–	–	58,627
High risk	2,736	2,819	–	–	5,555
Failed	–	–	6,876	423	7,299
Debits and reverse repurchase agreements – without rating	20,303	–	–	–	20,303
ECL	(372)	(479)	(3,283)	(50)	(4,184)
Total as at 31 December 2021	**79,921**	**9,267**	**3,593**	**373**	**93,154**

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Risk category					
Very low risk	2,184	14	–	–	2,198
Low risk	5,058	148	–	–	5,206
Medium risk	50,013	6,249	–	–	56,262
High risk	927	124	46	–	1,097
Failed	–	1	6,258	539	6,798
Debits and reverse repurchase agreements – without rating	31,143	–	2	–	31,145
ECL	(875)	(308)	(2,623)	(105)	(3,911)
Balance as at 31 December 2020	**88,450**	**6,228**	**3,683**	**434**	**98,795**

(g) Sensitivity analysis for expected credit losses

The optimistic and pessimistic scenario reflects the amount of expected credit losses on a change of LGD by 10% and a change of GDP by 1%.

in millions of CZK	Optimistic	Elementary	Pessimistic
Change in LGD			
ECL 2021	(3,836)	(4,184)	(4,477)
ECL 2020	(3,615)	(3,911)	(4,228)
Change in LGD			
ECL 2021	(4,092)	(4,184)	(4,319)
ECL 2020	(3,888)	(3,911)	(3,942)

(h) Collateral and credit enhancements for provided loans and repurchase agreements

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in millions of CZK	Carrying amount of collateral Stage 1 and 2	Fair value of collateral Stage 1 and 2	Carrying amount of collateral Stage 3	Fair value of collateral Stage 3
To maturity date:	**113,874**	**127,133**	**1,938**	**2,056**
– Guarantees	3,640	4,675	–	–
– Promissory notes	104	433	–	–
– Real estate	13,837	17,448	1,857	1,975
– Cash deposits	4,059	4,065	26	26
– Securities	19,591	20,267	–	–
– Other	2,462	10,062	55	55
– Securities received under reverse repurchase agreements	70,181	70,183	–	–
Past due:	**–**	**–**	**64**	**105**
– Real estate	–	–	62	102
– Other	–	–	2	3

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in millions of CZK	Carrying amount of collateral Stage 1 and 2	Fair value of collateral Stage 1 and 2	Carrying amount of collateral Stage 3	Fair value of collateral Stage 3
To maturity date:	**94,423**	**106,429**	**2,436**	**2,686**
– Guarantees	2,874	4,673	–	–
– Promissory notes	189	967	–	–
– Real estate	13,736	16,769	2,259	2,426
– Cash deposits	3,424	3,489	–	–
– Securities	32,158	34,255	67	134
– Other	1,482	5,716	110	126
– Securities received under reverse repurchase agreements	40,560	40,560	–	–
Past due:	**195**	**322**	**181**	**269**
– Real estate	195	322	179	264
– Other	–	–	2	5

The carrying value represents the collateral value adjusted by the collateral stress coefficient. The carrying value is limited by the carrying value of receivable. The fair value is not adjusted by the stress coefficient and is not limited by the carrying amount of a receivable.

Collateral value is monitored and revised on regular basis.

The carrying value of securities received under reverse repurchase agreements is represented in the quoted market price of the securities.

(i) Credit risk processes

Evaluating the risk of failure of a counterparty is based on a credit analysis, processed by the Credit Risk Management department. These analyses provide conclusions for prompt measures when the counterparty's credit situation worsens or if the counterparty fails to comply with contractual conditions.

The results from the credit development analyses are reported to the Board of Directors or respective committee, which decides on adjustments of limits or relations with the counterparty (e.g. in the form of closing or limiting positions or adjustment of limits).

Credit risk of trading book is monitored on daily basis, while credit risk of banking book is monitored on regular basis, at least once a month.

The level of risk is assessed by the Credit Risk Management department If the set internal credit limits (trading portfolio exposure, derivative transactions, margin trading) are breached, the Financial Markets Dept. is informed, in order to ensure the compliance of the risk exposure with the limits. In certain pre-determined cases, the Board of Directors or members of the Investment Instrument Committee also get informed.

(j) Credit risk monitoring

Assessment of the credit risk in respect of counterparty or an issued debt instrument is based on an internal rating of the Group. The rating is determined using the credit scale of either S&P or Moody's. If the counterparties or their debt are not externally rated, an internal rating is assigned based on the Group's scoring system.

The Group's scoring system has thirteen rating levels based on a standardized point evaluation of relevant criteria, which describe the financial position of the contractual party and its ability and willingness to fulfil its credit obligations – in both cases including the expected development, as well as proposed conditions for effecting the transaction.

The Group also evaluates financial and non-financial indicators that may not be monitored within the scoring system.

(k) Credit risk measurement

The Group regularly analyses and monitors credit risk of the trading book. At portfolio level, credit risk of the trading book is managed primarily based on the IRB (Internal Rating Based) methodology.

In order to assess the impact of extremely unfavourable credit conditions, the Group performs credit development analyses. This enables identification of sudden potential changes in the values of open positions of the Group that might arise as a result of events that are improbable, but possible.

For the trading portfolio, an impact of a sudden drop of credit rating by one level on open positions in bonds is evaluated.

in millions of CZK	2021	2020
Decrease of the trading portfolio value due to a rating migration by one credit class	160	131

(in the Standard & Poor's scale)

(l) Risk management of customer trades

The Group prevents the possibility of a credit exposure arising from customer trades, i.e. trades which are transacted on the customer's account and where the Group has the role of a commissioner (customer trades such as spot buy, spot sell, sell / buy or buy / sell) as follows:

1. The amount of the customer collateral is continuously held higher than the amount of the customer loan at least by a pre-specified minimum required haircut. The level of this haircut is assigned to every instrument.
2. Should the current collateralization of the customer portfolio fall below 30% of the minimum required haircut, the Group closes all of the customer's positions immediately.
3. The Group accepts only instruments of specified minimal creditworthiness as collateral for customer trades.

In addition, the Group also restricts the total volume of individual instruments used as collateral.

42. Liquidity risk

Liquidity risk represents a risk that the Group is not able to meet its commitments as they are becoming mature. The Group is required to report a system of indicators to the Czech National Bank, which is done on a regular basis. The Group's effort in terms of liquidity risk is to diversify its sources of funding so as to decrease the degree of risk emerging from specific source cut-off and hence forego problems.

The Group performs everyday monitoring of their liquidity position to indicate potential liquidity problems. The analysis takes into account all sources of funding that the Group is using as well as obligations the Group has to pay. For the purpose of sufficient liquidity reserve the Group holds sufficient amount of highly liquid instruments (such as government bonds and similar securities), maintains balances with central banks on a reasonable level and collects short-term receivables.

The Group assorts all cash flows into time frames according to maturities of the instruments to which the cash flows relate, and subsequently observes the resulting cumulative liquidity profile which is crucial for sound liquidity risk management. Such an analysis is also done for cash flows denominated in currencies different from CZK.

Three scenarios are used in terms of liquidity risk management:

A) Expected scenarios

B) Alternative scenarios

C) Stress scenarios

Alternative Scenarios are based on stress imposed on components that might be negatively affected when liquidity problems crisis starts to approach.

For the purposes of measuring liquidity risk on the basis of the scenarios, liquidity indicators are evaluated and their compliance with adopted internal / external limits is monitored on a daily basis. When an actual or possible breach of the adopted internal / external liquidity limits is identified, Asset and Liability Management Committee (ALCO) is informed to ensure compliance with the set limits. In pre-determined cases, the information is passed to the Board of Directors.

The Group has an emergency plan for liquidity management that establishes the procedures applied in the case of possible liquidity crisis. The decision-making power is given by internal rules to the Board of Directors.

a) Liquidity risk as at 31 December 2021

The table shows the liquidity risk based on remaining contractual maturity dates.

in millions of CZK	Carrying amount	Total contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity
Assets							
Cash, cash equivalents and due from banks and other financial institutions	73,944	74,073	73,817	9	247	—	—
Securities (excl. derivatives)	24,272	27,128	264	1,058	12,928	2,950	9,928
Loans and advances to customers	93,168	104,786	28,160	20,043	46,726	9,819	38
Total	**191,384**	**205,987**	**102,241**	**21,110**	**59,901**	**12,769**	**9,966**
Off balance							
Bank commitments	11,162	11,162	1,935	3,848	1,582	3,797	—
Bank guarantees	1,763	1,763	1,763	—	—	—	—
Liabilities							
Deposits and loans from banks	5,272	5,385	448	88	4,846	3	—
Deposits from customers	154,330	156,185	96,454	27,898	30,742	434	657
Subordinated debt	73	87	4	1	82	—	—
Lease liabilities	208	214	13	34	138	29	—
Total	**159,883**	**161,871**	**96,919**	**28,021**	**35,808**	**466**	**657**
Net liquidity position	**31,501**	**44,116**	**5,322**	**(6,911)**	**24,093**	**12,303**	**9,309**
Cumulative liquidity position	**—**	**—**	**5,322**	**(1,589)**	**22,504**	**34,807**	**44,116**

Expected maturity

In general, contractual cash flows represent expected contractual future cash flows of financial instruments. Occasionally, the expected maturity 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 Group regularly monitors the period and percentage of deposits that remain available and those that are prolonged. These ratios are used for managing the liquidity risk.

For loans, in the worst-case scenario, the latest possible repayment date is assumed, which is based on latest expected completion date of each particular project. The latest expected completion date may differ from contractual maturity date.

Loans whose refinancing is already being negotiated are recognised based on the expected refinancing date.

The expected maturity of other financial assets and liabilities not disclosed below is similar to their contractual maturity.

Expected maturity

in millions of CZK	Carrying amount	Contractual cash inflows / (outflows)	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity
Assets							
Loans and other advances to customers	93,154	105,569	27,116	21,140	47,434	9,876	3
Liabilities							
Deposits from customers	154,330	156,895	78,971	24,971	38,481	13,815	657
Subordinated debt	73	87	4	1	82	—	—

Liquidity risk as at 31 December 2020:

The table shows the liquidity risk based on remaining contractual maturity dates.

in millions of CZK	Carrying amount	Total contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity
Assets							
Cash, cash equivalents and due from banks and other financial institutions	43,870	43,949	43,670	10	50	219	—
Securities (excl. derivatives)	24,601	26,459	580	1,284	13,017	1,695	9,883
Loans and advances to customers	98,795	110,369	38,980	16,209	43,406	11,767	7
Total	**167,266**	**180,777**	**83,230**	**17,503**	**56,473**	**13,681**	**9,890**
Off balance							
Bank commitments	6,022	6,022	1,560	2,088	1,454	906	14
Bank guarantees	2,236	2,236	2,236	—	—	—	—
Liabilities							
Deposits and loans from banks	2,437	2,436	1,917	501	17	1	—
Deposits from customers	138,620	140,186	81,117	30,378	27,303	468	920
Subordinated debt	224	250	99	44	107	—	—
Lease liabilities	150	150	10	28	106	6	—
Total	**141,431**	**143,022**	**83,143**	**30,951**	**27,533**	**475**	**920**
Net liquidity position	**25,835**	**37,755**	**87**	**(13,448)**	**28,940**	**13,206**	**8,970**
Cumulative liquidity position	**—**	**—**	**87**	**(13,361)**	**15,579**	**28,785**	**37,755**

Expected maturity

in millions of CZK	Carrying amount	Contractual cash inflows / (outflows)	Up to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity
Assets							
Loans and other advances to customers	98,795	110,793	35,299	12,301	51,073	11,989	131
Liabilities							
Deposits from customers	138,620	140,690	65,045	25,786	36,198	12,441	1,220
Subordinated debt	224	243	109	44	90	—	—

b) Liquidity risk as at 31 December 2021 – derivatives – non-discounted cash flows:

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in millions of CZK	Carrying amount	Total contractual cash inflows / (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years
Derivative financial assets					
Foreign exchange					
– inflow	946	2,142	1,452	433	257
– outflow	—	(1,199)	(1,199)	—	—
Cross currency derivatives					
– inflow	175	5,170	—	2,622	2,548
– outflow	—	(5,223)	—	(2,730)	(2,493)
Other derivatives					
– inflow	19	19	—	5	14
Total	**1,140**	**909**	**253**	**330**	**326**
Derivative financial liabilities					
Foreign Exchange					
– inflow	—	46	—	46	—
– outflow	(1,473)	(1,520)	(665)	(192)	(663)
Cross currency derivatives					
– inflow	—	5,683	—	2,759	2,924
– outflow	(153)	(5,648)	—	(2,643)	(3,005)
Other derivatives					
– outflow	(73)	(73)	—	(62)	(11)
Total	**(1,699)**	**(1,512)**	**(665)**	**(91)**	**(755)**

31/12/2020

in millions of CZK	Carrying amount	Total contractual cash inflows / (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years
Derivative financial assets					
Foreign exchange					
– inflow	914	1,816	1,659	92	65
– outflow	–	(888)	(888)	–	–
Cross currency derivatives					
– inflow	112	5,913	–	217	5,696
– outflow	–	(5,964)	–	(260)	(5,704)
Other derivatives					
– inflow	37	37	36	–	1
Total	**1,063**	**914**	**807**	**49**	**58**
Derivative financial liabilities					
Foreign Exchange					
– inflow	–	107	107	–	–
– outflow	(709)	(816)	(419)	(177)	(220)
Cross currency derivatives					
– inflow	–	5,636	–	247	5,389
– outflow	(54)	(5,541)	–	(186)	(5,355)
Other derivatives					
– outflow	(1)	(1)	–	–	(1)
Total	**(764)**	**(615)**	**(312)**	**(116)**	**(187)**

43. Market risk

Market risk is the risk of loss to the Group arising from market movements in quoted market prices of investment instruments, exchange rates and interest rates. Market risk consists of the trading portfolio market risk and investment portfolio market risk.

Market risk of the trading portfolio includes:

– Interest rate risk;

– Foreign exchange risk;

– Other market risk (equity risk, commodity risk).

Further information on interest rate risk and foreign exchange risk is provided in note 44 and 45, respectively.

The Bank uses the Value at Risk ("VaR") methodology to evaluate market risk of its trading portfolio, the foreign currency ("FX") and commodity position using a confidence level of 99% and a horizon of 10 business days.

The risks are evaluated (on an individual basis) and compared to limits set by the Risk Management Dept. on a daily basis. If the limits are breached, the Financial Markets Dept. is informed, in order to ensure the compliance of the risk exposure with the limits. In pre-determined cases, the information is passed to the Board of Directors.

The decision-making power is given by internal rules to the Board of Directors and the Investment Instrument Committee.

The VaR statistics as of 31 December 2021 and 31 December 2020 are as follows:

in millions of CZK	2021	2020
VaR market risk overall	111	90
VaR interest rate risk	85	28
VaR FX risk	29	104
VaR equity risk	20	40
VaR commodity risk	1	2

In order to assess the impact of extremely unfavourable market conditions, the Group performs stress testing. This enables identification of sudden potential changes in the values of open positions of the Group that might arise as a result of events that are improbable, but possible. As part of the stress testing, a short-term, medium-term and long-term historic shock scenario is applied to the trading portfolio, and the foreign currency and commodity positions of the Group as a whole. These scenarios evaluate the deepest drop of the current portfolio value which would have happened in the last two years (short-term scenario), five (medium-term scenario) or fifteen years (long-term scenario). The potential change in the fair value of the portfolio is monitored and assessed.

Change in the fair value of the trading portfolio due to historic shock scenario:

in millions of CZK	2021	2020
Short-term scenario	(297)	(119)
Medium-term scenario	(297)	(119)
Long-term scenario	(297)	(333)

The results of the stress scenarios reach the same values, as the highest drop in the trading portfolio, currency and commodity positions occurs due to the slump in financial markets during the spring of 2020 in connection with the Covid-19 crisis.

The Group performs stress testing of the investment portfolio using a standardised interest rate shock, i.e. an immediate decrease / increase in interest rates by 200 basis points ('bp') along the entire yield curve.

The decrease in the present value of the investment portfolio in percentage points of equity would be as follows:

(% Tier 1 + Tier 2)	2021	2020
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	1.32	4.66

44. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed for a financial instrument indicates to what extent it is exposed to an 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 re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are zero-interest-bearing are grouped together in the "maturity undefined" category.

Interest rate risk exposure as at 31 December 2021 is as follows:

in millions of CZK	Up to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
Assets					
Cash, cash equivalents and due from banks and other financial institutions	68,000	–	–	5,944	73,944
Securities and positive fair value of derivatives	2,993	10,730	1,739	9,950	25,412
Investment in associates and joint ventures	–	–	–	939	939
Loans and other advances to customers	85,600	4,617	295	2,656	93,168
Current income tax receivable	–	–	–	174	174
Deferred tax asset	–	–	–	326	326
Investment property; property, plant and equipment, intangible assets, prepayments, accrued income and other assets	–	–	–	9,174	9,174
Disposal groups held for sale	–	–	–	114	114
Total assets	**156,593**	**15,347**	**2,034**	**29,277**	**203,251**

in millions of CZK	Up to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
Liabilities and equity					
Deposits and loans from banks	1,433	3,807	1	31	5,272
Deposits from customers	88,536	37,698	366	27,730	154,330
Negative fair value of derivatives	908	778	–	13	1,699
Subordinated debt	52	21	–	–	73
Current income tax liability	–	–	–	30	30
Deferred tax liability	–	–	–	82	82
Other liabilities and equity	615	36	21	41,093	41,765
Total equity and liabilities	**91,544**	**42,340**	**388**	**68,979**	**203,251**
Net interest rate risk	**65,049**	**(26,993)**	**1,646**	**(39,702)**	**–**
Cumulative interest rate risk	**65,049**	**38,056**	**39,702**	**–**	**–**

Rates for which banks borrow funds from one another within an inter-bank monetary market are designated as Interbank Offered Rates (IBOR). These rates are currently subject to a significant change, the IBOR reform, within which Interbank Offered Rates are being replaced by risk-free interest rates.

Of the rates that will be discontinued on 1 January 2022 and 1 July 2023, the Bank currently uses all rates except EUR LIBOR applied by the Bank to replace EURIBOR. This specifically includes the following four rate groups, using 6M tenors to construct the curves:

- GBP LIBOR
- USD LIBOR
- JPY LIBOR
- CHF LIBOR

The yield curves, for which the above rates are used as inputs, are used to determine the fair values of securities, derivatives (including options) and other interest rate sensitive instruments for accounting and 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 Group currently has several contracts with interest rates linked to GBP LIBOR and USD LIBOR. As the refixing of rates on all these loans will take place during 2022, the Group expects to enter into amendments reflecting the change in the rate with clients in 1Q 2022, with the synthetic SONIA rate ("Sterling Overnight Index Average", i.e. forwardlooking SONIA with an appropriate markup) to be applied to these existing loans. For new loans concluded after 1 January 2022, the SONIA rate without a markup will be used; alternatively, if these loans are to bear an interest rate that is to be abolished in the future (e.g. USD LIBOR), already at the time of their negotiation, these will be subject to new interest rates, which will be net and not synthetic.

For transactions in financial markets, the Group currently has no signed transactions linked to expiring float rates. Changes will only affect the interest accrued on certain collateral relating to some accounts.

In connection with this, the Group has entered into amendments to appropriate framework contracts. These include the following contract types:

- ISDA,
- GMRA/GMSLA
- Framework contract on trading on financial markets according to the CBA model

The Group has already been working on modifying the contractual documentation. The Group expects that approximately 10-20 contracts are to be affected by the changes.

Derivatives

For derivatives, the Group only reports interest rate swaps with PRIBOR as a reference rate. PRIBOR is compatible with Regulation of the European Parliament 2016/1011, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and may remain in application. The Bank does not plan any transition to any other alternative risk-free reference rate.

Hedge accounting

For hedge accounting,the Group uses only FX derivatives. The Group does not use any interest rate swaps with variable interest rates for hedging purposes.

The following table shows significant exposures as at 31 December 2021 affected by the IBOR reform as at 1 January 2022.

in millions of CZK	USD Libor Carrying amount	GBP Libor Carrying amount
Loans and advances to customers at amortised cost	2,655	2,627

The reform has no impact on commitments and bank guarantees kept off-balance sheet.

Interest rate risk exposure as at 31 December 2020 is as follows:

in millions of CZK	Up to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
Assets					
Cash, cash equivalents and due from banks and other financial institutions	41,425	–	–	2,445	43,870
Securities and positive fair value of derivatives	4,215	10,229	1,436	9,784	25,664
Investment in associates and joint ventures	–	–	–	701	701
Loans and other advances to customers	90,280	4,481	1,063	2,971	98,795
Current income tax receivable	–	–	–	143	143
Deferred tax asset	–	–	–	382	382
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	–	–	–	4,962	4,962
Disposal groups held for sale	–	–	–	520	520
Total assets	**135,920**	**14,710**	**2,499**	**21,908**	**175,037**

in millions of CZK	Up to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
Liabilities and equity					
Deposits and loans from banks	1,737	16	2	682	2,437
Deposits from customers	86,128	33,536	396	18,560	138,620
Negative fair value of derivatives	489	274	–	1	764
Subordinated debt	203	21	–	–	224
Current income tax liability	–	–	–	7	7
Deferred tax liability	–	–	–	99	99
Excluded groups held for sale	–	–	–	1	1
Other liabilities and equity	94	3	1	32,787	32,885
Total equity and liabilities	**88,651**	**33,850**	**399**	**52,137**	**175,037**
Net interest risk	**47,269**	**(19,143)**	**2,100**	**(30,226)**	**–**
Cumulative interest rate risk	**47,269**	**28,126**	**30,226**	**–**	**–**

45. Foreign exchange risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Group's exposure to currency risk. Both realized and unrealized foreign exchange gains and losses are reported directly in the statement of comprehensive income. The main tool used for managing foreign currency risk is the VaR methodology which is applied using a 99% confidence level and a ten-day holding period.

Foreign exchange risk exposure as at 31 December 2021 was as follows:

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Assets						
Cash, cash equivalents and due from banks and other financial institutions	68,132	212	4,544	433	623	73,944
Securities and positive fair value of derivatives	14,408	255	7,492	2,647	610	25,412
Investment in associates and joint ventures	939	—	—	—	—	939
Loans and other advances to customers	13,316	12,887	62,130	1,494	3,341*	93,168
Current income tax receivable	165	—	7	2	—	174
Deferred tax asset	256	—	71	—	(1)	326
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	2,868	110	5,521	562	113	9,174
Disposal groups held for sale	65	—	—	28	21	114
Total assets	**100,149**	**13,464**	**79,765**	**5,166**	**4,707**	**203,251**

*The item mainly includes a position in GBP of CZK 2,674 million and other currencies in individually insignificant amounts.

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Liabilities and equity						
Deposits and loans from banks	370	2	4,723	154	23	5,272
Deposits from customers	88,091	2,731	59,231	2,927	1,350	154,330
Negative fair value of derivatives	1,686	—	11	2	—	1,699
Subordinated debt	21	—	52	—	—	73
Current income tax liability	22	—	8	—	—	30
Deferred tax liability	4	—	5	73	—	82
Other liabilities and equity	34,479	859	7,972	(1,594)	49	41,765
Total equity and liabilities	**124,673**	**3,592**	**72,002**	**1,562**	**1,422**	**203,251**
Long position of off-balance sheet instruments:						
items from derivative transactions	65,547	8,265	39,394	686	5,539	119,431
items from spot transactions with equity instruments	8	—	36	—	—	44
Short position of off-balance sheet instruments:						
items from derivative transactions	41,471	18,770	47,442	1,293	8,135	117,111
items from spot transactions with equity instruments	8	—	429	—	—	437
Open position asset/(liability)	**(448)**	**(633)**	**(678)**	**2,997**	**689**	**1,927**

Foreign exchange risk exposure as at 31 December 2020 was as follows:

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Assets						
Cash, cash equivalents and due from banks and other financial institutions	39,842	224	2,784	318	702	43,870
Securities and positive fair value of derivatives	12,934	205	9,454	2,096	975	25,664
Investment in associates and joint ventures	701	–	–	–	–	701
Loans and other advances to customers	15,197	10,365	57,165	1,624	14,444*	98,795
Current income tax receivable	79	–	43	21	–	143
Deferred tax asset	300	–	84	–	(2)	382
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	1,359	117	2,957	439	90	4,962
Disposal groups held for sale	374	–	–	62	84	520
Total assets	**70,786**	**10,911**	**72,487**	**4,560**	**16,293**	**175,037**

*The item mainly includes a position in GBP of CZK 13,533 million and other currencies in individually insignificant amounts.

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Liabilities and equity						
Deposits and loans from banks	146	9	2,132	120	30	2,437
Deposits from customers	80,880	3,021	50,534	2,749	1,436	138,620
Negative fair value of derivatives	763	–	–	1	–	764
Subordinated debt	153	–	71	–	–	224
Liabilities associated with disposal groups held for sale	1	–	–	–	–	1
Current income tax liability	7	–	–	–	–	7
Deferred tax liability	3	–	–	96	–	99
Other liabilities and equity	29,995	839	4,136	(1,661)	(424)	32,885
Total equity and liabilities	**111,948**	**3,869**	**56,873**	**1,305**	**1,042**	**175,037**
Long position of off-balance sheet instruments:						
items from derivative transactions	76,376	5,123	41,745	625	5,761	129,630
items from spot transactions with equity instruments	10	–	27	–	–	37
Short position of off-balance sheet instruments:						
items from derivative transactions	45,228	12,322	50,382	533	20,436	128,901
items from spot transactions with equity instruments	10	–	26	–	1	37
Open position asset/(liability)	**(10,014)**	**(157)**	**6,978**	**3,347**	**575**	**729**

46. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal and compliance risk.

The Group's objective of managing the operational risk is to minimize the risk and securing the Group's activities at the required level.

The primary responsibility for the implementation of controls to address operational risk is assigned to the management of the Group or the established Operational Risk and Damage Committee. 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 Dept. and which cover the following areas (reflecting the proportionality principle):

- 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 Group's database of operational risk events.
- This overview of the Group's operational risk events allows the Group to specify the direction of the 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.

47. Capital management

The Group's strategy is to hold strong capital base in order to maintain the confidence of creditors and the market, while ensuring the future development of the business.

As of 1 January 2014, the consolidated capital adequacy ratios are calculated in accordance with Regulation (EU) no. 575/2013 of the European Parliament and Council Regulation (the "CRR") 26 June 2013.

Own funds (regulatory capital) of the Bank are analysed in two parts:

- Tier 1 capital, which consist of:
  - Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit for the period is not included), accumulated other comprehensive income, other temporary adjustments CET1, net of goodwill, intangible assets and additional value adjustments;
  - Additional Tier 1 capital (AT1), which includes instruments (subordinated income certificates) issued in accordance with CRR (note 24).
- Tier 2 capital, which consists of eligible subordinated debt approved by Czech National Bank of CZK 41 million (31 December 2020: CZK 64 million).

From 1 January 2014 the capital adequacy ratios are calculated for CET1, Tier 1 capital and total regulatory capital. The value represents the ratio of capital to risk weighted assets (RWA). CNB also requires every institution to hold additional capital conservation buffer of 2.5% and countercyclical buffer on all the levels of regulatory capital.

From 1 January 2018, the Group decided to apply upon the adoption of IFRS 9 Article 473a of Regulation (EU) 2017/2395 of the European Parliament and of the Council, and to include an amount equal to the difference between allowances and provisions under IAS 39 as at 31 December 2017 and expected credit losses under IFRS 9 as at 1 January 2018 in Common Equity Tier 1 (CET1) capital, for the transitional period of 5 years as well as expected credit losses under IFRS 9 as at 1 January 2018. The difference is further recalculated using a stipulated coefficient. At the same time, the Group modified the method of calculating specific adjustments for credit risk, accordingly.

The specific countercyclical capital buffer rate is calculated in accordance with Section 63 CNB decree No. 163/2014 Coll. and is calculated as a weighted average of the countercyclical buffer rates in effect in the jurisdictions to which the Bank has relevant risk exposures. It started to be relevant in 2017 when the Czech Republic and the Slovak Republic firstly set their countercyclical buffer rates. These have gradually been also set for other relevant states.

Minimum requirements for capital ratios for 31 December 2021 and 31 December 2020 are as follows:

in %	Minimum requirement	Capital conservation buffer	Countercyclical buffer	Total requirement
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.36%	7.36%
Tier 1 capital	6%	2.5%	0.36%	8.86%
Total regulatory capital 2021	**8%**	**2.5%**	**0.36%**	**10.86%**
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.35%	7.35%
Tier 1 capital	6%	2.5%	0.35%	8.85%
Total regulatory capital 2020	**8%**	**2.5%**	**0.35%**	**10.85%**

Regulatory capital

Regulatory capital and equity reconciliation

The tables below summarize the composition of own funds (regulatory capital) and equity and capital ratios for 31 December 2021 and 31 December 2020, providing a complete reconciliation of individual items of regulatory capital to equity items.

As at 31 December 2021

in millions of CZK	Regulatory capital	Equity
Paid-up share capital registered in the Commercial Register	10,638	10,638
Retained earnings	9,287	9,062
Profit for the period	–	2,804
Accumulated other comprehensive income	(1,850)	(1,871)
Reserve funds	57	233
Non-controlling interest	–	1,460
(-) Additional value adjustments (AVA)	(23)	–
(-) Intangible assets other than goodwill	(182)	–
(-) Deferred tax assets dependent on future profit not arising from temporary differences less related tax liabilities	–	–
Deferred tax liabilities associated with intangible assets other than goodwill	6	–
(-) Goodwill	(37)	–
(-) Insufficient coverage for defaulted exposures	(37)	–
Transitional adjustments to CET1 instruments	221	–
Paid-in AT1 instruments, share premium	3,897	3,897
Total Tier 1 capital	**21,977**	**n/a**
Total Tier 2 capital	41	–
Total regulatory capital/equity	**22,018**	**26,223**

As at 31 December 2020

in millions of CZK	Regulatory capital	Equity
Paid-up share capital registered in the Commercial Register	10,638	10,638
Retained earnings	8,053	8,154
Profit for the period	—	1,666
Accumulated other comprehensive income	(1,876)	(1,816)
Reserve funds	53	218
Non-controlling interest	—	1,080
(-) Additional value adjustments (AVA)	(27)	—
(-) Intangible assets other than goodwill	(135)	—
(-) Deferred tax assets dependent on future profit not arising from temporary differences less related tax liabilities	(4)	—
Deferred tax liabilities associated with intangible assets other than goodwill	6	—
(-) Goodwill	(33)	—
Transitional adjustments to CET1 instruments	309	—
Paid-in AT1 instruments, share premium	2,597	2,597
Total Tier 1 capital	**19,581**	**n/a**
Total Tier 2 capital	64	—
Total regulatory capital/equity	**19,645**	**22,537**

Risk weighted assets (RWA) and capital ratios

in millions of CZK	31/12/2021	31/12/2020
Central governments or central banks	1,627	1,527
Institutions	774	1,157
Corporates	57,821	51,146
Retail	46	87
Secured by mortgages on immovable property	9,985	11,921
Exposures in default	5,118	4,932
Items associated with particular high risk	26,014	29,534
Covered bonds	50	53
Receivables from institutions and companies with short – term credit ratings	164	
Collective investments undertakings (CIU)	9,943	5,563
Shares	1,677	1,472
Other exposures	3,807	3,678
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**117,026**	**111,070**
Traded debt instruments	3,379	3,651
Shares	890	690
Position risk in collective investment undertakings (CIUs)	21	18
Foreign exchange	2,872	4,501
Total risk exposure amount for position, foreign exchange and commodity risks	**7,162**	**8,860**
Operational risk	11,417	10,902
Total risk exposure amount for credit valuation adjustment	243	495
Total risk exposure amount	**135,848**	**131,327**

in %	31/12/2021	31/12/2020
Common Equity Tier 1 capital (CET 1)	13.31%	12.93%
Tier 1 capital	16.18%	14.91%
Total regulatory capital	**16.21%**	**14.96%**

Based on the opinion of the Czech National Bank, retained earnings were reduced by the amount of the anticipated payment from subordinated income certificates (AT1 instruments) in the next four quarters not covered by a special-purpose fund for the payment of the income from those certificates before their inclusion in regulatory capital.

