CONSOLIDATED ANNUAL FINANCIAL REPORT 2022

J&T BANKA

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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FINANCIAL PART

SELECTED FINANCIAL INDICATORS

SELECTED FINANCIAL INDICATORS – CONSOLIDATED

in millions of CZK	2022	2021	2020	2019	2018	2017
Annual figures						
Profit before tax	4,759	3,303	2,002	3,978	2,538	2,617
Tax	(1,379)	(499)	(336)	(822)	(462)	(421)
Share of profit in associates and joint ventures	142	543	169	(1)	–	(17)
Profit from continuing operations	3,380	2,804	1,666	3,156	2,076	2,196
Profit for the accounting period	3,380	2,804	1,666	3,156	2,076	2,196
Year-end position						
Equity	35,856	26,223	22,537	21,514	19,230	19,476
Bank deposits and loans	10,530	5,272	2,437	4,838	2,250	21,923
Client deposits	164,022	154,330	138,620	114,551	118,999	91,704
Receivables from banks	1,173	5,933	2,351	1,455	54,115	47,757
Loans and other receivables from clients	106,149	93,154	98,795	68,320	71,528	69,109
Assets	227,253	203,251	175,037	151,722	150,104	142,996
Ratio indicators						
Return on equity	10.89%	11.50%	7.56%	15.49%	10.73%	11.38%
Return on assets	1.57%	1.48%	1.02%	2.09%	1.42%	1.59%
Capital adequacy	19.37%	16.21%	14.96%	16.48%	15.31%	15.98%
Cost to income ratio	33.64%	47.53%	49.58%	47.29%	45.16%	40.84%
Average number of employees	940	875	816	813	719	728
Assets per employee	242	232	215	187	209	196
Administrative costs per employee	–	(3)	(3)	(3)	(4)	(3)
Profit after tax per employee	4	3	2	4	3	3

SELECTED FINANCIAL INDICATORS – INDIVIDUAL

in millions of CZK	2022	2021	2020	2019	2018	2017
Annual figures						
Profit before tax	5,347	1,879	1,349	3,619	1,919	1,855
Tax	(1,227)	(420)	(292)	(740)	(385)	(359)
Profit for the accounting period	4,120	1,459	1,057	2,879	1,534	1,496
Year-end position						
Equity	35,054	23,477	20,888	19,991	18,606	18,998
Bank deposits and loans	8,520	4,298	1,405	4,492	3,048	22,009
Client deposits	159,575	149,306	132,428	107,549	112,936	84,484
Receivables from banks	1,235	6,041	2,287	1,442	53,734	46,670
Loans and other receivables from clients	103,644	88,265,	93,381	62,959	66,966	63,785
Assets	220,172	194,134	166,236	141,889	143,766	134,940
Ratio indicators						
Return on equity	14.08%	6.58%	5.17%	14.92%	8.16%	7.89%
Return on assets	1.99%	0.81%	0.69%	2.02%	1.10%	1.16%
Capital adequacy	20.36%	17.65%	16.73%	18.28%	17.26%	18.45%
Cost to income ratio	28.30%	45.46%	47.14%	42.90%	42.21%	43.26%
Average number of employees	644	581	553	529	485	468
Assets per employee	342	334	301	268	296	288
Administrative costs per employee	-	(4)	(4)	(4)	(4)	(4)
Profit after tax per employee	6	3	2	5	3	3

Dear clients, partners, friends,

Let me start by thanking you for your trust and collaboration in 2022 – in a year that was supposed to mark a return to normal after the difficult Covid years. But everything turned out to be different than we had expected. Russia's aggression against Ukraine last February made it clear that 2022 would not be quiet either. Inflation rose to historical levels and central banks responded to this trend by increasing their rates at a fastest pace since the 1980s. Record-breaking energy prices and the need to find alternative sources of gas supplies threw Europe into uncertainty.

While these uncertainties persist, we managed to cope with the challenges brought by the past year. When I say "we", I mean not only J&T BANKA, but also the companies we finance and which our clients invest in, and in fact, the whole of Europe, as the continent managed to find alternative sources of gas to avoid worst-case scenarios that were looming before winter.

The year 2022 was a challenging one also for the investors. Global stock markets lost a fifth of their value year-on-year and the euro corporate bonds index decreased by 15%; while the J&T BOND INDEX recorded an increase of almost 2%, this growth was marginal in the light of the unprecedented Czech inflation rates.

We are proud to say that despite the difficult times, we succeeded. On an individual basis, the bank achieved a record-breaking profit of CZK 4.12 billion, despite increased costs related to investments in the development of new information systems, termination of activities in Russia and preparation for the opening of a German branch. The investors of our main fund, J&T ARCH INVESTMENTS, increased the value of their assets by 8.9% and 3.21% in the crown and euro investment share classes, respectively. This must be considered a great result in view of the trends in the global indices. I am glad that our fund continued to win the investors' trust and the volume of assets managed by J&T ARCH increased year-on-year by CZK 18.25 billion (EUR 743 million) to more than CZK 31.38 billion (EUR 1.3 billion).

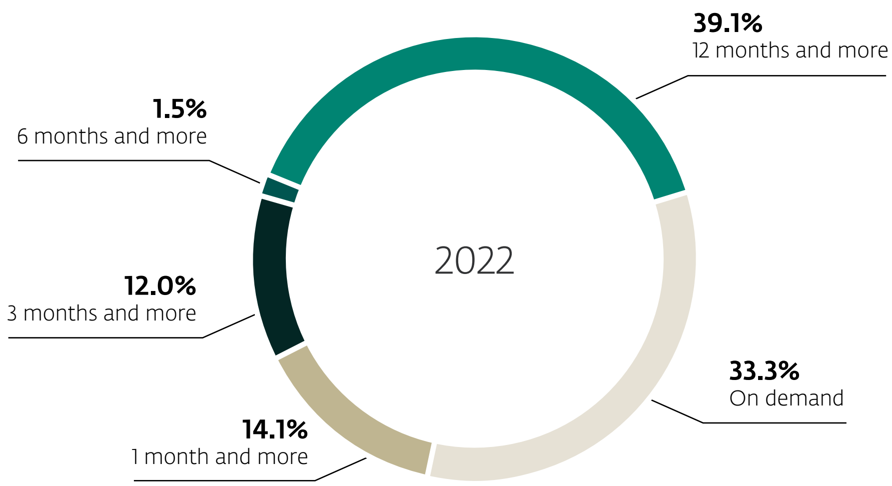
2023 will be a difficult year that will undoubtedly bring a number of further challenges. However, with our strong capital amount, stable long-term deposit base and long-term partnerships with our clients, we are well prepared to face these challenges. Trust is the foundation of a successful bank and the most valuable asset in the banking sector. We appreciate the trust you placed in us over the past year and I would like to express my gratitude for this. I am confident that in 2023, we will help you seize the opportunities and handle all the challenges the coming year will bring.