The key goal of capital management of the Group is to ensure that the risks faced do not threaten the solvency of the Group and capital adequacy regulatory limit compliance.

The purpose for setting the minimum value for capital adequacy requirements is to establish a trigger mechanism, which provides a guarantee that the capital adequacy will not decrease to the regulatory minimum.

The compliance of the Group capital with established limits and goals for the capital adequacy is evaluated regularly by the ALCO committee and the Group's management.

The decision-making power with regard to eventual measures that should be implemented to decrease the level of exposed risk (e.g., decreasing the size of risks, acquiring additional capital, etc.) is given to the Board of Directors.

48. Fair value information

Estimation of fair values

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

Loans and advances to customers and Due from financial institutions: Fair value is calculated based on discounted expected future cash flows of principal and interest 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.

Financial assets at amortised cost: The fair value is derived from the market price quoted on an active market at the statement of financial position date.

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

The fair value of the issued subordinated bonds does not contain direct transaction costs, which were expensed on issue.

Estimates of the fair value of financial assets measured at amortized cost, analysed according to the hierarchy that reflects the significance of the inputs used in the valuation were as follows:

31/12/2021

in millions of CZK	Level 1	Level 2	Level 3	Total fair value estimate	Carrying amount
Financial assets					
Cash, cash equivalents and due from banks and other financial institutions	–	74,004	–	74,004	73,944
Loans and other advances to customers	–	–	99,451	99,451	93,154
Financial liabilities					
Deposits and loans from banks	–	5,222	–	5,222	5,272
Deposits from customers	–	154,571	–	154,571	154,330
Subordinated debt	–	76	–	76	73

31/12/2020

in millions of CZK	Level 1	Level 2	Level 3	Total fair value estimate	Carrying amount
Financial assets					
Cash, cash equivalents and due from banks and other financial institutions	–	43,890	–	43,890	43,870
Loans and other advances to customers	–	–	105,348	105,348	98,795
Financial liabilities					
Deposits and loans from banks	–	2,429	–	2,429	2,437
Deposits from customers	–	137,660	–	137,660	138,620
Subordinated debt	–	212	–	212	224

49. Acquisitions and disposals of subsidiaries, associates and joint ventures

a) Acquisitions of subsidiaries, associates and joint ventures, contributions to subsidiaries' capital

Acquisitions of subsidiaries and contributions to subsidiaries' capital in 2021

in millions of CZK	Date of acquisition	Acquisition cost	Contribution to capital	Cash outflow
J&T Leasingová společnost, a.s.	23/07/2021	–	110	–
Leasing-Medicine Ltd	28/05/2021	27	–	27
Total		**27**	**110**	**27**

Acquisitions of subsidiaries and contributions to subsidiaries' capital in 2020

in millions of CZK	Date of acquisition	Acquisition cost	Contribution to capital	Cash outflow
J&T Leasingová společnost, a.s.	15/06/2020	–	110	–
Rustonka Development II s.r.o.	18/12/2020	986	–	986
Total		**986**	**110**	**986**

New joint ventures in 2021

in millions of CZK	Date of acquisition	Acquisition cost	Contribution to capital	Cash outflow
Industrial Center CR 11 s.r.o.	08/12/2021	–	–	–
Total		**–**	**–**	**–**

New joint ventures in 2020

in millions of CZK	Date of acquisition	Acquisition cost	Contribution to capital	Cash outflow
CI Joint Venture s.r.o.	24/01/2020	–	–	–
Total		**–**	**–**	**–**

The Group increased the capital in subsidiaries in 2021 a 2020 (see note 1).

Contribution to capital of subsidiaries does not represent cash outflow from the Group.

b) Formation/establishment of subsidiaries and joint ventures

New subsidiaries in 2021

in millions of CZK	Date of acquisition	Acquisition cost	Contribution to capital	Cash outflow
J&T INVESTIČNÁ SPOLOČNOST, správ. spol. a.s.	21/06/2021	4	–	–
J&T INVESTIČNÁ SPOLOČNOST, správ. spol. a.s.	29/09/2021	3	–	–
Total		**7**	**–**	**–**

The Group did not form/establish any new subsidiaries and joint ventures in 2020.

The Group did not increase the capital of joint ventures in 2020 and 2021.

Contribution to capital of subsidiaries does not represent cash outflow from the Group.

c) Effect of acquisitions of subsidiaries

The acquisitions of new subsidiaries (only consolidated "full method") had the following effect on the Group´s assets and liabilities:

It is the acquisition of a 100% share in Leasing-Medicine, which is a business combination in accordance with IFRS 3, see Note 49. a):

01/01-31/12/2021:

in millions of CZK	2021
Cash and cash equivalents	6
Loans and other receivables from clients at amortized cost	185
Intangible fixed assets	1
Prepayments, accrued income and other assets	66
Total assets	**259**
Deposits and loans from banks	198
Other liabilities	38
Total liabilities	**236**
Net identifiable assets and liabilities	**23**
Goodwill	4
Non-controlling interest	–
Gain on a bargain purchase	**–**
Consideration transferred, paid in cash	(27)
Cash acquired	**6**
Profit or loss since the date of acquisition	5
Profit or loss of acquired companies per the all year 2021	6
Income of acquired companies per the all year 2021	60

01/01-31/12/2020:

in millions of CZK	2021
Cash and cash equivalents	152
Due from banks and other financial institutions	9
Financial assets mandatorily at fair value through profit or loss	167
Financial assets at fair value through other comprehensive income	257
Investment property	501
Property, plant and equipment	2,174
Current income tax receivable	1
Deferred tax asset	2
Prepayments, accrued income and other assets	30
Total assets	**3,292**
Deposits and loans from banks	1,012
Deferred tax liability	3
Other liabilities	753
Total liabilities	**1,769**
Net identifiable assets and liabilities	**1,523**
Non-controlling interest	–
Gain on a bargain purchase	**–**
Consideration transferred, paid in cash	(986)
Cash paid	**(834)**
Profit or loss before the date of acquisition	1
Income before the date of acquisition	5
Profit or loss of acquired companies since the date of acquisition	4
Income after the date of acquisition	–

d) Disposals of subsidiaries

The Group did not dispose of any subsidiary in 2021 and 2020.

e) Disposals of associates and joint ventures

Sale of the joint ventures company in 2021

in millions of CZK	Date of acquisition	Income
Logistic Park Nošovice a.s.	19/07/2021	–
Total		**–**

The Group did not dispose of any associates and joint ventures in 2020.

50. Investment in equity accounted investees

The following table shows a break-down of individual investments in equity accounted investees.

31/12/2021

in millions of CZK	XT-card a.s. Associate	Group OAMP Holding s.r.o. Joint venture	CI Joint Venture s.r.o. Joint venture	Industrial Center CR 11 s.r.o. Joint venture
Group's share in the consolidated fair value of equity at the date of acquisition	6	110	—	—
The Group's share of post-acquisition profit / (loss) 2020	1	144	24	—
Group's share in the post-acquisition profit / (loss) 2021	1	356	297	—
Total	**8**	**610**	**321**	**—**

The Group OAMP Holding s.r.o. includes share in OAMP Hall 2 s.r.o., OAMP Hall 4 s.r.o., OAMP Hall 5 s.r.o., OAMP Hall 6 s.r.o., OAMP Services s.r.o.

31/12/2020

in millions of CZK	XT-card a.s. Associate	OSTRAVA AIRPORT MULTIMODAL PARK Group Joint venture	CI Joint Venture s.r.o. Joint venture
Group's share in the consolidated fair value of equity at the date of acquisition	6	530	—
Decrease in equity investment	—	(2)	—
Group's share in the post-acquisition profit / (loss) 2020	—	145	24
Total	**6**	**673**	**24**

The OSTRAVA AIRPORT MULTIMODAL PARK group consists of interests in companies OAMP Holding s.r.o., OAMP Hall 2 s.r.o., OAMP Hall 3 s.r.o., OAMP Hall 4 s.r.o., OAMP Hall 5 s.r.o., OAMP Hall 6 s.r.o. and OAMP Services s.r.o.

In 2020, OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. demerged into successor companies OAMP Hall 1 s.r.o., OAMP Infrastructure s.r.o., OAMP Distribution s.r.o., OAMP Holding s.r.o. while applying an equal share exchange ratio, i.e. the share of the demerged company's individual shareholders in each successor company was the same as their share in the demerged company at the date of the demerger, i.e. 50%.

Summary financial information for equity accounted investees as at 31 December 2021

in millions of CZK	XT-Card a.s. Associate	OAMP Holding s.r.o. Joint venture	OAMP Distribution s.r.o. Joint venture	OAMP Infrastructure s.r.o. Joint venture	CI Joint Venture s.r.o. Joint venture	Industrial Center CR 11 s.r.o.	Total
Assets	25	2,258	10	60	855	1	3,209
Liabilities	8	1,040	12	64	36	1	1,161
Net assets	**17**	**1,218**	**(2)**	**(4)**	**819**	**–**	**2,048**
Income	40	751	–	4	861	–	1,656
Expenses	(37)	(40)	(1)	(5)	(267)	–	(350)
Profit / (loss)	**3**	**711**	**(1)**	**(1)**	**594**	**–**	**1,306**
Group's share	32%	50%	50%	50%	50%	75%	
Group's share in profit / (loss)	**1**	**356**	**–**	**–**	**297**	**–**	**654**

The business activities of OAMP and CI Joint Venture s.r.o. involve the construction and lease of logistics hall in the Czech Republic.

The summary financial information in 2021 does not include OAMP Hall 1 s.r.o., as it was directly owned by Colorizo Investment, a.s. and sold in 2021. Profit from the sale of OAMP Hall 1 s.r.o. in the amount of CZK 167 million is reported as part of the share of profit from participations in joint ventures and investments in associates.

Summary financial information for equity accounted investees as at 31 December 2020

in millions of CZK	XT-Card a.s. Associate	OSTRAVA AIRPORT MULTIMODAL PARK s.r.o. Joint venture	CI Joint Venture s.r.o. Joint venture	Total
Assets	27	2,341	1,212	2,272
Liabilities	7	1,636	910	1,837
Net assets	**20**	**705**	**302**	**434**
Income	47	393	48	197
Expenses	(46)	(103)	–	(149)
Profit / (loss)	**1**	**290**	**48**	**48**
Group's share	32%	50%	50%	
Group's share in profit / (loss) of equity accounted investees	**–**	**145**	**24**	**169**

51. Material subsequent events

On February 8, 2022, ATLANTIK finanční trhy, a.s. reduced the share capital from the original amount of CZK 81 million to CZK 38 million. The amount of CZK 43 million, by which the share capital of the company has decreased, will be paid to the Bank as the sole shareholder of the company within ninety days from the effective date of the share capital reduction.

From 1 January 2022, Ing. Jan Kotek is a new member of the Bank's Board of Directors.

Conflict 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 millions of CZK	31/03/2022
Cash and cash equivalents	1,497
Receivables from banks and other financial institutions	5
Loans and other receivables from clients	3,365
Financial assets	2,336
Property investments	108
Other assets	525
Deposits and bank loans	1,345
Client deposits	2,731
Other liabilities	235

In the consolidated financial statements as at 31 December 2021, the Group reported revenues from Russian and Ukrainian customers in the total amount of CZK 193 million.

In view of the above events, the Group has taken the following measures:

- The Group will not provide new risk financing in Ukraine and Russia,
- The Group analysed in detail the exposures from sectors potentially affected by the impact of the current situation and created higher provisions in the first quarter of 2022,
- The Group prepared an impact simulation in the form of 2 alternative scenarios - the expected and worst-case scenario, incl. simulation of the impact on the economic result, capital adequacy indicators, return on capital and liquidity of the Group,
- The Group is monitoring and taking active steps to gradually reduce its exposures in Russia in order to mitigate the negative impact on the Group's results for 2022.

The Group's management analysed the impact of this event and concluded that, at the date of approval of these consolidated financial statements, the going concern assumption is still appropriate and this event has no significant impact on the consolidated financial statements as at 31 December 2021.

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 25 April 2022 on the statutory consolidated financial statements included in the consolidated annual report of J&T BANKA, a.s., 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 Shareholder of J&T BANKA, a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of J&T BANKA, a.s. (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 statement of cash flows 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

Expected credit losses for loans and advances amounted to CZK 4,184 million as at 31 December 2021 (31 December 2020: CZK 3,911 million).

Refer to Note 3 (Accounting policies), Note 10 (Loans and advances to customers at amortised cost) and Note 11 (Expected credit losses) in the notes to the consolidated financial statements.

Key audit matter

The Group's management makes significant and complex assumptions and judgements when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances (together "loans", "exposures") provided to customers.

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.

Key assumptions and judgements in the calculation of the Expected Credit Losses include the following:

- application of the definition of default and significant increase in credit risk (SICR);
- the probability of default (PD), loss given default (LGD) and exposure at default (EAD) model parameters;
- application of selected forward-looking information (FLI) based on several macroeconomic scenarios;

  and
- adjustments to ECLs by means of management overlays.

PD parameters is determined based on annualized migration matrix resulting from the external market data adjusted for FLI, with probabilityweighted scenarios considered. PD parameter is assigned to the loan based on its internal rating.

LGD is determined by estimating the probability-weighted discounted future cash flows for each exposure. The key judgments and assumptions are those for future cash repayment scenarios and related probabilities, also considering the realizable value of underlying collateral.

Due to the above factors and complexities, coupled with the need to consider the effects of the Covid-19 pandemic on the Group's business environment and the measurement of ECLs, the area required our increased attention in the audit and as such was determined to be a key audit matter.

Our response

Assisted by our own credit risk, valuation and information technology (IT) specialists, we performed, among other things, the procedures outlined below:

We assessed the Group's accounting policies and processes related to estimating ECLs. This included assessing whether the relevant methods, models, assumptions and data used therein comply with the requirements of the financial reporting standards and industry practice. As part of the above, we assessed the process of identifying indicators of default, SICR, and allocating of loans to particular stages of IFRS 9. In addition, we tested IT control environment for data security and access.

We tested the design, implementation and operating effectiveness of selected IT-based and manual controls over the approval, recording and monitoring of loans and advances, matching of incoming payments, calculating days past due, and calculation of effective interest rate.

We tested the controls by making inquiries of heads of risk, finance and IT department and other relevant IT and risk department personnel, in combination with the observation, inspection of underlying documentation and, where applicable, reperformance of controls.

We evaluated whether in its ECL measurement the Group appropriately considered the effects of the market disruption resulting from the Covid-19 pandemic.

We assessed the key assumptions applied in the ECL measurement as follows:

- definition of default and of SICR – by assessing whether the financial instruments standard's definition of default and staging criteria were consistently applied;
- PD parameter – by reference to external market data and considering any required adjustments to reflect expected changes in circumstances;
- LGD and EAD parameters – by reference to the Group'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 Group and inspecting publicly available data and reports.

For a sample of loans, by reference to the underlying documentation (loan files) and through inquiries of the Group's credit officers, we evaluated whether the loans were allocated to appropriate stages of IFRS 9, and whether appropriate internal rating and LGD parameter were applied to on-balance and off-balance 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.

For the selected groups of loans, we checked whether PD and EAD parameters were reasonably and consistently applied to on-balance and off-balance exposures in determining the related ECLs.

We challenged 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 in the valuations used by the Group by reference to independent market sources (including market pricing data).

We critically assessed the overall reasonableness of the estimated ECLs, including the loans provision coverage, by benchmarking them against available industry data.

We examined whether the loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

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

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

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the 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 of consolidated financial statements that give a true and fair view 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 17 September 2020 and our uninterrupted engagement has lasted for 21 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 22 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.

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of all 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 financial statements.

Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of 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 all 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 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 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.Domníváme se, že důkazní informace, které jsme získali, poskytují dostatečný a vhodný základ pro vyjádření našeho závěru.

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 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

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of J&T BANKA, a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.a.

Prague, 25 April 2022

Signed by

KPMG Česká republika Audit, s.r.o.

Registration number 71

Signed by

Jindřich Vašina

Partner

Registration number 2059

16.21%

Capital adequacy remains above regulatory requirements in long-term

Statement of financial position as at 31 December 2021

in millions of CZK	Note	31/12/2021	31/12/2020
Assets			
Cash and cash equivalents	5	66,579	40,192
Due from banks and other financial institutions	6	6,041	2,287
Positive fair value of derivatives	7	1,149	1,036
Loans and advances to customers at amortised cost	10	88,265	93,381
Loans and advances to customers at fair value through profit or loss	10	14	—
Financial assets for trading	8a	3,896	8,333
Financial assets mandatorily at fair value through profit or loss	8b	8,645	8,401
Financial assets at fair value through other comprehensive income	8c	3,308	3,991
Financial assets at amortised cost	8d	4,522	—
Of which pledged as collateral (repurchase agreements)		4,322	—
Disposal groups held for sale	1	64	240
Ownership interests	1	4,386	4,836
Current income tax receivable	23	164	104
Deferred tax asset	24	300	373
Property, plant and equipment	13	1,722	1,663
Intangible assets	14	153	105
Prepayments, accrued income and other assets	16	4,926	1,294
Total assets		**194,134**	**166,236**
Liabilities			
Deposits and loans from banks	17	4,298	1,405
Deposits from customers	18	149,306	132,428
Negative fair value of derivatives	7	1,645	764
Subordinated debt	19	73	209
Provisions	21	1,297	1,473
Financial liabilities at fair value through profit or loss	20	459	30
Other liabilities	20	13,579	9,039
Total liabilities		**170,657**	**145,348**
Share capital	22	10,638	10,638
Retained earnings and other reserves	22	8,942	7,653
Other equity instruments	22	3,897	2,597
Total equity		**23,477**	**20,888**
Total equity and liabilities		**194,134**	**166,236**

The accompanying notes set out on pages 180 to 252 are an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2021

in millions of CZK	Note	2021	2020
Interest income calculated using effective interest rate method	25	5,378	4,566
Other interest income	25	144	144
Interest expense	26	(1,562)	(1,478)
Net interest income		**3,960**	**3,232**
Fee and commission income	27	1,551	1,258
Fee and commission expense	28	(337)	(300)
Net fee and commission income		**1,214**	**958**
Dividends from ownership interests		107	251
Net change in loss allowances for financial assets at fair value through other comprehensive income	12	4	(93)
Net trading income/(loss)	29	(112)	489
Other operating income	30	40	23
Operating income		**5,213**	**4,860**
Personnel expenses	31	(1,002)	(1,015)
Other operating expenses	32	(1,167)	(1,118)
Depreciation and amortisation	13,14	(201)	(158)
Operating expenses		**(2,370)**	**(2,291)**
Profit before allowances, provisions and income tax		**2,843**	**2,569**
Net change in provisions for off-balance sheet items and other financial activities	12	9	(101)
Net change in loss allowances for loans	12	(447)	(962)
Net change in allowances for other financial assets at amortised cost	8d	(1)	—
Net change in loss allowances for ownership interests	1	(525)	(157)
Profit before tax		**1,879**	**1,349**
Income tax	23	(420)	(292)
Profit for the period		**1,459**	**1,057**
Attributable to:			
Shareholders of the Bank		1,459	1,057
Profit for the period		**1,459**	**1,057**

in millions of CZK	Note	2021	2020
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments			
Remeasurement to fair value		(20)	(9)
Expected credit losses		(10)	94
Related tax		4	2
Foreign currency translation differences		(5)	(1)
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:			
Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments			
Remeasurement to fair value		112	(3)
Related tax		(21)	1
Other comprehensive income for the period, net of tax		**60**	**84**
Total comprehensive income for the period		**1,519**	**1,141**

The accompanying notes set out on pages 180 to 252 are an integral part of these financial statements.

The Board of Directors approved these financial statements on April 25, 2022.

Signed on behalf of the Board:

Štěpán Ašer, MBA

Member of the Board of Directors

Igor Kováč

Member of the Board of Directors

Statement of changes in equity for the year ended 31 December 2021

in millions of CZK	Registered capital	Retained earnings	Perpetuity fund
Balance as at 1 January 2020	**10,638**	**6,635**	**164**
Total comprehensive income for the period			
Profit for the period	–	1,057	–
Payment of earnings from investment certificates	–	–	(244)
Establishment of special-purpose fund for payment of revenue from inv. certificates	–	(242)	242
Other comprehensive income – items that will be reclassified to profit or loss in subsequent periods:			
Foreign exchange differences	–	–	–
Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments			
Remeasurement to fair value	–	–	–
Expected credit losses	–	–	–
Related tax	–	–	–
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:			
Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments			
Remeasurement to fair value	–	–	–
Related tax	–	–	–
Balance as at 31 December 2020	**10,638**	**7,450**	**162**
Balance as at 1 January 2021	**10,638**	**7,450**	**162**
Total comprehensive income for the period			
Profit for the period	–	1,459	–
Issue of investment certificates	–	–	–
Payment of earnings from investment certificates	–	–	(230)
Establishment of special-purpose fund for payment of revenue from inv. certificates	–	(242)	242
Other comprehensive income – items that will be reclassified to profit or loss in subsequent periods:			
Foreign exchange differences	–	–	–
Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments			
Remeasurement to fair value	–	–	–
Expected credit losses	–	–	–
Related tax	–	–	–
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:			
Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments			
Remeasurement to fair value	–	–	–
Related tax	–	–	–
Balance as at 31 December 2021	**10,638**	**8,667**	**174**

Further information about equity instruments is disclosed in note 22.

The accompanying notes set out on pages 180 to 252 are an integral part of these financial statements.

Other equity instruments	Revaluation reserve	Total	in millions of CZK
2,597	**(43)**	**19,991**	**Balance as at 1 January 2020**
			Total comprehensive income for the period
–	–	1,057	Profit for the period
–	–	(244)	Payment of earnings from investment certificates
–	–	–	Establishment of special-purpose fund for payment of revenue from inv. certificates
			Other comprehensive income – items that will be reclassified to profit or loss in subsequent periods:
–	(1)	(1)	Foreign exchange differences
			Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments
–	(9)	(9)	Remeasurement to fair value
–	94	94	Expected credit losses
–	2	2	Related tax
			Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:
			Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments
–	(3)	(3)	Remeasurement to fair value
–	1	1	Related tax
2,597	**41**	**20,888**	**Balance as at 31 December 2020**
2,597	**41**	**20,888**	**Balance as at 1 January 2021**
			Total comprehensive income for the period
–	–	1,459	Profit for the period
1,300	–	1,300	Issue of investment certificates
–	–	(230)	Payment of earnings from investment certificates
–	–	–	Establishment of special-purpose fund for payment of revenue from inv. certificates
			Other comprehensive income – items that will be reclassified to profit or loss in subsequent periods:
–	(5)	(5)	Foreign exchange differences
			Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments
–	(20)	(20)	Remeasurement to fair value
–	(10)	(10)	Expected credit losses
–	4	4	Related tax
			Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods:
			Revaluation reserve – financial assets at fair value through other comprehensive income – equity instruments
–	112	112	Remeasurement to fair value
–	(21)	(21)	Related tax
3,897	**101**	**23,477**	**Balance as at 31 December 2021**

Statement of cash flows
for the year ended 31 December 2021

in millions of CZK	Note	2021	2020
Cash flows from operating activities			
Profit before tax		1,879	1,349
Adjustments for:			
Depreciation and amortisation	13, 14	201	158
Net change in loss allowances for loans	12	447	962
Net change in provisions for off-balance sheet items		(9)	101
Foreign exchange differences from losses resulting from impairment of loans	12	(4)	11
Amortised cost of sold intangible assets and property, plant and equipment		51	125
Change in other provisions		(153)	171
Change in revaluation of financial assets at fair value through profit or loss		214	(74)
Ownership interests – remeasurement of hedged item / FV hedge		40	399
Creation of allowances for ownership interests	1	525	157
Securities measured at FVOCI – remeasurement of hedged item / FV hedge		9	(6)
Securities measured at FVOCI – losses from sale		108	—
Impairment of financial assets measured at FVOCI	8c	(4)	93
Net unrealised foreign exchange gains /(losses)		(115)	(256)
(Increase) / decrease in operating assets:			
Compulsory minimum reserves in central banks		(3,000)	(822)
Due from banks and other financial institutions		(749)	(30)
Loans and other advances to customers		4,654	(31,383)
Financial assets for trading at fair value through profit or loss		4,155	(7,112)
Prepayments, accrued income and other assets		(3,632)	(477)
Increase / (decrease) in operating liabilities:			
Deposits and loans from banks		2,893	(3,087)
Deposits from customers		16,878	24,879
Deferred income, accrued expenses and other liabilities (without provisions)		5,032	1,187
Income tax paid		(430)	(713)
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		768	61
Net cash flows from operating activities		**29,758**	**(14,207)**

in millions of CZK	Note	2021	2020
Cash flows from financing activities			
Issue of other equity instruments		1,300	–
Distribution of income from other equity instruments		(242)	(244)
Repayment of subordinated debt		(128)	(411)
Lease liabilities paid		(87)	(88)
Net cash flows from financing activities		**843**	**(743)**
Cash flows from investing activities			
Acquisition of property plant and equipment and intangible assets		(359)	(767)
Ownership interests – contribution to capital		(117)	(1,087)
Financial assets at fair value through other comprehensive income – revenues		1,797	407
Financial assets at fair value through other comprehensive income – expenses		(1,010)	(1,258)
Financial assets at amortized cost – expenses		(4,522)	–
Net cash flows used in investing activities		**(4,211)**	**(2,816)**
Increase in cash and cash equivalents		**26,390**	**(17,766)**
Cash and cash equivalents at beginning of period	5	40,192	57,949
Effects of exchange rate fluctuations on cash held		(3)	9
Cash and cash equivalents at end of period	5	66,579	40,192
Cash flows from operating activities include:			
Interest received		5,035	4,086
Interest paid		1,092	949
Interest paid / lease liabilities		1	1
Dividends received		917	273

The accompanying notes set out on pages 180 to 252 are an integral part of these financial statements.

Notes to the separate financial statements for the year ended 31 December 2021

1. General information

J&T BANKA, a.s. ("the Bank") is a joint stock company incorporated on 13 October 1992 in the Czech Republic.

The Bank received a licence to act as securities trader on 25 April 2003 and on 22 December 2003, the Bank's licence was extended to include that activity.

The Bank's activities are focused on private, investment, corporate and retail banking.

The Bank is subject to the regulatory requirements of the Czech National Bank ("CNB"). These requirements include limits and other restrictions concerning capital adequacy, the classification of loans and off-balance sheet liabilities, large exposure, liquidity and the Bank's foreign currency position etc.

Since 2020, the Bank has had its registered office at Sokolovská 700/113a, 186 00 Prague 8.

The Bank (including its branch in the Slovak Republic) had the average of 581 employees in 2021 (2020: 553). The Bank operates in the Czech Republic and Slovakia.

A Slovak branch of the Bank was established on 23 November 2005, and was registered in the Commercial Register of the District Court Bratislava I, section Po, file 1320/B as the organizational unit "J&T BANKA, a.s., pobočka zahraniční banky", Dvořákovo nábrežie 8, 811 02 Bratislava, and with the identification number 35 964 693.

The Bank's ultimate parent is J&T FINANCE GROUP SE owned by Jozef Tkáč (45.05%), Ivan Jakabovič (45.05%), and Rainbow Wisdom Investments Limited (9.90%).

The Czech National Bank is currently conducting administrative proceedings in connection with the on-site inspection. The Bank commented on the CNB's findings and at the same time at the end of 2021 it complied with all corrective measures that lead to the correction of the findings identified by the CNB.

Ownership interests

In connection with the shareholder's intention to centralise financial services under the Bank, the following companies have become subsidiaries of the Bank. The Bank provides customers with comprehensive banking services, asset management, financial and capital market transactions for the retail segment, as well as support to start-up and restructuring projects. It is expected that all acquisitions will significantly contribute to the Bank's growth of profitability.

Balance as at 31/12/2021 in millions of CZK

Company	Net balance	Impairment	Share capital	% shareholding	Principal activities	Country of incorporation
ALTERNATIVE UPRAVLJANJE d.o.o.	38	(10)	0.07	100	Investment act.	Croatia
ATLANTIK finanční trhy, a.s.	82	(192)	81	100	Investment act.	CR
J&T Bank, a.o.	1,464	(813)	1,864	99.95	Banking activities	Russia
J&T banka d.d.	276	(569)	1,016	84.17	Banking activities	Croatia
J&T IB and Capital Markets, a.s.	2	—	2	100	Advisory activities	CR
J&T INVESTIČNÍ SPOLEČNOST, a.s.	147	—	20	100	Investment act.	CR
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	7	—	3	100	Investment act.	SR
J&T Leasingová společnost, a.s.	400	—	32	100	Financing activities	CR
J&T REALITY, o.p.f.	582	(67)	—	53.08	Investment act.	CR
J&T ADVANCED SOLUTION SICAV	—	—	—	99.97	Investment act.	Malta
J&T VENTURES I u.p.f.	178	—	—	94.14	Investment act.	CR
Rustonka Development II s.r.o.	932	—	0.09	100	Investment property	CR
TERCES MANAGEMENT LIMITED	278	(230)	0.06	99.00	Investment act.	Cyprus
Total	**4,386**	**(1,881)**				

On 23 July 2021, the Bank increased its share in J&T Leasingová společnost, a.s. through a contribution with a total nominal value of CZK 110 million in excess of contributions made by the shareholders in the registered capital.

On 9 June 2021, J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s. was entered into the Commercial Register. The Bank holds a 100% share in this company. On 29 September 2021, the Bank increased its original share in the company of EUR 0.138 million (CZK 3.5 million) by EUR 0.13 million (CZK 3.3 million) in form of a contribution in excess of the contributions made by the shareholders in the registered capital.

In 2021, the Bank created allowances for ownership interests of CZK 525 million.

A year-on-year change in total allowances for ownership interests of CZK 506 million was affected by additions to allowances in 2021 and by a positive foreign exchange difference of CZK 19 million from the translation of allowances for ownership interests in currencies other than Czech crowns.

During 2021, no restrictions applied to the ownership rights held over subsidiaries.

Balance as at 31/12/2020 in millions of CZK

Company	Net balance	Impairment	Share capital	% shareholding	Principal activities	Country of incorporation
ALTERNATIVE UPRAVLJANJE d.o.o.	40	(10)	0.07	100	Investment act.	Croatia
ATLANTIK finanční trhy, a.s.	82	(192)	81	100	Investment act.	CR
J&T Bank, a.o.	1,966	(284)	1,835	99.95	Banking activities	Russia
J&T banka d.d.	290	(598)	1,068	84.17	Banking activities	Croatia
J&T IB and Capital Markets, a.s.	2	–	2	100	Advisory activities	CR
J&T INVESTIČNÍ SPOLEČNOST, a.s.	149	–	20	100	Investment act.	CR
J&T Leasingová společnost, a.s.	290	–	32	100	Financing activities	CR
J&T REALITY, o.p.f.	582	(67)	–	53.08	Investment act.	CR
J&T ADVANCED SOLUTION SICAV	–	–	–	99.97	Investment act.	Malta
J&T VENTURES I u.p.f.	178	–	–	94.14	Investment act.	CR
Rustonka Development II s.r.o.	986	–	0.10	100	Investment property	CR
TERCES MANAGEMENT LIMITED	271	(224)	0.06	99.00	Investment act.	Cyprus
Total	**4,836**	**(1,375)**				

On 15 June 2020, the Bank increased its share in J&T Leasingová společnost, a.s. through a contribution with a total nominal value of CZK 110 million in excess of contributions made by the shareholders in the registered capital.

On 18 December 2020, the Bank purchased a 100% share in Rustonka Development II s.r.o. This company is the owner of the Rustonka building, in which the Bank has had its registered office since 14 September 2020.

In 2020, the Bank transferred its share in J&T VENTURES I u.p.f. from its portfolio of financial assets mandatorily at fair value through profit or loss to the portfolio of ownership interests as a result of the reassessment of control over the fund.

In 2020, the Bank created allowances for ownership interests of CZK 157 million.

A year-on-year change in total allowances for ownership interests of CZK 115 million was affected by additions to allowances in 2020 and by a positive foreign exchange difference of CZK 42 million from the translation of allowances for ownership interests in currencies other than Czech crowns.

During 2020, no restrictions applied to the ownership rights held over subsidiaries.

Disposal groups held for sale

Company	Balance	% shareholding	Principal activities	Country of incorporation
Balance as at 31/12/2021 in millions of CZK				
J&T Ostravice Active Life UPF	64	46.74	Investments in companies owning real estate	CR
Total	**64**			
Balance as at 31/12/2020 in millions of CZK				
J&T Ostravice Active Life UPF	64	46.74	Investments in companies owning real estate	CR
J&T DIVIDEND Fund	176	56.77	Investment act.	CR
Total	**240**			

In 2021, a vote of J&T Ostravice Active life UPF shareholders took place. The shareholders approved the redemption of allotment certificates, which will take place in 2022. The redemption of the allotment certificates will reduce the Bank's interest in the fund.

2. Basis of preparation

(a) Statement of compliance

The unconsolidated financial statements comprise the accounts of the members of the Bank and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union for the reporting period of 01 January 2021 to 31 December 2021 ("reporting period").

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivatives, which are measured at fair value.

The Bank maintains its accounting books and prepare their statements for regulatory purposes in accordance with local statutory accounting principles. The accompanying financial statements are based on the statutory accounting records together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS.

The below-stated accounting methods have been applied consistently in all periods presented in these financial statements.

In particular, information about significant areas of uncertainty estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in note 4.

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:

Standards and interpretations effective for annual periods beginning after 1 January 2021 but not yet endorsed by the EU

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2023.

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Bank expects that the Standard will not have a significant effect on the financial statements of the Bank.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The European Commission decided to defer the endorsement indefinitely.

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

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

The Bank expects that the Standard will not have a significant effect on the financial statements of the Bank.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current

Effective for annual periods beginning on or after 01 January 2023.

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Bank expects that the Standard will not have a significant effect on the financial statements of the Bank.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Effective for annual periods beginning on or after 1 January 2023.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

The Bank expects that the Standard will not have a significant effect on the financial statements of the Bank.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2023.

The amendments introduced a definition of "accounting estimates" and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Bank expects that the Standard will not have a significant effect on the financial statements of the Bank.

Other new International Financial Reporting Standards and Interpretations not yet effective

The Bank 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 Bank elects to apply the standards prospectively from the date of transition. The management of the Bank does not expect that further new standards will have any significant impact on the financial statements of the Bank.

(c) Functional and presentation currency

The accompanying financial statements are presented in the national currency of the Czech Republic, the Czech crown ("CZK"), rounded to the nearest million. Functional currency of the Slovak branch is the Euro ("EUR").

3. Accounting policies

The particular accounting policies adopted in preparation of the accompanying financial statements are described below.

(a) Financial assets and liabilities

Classification and measurement of financial assets and liabilities

Financial assets under IFRS 9

The Bank assesses the classification and measurement of a financial asset based on:

- the Bank 's business model for managing the asset such as:
  - the stated policies and objectives for the portfolio and the operation of those policies in practise;
  - how the performance of the portfolio is evaluated and reported;
  - the risks that affect the performance of assets, including the strategy of their management;
  - the frequency, volume and timing of sales in prior periods, including the reasons for such sales and expectations about future sales activity;
- the contractual cash flow characteristics of the asset ("SPPI - solely payments of principal and interest on the principal outstanding").

The Bank defines business models and its classification as follows:

- "Hold and collect" – financial assets at amortised costs (AC);
- "Hold, collect and sell" – financial assets at fair value through other comprehensive income (FVOCI);
- "Trading" – financial assets at fair value through profit and loss (FVTPL);
- "Fair value option" – financial assets at fair value through profit and loss;
- "Mandatorily at fair value" – financial assets at fair value through profit and loss.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI.

The Bank takes into consideration the following criteria when performing an SPPI test:

- non-standard currency characteristics;
- 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.

Financial assets at amortised cost

The "Hold and collect" strategy is aimed at holding financial assets in order to collect contractual cash flows of both principal and interest payments. Examples of such financial assets are loans, securities held to maturity, and trade receivables. Breach of the "Hold and collect" model does not occur even if there is a significant increase in counterparty credit risk during the course of the holding of the financial asset and the Bank decided to proceed with the sale of that asset.

Financial assets in the model "Hold and collect" are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments plus or minus the cumulative amortised cost using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance – expected credit loss. Expected credit loss is recognised in profit or loss together with foreign currency differences and interest income using the effective interest rate.

Financial assets at fair value through other comprehensive income

Strategy "Hold, collect and sell" is aimed at both collecting contractual cash flows from the principal and interest and selling financial assets; the model represents so called "mixed" business model. This model distinguishes two different types of accounting treatment for equity instruments and for debt instruments.

Debt instruments that meet the criteria of SPPI test in the business model 'hold, collect and sell' are measured at fair value through other comprehensive income. When the financial asset is derecognized, gain or loss from remeasurement is reclassified to profit or loss. Expected credit losses are recognized in profit or loss together with foreign exchange differences arising from the amortised cost. Interest income is calculated using the effective interest rate and is presented in Net interest income.

If impairment of a debt instrument is identified, accumulated gains or losses recorded in prior periods in other comprehensive income are reclassified to profit and loss as at the reporting date.

Equity instruments that are held within the strategy "Hold, collect and sell" and not held for trading are measured as financial assets at FVOCI including FX differences from remeasurement. When this financial asset is derecognized, gain or loss from remeasurement is not recognized in profit or loss. Where dividends do not decrease the investment value, they are recognized in profit or loss. These assets are not subject to ECL calculation.

Financial assets at fair value through profit or loss

Strategy "Trading" is aimed at actively trading with financial asset. The collection of cash flows is only random in relation to the business model objective. Typical assets in this category are trading derivatives and trading financial assets. Changes in fair values of these assets including FX differences are recognised in profit or loss. These assets are not subject to ECL calculation.

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. Debt instruments are measured at FVTPL, although they meet the criteria for a measurement at AC or FVOCI.

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 which have not passed through the SPPI test and cannot be measured at AC or FVOCI.

Reclassification

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

Initial recognition

On initial recognition at the date of transaction, the Bank recognizes financial assets and financial liabilities at fair value adjusted for transaction costs directly attributable to the acquisition/issue or disposal of a financial asset/liability. Trade receivables without a significant financial component are recognized at the transaction price.

Transaction costs related to the acquisition of financial assets measured at fair value through profit or loss are directly charged to the statement of comprehensive income.

Financial assets at FVTPL are recognized on the date the Bank commits to purchase the assets. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in the statement of comprehensive income.

Financial assets classified at FVOCI are recognized on the date it commits to purchase the assets. From this date, any gains or losses arising from changes in the fair value of the assets are recognized in equity as differences from revaluation of assets.

Financial assets at AC are recognized on the settlement date.

Measurement

Subsequent to initial recognition, all assets designated at FVTPL and all at FVOCI are measured at fair value according to Note 4 (Determining fair values). Any instrument that does not have a quoted market price on an active market and whose fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial assets is based on their quoted market price at the reporting date, without any deduction for transaction costs. If a quoted market price is not available, the fair value of the asset is estimated 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.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of financial assets at FVTPL are recognised in profit or loss while gains and losses arising from changes in the fair value of FVOCI assets are recognized directly in equity as differences arising from revaluation of assets and liabilities. When a debt asset measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity instrument designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but is transferred to equity.

Interest on debt instruments measured at FVOCI is recorded in the statement of comprehensive income.

Derecognition

A financial asset is derecognised when the Bank's contractual rights to cash flows from financial assets expire or the Bank transfers the rights to receive contractual cash flows within a transaction during which in principle all rights and rewards arising from the ownership of financial assets are transferred or during which the Bank does not transfer or maintain in principle all risks and rewards arising from the ownership of the financial assets nor does it maintain control over the financial assets.

Upon derecognition, the difference between the asset's carrying amount, and the sum of the consideration received and any cumulative gain or loss previously recorded in other comprehensive income is recognised in profit or loss.

Financial assets measured at FVOCI and FVTPL that are sold are derecognised on the date the Bank commits to sell the assets.

Financial assets held to maturity and provided loans and receivables are derecognised on the date the Bank sold them.

The Bank derecognises financial liabilities when the related obligation specified in the contract has been discharged, cancelled, or expired.

Financial liabilities under IFRS 9

Financial 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 - FV Option;
- financial liabilities arising from the transfer of financial assets that do not qualify for derecognition – short sales measured at FVTPL;
- contingent liabilities (if IFRS 9 recognition criteria are met) – measured at FVTPL;
- hybrid financial liabilities when the fair value measurement results in:
  - the elimination or significant limitation of the mismatch between the financial liability that would normally be measured at amortized cost and the related derivative measured at fair value;
  - the measurement of a hybrid contract as a whole, even if it contains an embedded derivative that would otherwise have to be separated.

The change in the fair value of financial liabilities stated at fair value associated with the change in credit risk is presented in other comprehensive income. The other part of the change in FV is presented in profit or loss. It is the difference between the credit risk and the performance risk of a particular asset – the risk an asset or group of assets will be underperforming or its performance will be impaired. An example may be a liability to investors whose performance is determined by the performance of a specific asset (e.g. investment certificates). The Credit Risk Management department is responsible for assessing the credit risk.

In liabilities, in particular as provisions, the Bank also reports ECL for off-balance sheet items in form of granted commitments and guarantees.

Impairment

The Bank applies the IFRS 9 model of expected credit losses (ECL), which means that a loss event will no longer need to occur before an impairment allowance is recognised. The impairment model in IFRS 9 shall apply to financial assets measured at amortised cost, debt instruments measured at FVOCI, and loan commitments and financial guarantees measured at amortised cost.

For the purposes of ECL model calculation, the portfolio of financial assets is split into three segments (Stage 1,2,3) or in the group of financial assets that are impaired at the date of the initial recognition - Purchased or originated credit-impaired assets ("POCI"). At the date of the initial recognition, the financial asset is included in Stage 1 or classified as POCI and recorded in Stage 3. Subsequent reclassification to other stages is carried out depending on the rate of increase in credit risk (Stage 2), i.e. the probability of default of a particular asset between the moment of initial recognition and the date of preparation of financial statements (Stage 3).

Stage 1

- initial recognition of a financial asset;
- 12-month ECLs - all discounted cash flows that are not expected to be received until maturity of the financial asset that result from possible default events within the 12 months after the reporting date;
- interest income is calculated using the asset's gross carrying amount ("GCA").

Stage 2

- if the credit risk increases significantly from the initial recognition of the financial asset, the financial asset is reclassified to Stage 2;
- lifetime ECLs that result from all possible default events over the expected life of a financial instrument, i.e. all discounted cash flows that are not expected to be received until maturity of the financial asset as a result of a default;
- interest income is calculated using the asset's gross carrying amount ("GCA").

Stage 3

- the credit quality of the financial asset has significantly deteriorated and resulted in a credit loss or impairment of the asset;
- lifetime ECLs are used to calculate impairment;
- interest income should be calculated from net amortised costs, i.e. from the gross carrying amounts ("GCA") decreased by ECLs;
- lifetime ECLs are used to calculate impairment.

Financial assets with low credit risk

The Bank may decide that a credit risk of a financial asset did not increase significantly where the asset is classified as an asset with a low credit risk as at the end of the reporting period.

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. Hedging does not affect a decision on whether or not an asset is classified as having a low risk of default.

Lifetime ECL's of a financial asset are not calculated solely on the basis of the low-risk classification in the last accounting period, but on the basis of an assessment at the balance sheet date. In this case, the Bank assesses whether there has been a significant increase in credit risk.

However, financial assets are not deemed financial assets with low credit risk where collateral influences whether a financial instrument has a low credit risk. In addition, financial assets are not deemed financial assets with low credit risk solely due to the fact that they have a lower risk of default than other financial assets.

At the end of the reporting period the Bank assesses whether individual financial assets with a low credit risk classified in Stage 1 meet the characteristics pertaining to this stage.

Purchased or originated credit-impaired financial assets (POCI)

In addition to purchased defaulted loans, POCI may arise as a result of the restructuring of borrowers in financial difficulties that lead to significant changes in terms of the loan and result to derecognition. Apart from the recognition of losses arising from significant changes to assets, no losses are initially recorded, without distinguishing between 12-month and lifetime ECLs. Initial ECL over the lifetime shall be taken into account in the EIR which takes into account credit risk of counterparty that is subsequently used to record interest revenue. Subsequent changes in the ECL are recorded against the impairment loss/gain and loss allowance. These assets are categorized separately as POCI and remain so for the entire period of the holding.

Significant increase in credit risk

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial asset as at the reporting date compared with the risk as at the date of initial recognition.

When determining SICR, the Bank adheres to the requirements of IFRS 9. These requirements are based on an assumption that the credit risk usually increases significantly before a financial asset becomes past due or other lagging factors (e.g. restructuring) are observed. At each reporting date of a financial asset, the Bank will assess whether the credit risk of a financial assets has increased significantly since its initial recognition or not.

The Bank may assume that the credit risk associated with the financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

When determining SICR on a financial asset since its initial recognition, the Bank uses reasonable and supportable information that is relevant and available without undue cost or effort.

Quantitative factors to be considered in assessment:

- the receivable or its significant portion is overdue for more than 30 days;
- credit risk deterioration will be 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 Bank uses internal rating system with 12 rating grades and the transition matrix which defines movements (rating deterioration) considered as significant, the 13th grade is referred as default: The Bank uses the transition matrix which defines movements (rating deterioration) considered as significant:
  - ratings 1-3 falling under investment grade are considered to be low credit risk, migrations within these ratings are not considered to be SICRs;
  - for other grades, the PD formula is used, after which the exposure will be assigned to Stage 2;
  - in line with the regulatory recommendation, the Bank uses a maximum of three times the PD increase for Stage 2 transition to ensure that the PD threshold for Stage 2 is not greater than three times the rating PD's average PD for any rating class a specific exposure can happen, but only if the corresponding PD is lower than its PD of the highest rating when it is created;
  - at the same time, the value of the thresholds increases with higher ratings, so that for high ratings with a high PD mean less than a threefold increase in PD, all significant changes in PD are captured.

Quantitative factors to be considered in assessment:

- the nature of the project 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 6 months etc.

For other products such as debits and repurchase agreements (reverse repurchase agreements with clients), the Bank does not determine ratings, scoring, and PD, and consequently may not compare their development for SICRs purposes over the time as in the case of other credit receivables. In such cases, credit risk deterioration is assessed based on other credit quality factors of an entity from which the Bank reports receivables, e.g. specific phases occurring during the debt collection process, exceeding the period for the reporting of receivables from the entity, etc.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events defined as the "default of the borrower" that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- the situation when the Bank 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 by selling the debtor's assets or executing the debtor's assets,
- the situation when the debtor's liability (or its significant portion) 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 an institution, to the parent company of that institution or to any of its subsidiaries. This amount is defined as the equivalent of EUR 100 for a retail client and EUR 500 for other clients.
    - 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 institution towards the relevant debtor, its parent company or any of its subsidiaries, excluding any exposures involving shares. This percentage has been set at 1%.
- the situation when the receivable in the category of default must be restructured;
  - delay in expected funding from another financial institution for more than 12 months;
  - the situation when payments in the aggregate amount of at least 50% (in the sense of monitoring the repayment from the point of granting the loan) have been reduced, etc.

Financial assets where the debtor's default is proved are classified in Stage 3 or designated as POCI, if the relevant conditions have been met as at the date of the financial asset's initial recognition.

The impairment of a debt instrument carried at fair value through other comprehensive income is estimated in the same way as for financial assets at amortised cost, however, the respective loss allowance is not recognised in assets in the balance sheet as these instruments are recognised at their fair value. The impairment is part of Revaluation reserve and the year-on-year change is recognised in profit or loss.

Determination of expected credit losses (ECL)

The term ECL refers to the multiplication of probability of default (PD), expected loss given default (LGD) and exposure at default (EAD).

The Bank updates ECLs as at the reporting date, i.e. at the end of each month. ECL are measured on an individual basis, for loans with similar economic risk characteristics. The measurement is based on the present value of expected future cash flows from the asset, using the original EIR for assets with fixed interest rate, and the current EIR for assets with variable interest rate.

Determination of loss given default (LGD)

LGD, which is necessary for the calculation of ECL, is an estimate of the loss arising when default occurs at a given time (expressed as percentage). It is the difference between the contractual cash flows and the amount the Bank expects to receive, including cash flows from the realisation of collateral. For calculation, the Bank applies the method of discounted cash flows.

LGD is determined individually in the form of a scenario analysis. For other exposures, the expected loss given default is calculated on a portfolio basis using available data and knowledge.

For exposures above the level determined by the Bank, the loss given default is determined on an individual basis. In other cases, the portfolio basis is used unless the Bank has already used an individual basis for the particular entity, e.g. for a credit analysis or credit rating calculation.

Individual LGD is determined as weighted average of relevant cash flows according to the scenario analysis. The Bank commonly uses scenarios such as: breach of covenants resulting in full repayment request, significant decrease in financial performance (i.e. significantly below the thresholds for immediately full repayment of the contract), realization of collateral or severe drop in performance parameters. In determining the LGD value, the Bank takes into account collateral of the receivable, when the Bank has legal right that in the event of default of the borrower, the collateral can be realized within reasonable time. For collateralized receivables, the calculation of the present value of the expected future cash flows also takes into account expenses associated with the realization of collateral.

For the purposes of LGD calculation, the Bank 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 Bank (i.e. 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 and loans, or in case of lack of data, LGDs may be determined from historical observations, from parameters set in the regulatory framework 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 probability of default (PD)

The probability of default comprises a calculation of the likelihood that a default event will occur for the exposure.

Probability of default is assigned as follows:

- if the exposure is included in Stage 1, maximum one-year 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 procedure for calculating the final PD is divided into two steps:

– calculation of one-year PDs as the average of PDs for the previous year;

– calculation of multi-annual (cumulative) PDs.

Probability of default (PD) over a selected number of years is calculated using a credit migration matrix, in particular the Markov Matrix, a square transition matrix multiplied according to the selected number of years. The outcome is multi-annual (depending on the selected horizon) probability of default (PD) of a given rating.

An external rating is assigned to every internal rating stage, so the corresponding external PD falls within the PD interval for the appropriate internal rating stage (on condition that such external PD exists). If external PD does not exist, the rating as close to the centre of the internal rating interval as possible is used.

For the separate financial statements purposes, the Bank divides the internal rating groups into the following categories:

S&P rating	Rating group	Category
A	1	Very low risk
BBB	2	Low risk
BBB-	3	Low risk
BB+	4	Low risk
BB	5	Medium risk
BB-	6	Medium risk
B+	7	Medium risk
B	8	Medium risk
B-	9	Medium risk
CCC+	10	High risk
CCC	11	High risk
CCC-	12	High risk
D	13	Failed

For debits and reverse repurchase agreements, the collateral is required to be a security traded on an active and liquid market. Therefore:

– for Stage 1, no internal rating is assigned to the counterparty; ;

– Stage 2 is assigned to receivables overdue. Then an internal scoring/external rating must be assigned.

Individual risk management departments are responsible for the calculation and update of relevant PDs. The Bank primarily determines the rating of non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. In addition, the Bank determines the rating of its liabilities, financial guarantees and undrawn limits. Scorecards are used to assign internal PDs to the appropriate exposures.

Scoring models also use external data (i.e. benchmarking models) that were mainly used for portfolios in which the variables applied are identical or very similar for a large number of banks (e.g. operating financing or personal loans).

Determination of Exposure at default (EAD)

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 the conversion factor. If not enough data is available to prepare a statistical model for determining cash flows, the Bank uses historical experience or regulatory parameters according to the type of product as follows:

Type of product	Method of determining CCF
Overdrafts	Internal historical data
Credit cards	Internal historical data
Guarantees	Regulatory values under Basel III

Forward looking indicators

The expected loss model also considers information about future events. This information includes outlooks for industries in which individual counterparties operate, analysis from economic experts, financial analysts reports, data from government institutions, think tanks and other, including also consideration of internal and external sources of information relating to the current and future state of the general economic issues. The Bank assigns counterparties relevant internal assessment of credit risk depending on their creditworthiness.

ECL presentation in the statement of financial position:

– for financial assets measured at amortised cost as a deduction from the GCA of the assets;

– for debt instruments measured at fair value through OCI, expected credit losses are not deducted from the carrying amount of a financial asset, as the carrying amount is already measured at fair value. However, an allowance is recorded as a decrease in revaluation reserve in OCI;

– for loan commitments and financial guarantee contracts generally as a provision.

Sensitivity analysis

The sensitivity of expected credit losses is affected by the probability of default (PD) and impairment losses. Therefore, the Bank prepares optimistic and pessimistic scenarios reflecting the amount of expected credit losses on a change of impairment losses by 10% (LGD). The probability of default is influenced by the change in GDP as a key indicator of future developments. Therefore, the Bank also analyses the impact of a change in GDP by +/- 1% on the value of expected credit losses.

Modification of financial assets

If there is a change in the cash flows of a financial asset due to a change in the contractual terms between the Bank and the counterparty (modification not only due to financial difficulties) while the change in the terms of the contract is classified as significant, the financial asset is derecognised and a new financial asset is recognised at fair value, including transaction costs. The present value of cash flows is discounted using a new effective interest rate, which is also used for a calculation of interest revenues.

If the change in the terms of the contract is not classified as significant (i.e. the difference between the net present value of the asset using the original effective interest rate and the present value of the asset using the updated effective interest rate is close to 10% or based on the assessment of modified contractual terms on an individual basis) and the financial asset was not derecognized, the Bank recalculates the present value of the modified cash flows from the financial asset, and the difference between the gross carrying amount before the change in the terms and conditions (not considering existing impairment) is recorded as the effect of the modification of assets to the profit or loss. The present value of modified cash flows is discounted using the original effective interest rate also used for the calculation of interest revenues. Costs and fees adjusting the carrying amount of a modified financial asset are amortized over the remaining term of modified financial asset.

Write-off

The gross carrying amount of a financial asset should be reduced directly when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This involves situations in which the Bank determines that the debtor does not have necessary assets or resources of income to repay the debt. The assessment is performed on an item-by-item basis. In the case of write-off, the Bank directly decreases the gross carrying amount of a financial asset and the related loss allowance. Write-offs do not affect profit or loss, as the written-off amounts are included in loss allowances. A write-off constitutes a derecognition event. However, derecognised financial assets may still be recovered by the Bank in accordance with its debt recovery policies.

Treasury bills

Treasury bills, comprising bills issued by Czech government agencies, are stated at amortised cost, which includes the amortised discount arising on purchase. The discount is amortised over the term to maturity with the amortisation being included in interest income.

Derivatives

Derivatives including currency forwards, cross currency swaps, interest rate swaps and options are initially recognised in the statement of financial position at fair value. Fair values are obtained from quoted market prices and discounted cash flow models. The positive fair value of derivatives is recognised as an asset while the negative fair value of derivatives is recognized as a liability.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when these do not involve financial instruments under IFRS 9, their risks and characteristics are not closely related to those of the host contract, financial instruments enjoy the same conditions as embedded derivatives and would meet the definition of financial derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

In certain cases a derivative may be a component of a hybrid (combined) financial instrument, which is referred to as an embedded derivative. An embedded derivative is accounted for separately from the host instrument if:

- the host contract is not a financial instrument under IFRS 9;
- the host contract itself is not carried through profit or loss;
- the terms of the embedded derivative meet the definition of a derivative should these be contained in a separate contract;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contracts.

Separate embedded derivatives are measured at fair value and changes in their fair value are recognised in profit or loss unless these are not part of a qualified cash flow or a hedging relationship of a net investment. Separate embedded derivatives are recognised in the statement of financial position together with the host contract.

Changes in the fair value of derivatives are recognised in Net trading income.

Hedge accounting – Fair Value Hedge

The Bank decided to continue the original recognition under IAS 39 as part of its choice to apply IFRS 9 when recognising hedging derivatives. Hedging derivatives are derivatives that serve the Bank to hedge the currency risk and meet all conditions of the classification of hedging derivatives under International Accounting Standards.

At the inception of a hedging transaction, the relationship between the hedging instrument and the hedged item is documented.

Hedge effectiveness is tested during the inception and duration of the hedging relationship by mutually offsetting changes in fair value or cash flows of the hedging instrument and the hedged item with the result in the range from 80 to 125%.

Changes in the fair value of derivatives to hedge against changes in fair value are recognised in the income statement together with changes in the fair value of hedged assets and liabilities to which a hedging risk can be assigned. Hedge accounting is discontinued when the hedging relationship is terminated by the Bank, the hedging instrument expires,

is sold, terminated, or the respective contract is exercised, or the hedging relationship ceases to meet the criteria of hedge accounting.

The positive fair value of hedging derivatives is recognised as Positive fair value of derivatives within assets in the statement of financial position. The negative fair value of hedging derivatives is recognised as Negative fair value of derivatives within liabilities and equity in the statement of financial position. A change in the fair value of hedging derivatives and of the hedged item is recognised as Net trading profit or loss in the statement of comprehensive income.

(b) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price (“repurchase agreements”), 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 repurchase agreements”) are not recorded in the statement of financial position and the consideration paid is recorded as a loan granted. The difference between the acquisition cost and the selling price is treated as interest that accrues over the life of the contract. Repurchase and reverse repurchase transactions are recognised on a settlement date basis.

(c) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization and impairment losses. Depreciation is carried out on a straight-line basis over the estimated useful economic lives of assets, ranging from 2 to 21 years.

Software	
Operating applications	3–9 years
Application for management of clients' portfolios	2–10 years
Application for management of banking products	18–21 years
Other intangible assets	2–9 years

(d) Property, plant and equipment

Intangible assets are stated at historical cost less depreciation and impairment losses. Depreciation is provided on a straight-line basis over the estimated useful economic life of the asset.

Buildings	30–50 years
Office equipment, safe deposit boxes	3–10 years
Fixtures and fittings	3–5 years
Right of use	according to the duration of a lease contract

Land is not depreciated.

Assets under construction are not depreciated.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset.

(e) Leases

Bank as the lessor

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Bank as the lessee

The Bank applies IFRS 16 to all leases. At the commencement date of a contract, the Bank assesses whether the contract has the character of a lease or contains a lease. A contract has the character of a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank assesses whether the contract contains a lease for each potential individual lease component.

If a contract contains a lease, the Bank as the lessee recognises the right-of-use asset and the lease liability as at the start of the contract. The classification of the right-of-use into tangible/intangible assets class is based on the leased asset, i.e. on the underlying asset. The Bank has lease contracts where the leased assets are buildings (the bank's office premises, branches) and cars.

The Bank uses the exception for lease classification under IFRS 16 for:

- short-term leases
  - leases with a lease term of 12 months or less as at the commencement date of the lease
- leases whose underlying asset has a low value (EUR 5,000/CZK 130,000)
  - underlying low-value assets can include for instance tablets and personal computers, small items of office furniture and phones.

The Bank as the lessee recognises lease payments relating to lease contracts in the recognition exemption regime as expenses over the term of the lease.

As at the commencement date, the Bank shall measure the right-of-use asset at acquisition cost. Acquisition cost of a right-of-use asset includes the amount of lease liability initial recognition, all lease payments made at or before the commencement date net of all lease incentives received, all initial direct costs incurred by the Bank, an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Bank shall measure the right-of-use asset using the model of measuring at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

As at the commencement date, the Bank shall measure the lease liability as the present value of lease payments that have not been paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Bank's incremental borrowing rate, if not.

On initial recognition, the Bank subsequently measures the lease liability by recognising interest on the lease liability, decreasing the carrying amount of the liability to reflect lease payments, remeasuring the carrying amount to reflect any lease revaluation or modifications.

After commencement date, the Bank as the lessee recognises in the statement of comprehensive income interest on a lease liability and a variable lease payment not included in the measurement of a lease liability.

The Bank shall reassess whether the contract has the character of a lease or contains a lease only if the terms and conditions of the contract are changed.

While right-of-use assets are presented under Property, plant and equipment in the statement of financial position, lease liabilities are presented under Other liabilities. The Bank recognises interest expense on a lease liability separately from the right-of-use asset depreciation in the statement of comprehensive income. Lease liability interest expense represents a component of finance expense.

(f) Foreign currency translation

Transactions denominated in foreign currencies are translated into CZK at the official Czech National Bank exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date. All resulting gains and losses are recorded in the statement of comprehensive income in Net trading income, in the period in which they arise.

(g) Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

For purchased or originated credit-impaired financial assets (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Interest income from debt instruments in FVTPL is recognised as interest income.

Negative income from financial assets is recognized as interest expense, positive income from financial liability as interest income.

The recognised average interest rate is determined as the annual weighted average from open contracts as at the date of the balance sheet date.

Fee and commission is accounted for pursuant to IFRS 15, applying the basic principle according to which revenue is recognised in a manner to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To apply the basic principle of recognising revenue under IFRS 15, the Bank applies the following five-step model:

1. identification of a contract
2. identification of contractual obligations (so called "performance obligation")
3. determination of the transaction price
4. allocation of the transaction price to each performance obligation
5. recognition of revenue when a performance obligation is satisfied.

Fees and commissions are divided based on the nature of the fee and the type of service provided as follows:

- fees and commissions for services provided that are recognized as the services are provided. These are recognised on a continuous basis in Net fee and commission income;
  - fees for keeping accounts, asset management, custody, etc.
- fees and commissions for the execution of the transaction are recognized when the transaction is provided and reported on a one-off basis in the Net fee and commission income.
  - payment fees, fees for the subscription of issued bonds, fees from financial instruments (mediation), clearing fees, etc.

(h) Income tax

Tax paid is calculated in accordance with the provisions of the relevant legislation based on the profit recognized in the statement of comprehensive income prepared pursuant to local statutory accounting standards, after adjustments for tax purposes.

Deferred tax is calculated using the statement of financial position liability method, providing for temporary differences between the accounting and taxation basis of assets and liabilities. Deferred tax liabilities are recognized for taxable temporary differences. 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred income taxes.

(i) Social security and pension schemes

Contributions are made to the government's health, retirement benefit and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of social security payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Bank has no further pension or post retirement commitments.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks (excluding statutory minimum provisions) and other banks and short-term highly liquid assets with original maturities of three months or less.

(k) Provisions

A provision is recognized in the statement of financial position when the Bank has a 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Offsetting of financial assets and liabilities

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

(m) Ownership interests

The subsidiary consists of participation with controlling influence in an entity where the Bank identified control/supervision. Control arises when the Bank receives or is entitled to receive variable returns from its participation in the company and has the ability to affect those returns through its power over the company, regardless of the ownership share.

In the case of control/supervision all following conditions must be met:

- power over the company in which it has been invested;
- the right or authority to acquire rights to obtain variable returns based on the investment in the company;
- the ability to use the power over the company, in order to influence the amount of the Bank's returns from this investment.

An associate enterprise consists of participation with significant influence is an entity where the Bank has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in decisions on the financial and operating policy of the invested subject, but it does not involve control or joint control over those policies.