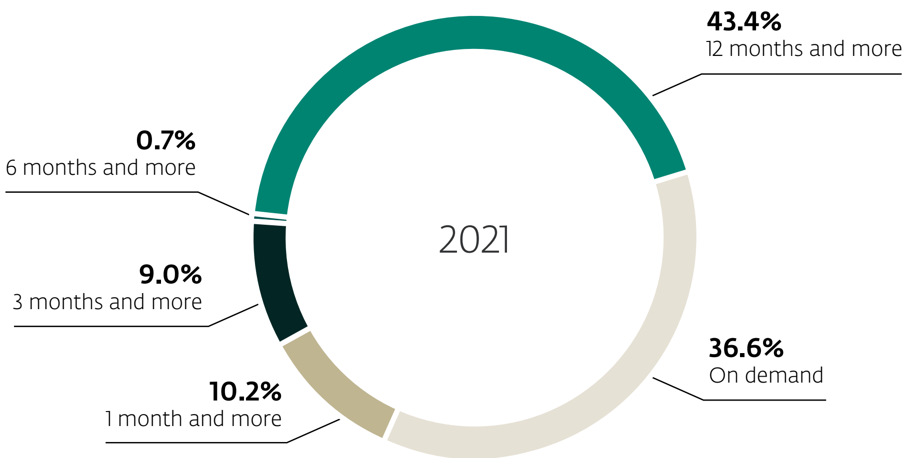
In Prague, on April 17, 2023

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

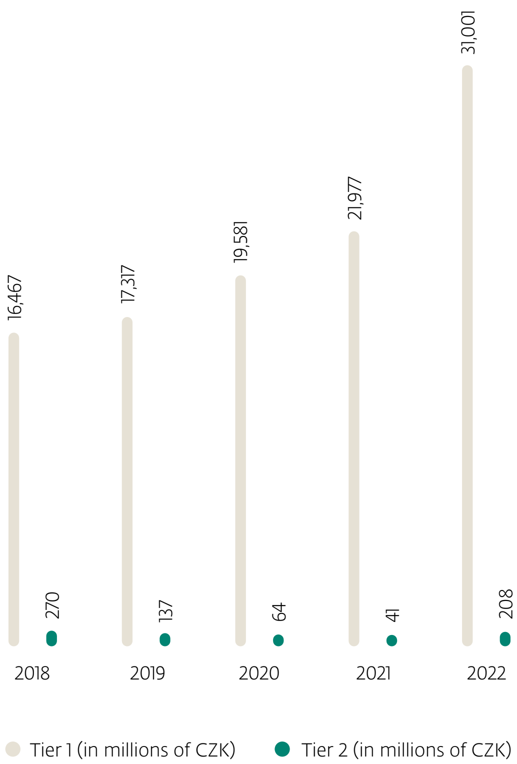
REPORT OF THE BOARD OF DIRECTORS

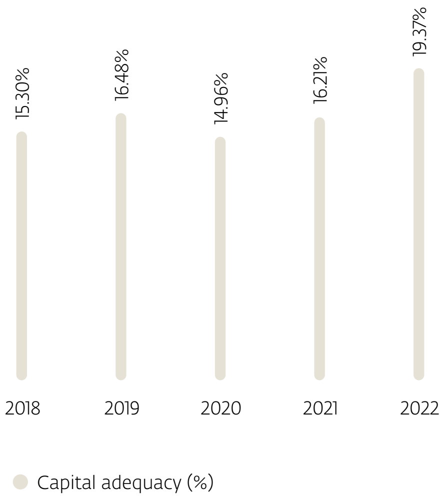
STRUCTURE OF DEPOSITS



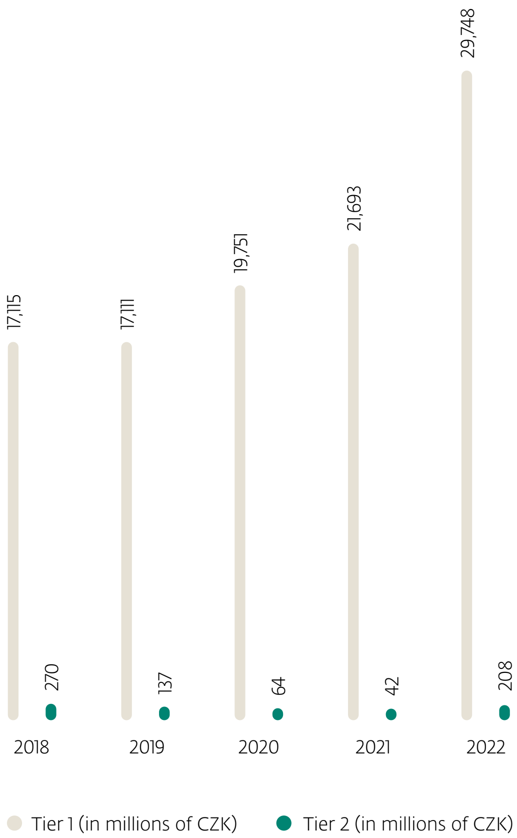


CAPITAL AND CAPITAL ADEQUACY
CONSOLIDATED DATA

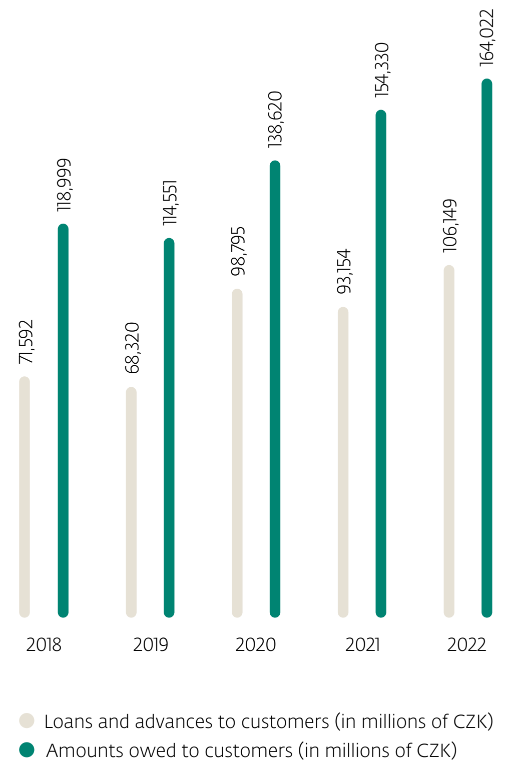


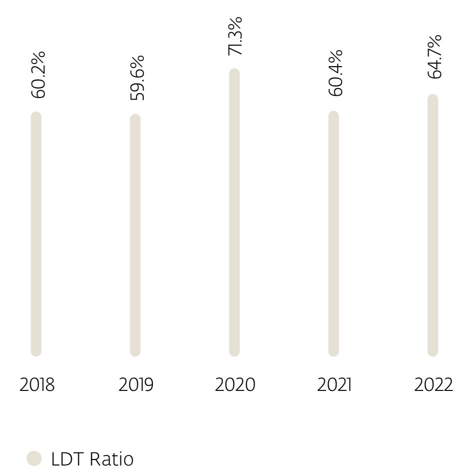


CAPITAL AND CAPITAL ADEQUACY
INDIVIDUAL DATA

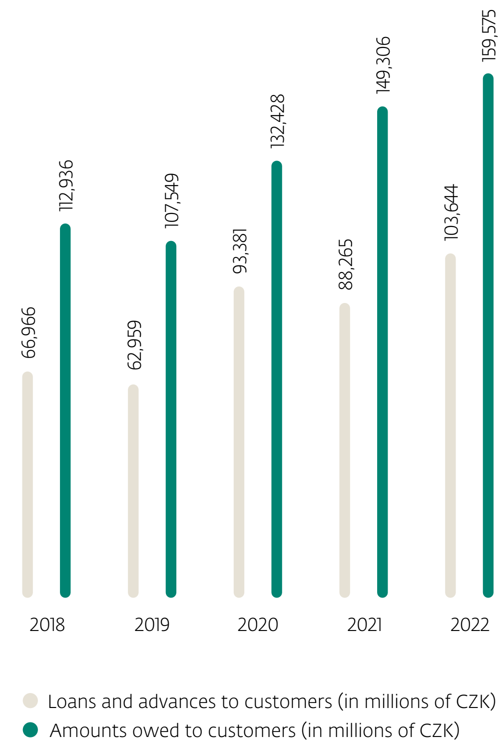


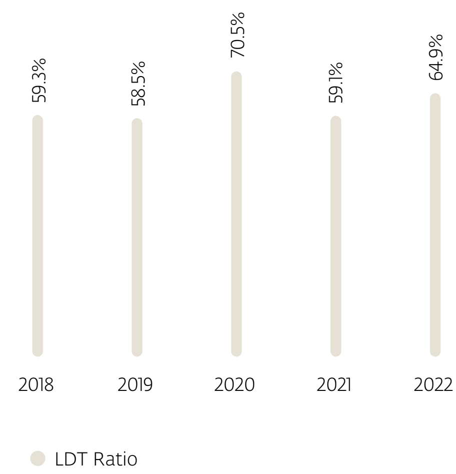
CLIENTS DEPOSIT AND LOANS CONSOLIDATED DATA