A joint venture is a joint arrangement where parties that together control the arrangement have rights to the net assets of this arrangement. Joint control is the contractually agreed sharing of control over the arrangement which exists when decisions about the relevant activities require the unanimous consent of the parties that share control.

Ownership interests are appraised at cost. The Bank creates allowances to this appraised ownership interests on the date of the annual financial statements in the amount of the difference between the value of appraised ownership interests recorded in the accounting and the recoverable amount.

The Bank applies fair value hedge accounting for ownership interests held in foreign currency that applies only to foreign currency risk.

(n) Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. These assets are available for immediate sale in their present condition; they are offered for sale at a price which is appropriate compared to their fair value and a plan of sale leading to finding a buyer has been started, i.e. the sale is highly probable. If the situation in the market allows, the sale is expected to be completed within one year from the date of classification to "Disposal groups held for sale".

Disposal groups held for sale are measured at the lower of:

- Net book value of the asset at the date of classification to "Disposal groups held for sale";
- The fair value less estimated costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(o) Dividends

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

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the statement of profit or loss depends on the classification and measurement of the ownership interests, i.e.:

- for equity instruments which are held for trading, dividend income is presented in net trading income;
- for equity instruments designated at FVOCI, dividend income is presented in net trading income except for those resulting from a decrease in share capital of the invested entity, which is recorded in other comprehensive income.
- for equity instruments that are not designated at FVOCI and are not held for trading, dividend income is presented in dividends from ownership interests in the statement of comprehensive income.

(p) Employee benefits

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.

(q) Other equity instruments

Other equity instruments are issued, subordinated, unsecured and yield certificates with a fixed interest income dependent on the fulfilment of particular conditions (hereinafter "Certificates"). These Certificates have no maturity date.

The Certificates have the character of hybrid financial instruments combining the economic features of equity and debt securities.

The Bank classified Certificates in accordance with IAS 32 and assessed all the conditions for the definition as equity instrument. Certificates meet both of the required conditions:

- the Certificates include no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the issuer;
- if the Certificates are or may be settled in the entity's own equity instruments, the Certificates are non-derivative instruments, which include no contractual obligation for the issuer to deliver a variable number of its own equity instruments.

The Bank may redeem the Certificates with the approval of the Czech National Bank. Holders of Certificates have no right to ask for redemption, except in the event of the Bank's liquidation.

The Bank commits to paying interest income generated from Certificates to the holders, but may also decide not to pay the interests accrued by the Certificates without compensating this in future periods. The Bank will pay interest if there are funds available and if it is approved to be used by the General Meeting of the Bank. When there are not sufficient funds available, the payment is reduced proportionately. Payment of earnings can be drawn from:

- the Bank's net income after allocation to mandatory (reserve) funds ascertained in the Bank's unconsolidated financial statements for the given reporting period;
- retained earnings;
- other equity components that the Bank is authorised to distribute to its shareholders by its decision.

As the Bank has no obligation to deliver cash to the holders of Certificates or to settle the contractual obligation by providing other financial assets, (i.e. Certificate holders do not have right to redemption of the principal amount or the interest income and as the Certificates have no maturity date), they are included in additional Tier 1 capital (AT1). This inclusion is subject to approval by the Czech National Bank.

4. Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

These principles supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Expected credit losses

Expected credit losses are determined for those assets classified at amortised cost, debt instruments at fair value through other comprehensive income, guarantees and commitments. Basis used for its calculation and principles considered are described in accounting policy 3(a).

Calculation of expected credit losses and identified future liabilities considers uncertainties about the results of related risks and requires significant Bank's management assessments when estimating the amount of loss, including future economic conditions and credit behaviour.

Amounts reported as provisions for off-balance sheet items are based on management's judgement and represent the best estimate of expenditures required to settle the liability with uncertain timing or the uncertain amount of the obligation.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable quoted market price requires the use of valuation techniques as described in accounting policy 3(a). For financial instruments that are traded infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of the market factors, pricing assumptions and other risks affecting the specific amounts.

The Bank determines the fair value hierarchy according to IFRS 13 and establishes fair value using the following hierarchical system that reflects the significance of the inputs used in the valuation:

- Level 1 – entries are (unadjusted) quoted prices in active markets for identical assets or liabilities to which the Bank has access at value date;
- Level 2 – inputs are inputs other than quoted prices included in level 1 that are directly or indirectly observable for an asset or liability:
  - quoted prices of similar assets or liabilities in active markets,
  - quoted prices of identical assets on markets that are not active,
  - input quantities other than quoted prices that are observable,
  - market-supported inputs;
- Level 3 – inputs are unobservable inputs for an asset or liability.

An active market is the market where transactions for assets or liabilities are carried out frequently and in sufficient volume to ensure regular price information:

a) the items traded on the market are homogeneous;

b) it is possible to find willing buyers and sellers at any time and

c) prices are publicly available.

If there is no active market for the financial asset, the fair value is estimated using valuation techniques. When using valuation techniques, management uses estimates and assumptions based on available information about the estimates and assumptions that market participants would use to determine the price of the financial instrument.

In the vast majority of cases, the fair value of Level 3 investments, debt instruments, provided loans, was estimated using discounted cash flow ("DCF") models, with inputs coming from the specific investment's business plan or cash flow projections. The individual business plans and cash flow projections were critically reviewed by management before inclusion in the models. The discount rates were based on the specifics of the industries and countries in which the investments operate.

The key assumptions used in the valuations were the expected cash flows and discount rates.

The structure of selected assets and liabilities following the hierarchical system is described in note 45. Detailed information on securities classified in Level 3 are disclosed in note 8.

4.1. Covid-19 pandemic

The Covid-19 pandemic and measures to prevent its spread continued through 2021 and were again among the main drivers of macroeconomic developments. The significant fall in GDP last year was halted and the Czech Republic and the European Union returned to economic growth. Similarly, unemployment was kept low.

The new shock that the pandemic dealt to the economy came in the form of inflation, which surged into double digits in some countries due to broken supply chains, strong domestic demand supported by government transfers and a tight labour market. In the European Union, the December year-to-year inflation reached 5.3%, with significant differences between EU countries, for example, Estonia recorded a 12% change and Portugal only a 2.8% increase. In the Czech Republic, the inflation rate reached 6.6%. The data for the first months of 2022 show that these December figures did not represent a ceiling: inflation was yet to peak (inflation in the Czech Republic reached 9.9% in January).

Central banks' response at the start of the pandemic showed the same characteristics: interest rate cuts and the use of other instruments to ease monetary policy, but their response to rising prices was markedly different. The Czech National Bank took several steps to raise the monetary policy rate from 0.25% at the end of 2020 to 3.75% at the end of 2021. In February 2022, it raised it by a further 0.75 p.p., signalling further - albeit more modest - rate growth in the months ahead. The European Central Bank (ECB), on the other hand, left rates unchanged and has so far signalled a rather modest rise in 2022. A similar situation applies to the US FED; however, it is expected to have a more pronounced response and implement several rate increases in 2022. Both the ECB and the FED further announced their intention to limit market interventions in the form of quantitative easing programmes.

Over the past year, the Bank monitored the development of the pandemic, the measures ordered by state authorities and the views of health experts. As a result, the Bank took measures to protect the health of its employees while maintaining the Bank's operations, including the following:

- Bank employees were regularly tested for Covid-19;
- entrance turnstiles in the Bank's premises were equipped with body temperature detectors indicating to employees the potential risk of illness;
- Bank employees were required to wear appropriate respirators, keep adequate distance, and observe other measures in effect at the time;
- employees were required to comply with the isolation and quarantine rules as per the Bank's rules in force at the time,
- the Bank arranged for staff to be vaccinated against Covid-19 on its own premises.

The Bank did not experience any limitations in the availability of services or products due to, among other things, the increased support of digital and telecommunication channels allowing it to remain in contact with its clients.

The Bank did not report any significant effect of the Covid-19 pandemic on its liquidity, and market and credit risk. The impact of the Covid-19 pandemic on the economy was taken into account when updating the PD curves (see below).

Changes in PD, LGD, FLI, SICR

In 2021, the Bank performed standard updates relating to LGD, FLI and SICR. This mainly involved the inclusion of the most up-to-date data in models. More significant changes were made to the FLI model (see below).

FLI model

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 Bank 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 PDs (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,
- preparation of three PD scenarios (at the 25%, 50% and 75% quantile of GDP forecasts) for each country.

The Bank has the largest share of exposures in the loan portfolio as at 31 December 2021 in the Czech Republic (48%), Slovakia (7%), Croatia (7%), and Germany (8%), and therefore we present the development of GDP only for these states. Shares in other countries are insignificant.

Real growth used GDP (in %):

Country	Year	National Bank	Forecast of the National Bank	Estimated values (ARIMA)		
				pessimistic	basic	optimistic
CZE	2021	CNB	1.85	1.18	1.7	2.21
CZE	2022	CNB	3.55	0.55	2.25	3.99
CZE	2023	CNB	3.77	0.08	2.06	4.13
CZE	2024	CNB		-1.27	2.16	5.46
CZE	2025	CNB		-2.18	2.18	6.31
HRV	2021	HNB	6.8	6.65	7.2	7.74
HRV	2022	HNB	4.4	0.09	2.11	4.18
HRV	2023	HNB		-1.63	1.13	3.83
HRV	2024	HNB		-1.59	1.18	3.99
HRV	2025	HNB		-1.67	1.14	3.89
DEU	2021	DBB	3.7	3.07	3.73	4.4
DEU	2022	DBB	5.2	1.18	2.58	3.99
DEU	2023	DBB		-0.56	1.27	3.16
DEU	2024	DBB		-0.53	1.28	3.1
DEU	2025	DBB		-0.54	1.27	3.1
SVK	2021	NBS	4.51	3.38	4.56	5.75
SVK	2022	NBS	5.86	2.53	4.15	5.75
SVK	2023	NBS	3.78	0.6	2.2	3.72
SVK	2024	NBS		0.57	3.28	5.9
SVK	2025	NBS		0.71	3.34	6.02

Data sources:

Country	National Bank	Data source
CZE	Česká národní banka (CNB)	Monetary Policy Report
HRV	Hrvatska narodna banka (HNB)	Macroeconomic Developments and Outlook
DEU	Deutsche Bundesbank (DBB)	Outlook for the German Economy
SVK	Národná banka Slovenska (NBS)	Economic and Monetary Developments

– 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 = 25% (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.

ECL model („management overlays")

The macroeconomic outlooks of national banks predicting positive GDP developments have an impact on the update of probability of default curves and the resulting reduction of loss allowances and provisions. However, with risks and uncertainties associated with the impact of Covid-19 still prevalent in the market in general, which may impact all corporations, the Bank performs two management adjustments to correct this positive outlook.

For selected NACE sectors below, the Bank sees potential ongoing risks associated with Covid-19; therefore, the original probability of default curves used in 2020 were being preserved in 2021 without applying the new positive macroeconomic outlook.

29 Manufacture of motor vehicles (except motorcycles), trailers and semi-trailers

41 Construction of buildings

42 Civil engineering

43 Specialised construction activities

51 Air transport

55 Accommodation

56 Food and accommodation services

73 Advertising and market research

79 Activities of travel agencies. offices and other booking and related activities

93 Sports. entertainment and recreational activities

For other sectors where the new probability of default parameters were applied, the Bank doubled the new default probability parameters to take into account a possible further economic slowdown in all sectors.

The impact of the above management adjustments was as follows:

As at 31/12/2021

in millions of CZK	Loans	Debt securities at FVOCI
Loss allowances and provisions without management adjustments	2,904	25
Impact of use of original PD curves for selected NACE sectors	285	100
Impact of use of doubled PD curves for Stage 1 and Stage 2 for other NACE sectors	171	1
Final amount of loss allowances and provisions after management adjustments	3,360	126

5. Cash and cash equivalents

in millions of CZK	31/12/2021	31/12/2020
Cash on hand and current accounts with central banks	166	1 757
Loans to central banks – reverse repurchase agreements	66,128	38,051
Current accounts with banks or payable within 3 months	285	384
Total	**66,579**	**40,192**

6. Due from banks and other financial institutions

in millions of CZK	31/12/2021	31/12/2020
Compulsory minimum reserves in central banks	4,720	1,720
Term deposits and loans over 3 months	149	–
Other receivables due from banks	833	215
Subordinated loans to banks	340	358
Expected credit losses for loans	(1)	(6)
Total	**6,041**	**2,287**

The obligatory minimum reserves are maintained under regulations of the Czech National Bank and National Bank of Slovakia. The obligatory minimum reserve is stated as 2% of primary deposits with maturity of less than two years and is interest bearing. The Bank must maintain the obligatory minimum reserves in accounts with the respective central banks. Compliance with this requirement is measured using the average daily closing balance over the whole month.

The Bank has a prudent liquidity policy and holds a significant part of its liquidity surplus in highly liquid assets. Highly liquid assets include balances with the central bank, short term deposits in financial institutions and highly liquid corporate and government bonds. The Bank decides on placements based on the credibility of the counterparty and the offered conditions.

Subordinated loans to banks are provided to related parties.

Other receivables due from banks include primarily cash collateral of derivative transactions amounting to CZK 758 million (2020: CZK 197 million).

There were no overdue receivables from banks as at 31 December 2021 and 31 December 2020.

The contractual weighted average interest rate on deposits and loans with other banks was 1.35% p.a. (2020: 3.19%).

All exposures classified as cash and cash equivalents, balances with central banks and due from financial institutions are classified at amortised cost, categorised in Stage 1, financial assets with low credit risk. These balances, apart from subordinated loans to banks, have immaterial expected credit losses as at both 31 December 2021 and 2020.

7. Derivatives

(a) Derivatives held for trading

in millions of CZK	31/12/2021 Notional amount buy	31/12/2021 Notional amount sell	31/12/2021 Positive fair value	31/12/2021 Negative fair value
FX derivatives	106,386	(104,265)	851	(1,426)
Cross currency derivatives	10,058	(10,079)	175	(154)
Other derivatives	2,252	(2,252)	19	(20)
Total	**118,696**	**(116,596)**	**1,045**	**(1,600)**

in millions of CZK	31/12/2020 Notional amount buy	31/12/2020 Notional amount sell	31/12/2020 Positive fair value	31/12/2020 Negative fair value
FX derivatives	124,317	(124,203)	840	(687)
Cross currency derivatives	10,189	(10,190)	96	(54)
Other derivatives	960	(960)	3	(1)
Total	**135,466**	**(135,353)**	**939**	**(742)**

All derivatives held for trading are classified as level 2 according to the fair value hierarchy that reflects the significance of the inputs used in the valuation.

Currency contracts, generally forward currency contracts, are commitments to either purchase or to sell a designated currency at a specified date for a specified price. Forward currency contracts result in a credit exposure at a specified future date for a specified price. Forward currency contracts also result in exposure to market risk based on changes in quoted market prices relative to the contracted amounts.

Although all these derivatives represent economic hedges, they are reported as held for trading as the Bank did not classify them as derivatives held for risk management purposes (hedging derivatives).

The foreign currency structure of these transactions was as follows:

in %	CZK	EUR	USD	Other
Long position				
31/12/2021	55%	33%	6%	6%
31/12/2020	61%	31%	4%	4%

The foreign currency structure of the second leg of these transactions was as follows:

in %	CZK	EUR	USD	Other
Short position				
31/12/2021	35%	42%	15%	8%
31/12/2020	34%	42%	9%	15%

(b) Derivatives held for risk management

in millions of CZK	Notional amount Long position	Notional amount Short position	Fair value Positive	Fair value Negative
Currency derivatives – hedging for equity instruments at FVOCI			**–**	**(2)**
– Payable from 1 to 5 years	397	(373)		
Currency derivatives – hedging for ownership interests			**104**	**(43)**
– Payable in more than 1 month and less than 3 months	1,515	(1,503)		
– Payable between 3 months and 1 year	1,482	(1,424)		
– Payable from 1 to 5 years	2,935	(2,794)		
Total as at 31 December 2021	**5,932**	**(5,721)**	**104**	**(45)**

in millions of CZK	Notional amount Long position	Notional amount Short position	Fair value Positive	Fair value Negative
Currency derivatives – hedging for equity instruments at FVOCI			**16**	**–**
– Payable from 1 to 5 years	570	(551)		
Currency derivatives – hedging for ownership interests			**81**	**(22)**
– Payable in more than 1 month and less than 3 months	982	(975)		
– Payable between 3 months and 1 year	2,022	(1,959)		
– Payable from 1 to 5 years	3,103	(3,058)		
Total as at 31 December 2020	**6,677**	**(6,543)**	**97**	**(22)**

To hedge capital instruments at FVOCI, the Bank used a CZK/EUR derivative (purchase/sale) and to hedge ownership interests, it used CZK/EUR, EUR/HRK, EUR/RUB, EUR/USD and USD/RUB derivatives.

All derivatives held for risk management are classified as level 2 according to the fair value hierarchy that reflects the significance of the inputs used in the valuation.

As at 31 December 2021, the carrying amount of hedged equity instruments at FVOCI was CZK 147 million (2020: CZK 165 million); the carrying amount of hedged ownership interests in foreign currency was CZK 2,870 million (2020: CZK 3,057 million).

The objective of this hedge is to cover the foreign currency exposure to changes in the fair value of foreign currency financial assets at FVOCI and foreign currency ownership interests. The Bank uses currency forwards and foreign currency fixed-term deposits to achieve hedge effectiveness. The set hedges are in all cases effective.

8. Securities

(a) Financial assets for trading

in millions of CZK	31/12/2021 Fair value	31/12/2020 Fair value
Shares		
– domestic	369	279
– foreign	40	66
Bonds		
– domestic	2,333	6,903
– foreign	1,146	796
Allotment certificates		
– domestic	4	285
– foreign	4	4
Total	**3,896**	**8,333**
Shares		
– listed	409	345
Bonds		
– listed	3,479	7,699
Allotment certificates		
– not listed	8	289
Total	**3,896**	**8,333**
Shares		
– financial institutions	173	96
– corporate	235	249
– insurance companies	1	–
Bonds		
– government	1,447	6,640
– financial institutions	879	396
– corporate	1,153	663
Allotment certificates		
– financial institutions	8	289
Total	**3,896**	**8,333**
Shares		
– Level 1	401	267
– Level 2	4	74
– Level 3	4	4
Bonds		
– Level 1	1,761	6,433
– Level 2	733	870
– Level 3	985	396
Allotment certificates		
– Level 2	8	289
Total	**3,896**	**8,333**

Foreign bonds as at 31 December 2021 mainly include non-government bonds of CZK 1,027 million (2020: CZK 650 million) issued by companies from the following states and in the following amounts: Slovakia of CZK 655 million (2020: CZK 452 million), Malta of CZK 192 million (2020: CZK 37 million), Cyprus of CZK 92 million (2020: CZK 30 million), Luxembourg of CZK 72 million (2020: CZK 68 million) and USA of CZK 16 million (2020: CZK 4 million).

Foreign government bonds of CZK 119 million (2020: CZK 146 million) include Polish government bonds of CZK 55 million (2020: CZK 65 million), Romanian government bonds of CZK 53 million (2020: CZK 60 million) and Turkish government bonds of CZK 11 million (2020: CZK 21 million).

(b) Financial instruments mandatorily at fair value through profit or loss

in millions of CZK	31/12/2021 Fair value	31/12/2020 Fair value
Allotment certificates		
– domestic	4,001	3,067
– foreign	4,644	5,334
Total	**8,645**	**8,401**
Allotment certificates		
– not listed	8,645	8,401
Total	**8,645**	**8,401**
Allotment certificates		
– financial institutions	8,645	8,401
Total	**8,645**	**8,401**
Allotment certificates		
– Level 2	6,068	6,150
– Level 3	2,556	2,251
Total	**8,645**	**8,401**

Foreign allotment certificates mainly include the Malta certificates of CZK 4,375 million (2020: CZK 5,013 million), Slovak allotment certificates of CZK 259 million (2020: CZK 321 million) and Luxembourg allotment certificates of CZK 10 million (2020: CZK -).

(c) Financial assets at fair value through other comprehensive income

in millions of CZK	31/12/2021 Fair value	31/12/2020 Fair value
Shares		
– domestic	272	170
– foreign	198	196
Bonds		
– domestic	303	407
– foreign	2,535	3,218
Total	**3,308**	**3,991**
Shares		
– listed	470	366
Bonds		
– listed	2,037	2,759
– not listed	801	866
Total	**3,308**	**3,991**
Shares		
– corporate	470	366
Bonds		
– financial institutions	967	597
– corporate	1,871	3,028
Total	**3,308**	**3,991**
Shares		
– Level 1	272	170
– Level 2	198	196
Bonds		
– Level 1	–	1,195
– Level 2	468	106
– Level 3	2,370	2,324
Total	**3,308**	**3,991**

Foreign shares comprise Slovak shares of CZK 147 million (2020: CZK 165 million) and Swiss shares of CZK 51 million (2020: CZK 31 million).

Foreign bonds comprise Slovak bonds of CZK 2,066 million (2020: CZK 3,218 million) and Maltese bonds of CZK 469 million (2020: CZK -).

In 2021 and 2020, no shares from the Bank's portfolio were sold. Shares at fair value through other comprehensive income comprise shares of companies in the following sectors:

in millions of CZK	2021 Fair value	2021 Dividends received	2020 Fair value	2020 Dividends received
Energy and manufacturing industry	323	(16)	201	(10)
Travel and tourism	147	–	165	–
Total	**470**	**(16)**	**366**	**(10)**

The Bank classifies bonds measured at FVOCI into internal rating groups, taking into account a number of factors. The following table summarises these bonds by stages.

in millions of CZK	Very low risk	Low risk	Medium risk	Total
Risk category				
Stage 1	498	–	772	1,270
Stage 2	–	–	1,568	1,568
Total 2021	**498**	**–**	**2,340**	**2,838**
Stage 1	528	–	1,638	2,166
Stage 2	–	–	1,459	1,459
Total 2020	**528**	**–**	**3,097**	**3,625**

More detailed information on bonds as at 31 December 2021 and their classification, expected credit losses and gross carrying amounts are disclosed in note 11 and 12.

(d) Financial assets at amortized cost

in millions of CZK	31/12/2021	31/12/2020
Bonds		
– domestic/listed/government	4,522	–
Total	**4,522**	**–**

Financial assets carried at amortised cost comprise Czech government bonds of CZK 4,523 million gross. Bonds are classified as Stage 1; expected credit losses on these bonds amount to CZK 1 million. Bonds mature in 2025.

The estimated fair value of bonds at amortised cost is CZK 4,234 million.

(e) Fair value measurement of financial assets at level 3

The Bank regularly monitors the classification of securities into the fair value hierarchy. The Bank always assesses the individual ISIN codes of securities according to the frequency and volume of trades. Thus a situation may arise that securities of one issuer may be classified under Level 1, whereas securities of another issuer may be classified under Level 2 or 3, based on the criteria shown in an internal decision-making tree.

The following table shows a reconciliation of the opening and closing balances for Level 3 financial assets that are recorded at fair value:

in millions of CZK	01/01/2021	Revaluation to OCI	Revaluation to profit or loss	Transfer from/(to) Level 2	Additions	Disposals	FX movement	Interest income	31/12/2021
Financial assets for trading									
shares	4	–	–	–	–	–	–	–	4
bonds	396	–	(32)	(27)	781	(188)	33	22	985
Financial instruments mandatorily at fair value through profit or loss									
allotment certificates	2,251	–	88	–	302	–	(85)	–	2,556
Financial assets at fair value through other comprehensive income									
bonds	2,324	(25)	–	–	383	(138)	(193)	19	2,370
Total	**4,975**	**(25)**	**56**	**(27)**	**1,466**	**(326)**	**(245)**	**41**	**5,915**

in millions of CZK	01/01/2020	Revalua-tion to OCI	Revalua-tion to profit or loss	Transfer from/(to) Level 2	Additions	Disposals	FX movement	Interest income	31/12/2020
Financial assets for trading									
shares	3	—	1	—	—	—	—	—	4
bonds	58	—	(18)	251	275	(176)	—	6	396
Financial instruments mandatorily at fair value through profit or loss									
allotment certificate	2,325	—	57	(178)	—	—	47	—	2,251
Financial assets at fair value through other comprehensive income									
bonds	2,024	11	—	512	—	(297)	75	(1)	2,324
Total	**4,410**	**11**	**40**	**585**	**275**	**(473)**	**122**	**5**	**4,975**

The following table sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial assets categorised as Level 3 in the fair value hierarchy:

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31/12/2021	Range of estimates	Fair value measurement sensitivity to unobservable inputs
bonds	discounted CF	Credit Spread		0.5%-5.5%	A significant increase may result in lower fair value
		Risk-free rate	3,355	-1%-5%	
shares	discounted CF	Discount rates		9%-12.6%	A significant increase may result in lower fair value
		EBITDA growth coefficient	4	2%-4%	A significant increase may result in higher fair value
allotment certificates	net asset value	Expected CF from fund	2,556	Investment based	A significant increase may result in higher fair value

The following table sets out information about significant unobservable inputs used as at 31 December 2020 in measuring financial assets categorised as Level 3 in the fair value hierarchy:

Type of financial assets	Valuation technique	Significant unobservable input	Fair value as at 31/12/2020	Range of estimates	Fair value measurement sensitivity to unobservable inputs
bonds	discounted CF	Credit Spread		0.5%-5%	A significant increase may result in lower fair value
		Risk-free rate	2,720	-1%-1.5%	
shares	discounted CF	Discount rates		7.3%-10%	A significant increase may result in lower fair value
		EBITDA growth coefficient	4	2%-3.5%	A significant increase may result in higher fair value
allotment certificates	net asset value	Expected CF from fund	2,251	Investment based	A significant increase may result in higher fair value

If fair values were by 10% higher or lower than the Bank management's estimates, the determined carrying amount of financial assets at Level 3 would be by CZK 592 million higher or lower than the carrying amount recognised as at 31 December 2021 (2020: CZK 498 million).

The effect of the remeasurement of fair values of the Level 3 financial assets as a result of an increase or decrease of some of the inputs used on the calculation of fair values is shown below:

in millions of CZK	Effect on profit or loss Increase	Effect on profit or loss Decrease	Effect on other comprehensive income Increase	Effect on other comprehensive income Decrease
Bonds 2021				
change in risk-free rates by 1%	(33)	35	(103)	108
change in credit markups by 1%	(36)	37	(103)	108
Shares 2021				
change in discount rates by 1%	(1)	2	–	–
change in EBITDA by 5%	–	–	–	–
Bonds 2020				
change in risk-free rates by 1%	(17)	17	(109)	116
change in credit markups by 1%	(17)	17	(128)	138
Shares 2020				
change in discount rates by 1%	(1)	2	–	–
change in EBITDA by 5%	–	–	–	–

9. Repurchase and resale agreements

(a) Resale agreements (reverse repurchase agreements)

The Bank purchases financial assets under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same or similar instruments at an agreed future date. Ownership title to the securities is transferred to the Bank or the entity which is a loan provider. Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2021 and 31 December 2020 assets purchased pursuant to the agreements to resell them were as follows:

in millions of CZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks (note 5)	64,984	66,128	up to 1 month	66,197
Loans and other advances to customers (note 10)	167	111	up to 1 month	111
Loans and other advances to customers (note 10)	565	349	up to 3 months	354
Loans and other advances to customers (note 10)	4,465	2,113	up to 6 months	2,117
Total as at 31 December 2021	**70,181**	**68,701**		**68,779**

in millions of CZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repurchase price
Loans to central banks (note 5)	37,429	38,051	up to 1 month	38,054
Loans and other advances to customers (note 10)	890	545	up to 1 month	547
Loans and other advances to customers (note 10)	2,240	1,376	up to 3 months	1,384
Total as at 31 December 2020	**40,559**	**39,972**		**39,985**

(b) Repurchase agreements

Transactions where securities are sold under a repurchase agreement (repurchase transaction) at a predetermined price are accounted for as loans collateralised by the securities. Ownership title to securities is transferred to the Bank, or the entity which is a loan provider. Securities transferred under repurchase agreements are reported within the respective items of securities in the Bank's statement of financial position. The amount received from the transfer of securities under repurchase agreements is presented under "Deposits and loans from banks" or "Deposits from customers".

in millions of CZK	Fair value of assets provided as collateral	Carrying amount of liability	Repurchase date	Repurchase price
Loans from banks (note 17)	4,322	3,732	up to 3 years	3,685
Total as at 31 December 2021	**4,322**	**3,732**		**3,685**
Loans from banks (note 17)	–	–		–
Total as at 31 December 2020	**–**	**–**		**–**

10. Loans and other advances to customers at amortised cost

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Stage 3 - POCI	Net carrying amount
Loans to customers	71,061	(319)	(459)	(2,310)	(50)	67,923
Receivables from reverse repurchase agreements with customers	2,573	–	–	–	–	2,573
Margin lending (debits)	17,729	–	–	–	–	17,729
Other receivables from customers	158	–	–	(116)	(2)	40
Total as at 31 December 2021	**91,521**	**(319)**	**(459)**	**(2,426)**	**(52)**	**88,265**

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Stage 3 - POCI	Net carrying amount
Loans to customers	65,267	(829)	(295)	(1,824)	(54)	62,265
Receivables from reverse repurchase agreements with customers	1,921	–	–	–	–	1,921
Margin lending (debits)	28,998	–	–	–	–	28,998
Other receivables from customers	203	(3)	–	(1)	(2)	197
Total as at 31 December 2020	**96,389**	**(832)**	**(295)**	**(1,825)**	**(56)**	**93,381**

Loans and advances to customers at fair value through profit or loss

in millions of CZK	2021	2020
Loans and advances to customers at fair value through profit or loss	14	–

Loans not bearing interest as at 31 December 2021 amount to CZK 188 million (2020: CZK 382 million), of which loans acquired from the former Podnikatelská banka of CZK 37 million are still subject to bankruptcy proceedings (2020: CZK 37 million). In addition, these also include an additional payment for the purchase price of a ceded receivable of CZK 40 million (2020: CZK 40 million) and loans that are past due, do no longer bear interest and are subject to recovery procedures, 100% allowances are established for these receivables.

The contractual weighted average interest rate on loans to customers was 5.05% (2020: 4.79%).

Details of changes in gross carrying amounts of loans, including movements in ECLs for 2021 are disclosed in note 11 a 12.

For further information about loans and advances to customers refer to note 38.

11. Gross carrying amount of financial assets

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**85,291**	**6,419**	**4,198**	**481**	**96,389**
Transfers:					
– transfers to Stage 1	69	(11)	(58)	–	–
– transfers to Stage 2	(4,805)	4,805	–	–	–
– transfers to Stage 3	(1,614)	–	1,614	–	–
Increase due to origination and acquisition – gross	41,604	–	–	27	41,631
Movement in interest – accrued less paid (except for full repayment)	226	(20)	(23)	(40)	143
Partial repayment of the principal / drawing of loan during the reporting period	366	550	(11)	4	909
Financial assets derecognised during the period	(42,794)	(2,024)	(682)	(34)	(45,534)
Changes due to modification without derecognition (net)	10	(68)	9	10	(39)
Write-off and sale of receivables	–	–	(151)	–	(151)
Foreign exchange rate movements	(1,456)	(204)	(144)	(23)	(1,827)
Total as at 31 December 2021	**76,897**	**9,447**	**4,752**	**425**	**91,521**

“Increase due to origination and acquisition - gross” comprises an increase CZK 20,302 million in receivables from reverse repurchase agreements with customers and debits; “financial assets derecognized during the period” of CZK 30,919 million comprise a decrease in receivables from reverse repurchase agreements and debits. The remaining movements represent the newly provided loans or repayment of previously provided loans. “Increase due to origination and acquisition – gross” for Stage 3 – POCI amounting to CZK 27 million represents loans with significant modifications, measured at fair value. The impact of modification of CZK 3 million was recognised in profit or loss.

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**57,490**	**4,013**	**2,990**	**429**	**64,922**
Transfers:					
– transfers to Stage 1	21	(1)	(20)	–	–
– transfers to Stage 2	(5,523)	5,917	(394)	–	–
– transfers to Stage 3	(1,550)	(407)	1,957	–	–
Increase due to origination and acquisition – gross	54,488	–	–	30	54,518
Movement in interest – accrued less paid (except for full repayment)	229	(5)	(141)	20	103
Partial repayment of the principal / drawing of loan during the reporting period	902	(3)	528	(12)	1,415
Financial assets derecognised during the period	(21,556)	(3,106)	(991)	1	(25,652)
Changes due to modification without derecognition (net)	96	6	229	(1)	330
Foreign exchange rate movements	694	5	40	14	753
Total as at 31 December 2020	**85,291**	**6,419**	**4,198**	**481**	**96,389**

“Increase due to origination and acquisition - gross” comprises an increase CZK 30,919 million in receivables from reverse repurchase agreements with customers and debits; “financial assets derecognized during the period” of CZK 11,718 million comprise a decrease in receivables from reverse repurchase agreements and debits. The remaining movements represent the newly provided loans or repayment of previously provided loans. “Increase due to origination and acquisition – gross” for Stage 3 – POCI amounting to CZK 30 million represents loans with significant modifications, measured at fair value. The impact of modification of CZK 5 million was recognised in profit or loss.

Gross carrying amount of debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**2,166**	**1,459**	**–**	**–**	**3,625**
Transfers:					
– transfers to Stage 2	(387)	387	–	–	–
Movement in interest – accrued less paid (except for full repayment)	–	8	–	–	8
Increase due to origination and acquisition – gross	848	–	–	–	848
Financial assets derecognised during the period	(1,301)	(142)	–	–	(1,443)
Fair value revaluation to OCI	(27)	9	–	–	(18)
Foreign exchange rate movements	(29)	(153)	–	–	(182)
Total as at 31 December 2021	**1,270**	**1,568**	**–**	**–**	**2,838**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**1,057**	**1,695**	**–**	**–**	**2,752**
Movement in interest – accrued less paid (except for full repayment)	9	–	–	–	9
Increase due to origination and acquisition – gross	1,195	–	–	–	1,195
Financial assets derecognised during the period	(110)	(297)	–	–	(407)
Fair value revaluation to OCI	(11)	2	–	–	(9)
Foreign exchange rate movements	26	59	–	–	85
Total as at 31 December 2020	**2,166**	**1,459**	**–**	**–**	**3,625**

12. Expected credit losses to financial assets, including guarantees and commitments

ECL to loans

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**832**	**295**	**1,825**	**56**	**3,008**
Transfers:					
– transfers to Stage 1	9	(7)	(2)	–	–
– transfers to Stage 2	(122)	122	–	–	–
– transfers to Stage 3	(225)	(37)	262	–	–
Net change in credit risk	(562)	202	805	4	449
Changes due to modification without derecognition	10	(68)	9	10	(39)
New financial assets originated or purchased	572	–	–	–	572
Unwind of discount	–	–	(2)	(6)	(8)
Financial assets derecognised during the period	(166)	(31)	(244)	(10)	(451)
Write-offs/Use of allowances	–	–	(151)	–	(151)
Foreign exchange rate movements	(29)	(17)	(76)	(2)	(124)
Total as at 31 December 2021	**319**	**459**	**2,426**	**52**	**3,256**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**193**	**105**	**1,612**	**53**	**1,963**
Transfers:					
– transfers to Stage 1	–	–	–	–	–
– transfers to Stage 2	(87)	90	(3)	–	–
– transfers to Stage 3	(5)	(67)	72	–	–
Net change in credit risk	530	193	476	(2)	1,197
Changes due to modification without derecognition	96	6	229	(1)	330
New financial assets originated or purchased	212	–	–	–	212
Unwind of discount	–	–	(62)	5	(57)
Financial assets derecognised during the period	(94)	(27)	(527)	–	(648)
Write-offs/Use of allowances	–	–	–	–	–
Foreign exchange rate movements	(13)	(5)	28	1	11
Total as at 31 December 2020	**832**	**295**	**1,825**	**56**	**3,008**

The use of loss allowances as at 31 December 2021 totalling CZK 151 million (2020: -) represents the write-off of receivables in the gross amount of CZK 151 million.

ECL to financial guarantees and commitments

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**62**	**5**	**51**	**–**	**118**
Transfers					
– transfers to Stage 2	(22)	22	–	–	–
– transfers to Stage 3	(21)	–	21	–	–
Net change in credit risk	(175)	(22)	16	–	(181)
New financial assets originated or purchased	186	–	–	–	186
Financial assets derecognised during the period	(7)	(2)	(6)	–	(15)
Foreign exchange rate movements	(1)	–	(3)	–	(4)
Total as at 31 December 2021	**22**	**3**	**79**	**–**	**104**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**18**	**6**	**6**	**–**	**30**
Transfers					
– transfers to Stage 2	(1)	1	–	–	–
– transfers to Stage 3	(3)	–	3	–	–
Net change in credit risk	43	(2)	42	–	83
New financial assets originated or purchased	39	–	–	–	39
Financial assets derecognised during the period	(32)	–	–	–	(32)
Foreign exchange rate movements	(2)	–	–	–	(2)
Total as at 31 December 2020	**62**	**5**	**51**	**–**	**118**

ECL to debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**69**	**67**	**—**	**—**	**136**
Transfers					
– transfers to Stage 2	(74)	74	—	—	—
Net change in credit risk	(57)	(56)	—	—	(113)
New financial assets originated or purchased	139	—	—	—	139
Financial assets derecognised during the period	(31)	—	—	—	(31)
Foreign exchange rate movements	(1)	(4)	—	—	(5)
Total as at 31 December 2021	**45**	**81**	**—**	**—**	**126**

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2020	**3**	**40**	**—**	**—**	**43**
Net change in credit risk	36	28	—	—	64
New financial assets originated or purchased	30	—	—	—	30
Foreign exchange rate movements	—	(1)	—	—	(1)
Total as at 31 December 2020	**69**	**67**	**—**	**—**	**136**

ECL to financial assets at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	Stage 3 - POCI	Total
Total as at 1 January 2021	**—**	**—**	**—**	**—**	**—**
Net change in credit risk	(12)	—	—	—	(12)
New financial assets originated or purchased	13	—	—	—	13
Total as at 31 December 2021	**1**	**—**	**—**	**—**	**1**

As at 31 December 2020 the Bank did not report any financial assets at amortised cost nor any expected credit losses to these assets.

13. Property, plant and equipment

in millions of CZK	Land and buildings	Fixtures, fittings and equipment	Right-of-use assets: Land and buildings	Right-of-use assets: Equipment - cars	Total
Acquisition cost					
1 January 2020	21	69	244	20	354
Additions	–	9	1,521	3	1,533
Disposals	(1)	(7)	(74)	(3)	(85)
Change due to modification of IFRS 16	–	–	31	3	34
Foreign exchange differences	–	–	4	–	4
31 December 2020	**20**	**71**	**1,726**	**23**	**1,840**
Accumulated depreciation					
1 January 2020	16	40	72	8	136
Depreciation	2	2	111	8	123
Disposals	(1)	(4)	(74)	(3)	(82)
31 December 2020	**17**	**38**	**109**	**13**	**177**
Acquisition cost					
1 January 2021	20	71	1,726	23	1,840
Additions	8	3	150	5	166
Disposals	–	(3)	(9)	(6)	(18)
Change due to modification of IFRS 16	–	–	53	–	53
Foreign exchange differences	–	–	(9)	1	(8)
31 December 2021	**28**	**71**	**1,911**	**23**	**2,033**
Accumulated depreciation					
1 January 2021	17	38	109	13	177
Depreciation	2	2	143	8	155
Disposals	–	(2)	(12)	(7)	(21)
31 December 2021	**19**	**38**	**240**	**14**	**311**
Net book value					
31 December 2020	**3**	**33**	**1,617**	**10**	**1,663**
31 December 2021	**9**	**33**	**1,671**	**9**	**1,722**

The Bank did not record any property, plant and equipment under construction as at the end of 2021 and 2020.

Property is insured against theft and natural disaster.

The increase in the right of use in 2020 was mainly due to the conclusion of a leasing contract for the lease of office space in the Rustonka building, Prague. The Bank leases the majority of the total space of this building. The contractual lease period is 15 years. This lease term was taken into account in the initial measurement of the right of use and the lease liability. The newly created right of use also included the costs incurred for specific modifications to the building in accordance with the Bank's requirements, which were paid at the beginning of the lease.

14. Intangible assets

in millions of CZK	Software	Other	Total
Acquisition cost			
1 January 2020	577	18	595
Additions	61	1	62
Disposals	(32)	(16)	(48)
31 December 2020	**606**	**3**	**609**
Amortisation and impairment losses			
1 January 2021	502	1	503
Amortisation for the year	35	–	35
Disposals	(34)	–	(34)
31 December 2020	**503**	**1**	**504**
Acquisition cost			
1 January 2021	606	3	609
Additions	141	4	145
Disposals	(52)	(1)	(53)
31 December 2021	**695**	**6**	**701**
Amortisation and impairment losses			
1 January 2021	503	1	504
Amortisation for the year	46	–	46
Foreign exchange differences	(2)	–	(2)
31 December 2021	**547**	**1**	**548**
Carrying amount			
31 December 2020	**103**	**2**	**105**
31 December 2021	**149**	**4**	**153**

The Bank did not record any intangible assets under construction as at the end of 2021 and 2020.

15. Leases

(a) Leases entered into as lessee

The Bank as lessee accounts for lease contracts pursuant to IFRS 16.

(b) Leases entered into as lessor

The Bank does not report any significant receivables from non-cancellable operating leases at the end of 2021 a 2020.

16. Prepayments, accrued income and other assets

in millions of CZK	31/12/2021	31/12/2020
Prepayments and accrued income	346	137
Receivables from customers from securities trading	3,986	669
Other trade receivables	427	253
Receivables from fees for portfolio management	88	68
Other receivables	24	33
Advance payments – other	55	135
Expected credit losses for other assets	–	(1)
Total	**4,926**	**1,294**

Receivables from customers from securities trading increased in 2021 due to higher volume of customer trades around the year-end.

Other trade receivables as at 31 December 2021 include various receivables such as receivables from the issue of bonds and promissory notes of CZK 183 million (2020: CZK 17 million), receivables for intermediation of the purchase of funds CZK 124 million (2020: CZK 96 million) and other individually insignificant receivables.

Most assets are carried at acquisition cost and categorised in Stage 2. Expected credit losses decreased year-on-year and were insignificant at the end of 2021 (2020: CZK 1 million).

17. Deposits and loans from banks

in millions of CZK	31/12/2021	31/12/2020
Deposits from banks	566	907
Loans from banks – repurchase agreements (note 9)	3,732	–
Deposits from central banks	–	498
Total	**4,298**	**1,405**

Deposits from banks include current deposits, term deposits and other financial liabilities.

The contractual weighted average interest rate on liabilities to banks was -0.16% (2020: 0%).

18. Deposits from customers

in millions of CZK	31/12/2021	31/12/2020
Current accounts	43,320	32,379
Term deposits and escrow accounts	105,986	100,049
Total	**149,306**	**132,428**

The contractual weighted average interest rate on liabilities to banks was 1.2% (2020: 1.1%).

19. Subordinated debt

in millions of CZK	31/12/2021	31/12/2020
Subordinated debt – term deposits	73	209
Total	**73**	**209**

in millions of CZK	31/12/2021	31/12/2020
Interest expense for subordinated debt:	6	21
of which interest paid	3	17

The subordinated debt – term deposits from customers with a maturity up to 2025 bear an interest rate between 6.10% p.a. and 6.50% p.a. The Czech National Bank approved the subordinated debt as a part of the capital for regulatory purposes. The year-on-year decrease was due to the maturity of individual deposits.

20. Other liabilities and financial liabilities at fair value through profit or loss

Other liabilities

in millions of CZK	31/12/2021	31/12/2020
Payables to clients from securities trading	12,073	7,448
Trade payables	155	218
Accruals and deferred income	164	183
Other tax liabilities	54	51
Payables to employees	43	35
Social security liabilities	18	17
Lease liabilities	943	866
– Up to 1 year	37	63
– Over 1 year	906	803
Other liabilities	129	221
Total	**13,579**	**9,039**

Payables to clients from securities trading increased in 2021 due to higher volume of customer trades around the year-end.

Financial liabilities at fair value through profit or loss

in millions of CZK	31/12/2021	31/12/2020
Financial liabilities at fair value through profit or loss	459	30
Total	**459**	**30**

Financial liabilities at fair value through profit or loss include payables from short sales, settled during January 2022.

21. Provisions

in millions of CZK	31/12/2021	31/12/2020
Provision for employee bonuses	1,127	1,270
Provision for off-balance sheet items	104	118
Stage 1	22	62
Stage 2	3	5
Stage 3	79	51
Provision for loyalty programmes – customers	27	27
Provision for untaken holiday	30	28
Provision for loyalty programmes – employees	6	2
Other provisions	3	28
Total	**1,297**	**1,473**

A provision for employee bonuses is established in relation to the approval of Bank employees' annual bonuses. The annual bonus is defined as variable benefit component of employee remuneration which the Bank may grant and pay to an employee in proportion to his/her job performance in the evaluated period, most commonly a year. It also comprises bonuses with deferred due payment. The Bank's remuneration policy is in accordance with the policies of risk management and remuneration in accordance with Decree 163/2014 Coll., on the performance of the activities of banks credit unions and investment firms.

A provision for off-balance sheet items comprises in particular the provision for loan commitments and guarantees of CZK 104 million (2020: CZK 118 million).

Other provisions are short-term and expected to be utilised within 12 months after the reporting date.

in millions of CZK	Balance as at 01/01/2021	Additions/ Creation	Use/ Release	Foreign exchange difference	Balance as at 31/12/2021
Provision for employee bonuses	1,270	691	(815)	(19)	1,127
Provision for off-balance sheet items – financing activities	118	186	(196)	(4)	104
Provision for loyalty programmes – customers	27	–	–	–	27
Provision for untaken holiday	28	23	(21)	–	30
Provision for loyalty programmes – employees	2	8	(4)	–	6
Other provisions	28	2	(27)	–	3
Total	**1,473**	**910**	**(1,063)**	**(23)**	**1,297**

in millions of CZK	Balance as at 0 1/01/2020	Additions/ Creation	Use/ Release	Foreign exchange difference	Balance as at 31/12/2020
Provision for employee bonuses	1,188	431	(364)	15	1,270
Provision for off-balance sheet items – financing activities	30	122	(32)	(2)	118
Provision for loyalty programmes – customers	28	–	(1)	–	27
Provision for untaken holiday	20	17	(11)	2	28
Provision for loyalty programmes – employees	1	5	(4)	–	2
Other provisions	23	27	(22)	–	28
Total	**1,290**	**602**	**(434)**	**15**	**1,473**

22. Equity

in millions of CZK	31/12/2021
The share capital has been fully paid up and consists of:	
10,637,126 ordinary shares with a nominal value of CZK 1,000 per share	10,637
700,000 ordinary shares with a nominal value of CZK 1.43 per share	1
Total share capital	**10,638**

The owners of ordinary shares are entitled to the payment from approved dividends.

The allocation of the profit will be approved at the general meeting. The Bank's management assumes that a relevant part of profit will be transferred to the special-purpose capital fund for the distribution of revenue from certificates that are part of the Bank's equity and the remaining part will be used based on a decision and approval by a general meeting. Owing to the worldwide Covid-19 pandemic and the Czech National Bank's recommendation in 2021 the Bank did not pay out dividends from retained profits for 2020 and transferred CZK 815 million to Other reserves.

The Bank does not provide any employee incentive scheme involving the option to buy own shares or remuneration in the form of equity options.

Retained earnings

Retained earnings are distributable to the Bank's shareholders and are subject to the approval of the shareholders' general meeting. As at 31 December 2021 retained earnings amounted to CZK 8,667 million (2020: CZK 7,450 million). For details related to retained earnings refer to the Statement of changes in equity.

Capital funds

Capital funds consist of a special-purpose fund for income distribution from subordinated income certificates. For details related to the special-purpose fund, refer to the last paragraph in Other equity instruments.

Revaluation reserve

a) Revaluation reserve from financial assets at fair value through other comprehensive income

Gains and losses on revaluation of financial assets at fair value through other comprehensive income are recognised in equity as revaluation of assets and liabilities. As at 31 December 2021 a provision for the revaluation of these financial assets was positive amounting to CZK 101 million (2020: CZK 41 million).

b) Other revaluation reserves

Other revaluation reserves represent FX differences from the translation of the Slovak branch's statements of CZK 5 million (2020: CZK -1 million).

Assets and liabilities of the Bank's Slovak branch are translated to Czech crowns using a rate of exchange valid as at the reporting date. Income and expenses of the Bank's Slovak branch are translated to Czech crowns using the average rate of exchange for the relevant period.

Other equity instruments

On 19 June 2014, the Czech National Bank approved the issue prospectus for revenue certificates with an expected total nominal amount of CZK 1,000 million and interest revenue of 10% p.a.

On 12 September 2015, the Czech National Bank approved the prospectus for the second issue of revenue certificates with an expected total nominal amount of CZK 1,000 million and interest revenue of 9% p.a.

On 11 December 2015, the Czech National Bank approved the prospectus for the third issue of revenue certificates with an expected total nominal amount of EUR 50 million and interest revenue of 9% p.a.

On 10 August 2021, the Czech National Bank approved the issue prospectus for revenue certificates with an expected total nominal amount of CZK 1,300 million and interest revenue of 6.5% p.a.

As at 31 December 2021, the volume of issued certificates was CZK 3,897 million (2020: CZK 2,597 million).

On 30 June 2014, the Bank's Board of Directors also approved the establishment of a special-purpose capital fund for the payment of revenue from certificates of CZK 100 million. This fund was created from retained earnings. In 2021, the Bank transferred another CZK 242 million (2020: CZK 242 million) within the distribution of profit for 2020. The payment of revenue from certificates depends on a decision of the Bank as the issuer and is governed by the conditions defined in the prospectus. In 2021, revenue of CZK 230 million (2020: CZK 244 million) was distributed from this fund. As at 31 December 2021, the special-purpose capital fund for the payment of revenue from certificates amounted to CZK 174 million (2020: CZK 162 million).

23. Income tax

Income tax for 2021 was calculated in accordance with Czech tax regulations at the rate of 19% (2020: 19%). The corporate income tax rate for 2022 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax regulations. The income tax rate in Slovakia is 21% In 2022, the income tax rate in Slovakia will be 21%. The tax paid by the branch in Slovakia is offset against the income tax for the Bank as a whole paid in the Czech Republic.

The Czech Republic currently has a number of laws regulating various taxes and charges imposed by the state. These include namely value-added tax, corporate income tax, employment tax, social security and health insurance charges etc. Tax returns, together with other legal compliance areas (such as customs and currency control matters) are subject to inspection by a number of authorities, who are authorised by law to impose fines, penalties and interest charges. This results in tax risks in the Czech Republic being substantially higher than the ones typically found in countries with more developed tax systems.

The management believes that it has adequately provided for the tax liabilities in the accompanying financial statements.

Reconciliation of the expected income tax expense is as follows:

in millions of CZK	2021	2020
Profit before tax	1,879	1,349
Statutory income tax rate	19%	19%
Income tax	357	256
Non-taxable income	(176)	(64)
Non-deductible expenses	239	101
Correction of tax expenses from previous periods and additional tax payments	–	(1)
Total income tax	**420**	**292**
Effective tax rate	22.4%	21.9%
of which		
Income tax – deferred	50	(108)
Income tax – current	370	400

The main adjustments when calculating the taxable profit from the accounting profit relate to tax exempt income to be deducted from, and tax non-deductible expenses to be added to the tax base. The main non-deductible expenses are tax non-deductible provisions to receivables, creation of provisions and representation expenses. Main non-deductible expenses are dividend income from ownership interests, release/use of allowances for receivables and release/use of provisions.

Current income tax is calculated in accordance with the Czech Accounting Standards from profit adjusted according to the Czech Act on Income Tax, as amended.

24. Deferred tax asset

The Bank has the following deferred tax assets and liabilities:

Deferred tax asset

in millions of CZK	31/12/2021	31/12/2020
Difference between the carrying and tax value of property, plant and equipment and intangible assets	(3)	(3)
Financial assets at fair value through other comprehensive income	5	22
Provision for off-balance sheet items	12	17
Allowances for credit receivables	66	84
Provision for bonuses and untaken holidays	220	247
Estimated payables/other provisions	–	6
Net deferred tax asset	**300**	**373**

The deferred tax asset or liability is calculated using the 2021 corporate income tax rate, i.e. 19% (2020: 19%).

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax assets in 2021.

in millions of CZK	2021	2020
Net deferred tax asset/(liability) as at 31 December	373	259
Deferred tax recognised in profit or loss (note 23)	(50)	108
Change in deferred tax due to FX translation differences recognised in equity	(17)	2
FX difference (Slovak branch)	(6)	4
Deferred tax asset at the end of the period	**300**	**373**

25. Interest income

in millions of CZK	2021	2020
Interest income from:		
Due from financial institutions	70	78
Loans and advances to customers	4,418	3,788
Reverse repurchase transactions	677	567
Bonds and other fixed income securities	357	277
Total	**5,522**	**4,710**

Interest income from "Loans and advances to customers" includes accrued fees associated with the provision of loans of CZK 289 million (2020: CZK 135 million) that are part of effective interest rate.

Interest income by asset classes:

in millions of CZK	2021	2020
Interest income from:		
Financial instruments at fair value through profit or loss:		
– financial assets held for trading	144	144
Other interest income	**144**	**144**
Financial assets at FVOCI	180	133
Financial assets (securities) at amortised cost	33	–
Loans and other advances at amortised cost	5,156	4,433
– of which:		
unpaid interest on impaired loans	168	178
forbearance	14	21
Interest income calculated using effective interest rate	**5,378**	**4,566**
Total	**5,522**	**4,710**

26. Interest expense

in millions of CZK	2021	2020
Interest expense on:		
Deposits and loans from banks	(15)	(9)
Deposits from customers	(1,515)	(1,443)
Lease liabilities	(15)	(9)
Repurchase transactions	(17)	(17)
Total	**(1,562)**	**(1,478)**

Interest expense by liability classes:

in millions of CZK	2021	2020
Interest expense on:		
Financial liabilities at amortised cost	(1,562)	(1,478)
Total	**(1,562)**	**(1,478)**

27. Fee and commission income

in millions of CZK	2021	2020
Fee and commission income from:		
issue and administration of securities	403	351
transactions with financial instruments	420	399
administration, management, custody and safekeeping of valuables	220	153
administrative services for collective investment	155	122
loan activities	105	54
mediation of payment transactions	70	68
obtaining clients to funds	156	96
mediation – other	4	2
other	18	13
Total	**1,551**	**1,258**

All fee and commission income is recognised in compliance with IFRS 15 Revenue from Contracts with Customers.

28. Fee and commission expense

in millions of CZK	2021	2020
Fee and commission expense on:		
transactions in financial instruments	(242)	(217)
administration, custody and safekeeping of valuables	(49)	(37)
mediation of payment transactions	(19)	(23)
other	(27)	(23)
Total	**(337)**	**(300)**

29. Net trading income/(loss)

in millions of CZK	2021	2020
Net trading income/(loss) includes:		
Net gain/(loss) on securities – from revaluation and settlement	(217)	190
Net income/(loss) on derivative operations	(546)	942
Net profit/(loss) from foreign currency translation	(159)	(663)
Net gains/(losses) on hedging derivative operations	—	(2)
Dividend income – financial assets	810	22
Total	**(112)**	**489**

The increase of dividend income in 2021 is due to dividends on financial assets mandatorily at fair value in the amount of CZK 771 million (2020: CZK 1 million). The revaluation of these financial assets was recorded against these revenues due to the decrease of the net present value of these assets.

in millions of CZK	2021	2020
Net trading income/(loss) includes:		
Financial assets and liabilities FVTPL:		
– those held for trading	(618)	975
– financial assets mandatorily at fair value	643	167
Financial assets at FVOCI	22	10
Foreign exchange differences	(159)	(663)
Total	**(112)**	**489**

30. Other operating income

in millions of CZK	2021	2020
Outsourcing income	11	12
Rental income	1	3
Income from sales (IFRS 5)	18	–
Other income	10	8
Total	**40**	**23**

Other income includes many sundry items that are not significant on an individual basis.

31. Personnel expenses

in millions of CZK	2021	2020
Wages and salaries	(524)	(624)
Remuneration paid to key management personnel	(172)	(118)
Compulsory social security contributions	(223)	(193)
Other social expenses	(83)	(80)
Total	**(1,002)**	**(1,015)**
Average number of employees during the reporting period	**581**	**553**

There were 5 members of the Bank's Board of Directors as at 31/12/2021 (2020: 5).

32. Other operating expenses

in millions of CZK	2021	2020
Rental expense	(120)	(91)
of which recognition exemption applied under IFRS 16		
– lease of low-value assets	(48)	(34)
– short-term leases	(8)	(7)
Contributions to Deposit Insurance Fund	(39)	(36)
Contributions to Crisis Resolution Fund	(91)	(81)
Taxes and charges	–	(49)
Operating costs:		
Outsourcing	(385)	(316)
Advertising expenses and promotion	(184)	(161)
Repairs and maintenance – IS, IT	(38)	(38)
Sponsorship and gifts	(30)	(126)
Expenses associated with leased premises	(9)	(11)
Audit, legal and tax consulting	(45)	(39)
– statutory audit of the annual financial statements	(8)	(8)
– other assurance services	(7)	(8)
– tax advisory	(1)	(1)
– other services	(29)	(22)
Consulting expenses	(59)	(16)
Communication expenses	(16)	(15)
Transport and accommodation, travel expenses	(7)	(8)
Materials	(10)	(12)
Repairs and maintenance – other	(2)	(2)
Other operating expenses	(132)	(117)
Total	**(1,167)**	**(1,118)**

Other operating expenses of CZK 132 million as at 31 December 2021 (2020: CZK 117 million) include many sundry items that are not significant on an individual basis.

While monetary payments of the principal of a lease liability amounted to CZK 87 million (2020: CZK 88 million), monetary payments of the interest part of the lease liability amounted to CZK 13 million (2020: CZK 9 million).

The Crisis Resolution Fund is a source for the use of crisis resolution tools at an institution, the use of which may be proposed by the Czech National Bank in situations when it is feasible, credible and in the public interest. This fund does not serve for direct payouts of deposit compensation.

Taxes and charges include a special bank levy to the Slovak Tax Authority for the Slovak branch of the Bank. This levy does not fall within the scope of IAS 12 Income Taxes and consequently, the Bank considers the levy to be operational in nature. On 9 July 2020, the National Council of the Slovak Republic approved an act amending certain laws in connection with the improvement of the business environment affected by measures to prevent the spread of dangerous infectious human disease Covid-19, also abolishing the obligation to pay bank levy instalments for Q3 and Q4 2020. The bank levy was cancelled in 2021.

33. Analysis of changes in liabilities from financial cash flows

in millions of CZK	Subordinated debt	Lease liabilities
Balance as at 1 January 2020	**620**	**180**
Changes in financial cash flows		
Repayment of subordinated debt	(404)	–
Lease liabilities paid	–	(88)
Total changes in financial cash flows	**(404)**	**(88)**
Foreign exchange differences	**3**	**(21)**
Other changes	**–**	**796**
Related changes		
Interest expense	21	9
Interest paid	(31)	(9)
Total related changes and liabilities	**(10)**	**–**
Balance as at 31 December 2020	**209**	**866**
Balance as at 1 January 2021	**209**	**866**
Changes in financial cash flows		
Repayment of subordinated debt	(128)	–
Lease liabilities paid	–	(87)
Total changes in financial cash flows	**(128)**	**(87)**
Foreign exchange differences	**(2)**	**(50)**
Other changes	**–**	**213**
Related changes		
Interest expense	6	
Interest paid	(11)	15
Total related changes and liabilities	**(5)**	**(15)**
Balance as at 31 December 2021	**73**	**942**

Other changes in the lease liability include new lease contracts (Note 13) and the effects of lease adjustments.

34. Financial commitments and contingencies

Financial commitments and contingencies comprise:

in millions of CZK	Stage 1	Stage 2	Stage 3	2021
Unused credit lines	9,742	332	60	10,134
Granted guarantees	1,467	75	200	1,742

in millions of CZK	Stage 1	Stage 2	Stage 3	2020
Unused credit lines	5,854	266	98	6,218
Granted guarantees	1,870	80	105	2,055

Clients' assets taken into custody and administration as at 31 December 2021 amounted to CZK 85,899 million (2020: CZK 72,361 million).

35. Geographic segmentation of assets, liabilities, income and expenses

In presenting information on the basis of geographical areas, revenue/expense is based on the customer/counterparty's country of domicile and assets/liabilities are based on the geographical location of the assets/liabilities. More details about splitting the credit risk for loans according to the actual loan purpose and location are comprised in note 38d.

Statement of financial position as at 31 December 2021:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Cash, cash equivalents and due from banks and other financial institutions	68,010	3,501	1,098	11	72,620
Securities and positive fair value of derivatives	12,241	3,141	5,953	185	21,520
Ownership interests	2,326	7	591	1,462	4,386
Loans and other advances to customers	27,422	5,836	48,681	6,340	88,279
Current income tax receivable	157	7	–	–	164
Deferred tax asset	230	70	–	–	300
Prepayments, accrued income and other assets	6,309	228	177	87	6,801
Disposal groups held for sale	64	–	–	–	64
Total assets	**116,759**	**12,790**	**56,500**	**8,085**	**194,134**
Negative fair value of derivatives	502	29	1,114	–	1,645
Deposits and loans from banks	153	221	3,767	157	4,298
Deposits from customers	94,799	24,507	28,826	1,174	149,306
Subordinated debt	21	52	–	–	73
Other liabilities and provisions	5,675	1,078	8,448	134	15,335
Equity	23,477	–	–	–	23,477
Total equity and liabilities	**124,627**	**25,887**	**42,155**	**1,465**	**194,134**

Statement of financial position as at 31 December 2020:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Cash, cash equivalents and due from banks and other financial institutions	39,762	2,129	465	123	42,479
Securities and positive fair value of derivatives	11,371	4,198	6,003	189	21,761
Ownership interests	2,269	–	601	1,966	4,836
Loans and other advances to customers	23,562	7,656	54,643	7,520	93,381
Current income tax receivable	61	43	–	–	104
Deferred tax asset	291	82	–	–	373
Prepayments, accrued income and other assets	2,651	146	183	82	3,062
Disposal groups held for sale	65	–	175	–	240
Total assets	**80,032**	**14,254**	**62,070**	**9,880**	**166,236**
Negative fair value of derivatives	310	1	221	232	764
Deposits and loans from banks	145	503	707	50	1,405
Deposits from customers	85,027	23,813	22,013	1,575	132,428
Subordinated debt	153	1	55	–	209
Other liabilities and provisions	6,423	902	3,069	148	10,542
Equity	20,889	(1)	–	–	20,888
Total equity and liabilities	**112,947**	**25,219**	**26,065**	**2,005**	**166,236**

Statement of comprehensive income for the year ended 31 December 2021:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Net interest income	1,022	314	2,188	436	3,960
Net fee and commission income	610	208	382	14	1,214
Dividends from ownership interests	107	–	–	–	107
Net trading income (loss), Net change in loss allowances for financial assets at fair value through other comprehensive income	667	448	(326)	(897)*	(108)
Other operating income	20	2	18	–	40
Operating income	**2,426**	**972**	**2,262**	**(447)**	**5,213**
Personnel expenses	(735)	(266)	(1)	–	(1,002)
Other operating expenses	(935)	(180)	(32)	(20)	(1,167)
Depreciation and amortisation	(174)	(27)	–	–	(201)
Profit before allowances, provisions and income tax	**582**	**499**	**2,229**	**(467)**	**2,843**
Net change in provisions for off-balance sheet items and other financial activities	15	(4)	(4)	2	9
Net change in loss allowances for loans	(154)	(620)	342	(15)	(447)
Net change in loss allowances for ownership interests	(1)	–	–	(525)	(526)
Profit before tax	**442**	**(125)**	**2,567**	**(1,005)**	**1,879**

*The item mainly includes a position against the United Kingdom in the negative amount of CZK 634 million and Switzerland in the negative amount of CZK 157 million.