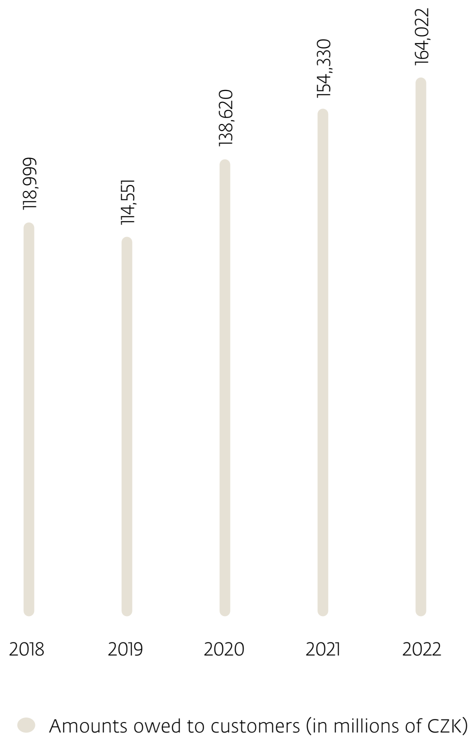


CLIENTS DEPOSIT AND LOANS INDIVIDUAL DATA

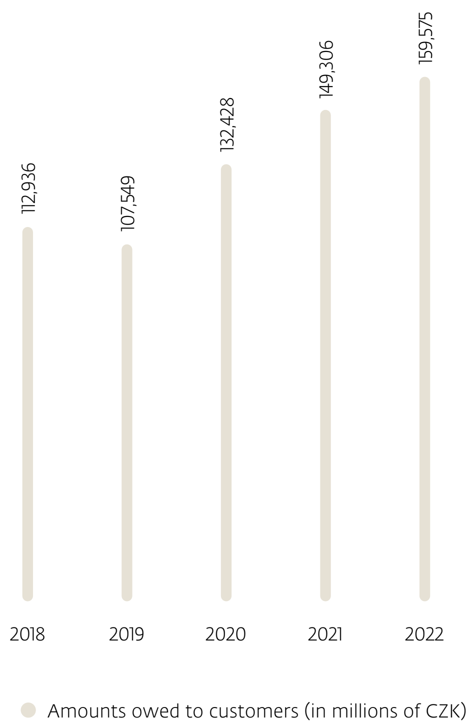




CLIENTS DEPOSITS AND NUMBER OF CLIENTS
CONSOLIDATED DATA



CLIENTS DEPOSITS AND NUMBER OF CLIENTS
INDIVIDUAL DATA



FINANCIAL RESULTS – THE GROUP

For the Group – just like for the banking sector as a whole – 2022 brought not only potential risks, but also a number of opportunities we were able to seize. The Czech National Bank (hereinafter the "CNB") responded to the military conflict in Ukraine and the subsequent European energy crisis, which pushed inflation to new highs, by sharply raising its base interest rates. In a similar, only delayed, scenario, the European Central Bank (hereinafter the "ECB") began significantly raising its interest rates in June. The dramatic change in base interest rates then reduced the pressure on commercial bank interest margins and improved profitability of the whole banking sector through an increase in net interest revenues.

In 2022, the Group's consolidated profit after tax reached a record-breaking amount of CZK 3.38 billion (as compared to CZK 2.80 billion in 2021). The growing trajectory of the balance sheet total showed an almost 12% year-on-year increase and reached CZK 227.25 billion at the end of the year. J&T BANKA, a. s. (hereinafter the "Bank"), operating on the Czech and Slovak markets, has a decisive share in the total amount of assets and the Group's profit. The Bank's assets (on an individual basis) represent almost 97% of the Group's consolidated assets and the Group's economic management therefore significantly reflects the influences and events in the Czech and Slovak banking environments. The Group's profit is primarily derived from the Bank's economic management.

The increase in the Group's balance sheet total was mostly influenced by the increase in the deposit base, which represents the source of financing and one of the important conditions for a growth of the loan portfolio. Attractive interest on deposits, as compared to our competitors, and the overall growth of the market interest rate levels were reflected in the clients' increased motivation to transfer funds from current accounts to products with a more interesting appreciation rate. In terms of the structure of the deposit portfolio, this was reflected, on the one hand, in the reduced share of sight deposits and, on the other hand, in an increased volume of deposits with a longer fixed term, which has a positive impact on the stability of the deposit base. At the same time, the replacement of current accounts by longer deposits reinforces the liquidity position and improves liquidity indicators.

The volume of clients' deposits reached CZK 164.02 billion at the end of the year (as compared to CZK 154.33 billion in 2021), which represents a 6.3% year-on-year increase. Fixed-term deposits recorded a dynamic increase, reflecting an increase in the interest rate differential between low or zero-interest current accounts, on the one hand, and interest-bearing fixed-term deposits or deposits redeemable at notice, on the other hand. Their total volume grew year-on-year by CZK 24.61 billion and reached the amount of CZK 134.26 billion at the end of 2022. The total number of deposit clients of the Group's banks exceeded 103 thousand (as compared to 92 thousand in 2021).

The sufficient volume of own resources and 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 reached an unprecedented amount of CZK 84.55 billion, with more than a 17% increase (as compared to CZK 72.05 billion in 2021). There was a slight decline in margin trades, which J&T BANKA, a. s. carries out as the only bank in the Group. Their volume stabilised at CZK 18.57 billion (as compared to CZK 20.30 billion in 2021).

The total net balance of loans and other receivables from clients with amortised cost increased by CZK 13 billion year-on-year and reached CZK 106.15 billion at the end of the year (as compared to CZK 93.15 billion in 2021).

The dynamics of the loan portfolio, together with a growth of interest rates, generated an increase in interest revenues from CZK 4.95 billion to CZK 5.75 billion, which represents a year-on-year increase of CZK 0.80 billion. The increase in interest revenues from short-term free liquidity allocation equalled CZK 4.28 billion. At the same time, the favourable situation in the area of interest revenues enabled the Group to offer its clients high appreciation rates. The Bank approached the clients' target groups with products combining banking products with investment forms of appreciation, and offered them attractive terms even for traditional banking products, such as fixed-term deposits and deposits redeemable at notice. The Bank thus shared some of its interest revenues with its clients. The rise in deposit interest rates also owed to an increase in interest costs, which grew by as much as 167% year-on-year, i.e. by CZK 2.89 billion. As a result, the Group reported net interest revenues of CZK 7.04 billion for 2022, with a year-on-year increase of 57.6% (as compared to CZK 4.47 billion in 2021).

Similar to net interest revenues, the sum of the Group's profit from fees and commissions is primarily derived from the Bank's business activities. Fees related to the placement and management of corporate bond issues accounted for a high proportion of the fees collected, and execution fees for securities transactions recorded a stable year-on-year increase. The Group includes J&T INVESTIČNÍ SPOLEČNOST, a.s., a company engaged in the management of investment funds for the public, as well as qualified investor funds, which significantly contributes to the Group's fee income in the area of fees for the acquisition and management of funds. As a direct consequence of the Group's activities in the area of client loans, the fees for loan transactions also significantly contributed to the profit from fees and commissions in 2022. The annual net profit from fees totalled CZK 1.89 billion, with a 17.8% year-on-year increase (as compared to CZK 1.61 billion in 2021).

The net profit from trading and investments reached CZK 2.15 billion in 2022 (as compared to a loss of CZK 0.13 billion in 2021). Its development at the Group's consolidated level is significantly influenced by revenues from the revaluation of derivative transactions, through which the Group manages the currency structure of assets and liabilities, taking into account the expected development of the exchange rates for the Czech crown, primarily with regard to the dollar and euro, and the interest rate differential of these currencies. The Group synergistically utilises its ability to operate and collect deposits on several geographic markets in parallel – i.e. not only on the Czech crown market, but also in the euro area in Slovakia and Croatia, and through alternative channels for collecting euro deposits also in Germany, Austria, etc. Through derivative instruments, it optimises the influence of the interest rate differential between the individual currencies and maximises the impact on revenues in the provision of loans or management of free liquidity.

The Group's operating costs reached a total of CZK 3.76 billion, which represents a 28.5% year-on-year increase. Personnel costs increased as a result of the growing number of employees and the growth of salaries caused by inflation pressures in the economy. Administrative costs reflected, in particular, the impact of massive investments in the development of information technology and digitisation of sales channels, growth of the marketing costs and costs related to the regulatory requirements, correlated with the growth of the Bank's business activities – costs of deposit insurance, creation of a resolution fund and investment guarantee fund. The dynamic growth of operating revenue created conditions for increasing the operating efficiency, and the Group thus reported a profit of CZK 7.76 billion before adjustments and provisions (as compared to CZK 3.22 billion in 2021), which represents more than a two-fold year-on-year increase.

In 2022, the geopolitical situation and the local macroeconomic factors had a greater impact on the Group's risk costs than in the previous year. Their volume, exceeding CZK 3.1 billion (as compared to CZK 0.57 billion in 2021), reflects the costs of creating adjustments for loans provided by the Group's banks and impairment of subsidiaries' assets, especially those of J&T Bank, a.o.

The Group's equity equals CZK 35.86 billion (as compared to CZK 26.22 billion in 2021). The year-on-year increase of CZK 9.64 billion was driven by the current year profit, which reached CZK 3.38 billion. The contribution to equity from the previous year's retained profits equalled CZK 3.27 billion.