Statement of comprehensive income for the year ended 31 December 2020:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Net interest income	903	246	1,680	403	3,232
Net fee and commission income	489	174	274	21	958
Dividends from ownership interests	137	—	—	114	251
Net trading income, Net change in loss allowances for financial assets at fair value through other comprehensive income	(91)	452	182	(147)	396
Other operating income	20	2	—	1	23
Operating income	**1,458**	**874**	**2,136**	**392**	**4,860**
Personnel expenses	(715)	(300)	—	—	(1,015)
Other operating expenses	(781)	(323)	6	(20)	(1,118)
Depreciation and amortisation	(131)	(27)	—	—	(158)
Profit before allowances, provisions and income tax	**(169)**	**224**	**2,142**	**372**	**2,569**
Net change in provisions for off-balance sheet items and other financial activities	(89)	(8)	(3)	(1)	(101)
Net change in loss allowances for loans	(40)	(416)	(444)	(62)	(962)
Net change in loss allowances for ownership interests	—	—	(28)	(129)	(157)
Profit before tax	**(298)**	**(200)**	**1,667**	**180**	**1,349**

36. Related parties: General

The outstanding balances and transactions with related parties of the Bank are presented in the following tables. All material transactions with related parties were carried out based on the arm's length principle.

The transactions with the related parties are divided into the following categories:

I. Parent company J&T FINANCE GROUP SE.

II. Majority owners of J&T FINANCE GROUP SE Jozef Tkáč and Ivan Jakabovič and companies they own. These companies do not prepare consolidated financial statements that would include the Bank with the exception of J&T FINANCE GROUP SE.

III. Subsidiaries. This category includes subsidiaries of J&T FINANCE GROUP SE which are included in its consolidated financial statement and the subsidiaries of the Bank.

IV. Associates and joint-ventures. This category includes associates and joint ventures of the Bank and J&T FINANCE GROUP SE.

V. Key management personnel of the Bank or its parent and companies controlled or jointly controlled by this key management personnel. This category includes related parties which are connected to the Bank through key management personnel of the Bank or its parent.

Balance and off–balance sheet items as at 31 December 2021

in millions of CZK	I.	II.	III.	IV.	V.	Total
Receivables	4	184	1,337	648	830	3,003
Liabilities	5,742	392	947	69	493	7,643
Granted guarantees	–	–	–	–	1	1
Received guarantees	–	–	42	–	–	42
Provided loan commitments	1,417	1	103	–	38	1,559
Received collateral	–	135	303	647	162	1,247
Profit/loss items for period ended 31/12/2021						
Expenses	(1,048)	(1)	(1,453)	–	(44)	(2,546)
Income	853	8	1,143	49	114	2,167

Balance and off–balance sheet items as at 31 December 2020

in millions of CZK	I.	II.	III.	IV.	V.	Total
Receivables	219	117	3,525	793	1,197	5,851
Liabilities	765	116	1,149	80	987	3,097
Granted guarantees	–	–	–	–	6	6
Received guarantees	–	–	42	–	–	42
Provided loan commitments	232	1	920	–	33	1,186
Received collateral	–	48	330	793	550	1,721
Profit/loss items for period ended 31/12/2020						
Expenses	(1,078)	–	(2,064)	–	(144)	(3,286)
Income	1,162	4	2,187	72	133	3,558

Receivables from related parties consist primarily of loans and overdrafts.

Payables to related parties especially include term deposits, deposits payable on demand, savings and tied deposits.

Revenues and expenses consist mainly of gains/losses on currency derivatives, interest income, income from fees and commission and brokering fees.

Receivables/payables from/to the Bank's key management personnel

in millions of CZK	31/12/2021	31/12/2020
Provided loans	23	12
Deposits received	183	44

The members of the Board of Directors, Supervisory Board, Executive Board for the CR, Executive Board for the SR and Investment Instrument Committee represent the Bank's key executives.

The Bank'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.

Loans to the Bank's employees as at 31 December 2021 amounted to CZK 94 million (2020: CZK 59 million).

The loans provided to key management personnel were provided on the arm's length basis.

37. Risk management policies

The strategy, main goals and processes

The fundamental goal of risk management is profit maximization with respect to the risk taken, while considering the Bank's risk appetite.

In doing so, it must be ensured that the outcome of Bank activities is predictable and in compliance with both business goals and risk appetite of the Bank.

In order to meet this goal, the risks faced by the Bank are managed in a quality and prudential manner within the framework of the Bank:

- In terms of the above, risks are monitored, assessed and eventually limited, at least as strictly as required by the Czech National Bank. The internal limits are regularly reviewed (especially in the case of significant changes of market conditions) to ensure their compliance with both the Bank's overall strategy and market and credit conditions. The adherence to the limits is monitored and reported daily (on an individual basis). In case of their potential breach, the Bank immediately adopts appropriate remedial measures.
- The Bank establishes goals for capital adequacy that it wants to attain over a specified time horizon (i.e. the level to which risks should be covered by capital) and threshold limits below which capital adequacy cannot decrease.
- The Bank establishes targets for selected indicators of liquidity that it wants to achieve in a specified time horizon, and certain limits, below which the system of liquidity indicators cannot decrease.
- The Bank establishes goals for other selected risk indicators (the risk of excessive leverage, the credit risk, the concentration risk, operational risk etc.) and threshold limits below which the system of indicators cannot decrease.

All internal limits have been approved independently of business units of the Bank. The key indicators (capital adequacy ratio, liquidity and other risk categories) and their limits are part of the Bank's Risk Appetite Statement.

38. Credit risk

The Bank's primary exposure to credit risk arises through its loans and advances and investment in securities. The amount of credit exposure in this regard is represented by the carrying amounts of the assets in the statement of financial position. In addition, the Bank is exposed to off-balance sheet credit risk through commitments and guarantees to extend credit.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Forbearance

The Bank monitors quality of loan receivables to customers according to categories performing and non-performing exposures forborne and non-forborne. The Bank 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 the financial institutions prepared in accordance with International Financial Reporting Standards.

Forbearance is an exposure where the Bank 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 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 result of debtor's financial problems cannot be interpreted as forbearance. Concessions may result in better interest risk management and mitigation of potential future loan losses.

Performing and non-performing exposures may also be recognised as exposures without concession provided no modification of terms and conditions or refinancing was made in respect to the given receivable.

Performing exposures comprise primarily exposures classified in Stage 1 and 2. Non-performing exposures comprise receivables with debtor's failure classified in Stage 3 Under special conditions defined by EBA, exposures in Stage 2 might also be categorised as non-performing exposures. If more than 20% of total debtor's exposure is overdue more than 90 days the Bank shall include all of the debtor's balance sheet and off-balance sheet exposures as non-performing. The Bank also evaluates the classification of debtors from the same group of related parties to verify the condition for being classified as non-performing exposure.

As at 31/12/2021

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Performing exposures	86,344	(778)	85,566
– of which performing exposures forborne	5,802	(237)	5,565
Non-performing exposures	5,177	(2,478)	2,699
– of which non-performing exposures forborne	3,019	(1,449)	1,570
Total	**91,521**	**(3,256)**	**88,265**

As at 31/12/2020

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Performing exposures	91,709	(1,127)	90,582
– of which performing exposures forborne	6,272	(274)	5,998
Non-performing exposures	4,680	(1,881)	2,799
– of which non-performing exposures forborne	3,964	(1,671)	2,293
Total	**96,389**	**(3,008)**	**93,381**

in %	2021	2020
Share of exposures forborne in the total loans provided to customers	8.08%	8.88%
Share of non-performing exposures in total loans to customers	3.06%	3.00%

(b) Concentration of loans to customers by economic sector:

As at 31/12/2021

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Not forborne			
Non-financial institutions	50,566	(1,362)	49,204
Financial institutions	29,716	(167)	29,549
Households	2,418	(40)	2,378
Total	**82,700**	**(1,570)**	**81,130**
Forborne			
Non-financial institutions	7,560	(1,590)	5,970
Financial institutions	1,143	(17)	1,125
Households	118	(79)	39
Total	**8,821**	**(1,686)**	**7,135**

As at 31/12/2020

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Not forborne			
Non-financial institutions	54,990	(877)	54,113
Financial institutions	29,549	(144)	29,405
Households	1,614	(42)	1,572
Total	**86,153**	**(1,063)**	**85,090**
Forborne			
Non-financial institutions	8,914	(1,802)	7,112
Financial institutions	1,149	(59)	1,090
Households	173	(84)	89
Total	**10,236**	**(1,945)**	**8,291**

(c) Concentration of loans to customers by industry

in millions of CZK	2021	2020
Real estate activities	22,987	16,957
Wholesale and retail	11,510	9,631
Financial activities	9,083	10,935
Culture, sports, entertainment and recreation activities	8,952	9,798
Production and distribution of electricity, gas and heat	7,840	4,637
Construction	6,760	7,304
Accommodation and food service activities	5,287	4,819
Manufacturing	4,186	5,604
ICT	3,825	4,554
Administrative and support service activities	1,932	2,586
Transportation and storage	1,385	11,496
Private households and employed persons	1,178	1,333
Mining and quarrying	1,155	1,227
Professional, scientific and technological activities	1,151	1,389
Water supply, services relating to water, waste management and redevelopment	611	617
Healthcare and social work	226	264
Agriculture, forestry and fishing	62	99
Other	135	131
Total	**88,265**	**93,381**

(d) Concentration of loans to customers by location

in millions of CZK	2021	2020
Czech Republic	27,408	23,562
Cyprus	16,797	16,503
Luxembourg	14,947	24,121
Germany	6,618	2,704
Slovakia	5,836	7,656
Switzerland	2,970	3,438
Croatia	2,959	2,942
Austria	2,944	3,768
Great Britain	1,874	1,512
Poland	1,272	842
The Netherlands	1,269	1,973
France	973	1,039
Cayman Islands	871	517
Malta	613	426
Maldives	328	355
Russia	196	229
Ireland	176	212
Guernsey – Channel Islands	–	956
Monaco	–	366
Ukraine	–	110
Other	214	150
Total	**88,265**	**93,381**

(e) Concentration of loans to customers by location of project implementation and collateral

in millions of CZK	2021	2020
Czech Republic	42,333	38,280
Slovakia	6,497	7,507
Germany	6,322	1,477
Croatia	6,188	3,428
Great Britain	3,909	13,487
France	3,602	7,852
Austria	3,203	4,860
USA	3,037	943
Spain	2,602	1,212
Ukraine	1,899	1,824
Luxembourg	1,645	3,308
Slovenia	1,362	1,546
China	1,274	4,801
Poland	1,272	843
Moldova	1,017	—
Hungary	871	517
Tanzania	499	—
Maldives	329	356
Russia	196	227
Greece	136	36
Cyprus	—	103
Other	72	774
Total	**88,265**	**93,381**

The concentration of credit risk arising from repurchase agreements and loans to clients of brokers reflects the counterparty risk associated with securities and cash received as collateral.

(f) Credit risk associated with provided loans and repurchase agreements

As at 31 December 2021

in millions of CZK	Loans to banks	Repurchase agreements – financial institutions	Loans to customers	Debits and repurchase agreements – customers
Stage 1 and 2				
Gross amount	6,332	66,128	66,042	20,302
Expected credit losses	(1)	–	(778)	–
Stage 3				
Gross amount	–	–	5,177	–
Expected credit losses	–	–	(2,478)	–
Total	**6,331**	**66,128**	**67,963**	**20,302**
Stage 1 and 2 – by maturity				
– to maturity date	6,331	66,128	65,263	20,302
Stage 3 – by maturity				
– to maturity date	–	–	1,885	–
– 1 to 3 months past due	–	–	23	–
– 3 to 6 months past due	–	–	130	–
– 6 to 12 months past due	–	–	160	–
– more than 12 months past due	–	–	502	–
Total	**6,331**	**66,128**	**67,963**	**20,302**

As at 31 December 2020

in millions of CZK	Loans to banks	Repurchase agreements – financial institutions	Loans to customers	Debits and repurchase agreements – customers
Stage 1 and 2				
Gross amount	4,207	38,051	60,792	30,917
Expected credit losses	(6)	–	(1,127)	–
Stage 3				
Gross amount	–	–	4,678	2
Expected credit losses	–	–	(1,881)	–
Total	**4,201**	**38,051**	**62,462**	**30,919**
Stage 1 and 2 – by maturity				
– to maturity date	4,201	38,051	59,665	30,917
Stage 3 – by maturity				
– to maturity date	–	–	2,374	–
– 1 to 3 months past due	–	–	332	–
– 6 to 12 months past due	–	–	17	2
– more than 12 months past due	–	–	74	–
Total	**4,201**	**38,051**	**62,462**	**30,919**

Receivables not past due are reported in the "To maturity date" line and the Bank does not anticipate any problems with the financial discipline of the counterparty. Receivables past due are reported in the appropriate columns according to their maturity.

The following table summarises receivables by internal rating.

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Risk category					
Very low risk	3	—	—	—	3
Low risk	2,337	23	—	—	2,360
Medium risk	51,517	6,605	—	—	58,122
High risk	2,736	2,819	—	—	5,555
Failed	—	—	4,753	425	5,178
Debits and reverse repurchase agreements – without rating	20,303	—	—	—	20,303
ECL	(319)	(459)	(2,426)	(52)	(3,256)
Total as at 31 December 2021	**76,577**	**8,988**	**2,327**	**373**	**88,265**

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Risk category					
Very low risk	4	—	—	—	4
Low risk	3,580	68	—	—	3,648
Medium risk	49,861	6,230	—		56,091
High risk	928	121	—	—	1,049
Failed	—	—	4,198	481	4,679
Debits and reverse repurchase agreements – without rating	30,917	—	1	—	30,918
ECL	(832)	(295)	(1,825)	(56)	(3,008)
Total as at 31 December 2020	**84,458**	**6,124**	**2,374**	**425**	**93,381**

(g) Sensitivity analysis for expected credit losses

The optimistic and pessimistic scenario reflects the amount of expected credit losses on a change of LGD by 10% and a change of GDP by 1%.

in millions of CZK	Optimistic	Elementary	Pessimistic
Change in LGD			
ECL 2021	(2,929)	(3,256)	(3,547)
ECL 2020	(2,710)	(3,008)	(3,276)
Change in GDP			
ECL 2021	(3,165)	(3,256)	(3,389)
ECL 2020	(2,984)	(3,008)	(3,039)

(h) Collateral and credit enhancements for provided loans and repurchase agreements

The amounts in the table below represent the maximum accounting loss that would be recognized in the statement of financial position if counterparties completely failed to fulfil their obligations and if any potential collateral had no value. These amounts are therefore considerably higher than expected losses that are included in the allowance for the loan losses. The Bank's policy is to require collateral from certain customers before loans can be drawn.

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in millions of CZK	Carrying amount of collateral Stage 1 and 2	Fair value of collateral Stage 1 and 2	Carrying amount of collateral Stage 3	Fair value of collateral Stage 3
To maturity date:	**112,483**	**119,576**	**811**	**876**
– Guarantees	3,640	4,675	–	–
– Promissory notes	104	433	–	–
– Real estate	13,190	16,051	730	795
– Cash deposits	3,991	3,997	26	26
– Securities	19,248	19,486	–	–
– Other	2,129	4,751	55	55
– Securities received under reverse repurchase agreements	70,181	70,183	–	–
Past due:	**–**	**–**	**60**	**95**
– Real estate	–	–	60	95

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in millions of CZK	Carrying amount of collateral Stage 1 and 2	Fair value of collateral Stage 1 and 2	Carrying amount of collateral Stage 3	Fair value of collateral Stage 3
To maturity date:	**92,463**	**102,426**	**1,312**	**1,551**
– Guarantees	2,874	4,673	–	–
– Promissory notes	189	966	–	–
– Real estate	12,835	15,243	1,136	1,290
– Cash deposits	3,159	3,165	–	–
– Securities	31,663	33,246	66	135
– Other	1,184	4,574	110	126
– Securities received under reverse repurchase agreements	40,559	40,559	–	–
Past due:	**195**	**322**	**175**	**257**
– Real estate	195	322	175	257

Other is mainly represented by movable assets and receivables.

For the purposes of reporting the collateral value of loans, the Bank only values promissory notes with a financial guarantee. The amount of collateral depends on the value of a guarantee provided by a promissory note holder.

The Bank did not receive any financial assets from indemnity claims based on loans in default.

The carrying value represents the collateral value adjusted by the collateral stress coefficient. The carrying value is limited by the carrying value of receivable. The fair value is adjusted by stress coefficient and it is not limited by the carrying value of a receivable. Collateral value is monitored and revised on regular basis.

The carrying value of securities received under reverse repurchase agreements is represented in the quoted market price of the securities.

(i) Credit risk processes

Evaluating the risk of failure of a counterparty is based on a credit analysis, processed by the Credit Risk Management department. These analyses provide conclusions for prompt measures when the counterparty's credit situation worsens or if the counterparty fails to comply with contractual conditions.

The results from the credit development analyses are reported to the Board of Directors or respective committee, which decides on adjustments of limits or relations with the counterparty (e.g. in the form of closing or limiting positions or adjustment of limits).

Credit risk of trading book is monitored on daily basis, while credit risk of banking book is monitored on regular basis, at least once a month by the Credit Risk Management department. The risk is calculated in accordance with ICAAP.

(j) Credit risk monitoring

Assessment of the credit risk in respect of counterparty or an issued debt instrument is based on an internal rating of the Bank. The rating is determined using the credit scale of either S&P or Moody's. If the counterparties or their debt are not externally rated, an internal rating is assigned based on the Bank scoring system.

The Bank's scoring system has thirteen rating levels based on a standardized point evaluation of relevant criteria, which describe the financial position of the contractual party and its ability and willingness to fulfil its credit obligations – in both cases including the expected development, as well as proposed conditions for effecting the transaction.

The Bank also evaluates financial and non-financial indicators that may not be monitored within the scoring system.

(k) Credit risk measurement

The Bank regularly analyses and monitors credit risk of the trading book. At portfolio level, credit risk of the trading book is managed primarily based on the IRB (Internal Rating Based) methodology. Credit risk of the investment book is quantified on the Standardized approach basis. Concentration risk is calculated for both of the books (for the level of Client, ECG, sector).

In order to assess the impact of extremely unfavourable credit conditions, the Bank performs credit development analyses. This enables identification of sudden potential changes in the values of open positions of the Bank that might arise as a result of events that are improbable, but possible.

For the trading portfolio, an impact of a sudden drop of credit rating by one level on open positions in bonds is evaluated.

The decrease in fair value at the end of the corresponding reporting period:

in millions of CZK	31/12/2021	31/12/2020
Decrease of the trading portfolio value due to a rating migration by one credit class*	36	49

* in the Standard & Poor's scale

(l) Risk management of customer trades

The Bank prevents the possibility of a credit exposure arising from customer trades, i.e. trades which are transacted on the customer's account and where the Bank has the role of a commissioner (customer trades such as spot buy, spot sell, sell/buy or buy/sell) as follows:

1. The amount of the customer collateral is continuously held higher than the amount of the customer loan at least by a pre-specified minimum required haircut. The level of this haircut is assigned to every instrument.
2. Should the current collateralization of the customer portfolio fall below 30% of the minimum required haircut, the Bank closes all of the customer's positions immediately.
3. The Bank accepts only instruments of specified minimal creditworthiness as collateral for customer trades.

In addition, the Bank also restricts the total volume of individual instruments used as collateral.

39. Liquidity risk

Liquidity risk represents a risk that the Bank is not able to meet its commitments as they are becoming mature. The Bank is required to report a system of indicators to the Czech National Bank, which is done on a regular basis. The Bank's effort in terms of liquidity risk is to diversify its sources of funding so as to decrease the degree of risk emerging from specific source cut-off and hence forego problems.

The Bank performs everyday monitoring of their liquidity position to indicate potential liquidity problems. The analysis takes into account all sources of funding that the Bank is using as well as obligations the bank has to pay. For the purpose of sufficient liquidity reserve the Bank holds sufficient amount of highly liquid instruments (such as government bonds and similar securities), maintains balances with central banks on a reasonable level and collects short-term receivables.

The Bank assorts all cash flows into time frames according to maturities of the instruments to which the cash flows relate, and subsequently observes the resulting cumulative liquidity profile which is crucial for sound liquidity risk management. Such an analysis is also done for cash flows denominated in currencies different from CZK.

Three scenarios are used in terms of liquidity risk management of the Bank:

A) Expected scenarios

B) Alternative scenarios

C) Stress scenarios

Alternative Scenarios are based on stress imposed on components that might be negatively affected when liquidity problems crisis starts to approach. The stress scenario helps identify periods when it is necessary to manage the cash flows of the Bank with caution.

For the purposes of measuring liquidity risk on the basis of the scenarios, liquidity indicators are evaluated and their compliance with adopted internal limits is monitored on a daily basis. When an actual or possible breach of the adopted internal liquidity limits is identified. Asset and Liability Management Committee (ALCO) is informed to ensure compliance with the set limits. In pre-determined cases, the information is passed to the Board of Directors.

The Bank has an emergency plan for liquidity management that establishes the procedures applied in the case of possible liquidity crisis. The decision-making power is given by internal rules to the Board of Directors or ALCO.

The table shows the liquidity risk based on remaining contractual maturity dates 31 December 2021:

in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Assets							
Cash, cash equivalents and due from banks and other financial institutions	72,620	72,759	72,354	13	392	–	–
Securities (excl. derivatives)	20,371	21,290	137	865	10,644	112	9,532
Loans and other advances to customers	88,279	99,189	27,401	18,302	43,969	9,517	–
Total	**181,270**	**193,238**	**99,892**	**19,180**	**55,005**	**9,629**	**9,532**
Off balance							
Bank commitments	10,134	10,134	1,864	2,942	1,532	3,796	–
Bank guarantees	1,742	1,742	1,742	–	–	–	–
Liabilities							
Deposits and loans from banks	4,298	4,251	566	–	3,685	–	–
Deposits from customers	149,306	151,043	94,400	25,723	30,495	425	–
Lease liabilities	943	1,014	26	76	369	543	–
Subordinated debt	73	87	4	1	82	–	–
Total	**154,620**	**156,395**	**94,996**	**25,800**	**34,631**	**968**	**–**

Expected maturity

In general, contractual cash flows represent expected contractual future cash flows of financial instruments. Occasionally, the expected maturity differs from contractual one as historical experience shows that selected loans and deposits are prolonged. In addition, as outstanding balances on current accounts or deposits nearing its maturity date are usually not withdrawn on a daily basis and accounts are not cancelled at maturity date, the Bank regularly monitors the period and percentage of deposits that remain available and those that are prolonged. These ratios are used for managing the liquidity risk.

For loans, in the worst-case scenario, the latest possible repayment date is assumed, which is based on latest expected completion date of each particular project.

Loans whose refinancing is already being negotiated are recognised based on the expected refinancing date. The expected maturity of other financial assets and liabilities not disclosed below is similar to their contractual maturity.

in millions of CZK	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Assets							
Loans and other advances to customers	88,265	99,176	26,362	18,475	44,706	9,633	—
Liabilities							
Deposits from customers	149,306	151,055	76,509	22,797	37,942	13,807	—
Subordinated debt	73	87	4	1	82	—	—

Liquidity risk as at 31 December 2021 – derivatives – non-discounted cash flows

in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years
Derivative financial assets					
FX derivatives – inflow	955	955	265	433	257
Cross currency derivatives	175				
– inflow	—	5,170	—	2,622	2,548
– outflow	—	(5,224)	—	(2,730)	(2,494)
Other – inflow	19	19	—	5	14
Total	**1,149**	**920**	**265**	**330**	**325**
Derivative financial liabilities					
FX derivatives – outflow	1,471	1,471	665	143	663
Cross currency derivatives	153		—	—	—
– inflow	—	5,683	—	2,759	2,924
– outflow	—	(5,648)	—	(2,643)	(3,005)
Other – outflow	20	20	—	13	7
Total	**1,645**	**1,526**	**665**	**272**	**589**

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in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Assets							
Cash, cash equivalents and due from banks and other financial institutions	42,479	42,575	42,134	14	208	219	–
Securities (excl. derivatives)	20,725	21,960	214	790	11,384	171	9,401
Loans and advances to customers	93,381	103,922	38,214	15,968	38,909	10,831	–
Total	**156,585**	**168,457**	**80,562**	**16,772**	**50,501**	**11,221**	**9,401**
Off balance							
Bank commitments	6,218	6,218	2,084	2,073	1,155	906	–
Bank guarantees	2,055	2,055	2,055	–	–	–	–
Liabilities							
Deposits and loans from banks	1,405	1,404	907	497	–	–	–
Deposits from customers	132,428	133,947	78,998	27,753	26,795	401	–
Lease liabilities	866	1,036	10	74	355	597	–
Subordinated debt	209	227	99	38	90	–	–
Total	**134,908**	**136,614**	**80,014**	**28,362**	**27,240**	**998**	**–**

Expected maturity

in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undefined maturity
Assets							
Loans and other advances to customers	93,381	103,922	34,720	11,068	47,114	10,896	124
Liabilities							
Deposits from customers	132,428	133,953	62,728	23,149	35,694	12,382	–
Subordinated debt	209	227	99	38	90	–	–

in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	1 to 5 years
Derivative financial assets					
FX derivatives – inflow	937	936	776	95	65
Cross currency derivatives					
– inflow	96	5,913	–	217	5,696
– outflow	–	(5,964)	–	(260)	(5,704)
Other – inflow	3	3	1	–	2
Total	**1,036**	**888**	**777**	**52**	**59**
Derivative financial liabilities					
FX derivatives – outflow	709	709	312	177	220
Cross currency derivatives					
– inflow	–	5,636	–	247	5,389
– outflow	54	(5,541)	–	(186)	(5,355)
Other – outflow	1	1	–	–	1
Total	**764**	**805**	**312**	**238**	**255**

40. Market risk

Market risk is the risk of loss to the Bank arising from market movements in quoted market prices of investment instruments, exchange rates and interest rates. Market risk consists of the trading portfolio market risk and investment portfolio market risk.

Market risk of the trading portfolio includes:

- Interest rate risk;
- Foreign exchange risk;
- Other market risk (equity risk, commodity risk).

Further information on interest rate risk and foreign exchange risk is provided in note 41 and 42, respectively.

The Bank uses the Value at Risk ("VaR") methodology to evaluate market risk of its trading portfolio, the foreign currency ("FX") and commodity position using a confidence level of 99% and a horizon of 10 business days.

The risks are evaluated (on an individual basis) and compared to limits set by the Risk Management Dept. on a daily basis. If the limits are breached, the Financial Markets Dept. is informed, in order to ensure the compliance of the risk exposure with the limits. In pre-determined cases, the information is passed to the Board of Directors.

The decision-making power is given by internal rules to the Board of Directors and Investment Committee.

The VaR statistics as of 31 December 2021 and 31 December 2020 are as follows:

in millions of CZK	31/12/2021	31/12/2020
VaR market risk overall	43	46
VaR interest rate risk	36	30
VaR FX risk	42	74
VaR equity risk	20	40
VaR commodity risk	1	2

In order to assess the impact of extremely unfavourable market conditions, the Bank performs stress testing. This enables identification of sudden potential changes in the values of open positions of the Bank that might arise as a result of events that are improbable, but possible. As part of the stress testing, a short-term, medium-term and long-term historic shock scenario is applied to the trading portfolio, and the foreign currency and commodity positions of the Bank as a whole. These scenarios evaluate the deepest drop of the current portfolio value which would have happened in the previous two, five or fifteen years. The potential change in the fair value of the portfolio is monitored and assessed.

Change in the fair value of the trading portfolio including currency and commodity positions due to historic shock scenario:

in millions of CZK	31/12/2021	31/12/2020
Short-term scenario	(224)	(105)
Medium-term scenario	(224)	(105)
Long-term scenario	(224)	(301)

The results of the stress scenarios reach the same values, as the highest drop in the trading portfolio, currency and commodity position occurs due to the slump in the financial markets during the spring of 2020 in connection with the Covid-19 crisis.

The market risk of the investment portfolio consists mainly of interest rate risk.

The Bank performs stress testing of the investment portfolio using a standardised interest rate shock, i.e. an immediate decrease/increase in interest rates by 200 basis points ('bp') along the entire yield curve. The Bank distinguishes between internal and stress scenarios, within which various parallel and non-parallel movements are made.

The decrease in the present value of the investment portfolio in percentage points of equity would be as follows:

(% Tier 1 + Tier 2)	31/12/2021	31/12/2020
Decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	1.54	2.24

41. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed for a financial instrument indicates to what extent it is exposed to an interest rate risk. The table below provides information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are zero-interest-bearing are grouped together in the "maturity undefined" category.

Interest rate risk exposure as at 31 December 2021 is as follows:

in millions of CZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets					
Cash, cash equivalents and due from banks and other financial institutions	66,841	66	–	5,713	72,620
Securities and positive fair value of derivatives	2,779	9,149	56	9,536	21,520
Ownership interests	–	–	–	4,386	4,386
Loans and other advances to customers	83,471	2,101	52	2,655	88,279
Current income tax receivable	–	–	–	164	164
Deferred tax asset	–	–	–	300	300
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	–	–	–	6,801	6,801
Disposal groups held for sale	–	–	–	64	64
Total assets	**153,091**	**11,316**	**108**	**29,619**	**194,134**
Equity and liabilities					
Deposits and loans from banks	372	3,732	–	194	4,298
Deposits from customers	83,966	37,479	357	27,505	149,307
Negative fair value of derivatives	860	778	–	7	1,645
Subordinated debt	52	21	–	–	73
Other liabilities and equity	463	14	2	38,332	38,811
Total equity and liabilities	**85,713**	**42,024**	**359**	**66,038**	**194,134**
Net interest rate risk	67,378	(30,708)	(251)	(36,419)	–
Cumulative interest rate risk	67,378	36,670	36,419	–	–

Interest rate risk exposure as at 31 December 2020 is as follows:

in millions of CZK	Up to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets					
Cash, cash equivalents and due from banks and other financial institutions	40,254	63	–	2,162	42,479
Securities and positive fair value of derivatives	3,184	9,071	105	9,401	21,761
Ownership interests	–	–	–	4,836	4,836
Loans and other advances to customers	89,821	551	45	2,964	93,381
Current income tax receivable	–	–	–	104	104
Deferred tax asset	–	–	–	373	373
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	–	–	–	3,062	3,062
Disposal groups held for sale	–	–	–	240	240
Total assets	**133,259**	**9,685**	**150**	**23,143**	**166,236**
Equity and liabilities					
Deposits and loans from banks	600	–	–	805	1,405
Deposits from customers	81,222	33,035	336	17,835	132,428
Negative fair value of derivatives	490	274	–	–	764
Subordinated debt	188	21	–	–	209
Current income tax liability	–	–	–	–	–
Other liabilities and equity	30	–	–	31,400	31,430
Total equity and liabilities	**82,530**	**33,330**	**336**	**50,040**	**166,236**
Net interest rate risk	50,729	(23,645)	(187)	(26,897)	–
Cumulative interest rate risk	50,729	27,084	26,897	–	–

Rates for which banks borrow funds from one another within an inter-bank monetary market are designated as Interbank Offered Rates (IBOR). These rates are currently subject to a significant change, the IBOR reform, within which Interbank Offered Rates are being replaced by risk-free interest rates.