During the year, the Group successfully placed perpetual bonds issued in the total amount of EUR 200 million, which increased the total capital by CZK 4.97 billion, as part of additional own funds. As a regulated entity within the Group, the Bank also secured an additional increase in regulatory capital through the issue of MREL bonds with the nominal value of CZK 0.30 billion in December 2022.

In addition, at the end of the year, the parent company J&T FINANCE GROUP SE increased the Bank's capital through a contribution in the amount of CZK 2.91 billion provided outside the registered capital.

The additional increase in the Group's own resources was positively reflected in an increase in the value of the capital adequacy ratio at the consolidated level, which reached 19.37% (as compared to 16.21% in 2021).

FINANCIAL RESULTS – THE BANK

The Bank concluded the year with a 13.4% increase in total assets and a balance sheet total of CZK 220.17 billion (as compared to CZK 194.13 billion in 2021). The growth trend of the balance sheet total was mainly due to the development of available resources on the liabilities side of the balance sheet – expansion of the client base as a source of financing, both in terms of the increase in the number of clients and the volume of funds deposited.

The total volume of client deposits reached CZK 159.58 billion (as compared to CZK 149.31 billion in 2021), with a year-on-year increase of 6.9%. The structure reflected the decrease in the volume of funds deposited in current accounts in favour of deposits redeemable at notice. The growth of the volume of fixed-term deposits recorded a stable trend during the year, reaching CZK 67.88 billion at the end of 2022 (as compared to CZK 68.56 billion in 2021). The share of long-term fixed-term deposits with a maturity of 1 year or more has accounted in the long term for more than 90% of all fixed-term deposits. Deposits redeemable at notice recorded a dynamic year-on-year increase of almost 70%, reaching the volume of CZK 63.32 billion (as compared to CZK 37.43 billion in 2021). Current accounts with a volume of CZK 28.37 billion (as compared to CZK 43.32 billion in 2021) make up less than 18% of the deposit base. The total number of the Group's deposit clients exceeded 95 thousand (as compared to 83 thousand in 2021), with individuals remaining the key segment.

Sufficient volume of financial resources, the Bank's capital, and the ability to seek investment opportunities complying with the Bank's strict internal criteria for the quality of loans – these are three basic factors that again contributed to the growing trajectory of the Bank's loan portfolio in 2022. Compared to the previous period, the volume of corporate loans grew by more than 22%. With a year-on-year increase of CZK 15.18 billion, their net volume amounted to CZK 83.10 billion at the end of the year. On the other hand, there was a slight decline in the volume of receivables in margin trades, which stabilised at CZK 18.57 billion (as compared to CZK 20.30 billion in 2021). The share of non-performing loans in the total loan portfolio improved in comparison to the previous year, reaching 4.3% (as compared to 5.7% in 2021).

The total volume of securities across all the types of portfolios equalled CZK 24.60 billion (as compared to CZK 20.37 billion in 2021).

In the context of macroeconomic events unfavourably affecting the economic sentiment, the development of the CNB's key interest rates had a major impact on the Bank's profitability. The development of market rates was instrumental in achieving the highest ever profit since the Bank's establishment. Net profit after tax reached CZK 4.12 billion (as compared to CZK 1.46 billion in 2021), which is almost a triple of the relatively low profit in 2021 – a year marked by the fading impacts of the economic crisis.

The general growth in market interest rates naturally translated into a year-on-year increase in interest revenues and costs. Interest revenues almost doubled and reached CZK 10.96 billion (as compared to CZK 5.52 billion in 2021). Along with the growth of the loan portfolio, the sharp increase in interest revenues was also influenced by the gradual rise in interest rates on loans denominated in euro, relating to the increase in the euro area's key rates. Corporate loans provided in euro formed a majority of the loan portfolio. The impact of increasing deposit interest rates then translated into a year-on-year increase in interest costs of CZK 2.75 billion. As at the end of the year, they amounted to CZK 4.32 billion.

A more dynamic growth of interest revenues, as compared to interest costs, was the main reason behind the dramatic growth of net interest revenue, which traditionally represents the most important component in the structure of the profit and loss statement. With a 67.7% year-on-year increase, it reached CZK 6.64 billion.

A relatively stable development in terms of the type of fees collected can be seen in the year-on-year comparison of net income from fees and commissions. The share of fees related to the placement and administration of corporate bond issues remains high. The Bank is traditionally a market leader in this area. Execution fees for securities transactions also recorded a stable year-on-year increase. The continued increase in the volume of assets managed by the Bank for its clients in collective investment funds contributed to the growing trajectory of fees for the acquisition and management of funds. Last but not least, the profit from fees and commissions was also influenced by an increase in fees for loan transactions as a direct consequence of the Bank's activities in financing clients' projects and an increase in the loan portfolio. The annual net profit from fees totalled CZK 1.41 billion, with a 16.5% year-on-year increase (as compared to CZK 1.21 billion in 2021).

The net profit from trading reached CZK 2.29 billion (as compared to a loss of CZK 0.11 billion in 2021). The result is significantly influenced by revenues from the revaluation of derivative transactions, through which the Bank optimises the currency structure of assets and liabilities in order to take advantage of the opportunities resulting from the trends in interest rates on markets where the Bank operates. To a lesser degree, the result was also influenced by a positive revaluation of unit certificates in which the Bank invested within its portfolio of financial investments. Dividends received from the Bank's subsidiaries also contributed to the year-on-year rise in operating revenue. In 2022, the dividends received from equity interests reached CZK 0.24 billion (as compared to CZK 0.11 billion in 2021).

The dynamic growth of the operating revenue enables the Bank to make significant investments in the development of information technologies and digitisation of sales channels without jeopardising operating efficiency. Investments in market knowledge of the brand and active marketing communication of services and products towards clients are also important and necessary. Along with information technology and marketing costs, the increase in operating costs also reflects the Bank's organic growth and the related costs derived from regulatory requirements – the costs of deposit insurance and the creation of a resolution fund constitute a substantial part of the Bank's cost burden. The increase in operating costs also reflected the growth of the number of employees relating to the development of business activities and the increase in the volume of assets in the Bank's administration, as well as the growth of salaries caused by inflation pressures in the economy.

Despite a 26.9% year-on-year increase in total operating costs, the cost to income ratio has decreased from nearly 46% in 2021 to 28.3% today. The Bank reported an operating profit of CZK 7.62 billion.

The complexity of the economic environment and the geopolitical risks were naturally reflected in an increase in the risk costs directly associated with the financing of loan cases or linked to investments in financial instruments and equity interests. The improved profitability in the operating area was partially compensated by an increased volume of costs related to the impairment of assets in the total amount of CZK 2.27 billion for 2022, which represents an increase by CZK 1.31 billion compared to the previous year.

The Bank allocates free liquidity primarily in the accounts of the Central Bank through reverse repo operations in securities, or through fixed-term deposits. The volume of the most liquid assets in the balance sheet item “Cash and cash equivalents” increased by 14.2% year-on-year, corresponding to the dynamic rise in the balance sheet total. At the end of the year, it reached as much as CZK 76.06 billion (as compared to CZK 66.58 billion in 2021). The Loan-to-Deposit ratio varied around 65%.

The Bank’s equity capital at the end of 2022 equalled CZK 35.05 billion (as compared to CZK 23.48 billion in 2021). Several factors contributed to its year-on-year increase of CZK 11.58 billion. The contribution to equity from the previous year’s retained profits equalled CZK 1.46 billion. In December 2022, the Bank’s capital was increased through a contribution in the amount of CZK 2.91 billion provided by the parent company J&T FINANCE GROUP SE outside the registered capital. During the year, the Bank issued and successfully placed in three tranches a 7% perpetual bonds issue in the total amount of EUR 200 million, which increased the total capital by CZK 4.97 billion as part of additional own funds. The increase in the volume of equity also owed to the current year profit of CZK 4.12 billion. In terms of regulatory requirements, the Bank also secured an additional increase in its capital through the issue of MREL bonds in the nominal value of CZK 0.30 billion in December 2022.

As part of its portfolio of deposit products, the Bank offers its clients the possibility of making a long-term deposit of available funds in the form of subordinated deposits with attractive interest. Their volume in the Bank’s balance sheet more than tripled compared to the previous year, exceeding CZK 0.25 billion. The CNB approved the inclusion of subordinated deposits in additional regulatory capital.