Of the rates that will be discontinued on 1 January 2022 and 1 July 2023, the Bank currently uses all rates except EUR LIBOR applied by the Bank to replace EURIBOR. This specifically includes the following four rate groups, using 6M tenors to construct the curves:

- GBP LIBOR
- USD LIBOR
- JPY LIBOR
- CHF LIBOR

The yield curves, for which the above rates are used as inputs, are used to determine the fair values of securities, derivatives (including options) and other interest rate sensitive instruments for accounting and 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 Bank currently has several contracts with interest rates linked to GBP LIBOR and USD LIBOR. As the refixing of rates on all these loans will take place during 2022, the Bank expects to enter into amendments reflecting the change in the rate with clients in 1Q 2022, with the synthetic SONIA rate ("Sterling Overnight Index Average", i.e. forwardlooking SONIA with an appropriate markup) to be applied to these existing loans. For new loans concluded after 1 January 2022, the SONIA rate without a markup will be used; alternatively, if these loans are to bear an interest rate that is to be abolished in the future (e.g. USD LIBOR), already at the time of their negotiation, these will be subject to new interest rates, which will be net and not synthetic.

For transactions in financial markets, the Bank currently has no signed transactions linked to expiring float rates.

Changes will only affect the interest accrued on certain collateral relating to some accounts.

In connection with this, the Bank has entered into amendments to appropriate framework contracts. These include the following contract types:

- ISDA,
- GMRA/GMSLA
- Framework contract on trading on financial markets according to the CBA model

The Bank has already been working on modifying the contractual documentation.

Derivatives

For derivatives, the Bank only reports interest rate swaps with PRIBOR as a reference rate. PRIBOR is compatible with Regulation of the European Parliament 2016/1011, on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and may remain in application. The Bank does not plan any transition to any other alternative risk-free reference rate.

Hedge accounting

For hedge accounting, the Bank uses only FX derivatives. The Bank does not use any interest rate swaps with variable interest rates for hedging purposes.

The following table shows significant exposures as at 31 December 2021 affected by the IBOR reform as at 1 January 2022.

in millions of CZK	USD Libor Carrying amount	GBP Libor Carrying amount
Loans and advances to customers at amortised cost	2,655	2,627

The reform has no impact on commitments and bank guarantees kept off-balance sheet.

42. Foreign exchange risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Bank's exposure to currency risk. Both realized and unrealized foreign exchange gains and losses are reported directly in the statement of comprehensive income. The main tool used for managing foreign currency risk is the VaR methodology which is applied using a 99% confidence level and a ten-day holding period.

Foreign exchange risk exposure as at 31 December 2021 was as follows:

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Assets						
Cash, cash equivalents and due from banks and other financial institutions	68,001	129	4,344	14	132	72,620
Securities and positive fair value	14,198	–	7,150	–	172	21,520
Ownership interests	2,326	278	7	1,462	313	4,386
Loans and other advances to customers	11,659	12,887	60,677	–	3,056*	88,279
Current income tax receivable	157	–	7	–	–	164
Deferred tax asset	230	–	70	–	–	300
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	3,823	111	2,847	–	20	6,801
Disposal groups held for sale	64	–	–	–	–	64
Total assets	**100,458**	**13,405**	**75,102**	**1,476**	**3,693**	**194,134**

*The item mainly includes a position in GBP of CZK 2,647 million and other currencies in individually insignificant amounts.

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Equity and liabilities						
Deposits and loans from banks	375	17	3,878	–	28	4,298
Deposits from customers	88,333	1,849	57,955	389	780	149,306
Negative fair value of derivatives	1,638	–	7	–	–	1,645
Subordinated debt	21	–	53	–	–	74
Other liabilities and equity	30,099	848	7,292	1	571	38,811
Total equity and liabilities	**120,466**	**2,714**	**69,185**	**390**	**1,379**	**194,134**
Long position of off-balance sheet instruments:						
items from derivative transactions	65,547	7,690	40,184	686	5,539	119,646
items from spot transactions with equity instruments	9	–	36	–	–	45
Short position of off-balance sheet instruments:						
items from derivative transactions	41,471	18,770	47,442	1,552	8,087	117,322
items from spot transactions with equity instruments	8	–	429	–	–	437
Open position asset/(liability)	**4,069**	**(389)**	**(1,734)**	**220**	**(234)**	**1,932**

Foreign exchange risk exposure as at 31 December 2020 was as follows:

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Assets						
Cash, cash equivalents and due from banks and other financial institutions	39,774	146	2,321	11	227	42,479
Securities and positive fair value	12,925	—	8,600	—	236	21,761
Ownership interests	2,269	271	—	1,966	330	4,836
Loans and other advances to customers	13,434	10,365	55,776	—	13,806*	93,381
Current income tax receivable	61	—	43	—	—	104
Deferred tax asset	291	—	82	—	—	373
Investment property, property, plant and equipment, intangible assets, prepayments, accrued income and other assets	1,208	116	1,725	—	13	3,062
Disposal groups held for sale	240	—	—	—	—	240
Total assets	**70,202**	**10,898**	**68,547**	**1,977**	**14,612**	**166,236**

*The item mainly includes a position in GBP of CZK 13,533 million and other currencies in individually insignificant amounts.

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Equity and liabilities						
Deposits and loans from banks	148	20	1,207	—	30	1,405
Deposits from customers	80,977	2,254	48,305	455	437	132,428
Negative fair value of derivatives	764	—	—	—	—	764
Subordinated debt	154	—	55	—	—	209
Other liabilities and equity	25,777	870	4,653	1	129	31,430
Total equity and liabilities	**107,820**	**3,144**	**54,220**	**456**	**596**	**166,236**
Long position of off-balance sheet instruments:						
items from derivative transactions	76,376	4,612	42,692	625	5,843	130,148
items from spot transactions with equity instruments	10	—	27	—	—	37
Short position of off-balance sheet instruments:						
items from derivative transactions	45,228	12,397	50,382	1,437	20,436	129,880
items from spot transactions with equity instruments	10	—	26	—	1	37
Open position asset/(liability)	**(6 470)**	**(31)**	**6,638**	**709**	**(578)**	**268**

43. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including information technology risk, legal and compliance risk.

The Bank’s objective of managing the operational risk is to minimize the risk and securing the Bank’s activities at the required level.

The primary responsibility for the implementation of controls to address operational risk is assigned to the management of the Bank or the established Operational Risk and Damage Committee. This responsibility is supported by the development of overall standards within the Bank for the management of operational risk which is done by the Risk Management Dept, and which cover the following areas (reflecting the proportionality principle):

- identification of operational risk for all processes within the Bank's control system;
- evaluation of identified risks;
- adoption of a decision to accept or reduce the identified risks (while the required level of activities is secured);
- reporting of operational risk events by entering the corresponding information into the Bank’s database of operational risk events;
- this overview of the Bank’s operational risk events allows the Bank to specify the direction of the 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;
  - setting and monitoring of KRI (Key Risk Indicators) for early indication of increasing operational risk.

44. Capital management

The Bank’s strategy is to hold strong capital base in order to maintain the confidence of creditors and the market, while ensuring the future development of the business.

As of 1 January 2014, the capital adequacy ratios are calculated in accordance with Regulation (EU) no. 575/2013 of the European Parliament and Council Regulation (the "CRR").

Own funds (regulatory capital) of the Bank are analysed in two parts:

- Tier 1 capital, which consist of:
  - Common Equity Tier 1 capital (CET1), which includes paid-up ordinary share capital, share premium, retained earnings (profit for the period is not included), accumulated other comprehensive income, other temporary adjustments CET1, net of goodwill, intangible assets and additional value adjustments;
  - Additional Tier 1 capital (AT1), which includes instruments (subordinated income certificates) issued in accordance with CRR.
- Tier 2 capital, which consists of eligible subordinated debt approved by Czech National Bank of CZK 42 million (31 December 2020: CZK 64 million).

From 1 January 2014 the capital adequacy ratios are calculated for CET1, Tier 1 capital and total regulatory capital. The value represents the ratio of capital to risk weighted assets (RWA). CNB also requires every institution to hold additional capital conservation buffer of 2.5% and countercyclical buffer on all the levels of regulatory capital.

From 1 January 2018, the Bank decided to apply upon the adoption of IFRS 9 Article 473a of Regulation (EU) 2017/2395 of the European Parliament and of the Council, and to include an amount equal to the difference between allowances and provisions under IAS 39 as at 31 December 2017 and expected credit losses under IFRS 9 as at 1 January 2018 in Common Equity Tier 1 (CET1) capital, for the transitional period of 5 years as well as expected credit losses under IFRS 9 as at 1 January 2018. The difference is further recalculated using a stipulated coefficient. At the same time, the Bank modified the method of calculating specific adjustments for credit risk, accordingly.

The specific countercyclical capital buffer rate is calculated in accordance with Section 63 CNB decree No. 163/2014 Coll. and is calculated as a weighted average of the countercyclical buffer rates in effect in the jurisdictions to which the Bank has relevant risk exposures. It started to be relevant in 2017 when the Czech Republic and the Slovak Republic firstly set their countercyclical buffer rates. These have gradually been also set for other relevant states.

Minimum requirements for capital ratios for 31 December 2021 and 31 December 2020 are as follows:

in %	Minimum requirement	Capital conservation buffer	Countercyclical buffer	Total requirement
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.36%	7.36%
Tier 1 capital	6%	2.5%	0.36%	8.86%
Total regulatory capital 2021	**8%**	**2.5%**	**0.36%**	**10.86%**
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.36%	7.36%
Tier 1 capital	6%	2.5%	0.36%	8.86%
Total regulatory capital 2020	**8%**	**2.5%**	**0.36%**	**10.86%**

Regulatory capital

Regulatory capital and equity reconciliation

The tables below summarize the composition of own funds (regulatory capital) and equity and capital ratios for 31 December 2021 and 31 December 2020, providing a complete reconciliation of individual items of regulatory capital to equity items.

As at 31 December 2021

in millions of CZK	Regulatory capital	Equity
Paid-up share capital registered in the Commercial Register	10,638	10,638
Retained earnings	7,057	7,208
Profit for the period	—	1,459
Accumulated other comprehensive income	99	101
Reserve funds	—	174
(-) Additional value adjustments (AVA)	(19)	—
(-) Intangible assets	(147)	—
(-) Insufficient coverage for non-performing exposures	(36)	—
Transitional adjustments to CET1 instruments	204	—
Paid-in AT1 instruments, share premium	3,897	3,897
Total Tier 1 capital	**21,693**	**n/a**
Total Tier 2 capital	42	—
Total regulatory capital/equity	**21,735**	**23,477**

As at 31 December 2020

in millions of CZK	Regulatory capital	Equity
Paid-up share capital registered in the Commercial Register	10,638	10,638
Retained earnings	6,314	6,393
Profit for the period	–	1,057
Accumulated other comprehensive income	39	41
Reserve funds	–	162
(-) Additional value adjustments (AVA)	(22)	–
(-) Intangible assets	(100)	–
Transitional adjustments to CET1 instruments	285	–
Paid-in AT1 instruments, share premium	2,597	2,597
Total Tier 1 capital	**19,751**	**n/a**
Total Tier 2 capital	64	–
Total regulatory capital/equity	**19,815**	**20,888**

Based on the opinion of the Czech National Bank, retained earnings are reduced by the amount of the anticipated payment from subordinated income certificates (AT1 instruments) in the next four quarters not covered by a special-purpose fund for the payment of the income from those certificates before their inclusion in regulatory capital.

Risk weighted assets (RWA) and capital ratios

in millions of CZK	31/12/2021	31/12/2020
Central governments or central banks	718	897
Institutions	848	1,318
Corporates	51,258	45,886
Retail	43	38
Secured by mortgages on immovable property	10,232	11,232
Exposures in default	4,923	4,605
Items associated with particular high risk	24,111	26,965
Covered bonds	49	53
Deposits from institutions and corporates with short-term credit rating	164	–
Collective investments undertakings (CIU)	9,924	5,287
Shares	3,597	4,725
Other exposures	2,096	2,007
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**107,963**	**103,013**
Traded debt instruments	3,230	3,596
Shares	890	690
Position risk in collective investment undertakings (CIUs)	20	18
Foreign exchange	1,079	1,444
Total risk exposure amount for position, foreign exchange and commodity risks	**5,219**	**5,748**
Operational risk	9,731	9,179
Total risk exposure amount for credit valuation adjustment	230	479
Total risk exposure amount	**123,143**	**118,419**

Capital adequacy ratios

in %	31/12/2021	31/12/2020
Common Equity Tier 1 capital (CET 1)	14.45	14.49
Tier 1 capital	17.62	16.68
Total regulatory capital	**17.65**	**16.73**

The key goal of capital management of the Bank is to ensure that the risks faced do not threaten the solvency of the Bank and capital adequacy regulatory limit compliance.

The purpose for setting the minimum value for capital adequacy requirements is to establish a trigger mechanism, which provides a guarantee that the capital adequacy will not decrease to the regulatory minimum.

The compliance of the Bank capital with established limits and goals for the capital adequacy is evaluated regularly by the ALCO committee and the Bank 's management.

The decision-making power with regard to eventual measures that should be implemented to decrease the level of exposed risk (e.g. decreasing the size of risks, acquiring additional capital, etc.) is given to the Board of Directors.

45. Fair value information

Estimation of fair values

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

Loans and advances to customers and Due from financial institutions: Fair value is calculated based on discounted expected future cash flows of principal and interest 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.

Financial assets at amortised cost: The fair value is derived from the market price quoted on an active market at the statement of financial position date.

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

The fair value of the issued subordinated bonds does not contain direct transaction costs, which were expensed on issue.

Estimates of the fair value of financial assets measured at amortized cost, analysed according to the hierarchy that reflects the significance of the inputs used in the valuation were as follows:

31/12/2021

in millions of CZK	Level 1	Level 2	Level 3	Total fair value estimate	Carrying amount
Financial assets					
Cash, cash equivalents and due from banks and other financial institutions	–	72,636	–	72,636	72,620
Loans and other advances to customers	–	–	94,144	94,144	88,265
Financial liabilities					
Deposits and loans from banks	–	4,192	–	4,192	4,298
Deposits from customers	–	149,567	–	149,567	149,306
Subordinated debt	–	76	–	76	73

31/12/2020

in millions of CZK	Level 1	Level 2	Level 3	Total fair value estimate	Carrying amount
Financial assets					
Cash, cash equivalents and due from banks and other financial institutions	–	42,478	–	42,478	42,479
Loans and other advances to customers	–	–	99,837	99,837	93,381
Financial liabilities					
Deposits and loans from banks	–	1,405	–	1,405	1,405
Deposits from customers	–	132,601	–	132,601	132,428
Subordinated debt	–	212	–	212	209

46. Material subsequent events

On February 8, 2022, ATLANTIK finanční trhy, a.s. reduced the share capital from the original amount of CZK 81 million to CZK 38 million. The amount of CZK 43 million, by which the share capital of the company has decreased, will be paid to the Bank as the sole shareholder of the company within ninety days from the effective date of the share capital reduction.

From 1 January 2022, Ing. Jan Kotek is a new member of the Bank's Board of Directors.

Conflict in Ukraine

The Bank operates in the Russian market through its subsidiary J&T Bank, a.o. and is also exposed to the development of economic and financial markets in Ukraine. In February 2022, after the recognition of the self-proclaimed People's Republic of Donetsk and the People's Republic of Luhansk by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of the country.

The current escalation of the military conflict is likely to have a negative impact on the political and business environment in Ukraine, including the ability of many actors to continue their normal activities.

In response to the Russian Federation's hostilities towards Ukraine, a number of countries, including the United States, the United Kingdom and the European Union, have introduced and / or expanded economic sanctions against a number of Russian individuals and legal entities. Sanctions include asset freezes, trade restrictions and travel bans. Further legislation is planned. Extended sanctions have already had or are expected to have a further detrimental effect on economic uncertainty in Russia, including more volatile stock markets, a weakening of the Russian ruble, a reduction in local and foreign direct investment inflows and a significant tightening of credit availability. As a result, some Russian entities may have difficulty accessing international stock and debt markets and may become increasingly dependent on state support for their operations. The long-term effects of the additional sanctions imposed and possible are difficult to determine.

These events represent events occurring after the end of the accounting period that do not have a significant effect on the separate financial statements as at 31 December 2021.

The Bank´s total exposure to the Russian and Ukrainian markets as of March 31, 2022 (unaudited) is as follows:

in millions of CZK	Country	Netto 31/03/2022
Loans	Ukraine	1,380
Bonds	Ukraine	52
Loans	Russia	148
Equity Participation	Russia	1,645
Total		**3,225**

In the separate financial statements as at 31 December 2021, the Bank reported revenues from Russian and Ukrainian customers in the total amount of CZK 14 million.

In view of the above events, the Bank has taken the following measures:

– the Bank will not provide new risk financing in Ukraine and Russia,

– the Bank analysed in detail the exposures from sectors potentially affected by the impact of the current situation and created higher provisions in the first quarter of 2022,

– the Bank prepared an impact simulation in the form of 2 alternative scenarios - the expected and worst-case scenario, incl. simulation of the impact on the economic result, capital adequacy indicators, return on capital and liquidity of the Bank,

– the Bank is monitoring and taking active steps to gradually reduce its exposures in Russia in order to mitigate the negative impact on the Bank´s results for 2022.

The Bank´s management analysed the impact of this event and concluded that, at the date of approval of these separate financial statements, the going concern assumption is still appropriate and this event has no significant impact on the separate financial statements as at 31 December 2021.

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 25 April 2022 on the statutory separate financial statements. Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of J&T BANKA, a.s.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of J&T BANKA, a.s. (the "Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 Separate Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Expected credit losses for loans and advances to customers at amortised cost

Expected credit losses for loans and advances amounted to CZK 3,256 million as at 31 December 2021 (31 December 2020: CZK 3,008 million).

Refer to Note 3 (Accounting policies), Note 10 (Loans and advances to customers at amortised cost) and Note 12 (Expected credit losses) in the notes to the separate financial statements.

Key audit matter

The Company's management makes significant and complex assumptions and judgements when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances (together "loans", "exposures") provided to customers.

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.

Key assumptions and judgements in the calculation of the Expected Credit Losses include the following:

- application of the definition of default and significant increase in credit risk (SICR);
- the probability of default (PD), loss given default (LGD) and exposure at default (EAD) model parameters;
- application of selected forward-looking information (FLI) based on several macroeconomic scenarios;

and

- adjustments to ECLs by means of management overlays.

PD parameters is determined basedon annualized migration matrix resulting from the external market data adjusted for FLI, with probabilityweighted scenarios considered. PD parameter is assigned to the loan based on its internal rating.

LGD is determined by estimating the probability-weighted discounted future cash flows for each exposure. The key judgments and assumptions are those for future cash repayment scenarios and related probabilities, also considering the realizable value of underlying collateral.

Due to the above factors and complexities, coupled with the need to consider the effects of the Covid-19 pandemic on the Company's business environment and the measurement of ECLs, the area required our increased attention in the audit and as such was determined to be a key audit matter.

Our response

Assisted by our own credit risk, valuation and information technology (IT) specialists, we performed, among other things, the procedures outlined below:

We assessed the Company's accounting policies and processes related to estimating ECLs. This included assessing whether the relevant methods, models, assumptions and data used therein comply with the requirements of the financial reporting standards and industry practice. As part of the above, we assessed the process of identifying indicators of default, SICR, and allocating of loans to particular stages of IFRS 9. In addition, we tested IT control environment for data security and access.

We tested the design, implementation and operating effectiveness of selected IT-based and manual controls over the approval, recording and monitoring of loans and advances, matching of incoming payments, calculating days past due, and calculation of effective interest rate.

We tested the controls by making inquiries of heads of risk, finance and IT department and other relevant IT and risk department personnel, in combination with the observation, inspection of underlying documentation and, where applicable, reperformance of controls.

We evaluated whether in its ECL measurement the Company appropriately considered the effects of the market disruption resulting from the Covid-19 pandemic.

We assessed the key assumptions applied in the ECL measurement as follows:

- definition of default and of SICR – by assessing whether the financial instruments standard's definition of default and staging criteria were consistently applied;
- PD parameter – by reference to external market 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 Company and inspecting publicly available data and reports.

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 internal rating and LGD parameter were applied to on-balance and offbalance exposures in determining the related ECLs. As part of the procedure, we specifically focused on the robustness of the Company's financial analysis of the borrower, the repayment pattern for the loan and the collateral provided.

For the selected groups of loans, we checked whether PD and EAD parameters were reasonably and consistently applied to on-balance and off-balance exposures in determining the related ECLs.

We challenged 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 in the valuations used by the Company by reference to independent market sources (including market pricing data).

We critically assessed the overall reasonableness of the estimated ECLs, including the loans provision coverage, by benchmarking them against available industry data.

We examined whether the loan impairment and credit risk-related disclosures in the separate financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

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 separate and consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

The Company has not prepared an annual report as at 31 December 2021, as it includes the respective information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

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

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 17 September 2020 and our uninterrupted engagement has lasted for 21 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 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

Jindřich Vašina is the statutory auditor responsible for the audit of the separate financial statements of J&T BANKA, a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague, 25 April 2022

Signed by

KPMG Česká republika Audit, s.r.o.

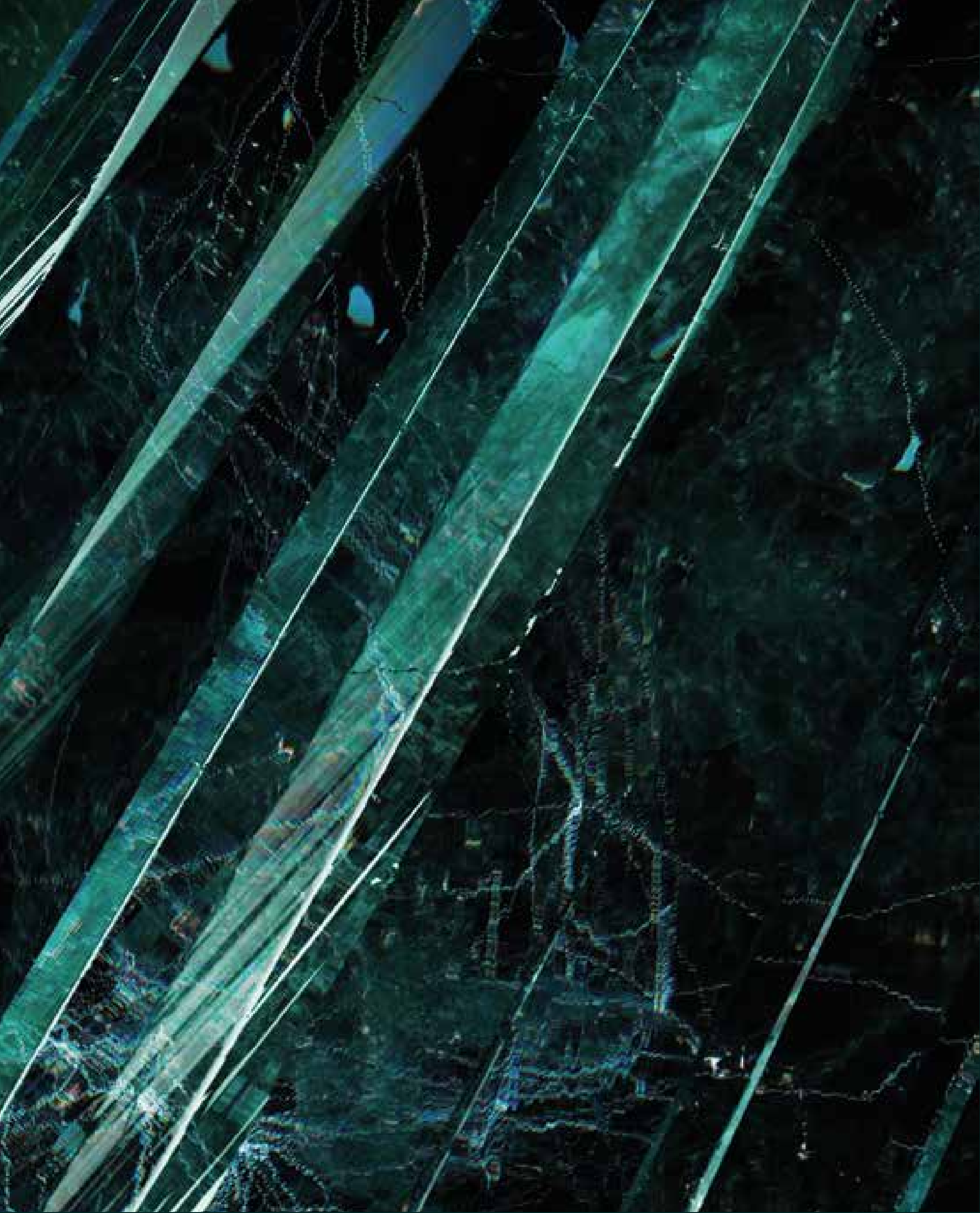
Registration number 71

Signed by

Jindřich Vašina

Partner

Registration number 2059



154

billion CZK

Volume of client deposit grew by 11.3 % y-o-y

Report on relations between related parties for the accounting period of 2021

Report on relations between the controlling entities and the controlled entity and between the controlled entity and entities controlled by the same controlling entity for the accounting period of 2021 of J&T BANKA, a.s.

prepared in compliance with Section 82 of Act No. 90/2012 Coll., on Corporations and Cooperatives (Act on Corporations).

This report has been prepared by the Board of Directors of J&T BANKA, a.s., with its registered office at Praha 8, Sokolovská 700/113a, postcode 186 00, ID# 47115378 ("the Bank").

I. 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 controlled entity in the structure, and manner and means of control.

The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2021 to 31 December 2021, J&T BANKA, a.s. was directly controlled by the following persons and entities:

J&T FINANCE GROUP SE

ID# 27592502, with its registered office at Praha 8, Sokolovská 700/113a, postcode 186 00, Czech Republic

The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2021 to 31 December 2021, J&T BANKA, a.s. was indirectly controlled by the following persons and entities:

Ing. Ivan Jakabovič,

Residing at 98000 MONACO, 32 rue COMTE FELIX GASTALDI, Monaco, who, along with Ing. Jozef Tkáč (see below) controls J&T FINANCE GROUP SE..

In addition, Ing. Ivan Jakabovič owns shares in the following companies:

J & T Securities, s.r.o.

ID# 31366431, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by Ing. Ivan Jakabovič

KOLIBA REAL a.s.

ID# 35 725 745, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by Ing. Ivan Jakabovič

KPRHT 3, s.r.o.

ID# 36 864 781, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by KOLIBA REAL a.s.

KPRHT 14 s.r.o.

ID# 36 864 765, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by KOLIBA REAL a.s.

KPRHT 19, s.r.o.

ID# 36 864 889, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by KOLIBA REAL a.s.

Ing. Jozef Tkáč,

Residing at Bratislava, Júlová 10941/32, postcode 831 01, Slovakia, who, along with Ing. Ivan Jakabovič (see above) controls J&T FINANCE GROUP SE.

The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2021 to 31 December 2021, J&T BANKA, a.s. was controlled by the same entities as the following other controlled entities, through J&T FINANCE GROUP SE:

365.bank, a.s. (formerly Poštová banka, a.s.)

ID#: 31340890, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by J&T FINANCE GROUP SE

Poštová poisťovňa, a. s.

ID# 31405410, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s. (until 3 July 2021)

365.life, d.s.s., a.s. (formerly Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.)

ID# 35904305, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s.

365.invest, správ.spol., a.s. (formerly PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.)

ID# 31621317, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s.

PB Servis, a. s.

ID# 47234571, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by 365.bank, a.s.

PB PARTNER, a. s. v likvidácii

ID# 36864013, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s. (until 30 June 2021)

PB Finančné služby, a. s.

ID# 35817453, with its registered office at Hattalova 12, Bratislava 831 03, Slovakia, controlled by 365.bank, a.s.

365.fintech, a.s.

ID# 51301547, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s.

Ahoj, a.s. (formerly Amico Finance a. s.)

ID# 48113671, with its registered office at Dvořákovo nábrežie 4, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s.

J&T NOVA Hotels SICAV, a.s.

ID# 09641173, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE

DIAMOND HOTELS SLOVAKIA, s.r.o.

ID# 35 838 833, with its registered office at Hodžovo nám. 2, Bratislava 816 25, Slovakia, controlled by J&T NOVA Hotels SICAV, a.s.

BHP Tatry, s. r. o.

ID# 45 948 879, with its registered office at Dvořákovo nábrežie 6, Bratislava 811 02, Slovakia, controlled by J&T NOVA Hotels SICAV, a.s.

Cards&Co, a. s.

ID# 51 960 761, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by 365.bank, a.s.

DanubePay, a. s.

ID# 46 775 111, with its registered office at Miletičova 21, Bratislava 821 08, Slovakia, controlled by Cards&Co, a. s.

Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

ID# 03451488, Na příkopě 393/11, Staré Město, 110 00 Praha 1, Czech Republic, controlled by J&T FINANCE GROUP SE

FORESPO SOLISKO a. s.

ID# 47232935, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO HELIOS 1 a. s.

ID# 47234032, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO HELIOS 2 a. s.

ID# 47234024, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO HOREC A SASANKA a. s.

ID# 47232994, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO PÁLENICA a. s.

ID# 47232978, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

INVEST-GROUND a. s.

ID# 36858137, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO - RENTAL 1 a.s.

ID# 36782653, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO - RENTAL 2 a. s.

ID# 36781487, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO BDS a.s.

ID# 27209938, with its registered office at Janáčkovo nábřeží 478/39, Smíchov, 150 00 Praha 5, Czech Republic, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

Devel Passage s. r. o.

ID# 43853765, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

FORESPO DUNAJ 6 a. s.

ID# 47235608, with its registered office at Karloveská 34, Bratislava 841 04, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

RDF International, spol. s r.o.

ID# 31375898, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

OSTRAVICE HOTEL a.s.

ID# 27574911, with its registered office at Praha 8, Sokolovská 700/113a, postcode 186 00, Czech Republic, controlled by Compact Property Fund, investiční fond s proměnným základním kapitálem, a.s.

J&T SERVICES ČR, a.s.

ID# 28168305, with its registered office at Praha 8, Sokolovská 700/113a, postcode 186 00, Czech Republic, controlled by J&T FINANCE GROUP SE

J&T SERVICES SR, s.r.o.

ID# 46293329, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by J&T SERVICES ČR, a.s.

Hotel Kadashevskaya, LLC.

ID# 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, 115035 Moscow, Russia, controlled by J&T FINANCE LLC

J&T Bank (Schweiz) AG in Liquidation

ID# CH02030069721, with its registered office in Zürich, Talacker 50, 12th floor, P.C. 8001, Switzerland, controlled by J&T FINANCE GROUP SE

J&T Wine Holding SE

ID# 06377149, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE

Wine Resort Pouzdřany, s.r.o.,

ID# 09988891, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T Wine Holding SE (since 8 March 2021)

Reisten, s.r.o.

ID# 25533924, with its registered office at Zahradní 288, 692 01 Pavlov, Czech Republic, controlled by J&T Wine Holding SE

KOLBY a.s.