The Bank is more than adequately capitalised, complies with all the limits set by the CNB in the long term and has an appropriate capital reserve for the planned development even in the current dynamic and difficult-to-predict economic environment. The increase in equity also translated to the value of the capital adequacy ratio, which increased to 20.36% (as compared to 17.65% in 2021).

FINANCIAL MARKETS

At the beginning of the year, everyone hoped that the global COVID-19 pandemic would gradually subside and the economy would return to normal. The prospect of a better year was crushed in the morning of 24 February 2022, when Ukraine became the target of a ruthless military aggression by the Russian Federation. Since then, the world and the lives of tens of millions of people directly affected by the war have been upended.

Moreover, the conflict has also had a global impact on all areas of human activity.

One of the main global economic consequences was the rapid growth of energy prices, primarily of natural gas and electricity. Halfway through the year, the European market, which has been hit the hardest by the crisis, saw gas prices increase by as much as three to four times, and even a ten-fold increase in the case of electricity, as compared to the price levels of 2019 and 2020. This “energy crisis” partially calmed down in the second half of 2022 and in early 2023, when the price levels returned to 2021 levels. In comparison with the human suffering and casualties in areas directly affected by fighting, bombing and other types of military attacks, these impacts are not only mild, but most importantly short-term and recoverable.

The growth of energy prices, coupled with panic prevailing in the first half of the year, significantly affected the society-wide perception of the risks associated with a further increase in consumer prices, i.e. inflation. This significantly influenced the debate regarding its “temporary” nature, which already started in 2021, and further actions of central banks in monetary policy issues. The CNB continued rapidly and sharply increasing its base interest rates throughout the first half of 2022. In total, the CNB thus increased the base repo rate from 0.25% to 7% in a single year (between 07/2021 and 07/2022). The local market had not seen such a fast change in base rates since 1999, with an extremely rapid increase in local nominal interest rates. On the other hand, the ECB postponed its first steps aimed to change the base rates until mid-2022. This different approach led to a significant difference in the setting of base interest rates between the Czech crown and the euro, as the single currency of the euro area. This created a solid basis for stabilising both the exchange rate and the local interest rates, which will contribute to the successful reduction of inflation pressures from the monetary policy perspective in the coming period.

The year 2022 brought a very unpleasant phenomenon of escalating geopolitical risks combined with rising inflation and interest rates, complemented by negative fiscal proposals such as various forms of price caps and excess-profit taxes. This ultimately translated into negative global developments in share and bond prices alike. The losses in indices monitoring the main stock and bond markets reached ten to twenty percent in 2022, if not more.

The results of the funds administered by J&T INVESTIČNÍ SPOLEČNOST, a.s., both the growth funds managed by J&T ARCH INVESTMENTS SICAV, a.s. followed by J&T OPPORTUNITY CZK, J&T DIVIDEND and J&T RENTIER funds, and the well-established J&T MONEY CZK and J&T BOND CZK income funds, are all the more pleasing.

In 2022, the Bank maintained its role of active trader especially 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 a major arranger of securities issues in the region.

INFORMATION TECHNOLOGIES

In 2022, the Bank's activities in the area of information systems and technologies were aimed mainly at improving the quality, extending and optimising new 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, we continued with a number of activities and projects to respond to the changing needs of business (internal employees) 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. We completed some of the activities launched in 2021 leading to the transformation of the IT Division towards increased efficiency of internal processes, their management and evaluation. Organisational changes were made to increase the efficiency of services, readiness for future growth and support for new strategic challenges.

IT operation

The Information and Communication Technologies infrastructure operated (hereinafter the "ICT infrastructure") 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 and review and strengthening of these centres to ensure the operation of applications and IT services in the event of an unplanned outage of any of them. This significantly increased the availability and security of support for the Bank's processes and the data being processed. The year 2022 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.

IT development

During 2022, the Bank completed the delivery of certain business strategic projects, as well as a number of projects for the implementation of legislative measures based on national and European legislation. The development of our largest and most comprehensive programme – new internet banking – continued throughout the year. In 2022, we managed to deliver the first functional blocks and the programme was technically deployed. We also achieved technical readiness for opening a new branch in Germany, another of the Group's strategic projects. We also delivered the first part of the investment portal meeting the requirements of the Bank's departments and clients.

The IT and business processes, as well as joint operation in the area of project supply and minor changes were reviewed in the second half of 2022. We started implementing a new policy to improve and streamline the operation of the Bank's IT Division in this area – the implementation of change requests. We continued with our ongoing project focusing on Identity Management support to facilitate the management of access and authorisations for the Bank's key information systems. We reviewed the ongoing activities for managing ICT processes and the management and performance of the whole ICT system. This yielded a definition and communication of the new ICT strategy and its interconnection with our business strategy.

As part of our internal ICT activities, we continue to streamline our operating model, implement tools for automatic deployment, improve monitoring for error identification in case of outages, and prepare our internal employees for the future operation and shift towards cloud services.

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 and IS/IT risk analysis. 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, regulators and other authorities. As an operator of the State's basic infrastructure, the Bank performs a number of procedural, personnel and IT activities aimed at improving cybersecurity. The Bank regularly updates the BCM process setup and the IS/IT risk analysis and implements the necessary resolution steps. Necessary activities are identified and commenced in the areas of methodical instructions and user awareness in response to the geopolitical situation, new threats, trends and regulatory requirements 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. Once every six months, the Bank measures employee satisfaction via an eNPS survey. 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 focuses on the health of its employees and constantly extends the benefit system to cover healthcare services. Through an employee product, the Bank strives to teach its employees how to invest and meaningfully appreciate their assets for old age.

The Bank is also open to young talents. It co-operates with universities, where the Bank's 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. The Bank plans to expand this programme to other segments of its activities.

The Bank applies a diversity policy aimed especially at a suitable and balanced composition of the Bank's bodies. The Supervisory Board and the Suitability Assessment Committee ensure that the composition of the Company's bodies meets the requirements in terms of professional competence, i.e. professional experience, expertise, managerial skills as well as other requirements, including the balance of its composition. The process of assessing the suitability of candidates to the Bank's bodies is defined by the internal regulations so as to reflect the above criteria and requirements. Furthermore, the Suitability Assessment Committee also assesses the composition of the Bank's bodies at least once a year, taking into account the above criteria and requirements, including balance and appropriate degree of diversity in terms of a number of relevant aspects. The Bank is also transparent and takes the above principles into consideration in its recruitment activities. Equal recruitment opportunities are ensured for all positions, inter alia by advertising open positions on the internal job network.

The Bank had a total of 694 employees (working at its Prague headquarters and in the Slovak branch) at the end of 2022.

SUPPORT OF FINE ARTS, MUSIC AND SPORTS

Traditional partner of the fine arts, music and sports
The year 2022 brought a lot of joy to both art and sports lovers. After two long years, exhibitions, concerts and sports tournaments could finally take place without any restrictions and the Bank continued to honour its long-term partnerships. While doing so, it also implemented a number of its own projects supporting contemporary artists, educating in the area of collecting and contributing to building the Magnus Art brand. The Bank supported art, culture, sports and young talents both in the Czech Republic and in Slovakia.

Rudolfinum Gallery
In the field of fine arts, the Bank honoured its partnership with the Rudolfinum Gallery, one of the foremost galleries in the Czech Republic, and supported Jiří Příhoda's exhibition named "VOID" in 2022.

The exceptionally successful exhibition featured entirely new installations as well as reminders of his key works from the past decades. Galerie Rudolfinum's VOID certainly became the most extensive showcase of Příhoda's works to date with a deeply developed configuration of internal connections between the constituent installations – both on the level of the interpenetration of their forms, and their conceptual sequence. Příhoda's oeuvre stands out with its absolutely unwavering level of excellence that by far exceeds the current standard of presentations of its type, making it one of a kind on the Czech art scene. (Jiří Příhoda is also the author of Vista Mars in the Rustonka complex, where the Bank has its new registered office.)

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 2022, and Kateřina Šedá, who focuses on socially engaged events, often employing dozens or hundreds of people who have nothing to do with art, once again came in second. Zbyněk Baladrán, who can pride himself in taking part in the most prestigious art shows, placed third, just as in the previous year.

J&T Banka Art Report
In 2022, the Bank published its unique J&T Banka Art Report, the first comprehensive study on the Czech art market, explaining who the collectors are, how they approach this field and why they do so. The Report was created in co-operation with the Art+ portal and filled a long-existing information gap. The overview will help all the collectors, investors, gallerists, journalists and other art lovers to understand what is happening in the world of art trading, and perhaps even confirm what we could only assume up until now.

Magnus Art Gallery
Magnus Art Gallery aims to present valuable collections based on Czech and global art. It also aims to support the ambitions of both beginning and experienced art collectors. Art collecting is not only a pleasure and hobby for individuals, but also an important part of the functioning of the art world.

In 2022, the Magnus Art Bank Gallery in Prague-Karlín featured two private collections. In March, Michal Richtr presented his selection of works at an exhibition called Joy, Passion, Obsession!; the exhibition Inner Landscapes, featuring works from the private collection of Pavel Brož opened in September.

Teachers with groups of visitors (from kindergarteners to secondary school students and even university of the third age attendees) became accustomed to visiting the gallery.

Co-operation with universities
The Bank's successful co-operation with the Academy of Arts, Architecture and Design (UMPRUM) continued in 2022, including the announcement of a student competition for the design of golf trophies. This year, the trophy was won by the Mikolášková & Drobná design duo, whose design named "Totem" goes beyond a mere golf trophy and also functions as an independent design object.

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 2022, the opportunity to present their works was given to students of Jiří Černický's painting studio.

Supporting contemporary artists
The Bank remembers its employees' professional or life anniversaries; towards the end of the year, the Bank's clients receive a New Year card or a small gift. Hence, we decided to tap into the skills of Czech artists, especially from the younger generation, and commissioned them with the creation of gift items. From the artists' point of view, this form of support is not only a great opportunity to make a name for themselves, but it also gives them a chance to earn extra income, which was very scarce in the Covid years. The recipients receive an original work of art, which can motivate them to take a greater interest in collecting.

The 2022 New Year Card featured blind embossing of a motif by Renata Machýčková. Scented with a perfume by the Czech house Pigmentarium, it meant to target all the senses. Employees were gifted vases by Rony Plesl or Anna Jožová; clients received original drawing by David Krňanský and Radka Bodzewic.

Art Servis
The Bank continued to develop its 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 three art historians – inhouse specialists in art.

Czech Philharmonic Orchestra and Josef Špaček
After two years of limited operation, the concert season was back in full swing and the Bank again supported the violin virtuoso Josef Špaček, who went on his first tour of the Czech Republic, called The Four Seasons. The Bank continued to be a partner of the Czech Philharmonic Orchestra – along with its traditional partnership with beautiful sound, it was also a 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.

Jerry Bergonzi in Prague
In December, the Bank's clients were treated to a concert by Jerry Bergonzi, an internationally acclaimed jazz performer, composer and teacher. In his private and only concert in Prague, he was accompanied by the renowned Lukáš Oravec Quartet.

J&T BANKA CSI3*-W Olomouc
After two years of the pandemic, when it was unclear whether and, if so, under what conditions the international horse show-jumping race would take place, the Bank resumed the partnership and became the general partner of the FEI Jumping World Cup for the seventh time. The organisers of the June competition secured another distinctive personality for the event. Bernardo Costa Cabral, an FEI Level 4 course designer, was selected as the course designer. Over 270 horses from 13 countries took part in the five-day event.

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 the Bank, as their general partner again in 2022, 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 2022, the format and the name of the series changed to Volleyball World Beach Pro Tour. Tournament level were also adjusted. The highest category is now called ELITE 16 and the Ostrava tournament has been promoted to this level. For the third time, Czech players Ondřej Perušič and David Schweiner advanced to the finals and eventually finished second.

Nations Cup
When the traditional Nations Cup was held in Prague's Velká Chuchle in June as part of the international CET Prague Cup 2022, the Bank was there as a partner. The international horse show-jumping race in Velká Chuchle became very popular among the riders and the third annual race again featured the highest level of this sport. The highlights of the programme included the Nations Cup on Friday and the Grand Prix on Sunday, which is part of the FEI World Cup series. Almost 280 horses came to Prague, with 84 riders and 203 horses competing in the main CSIO3*-W category. As expected, the Czech Republic was the most represented country.

Ostrava Open
In 2022, J&T Banka Ostrava Open, a tennis tournament played as part of the WTA Tour, changed its name to AGEL Open. This time, the Bank was involved as a partner, instead of being the main partner.

Support in Slovakia

Slovak Design Centre
The Bank remained the general partner of the Slovak Design Centre (SCD), which researches and makes available objects of cultural value in the area of design, applied art and architecture and related disciplines through the Slovak Museum of Design. Since 1993, SCD has also organised the prestigious National Design Award, which is the highest form of award in this field of creative activity in Slovakia.

Chorea Dance Festival
After the break caused by the pandemic, the unique showcase of world-class modern ballet directed by Ján Ďurovčík returned to the Danube riverbank in Bratislava with the Bank as the event's general partner. Its main idea is to present modern ballet performed by the most prestigious ballet groups from all over the world and their soloists in Slovakia. The performance takes place in a magical outdoors riverbank venue at the majestic Danube River creating a natural scenery for this exceptional event.

During last year's festival, the audience and the Bank's clients had the opportunity to enjoy internationally renowned ballet companies such as those of the Romanian National Opera, Lviv National Academic Opera and Ballet and the Brussels International Ballet.

Supporting young talent
In 2022, the Bank continued to support young talented people. The Bank's prize for economics in the Young Innovative Entrepreneur competition was awarded to Mário Potoček, who founded his Paysy company 5 years ago. Since then, Paysy has become the number one choice for collecting sports club membership fees in Slovakia. The biggest advantage of the Paysy platform is its elaborated payment functionality, which is unrivalled among similar products.

The Bank was also a partner of the Student of the Year competition in Slovakia. The economics category was won by Alexandra Mertinková, who defended with distinction her doctoral thesis on the topic of Evaluation of Active Employment Policy Instruments in the study programme Finance at the UMB Faculty of Economics in Banská Bystrica. Her work, in which she implemented innovative analytical models previously used only in the business sphere, is a tool for applying "best practices" in the field of public policy evaluation.

The Bank also helped scientists and scientific research. Through the independent Yacht for Science initiative, it opened up the topic of sustainability of marine ecosystems for its clients and inspired them to take a personal philanthropic interest in seabed exploration.

CSIO3* Bratislava horse show-jumping race
After many years, the exclusive CSIO3* international show-jumping event returned to Bratislava, with the Bank as a partner. More than 25,000 spectators attended the event on the banks of the Danube in Bratislava, in a beautiful setting with an unforgettable panorama of the city. The highlight of the event was the J&T Banka Grand Prix race, won by Edouard Schmitz of Switzerland on a ten-year-old gelding Gamin Van't Naastveldhof.

Tennis partner
The Bank is a long-term partner of Slovak women's and men's tennis national teams. It also helps to develop talents in youth teams. The J&T Banka Slovak Open 2022 was held under the Bank's auspices in November.

OUTLOOK FOR 2023

The main prerequisite for the Bank's successful business is a strong financial position which enables it to respond to business and investment opportunities and help clients rise to their challenges. This is why the Bank consistently maintains a capital buffer above the statutory levels, builds a stable deposit base with an emphasis on fixed-term deposits and thoroughly evaluates and continuously monitors the risks associated with credit transactions.

Strong capital base is all the more important in the difficult times the world is now facing and with the threat of inflation far from being over. Central banks are rapidly increasing their rates in an effort to tame price growth. This has led to turbulences in the real estate market and construction industry, where the price of money cools down the demand for new housing and higher rates create uncertainty in the valuation of commercial real estate. Of course, these trends (i.e. uncertainty and suppressed demand) can be seen in all sectors, not just in the real estate market, where they are most visible at moment.

Capital base and international markets
At the beginning of 2023, Moody's appreciated the Bank's financial stability by granting it an investment grade rating. This opens new ways to further strengthen its capital base. The rating is the first step towards preparing securities issues on international markets. In co-operation with investment banks, the Bank is preparing an EMTN programme (Euro Medium Term Note) and is building an information base for institutional investors. The Bank's objective is to have the EMTN programme ready by the end of the second quarter of 2023, and if the market situation is favourable, issue its first MREL (Minimum Requirement for own funds and Eligible Liabilities) bonds on the European market.

German market and deposit base
In early 2023, the Bank entered the German market. The Bank's aim is to offer attractive and competitive deposit products and thus diversify its deposit base. While the German branch plans to focus on savings accounts in the initial years, within a period of five years, this branch should account for up to 30% of the Bank's deposits, with an emphasis on fixed-term deposits. Simultaneously with the growth of the client portfolio, it will consider the possibilities of also offering its investment products on the German market.