ID# 25512919, with its registered office at Česká č.ev. 51, 691 26 Pouzdřany, Czech Republic, controlled by J&T Wine Holding SE

SAXONWOLD LIMITED

ID# 508611, with its registered office at Cam Lodge Kilquaide, The Russian Village, Co.Wicklow, A63 FK24, Ireland, controlled by J&T Wine Holding SE

World's End LLC

ID# 200807010154, with its registered office at 5 Financial Plaza 116, Napa CA 94558, USA, controlled by SAXONWOLD LIMITED

OUTSIDER LIMITED

HE 372202, with its registered office at Klimentos, 41- 43; KLIMENTOS TOWER, Floor 2, Flat 21; 1061, Nicosia, Cyprus, controlled
by J&T Wine Holding SE

STE CIVILE D'EXPLOITATION DU CHATEAU TEYSSIER

ID# 316 809 391, with its registered office at 33330 VIGNONET, Saint Emilion, France, controlled by OUTSIDER LIMITED

JCP MALTUS DOMAINES & CHATEAUX (formerly CT DOMAINES)

ID# 507 402 386, with its registered office at 33330 VIGNONET, Saint Emilion, France, controlled by STE CIVILE D'EXPLOITATION DU CHATEAU TEYSSIER

J&T INTEGRIS GROUP LIMITED

ID# HE207436, with its registered office at Klimentos, Kyriakou Matsi, 11, NIKIS CENTER, Floor 3, Flat 301 1082, Nicosia, Cyprus, controlled by J&T FINANCE GROUP SE

Bayshore Merchant Services Inc.

ID# 01005740, with its registered office at TMF Place, Road Town, Tortola, British Virgin Islands, controlled by J&T INTEGRIS GROUP LIMITED

J&T Trust Inc.

ID# 00011908, with its registered office at Lauriston House, Lower Collymore Rock, St. Michael, Barbados, controlled by Bayshore Merchant Services Inc.

J&T MINORITIES PORTFOLIO LTD

ID# HE260754, with its registered office at Kyriakou Matsi, 11, NIKIS CENTER, Floor 3, Flat 301 1082, Nicosia, Cyprus, controlled by J&T INTEGRIS GROUP LIMITED

Equity Holding, a.s.

ID# 10005005, with its registered office at Praha 8, Sokolovská 700/113a, postcode 186 00, Czech Republic, controlled by J&T MINORITIES PORTFOLIO LTD.

J&T FINANCE LLC

ID# 1067746577326, with its registered office at Rossolimo 17, Moscow, Russia, controlled by J&T MINORITIES PORTFOLIO LTD.

J&T Global Finance VIII., s.r.o.

ID# 06062831, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T INTEGRIS GROUP LIMITED

J&T Global Finance IX., s.r.o.

ID# 51836301, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by J&T INTEGRIS GROUP LIMITED

J&T Global Finance X., s.r.o.

ID# 07402520, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T INTEGRIS GROUP LIMITED

J&T Global Finance XI., s.r.o.

ID# 09920021, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T INTEGRIS GROUP LIMITED (since 15 February 2021)

J&T Global Finance XII., s.r.o.

ID# 53546 229, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by J&T INTEGRIS GROUP LIMITED (since 9 February 2021)

J&T Mezzanine, a.s.

ID# 06605991, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE

JTH Vision s. r. o.

ID# 05941750, with its registered office at Krupská 33/20, 415 01 Teplice, Czech Republic, jointly controlled by J&T Mezzanine, a.s.

JTH Letňany, s.r.o.

ID# 04919211, with its registered office at Krupská 33/20, 415 01 Teplice, Czech Republic, jointly controlled by J&T Mezzanine, a.s. (since 22 December 2021)

J&T Credit Participation, s.r.o.

ID# 09919821, with its registered office at Sokolovská 700/113a, Karlín, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 15 February 2021)

ART FOND – Stredoeurópsky fond súčasného umenia, a.s.

ID# 47979160, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, jointly controlled by 365.bank, a.s.

JTFG FUND I SICAV, a.s.,

ID# 09903089, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 9 February 2021)

J&T BANKA, a.s. is a member of the consolidation unit of the financial holding company of J&T FINANCE GROUP SE in compliance with Act No. 21/1992 Coll., on Banks. The manner and means of control described in this report ensue from control effected through a share in the company's share capital and voting rights.

II. Overview of acts made in the accounting period of 2021 at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity where such acts concern assets with a value exceeding 10% of the controlled entity's equity identified from the last financial statements.

During the accounting period, no acts concerning assets the value of which exceeds 10% of the Bank's equity identified from the last financial statements were made in the interest or at the instigation of the controlling entity and entities controlled by the controlling entity.

III. Overview of contracts entered into between the controlled entity and the controlling entity or between controlled entities.

All contracts below were based on the arm's length principle, which refers to situation when contracts are agreed between two non-related parties in their best interests.

With J&T FINANCE GROUP SE:

Contracts in force entered into between related parties:

- Consignment agreement dated 15 December 2008, regarding the provision of stock brokerage services.
- Agreement on the provision of services (outsourcing) dated 26 June 2018 concerning the fulfilment of analytical function services.
- BROKERAGE CONTRACT dated 6 November 2013 concerning opportunities to conclude a contract with potential clients.
- Bond placement agreement dated 14 September 2020, along with a Special arrangement to this agreement.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Contract for the custody of investment instruments dated 1 January 2014, based on which J&T BANKA, a.s. provided to the related party custody of securities in 2021, in exchange for adequate consideration in the form of payment.
- Financial settlement agreement dated 3 January 2012, based on which J&T BANKA, a.s. settles its receivables and liabilities arising in connection with value added tax, as they are members of a single VAT group of which the Bank is the representing member.
- Contract for the provision of a guarantee dated 21 August 2006, as further amended, based on which, in 2021, J&T FINANCE GROUP SE provided a guarantee to selected clients of the Bank, in exchange for adequate consideration in the form of payment.
- General consignment agreement for the brokerage of purchase and sale of securities dated 10 April 2008, as further amended, based on which, in 2021, J&T BANKA, a.s. provided the related party with stock brokerage services, in exchange for adequate consideration in the form of payment.
- Contract for business lease of movable assets dated 22 September 2010, as further amended, based on which, in 2021, J&T FINANCE GROUP SE, organizačná zložka leased fixtures and fittings to the Bank, in exchange for adequate consideration in the form of lease payment.
- Contract for lease of movable assets and financial settlement dated 30 May 2011, as further amended, based on which J&T FINANCE GROUP SE, organizačná zložka leased fixtures and fittings in the building at Dvořákovo nábrežie 8, Bratislava to the Bank in 2021, in exchange for adequate consideration in the form of lease payment.
- Contract for lease of movable assets and financial settlement dated 1 December 2014, as further amended, based on which J&T FINANCE GROUP SE, organizačná zložka leased fixtures and fittings in the River Park building complex in Bratislava to the Bank in 2021, in exchange for adequate consideration in the form of lease payment.
- General agreement on the provision of services for legal entities dated 25 April 2019, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Cost splitting agreement dated 31 December 2014, based on which the companies mutually covered 50% of the cost of the audit of group reporting packages in 2021, in exchange for adequate consideration in the form of payment.
- General agreement on trading in financial markets dated 30 November 2015, based on which the Bank concluded currency derivative transactions, in exchange for adequate consideration in the form of payment of the transaction price including commission.
- Overdraft facility agreement No. EUR 61/KTK/2016 dated 11 November 2016, as further amended, based on which J&T BANKA, a.s. undertook to provide funds (an overdraft facility) to the related party and J&T FINANCE GROUP SE undertook to repay the loan, and pay the interest and other fees in accordance with the agreed terms and conditions.
- Agreement on the provision of services (outsourcing) dated 26 June 2018, based on which J&T BANKA, a.s. provided audit function (internal audit and compliance) services pursuant to this agreement in 2021, and J&T FINANCE GROUP SE undertook to provide adequate consideration in the form of payment.
- Agreement on the provision of services (outsourcing) dated 26 June 2018, based on which J&T BANKA, a.s. provided risk management services pursuant to this agreement in 2021, and J&T FINANCE GROUP SE undertook to provide adequate consideration in the form of payment.
- Administrator contract dated 14 September 2020, along with a Special arrangement to this contract, based on which, in 2021, J&T BANKA, a.s. provided administration services as part of a Certificate issue programme, in exchange for adequate consideration in the form of payment.
- Contract for sale of movable assets dated 31 August 2021, based on which J&T FINANCE GROUP SE, organizačná zložka sold fixtures and fittings in 2021, in exchange for consideration in the form of payment of the purchase price.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Provision of a safety deposit box in accordance with the Bank's business terms and conditions.

- Forward currency transactions in accordance with the Bank's business terms and conditions.

With Ing. Ivan Jakabovič:

Contracts in force entered into between related parties:

- Consignment agreement No. 17726 for the brokerage of purchase and sale of securities, dated 13 March 2009.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on private banking services dated 24 November 2015, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Agreement on exercising the office of the Supervisory Board member dated 30 December 2014, concluded under Act No. 90/2012 Coll., on Corporations and Cooperatives ("the Act on Corporations").
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With J & T Securities, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on provision of banking services dated 8 November 2018, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With KOLIBA REAL a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on provision of banking services dated 6 August 2014, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With KPRHT 3, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Credit agreement No. EUR 25/OAO_SR/2017 dated 19 December 2017, based on which J&T BANKA, a.s. undertook to provide funds (a credit) to the related party, and KPRHT 3, s.r.o. undertook to repay the credit and pay the interest and other fees in accordance with the agreed terms and conditions.
- Agreement on provision of banking services dated 30 January 2015, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With KPRHT 14 s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Credit agreement No. EUR 18/OAO_SR/2017 dated 7 December 2017, based on which J&T BANKA, a.s. undertook to provide funds (a credit) to the related party, and KPRHT 14 s.r.o. undertook to repay the credit and pay the interest and other fees in accordance with the agreed terms and conditions.
- Agreement on provision of banking services dated 15 October 2013, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With KPRHT 19, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Credit agreement No. EUR 23/OAO_SR/2017 dated 7 December 2017, based on which J&T BANKA, a.s. undertook to provide funds (a credit) to the related party, and KPRHT 19, s.r.o. undertook to repay the credit and pay the interest and other fees in accordance with the agreed terms and conditions.
- Agreement on provision of banking services dated 11 October 2013, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With Ing. Jozef Tkáč:

Contracts in force entered into between related parties:

- General agreement on custody of financial instruments having the form of share certificates dated 10 December 2009.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on private banking services dated 15 March 2012, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.

- Agreement on exercising the office of the Supervisory Board member dated 30 December 2014, concluded under Act No. 90/2012 Coll., on Corporations and Cooperatives ("the Act on Corporations").
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With 365.bank, a.s. (formerly Poštová banka, a.s.):

Contracts in force entered into between related parties:

- Agreement on cooperation dated 19 March 2019, based on which the contractual parties agreed on the rules and terms and conditions of mutual cooperation.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Consignment agreement dated 18 December 2008, based on which J&T BANKA, a.s. provided the related party with stock brokerage services in 2021, in exchange for adequate consideration in the form of payment.
- Subordinated loan agreement dated 21 September 2011, as further amended, based on which J&T BANKA, a.s undertook to provide funds (a loan), and 365.bank, a.s. undertook to repay the loan and pay interest in accordance with the agreed terms and conditions.
- Contract for support of membership in the card company MasterCard dated 24 June 2014, based on which 365.bank, a.s. provided payment system related services to J&T BANKA, a.s., a related party, in 2021, in exchange for adequate consideration in the form of payment.
- Contract for a loro account dated 27 May 2014, based on which 365.bank, a.s. provided services connected with maintaining a Euro bank account used to settle transactions made with MasterCard payment cards.
- Contract for a loro account dated 27 May 2014, based on which 365.bank, a.s. provided services connected with maintaining a CZK bank account used to settle transactions made with MasterCard payment cards.
- 2002 Master Agreement for derivative transactions between J&T BANKA, a.s. and 365.bank, a.s. dated 10 June 2015, based on which the Bank concluded mainly currency derivative transactions, in exchange for adequate consideration in the form of payment of the transactions.
- Loan agreements, as further amended, based on which J&T BANKA, a.s. provided services of a creditor, arranger, credit agent and security agent in respect of granting a credit line to third parties, and 365.bank, a.s. acts as a creditor, arranger, credit agent and security agent.
- Master Funded Participation Agreement dated 24 September 2018.
- Contract for cooperation in providing the J&T Family and Friends banking services and in participating in the Magnus loyalty scheme dated 1 January 2019 based on which J&T BANKA, a.s. undertook to provide the related party with participation in the MAGNUS loyalty scheme as a social policy instrument, in exchange for adequate consideration in the form of payment.
- Agreement on billing and recharging of expenses dated 25 November 2019, by which J&T BANKA, a.s. and 365.bank, a.s. agreed on coordinating the provision of legal services in connection with an action for damage compensation in the USA.
- Agreement dated 2 July 2021, based on which J&T BANKA, a.s. and 365.bank, a.s. agreed on the use of postal order, in exchange for adequate consideration in the form of payment.
- Forward currency transactions in accordance with the Bank's business terms and conditions.
- Loro account maintenance in accordance with the Bank's business terms and conditions.

With Poštová poisťovňa, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on the provision of the services for legal entities dated 20 November 2017, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Deposit account maintenance in accordance with the Bank's business terms and conditions.

With 365.life, d.s.s., a.s. (formerly Dôchodková správcovská spoločnosť Poštovej banky, d.s.s., a. s.):

Contracts in force entered into between related parties:

- Contract for provision of banking services dated 21 May 2014.

With 365.invest, správ.spol., a.s. (formerly PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a.s.):

Contracts in force entered into between related parties:

- Consignment agreement dated 29 May 2014, regarding the provision of stock brokerage services.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Contract for cooperation dated 13 July 2009, as further amended, based on which J&T BANKA, a.s., in 2021, provided the related party with services connected with collective investments pursuant to this contract and under the laws in force in the Czech Republic, in exchange for adequate consideration in the form of payment.
- Contract for cooperation in providing investment services dated 28 December 2018, based on which both parties agreed on cooperation in procuring purchase or sale of units issued by mutual funds managed by 365.invest, správ.spol., a.s., in exchange

for adequate consideration in the form of payment. The Contract substitutes in full the contract on providing investment services dated 13 September 2013.

With PB Servis, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on the provision of the services for legal entities dated 29 July 2020, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With PB Finančné služby, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Current account maintenance in accordance with the Bank's business terms and conditions.

With 365.fintech, a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on the provision of services for legal entities dated 26 January 2018, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Deposit account with a period of notice.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With J&T NOVA Hotels SICAV, a.s.

- Agreement on the provision of banking services for legal entities and entrepreneurs (self-employed) dated 19 November 2020.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Current account maintenance in accordance with the Bank's business terms and conditions.

With DIAMOND HOTELS SLOVAKIA, s.r.o.:

Contracts in force entered into between related parties:

- Bank guarantee agreement No. Z 08/OAO_SR/2014 dated 3 April 2014.

With Cards&Co, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on the provision of the services for legal entities dated 20 September 2018, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With RDF International, spol. s r.o.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Credit agreement No. EUR 33/OAO_SR/2013 dated 22 May 2013, based on which J&T BANKA, a.s. undertook to provide funds (a credit) to the related party, and RDF International, spol. s r.o. undertook to repay the credit and pay the interest and other fees in accordance with the agreed terms and conditions. On 15 April 2021, the receivable including accessories arising from the agreement above was settled.
- Agreement on provision of banking services dated 6 September 2013, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With OSTRAVICE HOTEL, a.s.:

Contracts in force entered into between related parties:

- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T SERVICES ČR, a.s.:

Contracts in force entered into between related parties:

- Contract for personal data processing dated 6 August 2014, based on which the parties thereto defined the rights and obligations in processing personal data when carrying out activities under the Contract for provision of expert support.
- Contract for personal data processing dated 25 May 2018, based on which the parties thereto defined the rights and obligations in processing personal data when carrying out activities under the Contract for provision of services.
- Contract for personal data processing dated 1 September 2020, based on which the parties thereto defined the rights and obligations in processing personal data when carrying out activities under the Contract for sublease of business premises.
- General agreement on provision of banking services for legal entities dated 1 August 2017.

- Agreement on the issue of Mastercard international debit payment card dated 26 August 2020.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Contract for provision of expert support dated 6 August 2014, as further amended, based on which J&T SERVICES ČR, a.s. provided payroll and personnel services pursuant to this contract in 2021, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment for the services.
- Overdraft facility agreement No. EUR 95/KTK/2013 dated 11 December 2013, as further amended, based on which J&T BANKA, a.s. undertook to provide funds (an overdraft facility) to the related party, and J&T SERVICES ČR, a.s. undertook to repay the loan, and pay the interest and other fees in accordance with the agreed terms and conditions.
- Contract for sublease of business premises dated 1 October 2019, based on which, in 2021, J&T SERVICES ČR, a.s. provided the Bank with the lease of non-residential premises in the Prosek Point building complex, in exchange for adequate consideration in the form of lease payment.
- Financial settlement agreement dated 1 January 2009, based on which J&T BANKA, a.s. settles its receivables and liabilities arising in connection with value added tax, as they are members of a single VAT group of which the Bank is the representing member.
- Contract for provision of services (outsourcing) dated 1 September 2014, as further amended, based on which J&T SERVICES ČR, a.s. provided services consisting in preparation of prudential consolidated financial statements pursuant to this contract in 2020, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment for the services.
- Contract for provision of services (outsourcing) dated 5 January 2015, based on which J&T SERVICES ČR, a.s. provided reporting services and central purchases pursuant to this contract in 2021, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment for the services.
- Contract for provision of services dated 31 January 2013, based on which J&T SERVICES ČR, a.s. provided legal services pursuant to this contract in 2021, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment.
- Contract for cooperation in arranging social events dated 1 January 2014, as further amended, based on which J&T SERVICES ČR, a.s. undertook to ensure cultural and social events for employees under the terms and conditions of this contract, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of proportionate part of the expenses.
- Contract for sublease of a motor vehicle dated 2 January 2014 with J&T BANKA, a.s. pobočka zahraničnej banky, as further amended, based on which, in 2021, J&T SERVICES ČR, a.s. leased to the Bank motor vehicles, in exchange for adequate consideration in the form of lease payment.
- Contract for sublease of a motor vehicle dated 23 January 2015, as further amended, based on which, in 2021, J&T SERVICES ČR, a.s. leased to the Bank motor vehicles, in exchange for adequate consideration in the form of lease payment.
- Contract for provision of services dated 31 December 2014, as further amended, based on which J&T SERVICES ČR, a.s. provided logistic, operational and technical management services pursuant to this contract to the Bank in 2021, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment.
- Contract for provision of services dated 31 December 2014 with J&T Banka, a. s. pobočka zahraničnej banky, as amended, based on which J&T SERVICES ČR, a.s. provided logistic, operational and technical management services pursuant to this contract in 2021, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment.
- Contract for provision of services dated 18 December 2014, based on which, in 2021, J&T SERVICES ČR, a.s. provided IT/IS services pursuant to this contract, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment.
- Contract for delegation of activities and provision of expert support dated 1 January 2015, as amended, based on which, in 2021, J&T BANKA, a.s. provided risk management, internal audit, compliance and AML services, in exchange for adequate consideration in the form of payment for the services. Related to this contract is the Correction of a typing error dated 30 March 2020.
- Contract for provision of services dated 1 January 2016, as further amended, based on which J&T SERVICES ČR, a.s. provided concierge and related services to the Bank in 2021, in exchange for adequate consideration in the form of payment for the services.
- Contract for provision of expert tax assistance and advice dated 1 January 2018, based on which J&T SERVICES ČR, a.s. provided tax advisory services and advisory services in respect of transaction projects in 2021, and J&T BANKA, a.s. undertook to pay consideration in the form of payment for the services.
- Credit agreement No. CZK 50/OAO/2020 dated 11 November 2020, based on which J&T BANKA, a.s. undertook to provide funds (a credit) to the related party, and J&T SERVICES ČR, a.s. undertook to repay the credit, and pay the interest and other fees in accordance with the agreed terms and conditions.
- Contract for cooperation in providing employee benefit services dated 27 April 2020, based on which J&T SERVICES ČR, a.s. provided services of mediating medical consultations over the phone to the Bank in 2021, in exchange for adequate consideration in the form of payment for the services.
- Contract for business lease of movable assets dated 1 November 2020, based on which, in 2021, J&T SERVICES ČR, a.s. leased office furniture and equipment pursuant to this contract, in exchange for adequate consideration in the form of payment.
- Contract for sublease of business premises dated 1 September 2020, as further amended, based on which, in 2021, J&T SERVICES ČR, a.s. provided the Bank with the lease of non-residential premises in the Rustonka building complex, in exchange for adequate consideration in the form of lease payment.
- Agreement on the terms and conditions of providing outsourcing services dated 4 January 2021.

- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.
- Provision of a safety deposit box in accordance with the Bank's business terms and conditions.

With J&T SERVICES SR, s.r.o.:

Contracts in force entered into between related parties:

- Contract for cooperation in arranging sports and recreational events dated 15 March 2016.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Mandate contract for payroll and personnel services dated 26 October 2012 with J&T BANKA, a.s. pobočka zahraničnej banky, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. provided the Bank with personnel and payroll services, in exchange for adequate consideration in the form of payment.
- Contract for lease of motor vehicles dated 2 January 2013, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. leased motor vehicles to the Bank, in exchange for adequate consideration in the form of lease payment.
- Contract for provision of services dated 2 January 2013, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. provided the Bank with operational and logistic services specified in the supplement to this contract, in exchange for adequate consideration in the form of payment.
- Brokerage contract dated 3 April 2013, based on which, in 2021, J&T SERVICES SR, s.r.o. brokered banking products pursuant to this contract, in exchange for adequate consideration in the form of payment.
- Contract for delegation of activities and provision of expert support dated 1 January 2015, as further amended, based on which, in 2021, J&T BANKA, a.s. provided risk management and internal audit services, in exchange for adequate consideration in the form of payment.
- Overdraft facility agreement No. EUR 15/KTK_SR/2014 dated 31 December 2014, as amended, based on which J&T BANKA, a.s. pobočka zahraničnej banky undertook to provide funds (an overdraft facility), and J&T SERVICES SR, s.r.o. undertook to repay the loan, and pay interest and other fees in accordance with the agreed terms and conditions.
- Mandate contract for payroll and personnel services dated 31 December 2014, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. provided the Bank with personnel and payroll services, in exchange for adequate consideration in the form of payment.
- Contract for lease of a motor vehicle dated 2 January 2013 with J&T BANKA, a.s. pobočka zahraničnej banky, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. leased to the Bank motor vehicles, in exchange for adequate consideration in the form of lease payment.
- Contract for provision of services dated 2 January 2013 with J&T BANKA, a.s. pobočka zahraničnej banky, as further amended, based on which, in 2021, the Bank was provided operational and logistic services specified in the supplement to this contract, in exchange for adequate consideration in the form of payment.
- Contract for cooperation in providing the J&T Family and Friends banking services and in participating in the Magnus loyalty scheme dated 27 December 2011, based on which J&T BANKA, a.s. undertakes to provide an advantageous package of services and participation rights in the MAGNUS loyalty scheme as a social policy instrument, in exchange for adequate consideration in the form of payment.
- Service Legal Agreement for providing services dated 18 December 2014, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. provided the Bank with IT and press services, in exchange for adequate consideration in the form of payment.
- Contract for provision of services dated 9 December 2015, as further amended, based on which, in 2021, J&T SERVICES SR, s.r.o. provided the Bank with concierge services and related services, in exchange for adequate consideration in the form of payment for the services.
- Agreement to terminate the Contract for provision of services dated 31 October 2021, based on which the contractual parties agreed to terminate the Contract concluded on 9 December 2015 and to settle their mutual claims.
- General agreement on provision of banking services dated 7 January 2013, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With J&T FINANCE LLC:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Acts to refund a part of remuneration dated 9 February 2021 relating to the Brokerage contract No. 01-01/14 dated 17 January 2014, as further amended, and in accordance with the provisions of the Agreement to terminate the Brokerage contract No. 01-01/2014 dated 31 December 2016.

With OUTSIDER LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on the provision of the services for legal entities dated 22 November 2017, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With STE CIVILE D'EXPLOITATION DU CHATEAU TEYSSIER:

Contracts in force entered into between related parties:

- Maintenance of the Bank's internal account for the purpose of settling a contractual receivable.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Loan agreement dated 9 December 2016, as further amended, based on which J&T BANKA, a.s. undertook to provide funds/loan, and STE CIVILE D'EXPLOITATION DU CHATEAU TEYSSIER undertook to repay the loan and pay interest, in accordance with the agreed terms and conditions.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Bank (Schweiz) AG in Liquidation

Contracts in force entered into between related parties:

- Consignment agreement No. 18387 for the brokerage of purchase and sale of securities, dated 9 July 2009.
- General agreement on a loan secured by transfer of securities dated 1 November 2006.

With J&T Wine Holding SE:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Current account maintenance in accordance with the Bank's business terms and conditions.

With Wine Resort Pouzdřany, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on the provision of banking services for legal entities and entrepreneurs (self-employed) dated 24 March 2021.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With Reisten, s.r.o.:

Contracts in force entered into between related parties:

- Contract for subordination of receivables dated 4 February 2019.
- Agreement granting the right to fill in a blank bill of exchange dated 4 February 2019.
- Agreement on the provision of banking services for legal entities and entrepreneurs (self-employed) dated 7 January 2019.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Overdraft facility agreement No. CZK 03/KTK/2019 dated 4 February 2019, as further amended, based on which J&T BANKA, a.s. provided funds (an overdraft facility), and Reisten, s.r.o. undertook to repay the loan, and pay the interest and other fees in accordance with the agreed terms and conditions.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With KOLBY a.s.:

Contracts in force entered into between related parties:

- Agreement on assignment of the right to performance dated 17 August 2020, based on which KOLBY, a.s. assigned the right to advertising space to J&T BANKA, a.s., in exchange for adequate consideration in the form of payment.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on assignment of the right to performance dated 15 October 2021, based on which KOLBY, a.s. assigned the right to advertising space to J&T BANKA, a.s., in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With J&T INTEGRIS GROUP LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on the issue of Mastercard international debit payment card dated 17 December 2021.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With J&T Trust Inc.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Consignment agreement for the brokerage of purchase and sale of investment instruments dated 13 August 2012 based on which, in 2021, J&T BANKA, a.s. provided the related party with stock brokerage services, in exchange for adequate consideration in the form of payment for the services.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T MINORITIES PORTFOLIO LTD:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Consignment agreement No. 19181 for the brokerage of purchase and sale of securities, dated 20 August 2010, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Agreement on provision of banking services dated 5 February 2015, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Issue of a debit card in accordance with the Bank's business terms and conditions.

With Equity Holding, a.s.:

Contracts in force entered into between related parties:

- Consignment agreement No. 17599 dated 15 December 2008, regarding the provision of stock brokerage services.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Global Finance VIII., s.r.o.:

Contracts in force entered into between related parties:

- Bond placement agreement dated 21 June 2017, along with a Special arrangement to this agreement.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Administrator contract dated 21 June 2017, along with a Special arrangement to this contract, based on which, in 2021, J&T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Global Finance IX., s.r.o.:

Contracts in force entered into between related parties:

- Bond placement agreement dated 10 September 2018, along with a Special arrangement to this agreement.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on the provision of services for legal entities dated 16 July 2018, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Administrator contract dated 10 September 2018, along with a Special arrangement to this contract, based on which, in 2021, J&T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Global Finance X., s.r.o.:

Contracts in force entered into between related parties:

- Bond placement agreement dated 14 November 2018, along with a Special arrangement to this agreement.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Administrator contract dated 14 November 2018, along with a Special arrangement to this contract, based on which, in 2021, J&T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Global Finance XI., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Bond placement agreement dated 30 June 2021, based on which J&T BANKA, a.s. arranged a bond issue in 2021, in exchange for adequate consideration in the form of payment.
- Administrator contract dated 30 June 2021, along with a Special arrangement to this contract, based on which, in 2021, J&T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration in the form of payment.
- Agreement on the provision of banking services for legal entities and entrepreneurs (self-employed) dated 2 March 2021, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Global Finance XII., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Bond placement agreement dated 7 July 2021, based on which J&T BANKA, a.s. arranged a bond issue in 2021, in exchange for adequate consideration in the form of payment.
- Administrator contract dated 8 July 2021, along with a Special arrangement to this contract, based on which, in 2021,

J&T BANKA, a.s. provided administration services as part of a bond issue programme, in exchange for adequate consideration in the form of payment.

- General agreement on the provision of services for legal entities and natural persons – entrepreneurs (self-employed) in the private banking sector, dated 8 March 2021, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T Mezzanine, a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2021:

- General agreement on trading in financial markets dated 28 June 2018.
- Agreement on provision of services (outsourcing) dated 26 June 2018, based on which J&T BANKA, a.s. provided audit function (internal audit and compliance) services pursuant to this agreement in 2021, and J&T Mezzanine, a.s. undertook to provide adequate consideration in the form of payment.
- Agreement on the provision of services (outsourcing) dated 26 June 2018, based on which J&T BANKA, a.s. provided risk management services pursuant to this agreement in 2021, and J&T Mezzanine, a.s undertook to provide adequate consideration in the form of payment.
- Master Funded Participation Agreement dated 26 February 2020
- Facilities agreement dated 21 September 2020, as further amended, based on which J&T BANKA, a.s. provided services of a creditor, arranger, credit agent and security agent in respect of granting a credit line to third parties, and J&T Mezzanine, a.s. acts as an arranger.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With JTH Letňany, s.r.o.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on the provision of banking services for legal entities and entrepreneurs (self-employed) dated 20 July 2021.
- Credit agreement No. CZK 20/OAO/2021 dated 20 July 2021, based on which J&T BANKA, a.s. undertook to provide funds (a credit) to the related party, and JTH Shopping Park Most s.r.o. undertook to repay the credit, and pay the interest and other fees in accordance with the agreed terms and conditions. (note: JTH Letňany, s.r.o. became the successor company after the merger with JTH Shopping Park Most s.r.o. on 1 August 2021.)
- Pledge agreement on account receivables dated 20 July 2021, Contract for subordination of receivables dated 20 July 2021, Immovable property mortgage contract dated 24 September 2021, Pledge agreement on a share dated 20 July 2021 and Pledge agreement on shares dated 20 July 2021 related to the above Credit agreement No. CZK/OAO/2021.
- Current account maintenance in accordance with the Bank's business terms and conditions.

J&T Credit Participation, s.r.o.

Contracts in force entered into between related parties based on which performance was provided in 2021:

- Agreement on the provision of banking services for legal entities and entrepreneurs (self-employed) dated 17 February 2021, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2021, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.

JTFG FUND I SICAV, a.s.,

- Contract on the provision of banking services for legal entities and entrepreneurs dated 11 February 2021
- Contract for the provision of banking services for financial institutions dated 8 October 2021.
- Contract for account for shared capital 12 January 2021.

IV. Assessment of whether the controlled entity incurred damage, and assessment of its settlement pursuant to Sections 71 and 72 of the Act on Corporations.

The controlled entity incurred no damage as a result of the relations mentioned above pursuant to Sections 71 and 72 of the Act on Corporations.

V. 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.

The Bank provides related parties with standard banking services, and the other relationships are entered into primarily to optimise the services used/provided and to utilise group synergies. As a result, the Bank is able to make its operations more effective and to provide its clients with comprehensive banking services and asset management, and to effect transactions in financial and capital markets also for retail clients. All transactions between the controlled entity and the Bank, or between the entities controlled by the same controlling entity and the Bank, were effected based on the arm´s length principle.

The Bank has no advantages or disadvantages from and faces no other additional risks in respect of the above relations.

VI. We declare that we have included in the Report on relations between related parties of J&T BANKA, a.s., prepared in accordance with Section 82 of the Act on Corporations for the period from 1 January 2021 to 31 December 2021, all information known as of the date of its signing.

Prague, 31 March 2022

Board of Directors

J&T BANKA, a.s.

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