Departure from the Russian market
After Russia's attack on Ukraine in February 2022, the Bank decided to limit the activities of its subsidiary J&T Bank, a.o. in Russia. The Bank no longer accepts new clients and has also discontinued the provision of loans. At the same time, the Bank began to actively seek a suitable potential buyer who would meet the requirements of the Russian regulator while also being an acceptable partner for the Bank. The Bank believes that it has already found such a potential buyer, will obtain the necessary permits in 2023 and successfully complete the process of leaving the Russian market.

Digital channels and access to new segments
In 2023, the Bank's main efforts in the area of information systems will focus on the preparation of a new electronic client interface – the ePortal. This project aims to create intuitive and simple tools for managing the clients' financial assets through online access as well as through support for private bankers and business networks.

If the projects in both countries proceed as planned, first clients should already start using new digital channels later this year. The introduction of new asset management tools should contribute to the growth of the assets administered by the Bank and the Bank's services should be increasingly sought by clients who are still working on building their long-term financial assets.

Inflation and interest rates
During 2022, we witnessed a significant increase in euro interest rates, which represent the majority of the Bank's credit transactions. Given that the Bank provides long-term loans with a floating interest rate, it is naturally hedged against the interest rate risk. Its attention in 2023 will be even more focused on monitoring the impact of higher rates on collateral values and the debtors' ability to adapt to higher interest rates.

Depending on inflation, the Bank will also consider the possibility of continuing with macro-hedging transactions, which it concluded in the first half of last year as protection against the negative effects of the interest rate growth.

Investment products and asset management
While interest rates already have probably peaked in the Czech Republic, which is also apparent from the inverted yield curve, the potential for a further increase in interest rates in the euro area remains open. This fact will also affect the bond market and demand for new issues. We can expect renewed interest in CZK bonds, where CZK investors will gradually focus on securing an interest revenue that is attractive in the long term, as compared to short-term opportunities in promissory note programmes and savings accounts. The market will seek to achieve balance for euro-denominated bonds. Euro investors will speculate on a possible further increase in rates and invest their available funds for a shorter period. However, it can be predicted that the increase in free liquidity from expiring bond issues will gradually prevail and the demand for euro bonds will be stronger in the second half of the year.

The Bank also expects a positive development in the sale of funds. At the end of the year, the main J&T ARCH INVESTMENTS fund significantly strengthened its position and has attractive year-on-year appreciation, especially in comparison with the performance of share funds, which are the most common alternative for long-term investors. Good performance, together with a longer revenue history, will be reflected in strong sales. We also expect renewed interest in CZK bond funds.

Despite the increased risks in the economy, the Bank expects to be successful in 2023 and build on the record results of the past year. The Bank is succeeding in keeping interest costs low and increased uncertainties are providing opportunities for new funding. In investment products and services, it is also seeing growing client demand and interest in longer-term investment solutions. This presents an opportunity for the Bank to develop its advisory and management services and continue to grow in the volume of assets under management and assets under administration.

DECLARATION

To the best of our knowledge, this Consolidated Annual Financial Report presents a true and fair view of business activities, financial position and the economic results of the Bank and the Group in 2022 and of the outlook of the future development of their financial position, business activities and economic results.

In Prague, on 17 April 2023

Patrik Tkáč
Chairperson 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 Financial Report, non-financial information and information concerning diversity, supplementing financial and non-financial information set out in other chapters of this Consolidated Annual Financial Report.

The Bank still 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 also aware of the importance of protecting the environment and pays close attention to the related matters at all times. A number of steps are being constantly 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 2022, 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 CNB, 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. There was a significant improvement in this regard in the past year, with the creation of a system that restricts adjustment possibilities to precisely defined number of degrees with respect to occupancy, a specific day of the week and a precise time range. From 6:00 a.m. to 7:00 p.m. on business days, it is possible to adjust the temperature in the offices and common areas only by +/- 1.5 °C within the default temperature setting. The Bank plans to modify this regime soon (to lower the default temperature and the number of degrees by which the default temperature can be adjusted).

The building's heating system is regulated in a similar way outside the above-specified days, i.e. especially outside working hours; however, unlike the above scheme, it will not be possible to adjust the temperature at all on these days. The aim is primarily to completely eliminate any room for a human error where an employee might forget to adjust the temperature and ventilation regime, thus leaving the system to run in vain.

If the temperature is simply lowered by 1 °C, this will save approximately 4–5% in energy consumption; the Bank therefore continues to monitor and make use of energy reduction trends and options.

The Bank uses mainly electricity for lighting, cooling and running electrical appliances at its headquarters. Lights are currently set to automatically turn off at a given time (7 p.m.) and will also always turn off one hour after they are turned on. As part of its cost-saving measures, the Bank plans to move the time when the lights turn off automatically to an earlier hour.

The Bank also uses electricity for lighting, cooling, heating and running electrical appliances at its branches in Brno and Ostrava, and in its backup centre located outside its headquarters. The Bank takes these sites into account when adopting cost-saving measures.

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.

Clients also fill in an investment questionnaire, through which the Bank obtains information on their expert knowledge and experience in the field of investment, financial background, including the capacity to bear losses, and investment goals, including the tolerance to risk. Clients will now be asked about their preferences in the field of ESG so that the Bank can have a comprehensive overview also in these turbulent times.

At the same time, the investment product portfolio is being adjusted to take into account ESG elements, and green investment in particular, so that the Bank can offer a range of high-quality products corresponding to green preferences to all its clients, especially the most demanding ones.

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 2022, the Bank had over 370 funds in its portfolio that were expected to meet the strict ESG sustainability criteria.

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 system of special benefits that is constantly being extended.

All senior employees, regular employees and members of the governing body are bound by the Bank's internal regulations clearly 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 2022. 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 49% women (as compared to 48% in 2021) and 51% men (as compared to 52% in 2021). The ratio of women in the Bank's top management increased by 2% compared to the previous year. The Bank now employs 34% women and 66% men in its management.

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 five sick days per calendar year to cover short unfitness to work. Employees are now also permitted to take 5 "whatever days" per calendar year.

One of the most important parts of the benefit system is the Magnus Club, where employees receive 40,000 points from the Bank every year (now worth CZK 10,000), which can be exchanged for vouchers for services or products from a variety of our partners, ranging from European hotels and various electronics providers to cinemas.

Since the Bank considers human health priceless, it also attaches great importance to its employees' health. The Bank therefore supports selected health care services up to the amount of CZK 10,000, either at two prestigious clinics, CPMPK and VO2max, or at clinics which the employees already attend. There, employees can use the benefits for sports and traditional massages, physiotherapy or an overall sports or medical check-up in the specified value.

In the past year, the Bank also created an employee product called "J&T 60", through which it strives to teach its employees how to invest and meaningfully appreciate their assets for old age. If an employee invests in the J&T 60 product, the Bank will contribute the same amount up to CZK 20,000 per calendar year.

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 2021, the Bank employed 51 part-time employees in the Czech Republic and in its Slovak branch; in 2022, this number increased to 56 part-time employees. In 2022, 71% female employees returned from parental leave to employment in the Czech Republic and 38% in Slovakia.

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; several 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).

Disinfection is available to all employees on each floor, at each reception desk, in every kitchenette and in all lavatories.

Client satisfaction

If the Bank's clients have any objections to the products or the Bank's conduct, they may file a complaint. Such complaints are further assessed by the Compliance Department and the client is notified of their resolution within the set time limit. If a gap in coverage is detected as a result of a complaint, the department with the relevant responsible unit will propose changes or other action.

The Board of Directors and, in important cases, also the Operational Risk and Damage Committee are regularly informed of the complaints.

In the past year, the Bank received a total of 115 complaints from both the Bank's clients and non-clients (of which 24 were filed and resolved at the Bank's branch in Slovakia), and additional 27 related to payment cards (of which 7 at the Bank's branch).

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 must 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 USA 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 2022, 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 Director, who 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 2022. All whistleblowing reports are always properly investigated and evaluated by the responsible persons.

Information pursuant to Regulation (EU) 2021/2178

Quantitative indicators	Group 2022	Group 2021
taxonomy-eligible exposures	0%	0%
taxonomy-non-eligible exposures	2%	1%
exposures (central governments, CBs, supranational issuers)	34%	38%
derivatives not held for trading	3%	1%
exposure to non-NFRD reporting enterprises	52%	50%
trading book	3%	2%
on-demand interbank loans	0%	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 52%. Loans (other than loans for the purchase of securities and reverse repurchase agreements) constitute 76% 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 49% 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. Trader debits and reverse repurchase agreements constitute 61% 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 39% 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, 75% 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 indicated in the consolidated statement of financial position. The numerator included assets of credit institutions belonging to the Bank's consolidated group.

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

On-demand interbank loans, exposures from non-trading derivatives, exposures to central governments, central banks and supranational issuers and exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU were first excluded in order to calculate the proportion of exposures to economic activities eligible and non-eligible for taxonomy. Deposits in current accounts with other banks intended primarily for correspondent banking and brokerage services are considered on-demand interbank loans. Positive fair values of derivatives in the non-trading book are considered exposures from non-trading derivatives. Exposures to central governments, central banks and supranational issuers in the non-trading book consist especially of government bonds of the Czech Republic and receivables from the CNB. 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, 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. Taxonomy eligibility was determined for unit certificates based on an analysis of the underlying assets. Reverse repurchase agreements and trader debits 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.

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 was increased by 2 p. p. compared to 2021. This increase was driven mainly by investment securities, which currently account for 39% of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU, which is an increase of 28 p. p. compared to 2021. Of these exposures, 75% are eligible for taxonomy. Loans (other than trader debits and reverse repurchase agreements) constitute 76% 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 this area of exposures, there has also been a slight increase of 4 p. p. compared to 2021, however, 49% of these exposures are eligible for taxonomy. We can see an increasing trend in exposures eligible for taxonomy in investment securities and loans. The evaluation of quantitative indicators at the Group level in 2022 does not include data of J&T Bank, a.o. (in 2021, the share of J&T Bank, a.o. in the total assets was approx. 3%) due to the Russian invasion of Ukraine.

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, regardless of the ever-changing geopolitical relations. 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 COVID-19 pandemic and the war in Ukraine, 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. This 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 has consistently proven to be a very effective strategy.

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 identify especially products that will sufficiently meet the environmental criteria.

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 31% of the trading book. Of eligible exposures, 48% consists of real estate exposures and 42% of energy sector exposures. The eligibility of exposures in the trading book was assessed analogously to the investment portfolio. Compared to 2021, exposures to taxonomy-eligible economic activities increased by 1/3 of the total volume.

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 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 the Czech Republic and Slovakia.

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.

The Bank, as a consolidating entity, applies values, access to working conditions and equality and other non-financial information set above even at the level of the Group.

BANK'S TOP MANAGEMENT

Patrik Tkáč
Chairperson of the Board of Directors

Štěpán Ašer, MBA
Member of the Board of Directors

Anna Macaláková
Member of the Board of Directors

Igor Kováč
Member of the Board of Directors

Tomáš Klimíček
Member of the Board of Directors

Jan Kotek
Member of the Board of Directors

BOARD OF DIRECTORS

Patrik Tkáč
Chairperson 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

Jan Kotek
Member of the Board of Directors

CORPORATE AGENTS

Alena Tkáčová

Mária Kešnerová

Miloslav Mastný

SUPERVISORY BOARD

Jozef Tkáč
Chairperson of the Supervisory Board

Ivan Jakabovič
Vice-Chairperson 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

Jaroslava Sragner
Member of the Supervisory Board (from 14 October 2022)

Tomáš Janík
Member of the Supervisory Board (until 30 September 2022)

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. According to the applicable Articles of Association, the Bank's Board of Directors has 3 to 6 members, where the number of members of the Board of Directors is to be determined by the Supervisory Board, taking into account the specific scope of the company's activities, economic situation and the current regulatory requirements, and the resulting needs of the internal management system. As at 1 January 2022, the Bank's Board of Directors has six (6) members.

The Board of Directors is elected by the Supervisory Board. The CNB reviews professional skills, credibility and experience of all members of the Board. The members of the Board elect its Chairperson. 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.

Patrik Tkáč
Chairperson 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 chairperson of the Board of Directors of the J&T BANKA, a.s. 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-Chairperson, status: current

ATLANTIK finanční trhy, a.s.
Id. No. 26218062
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, status: current

Nadace J&T
Id. No. 27162524
Prague 1 – Malá Strana, Malostranské nábřeží 563/3, Postal Code 118 00
Managing Board – Member + Founder, 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 – Chairperson, 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 – Chairperson, 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. (in liquidation)
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 00
Supervisory Board – Member, status: current

EP Global Commerce a.s.
Id. No. 05006350
Praha 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairperson, status: current

J&T ARCH INVESTMENTS SICAV, a.s.
Id. No. 08800693
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
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 – Chairperson, status: current

J&T CAPITAL PARTNERS, a.s.
Id. No. 10942092
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Chairperson, status: current

PT Equity Investments SICAV, a.s.
Id. No. 14095688
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member, status: current

J&T EQUITY PARTNERS, a.s.
Id. No. 17201373
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Chairperson, 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 banka d.d.
Id. No. 675539
Međimurska ulica 28, 42000 Varaždin, Croatia
Supervisory Board – Member, status: outdated

PBI, a.s.
Id. No. 03633527
Prague 8 – Karlín, Sokolovská 394/17, Postal Code 186 00
Board of Directors – Member, status: outdated

Stamina Private Equity Investments a.s., in liquidation
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 finance in the Czech Republic since 1997, first as an analyst, later as 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 and Operations 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

J&T IB and Capital Markets, a.s.
Id. No. 24766259
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, status: current

J&T Leasingová společnost, a.s.
Id. No. 28427980
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, 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

AMISTA investiční společnost, a.s.
Id. No. 27437558
Prague 8 – Karlín, Pobřežní 620/3, Postal Code 186 00
Supervisory Board – Member, status: current

J&T RFI IV., a.s.
Id. No. 17843791
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member, status: current

J&T Bank, a.o.
Id. No. 1027739121651
115035 Moscow, Kadashevskaya naberezhnaja, 26, Russian Federation
Boards of Directors – Member, status: current

ATLANTIK finanční trhy, a.s.
Id. No. 26218062
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Member, status: outdated

PBI, a.s.
Id. No. 03633527
Prague 8 – Karlín, Sokolovská 394/17, Karlín, Postal Code 186 00
Supervisory Board – Member, status: outdated

J&T banka d.d.
Id. No. 675539
Međimurska ulica 28, 42000 Varaždin, Croatia
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: 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 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

J&T RFI IV., a.s.
Id. No. 17843791
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member, status: current

J&T banka d.d.
Id. No. 675539
Međimurska ulica 28, 42000 Varaždin, 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

PBI, a.s.
Id. No. 03633527
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Member, status: outdated

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 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, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
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

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, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Board of Directors – Chairperson, status: current

Jan Kotek
Member of the Board of Directors

Appointed to the Board of Directors on: 1 January 2022
Term of office to: 1 January 2027

He graduated from the University of Economics in Prague. He has spent his entire professional career in finance. He has worked in the J&T Group since 2010, where he first held the position of the Head of the Credit Risk Management Department at J&T BANKA, a.s. From 2012 to 2014, he was a member of the top management of 365.bank, a.s. (formerly Poštová banka, a.s.) in Slovakia. From 2014 to 2021, he worked as Financial Manager at J&T FINANCE GROUP SE. Since 2019, he is Head of the Credit Operations Unit at J&T BANKA, a.s., and in January 2022 he also became a member of the Board of Directors. In the Bank, he is responsible for the Credit Operations Unit.

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

Equity Holding, a.s.
Id. No. 10005005
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Member, status: current

J&T Mezzanine, a.s.
Id. No. 06605991
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Member, status: current

J&T Global Finance X., s.r.o.
Id. No. 07402520
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Executive Director, status: current

J&T Global Finance VIII., s.r.o., in liquidation
Id. No. 06062831
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Executive Director, status: current

J&T banka d.d.
Id. No. 675539
Međimurska ulica 28, 42000 Varaždin, Croatia
Supervisory Board – Member, status: current

365.bank, a.s.
Id. No. 31340890
Bratislava, Dvořákovo nábrežie 4, Postal Code 811 02, Slovakia
Supervisory Board – Member, status: current

J&T Global Finance IX., s.r.o.
Id. No. 51836301
Bratislava, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Executive Director, status: current

J&T Global Finance VII., s.r.o. in liquidation
Id. No. 05243441
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Executive Director, status: outdated

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. Since Ing. Tomáš Janík, who was elected by the Company's employees, resigned as a member of the Supervisory Board as at 30 September 2022, JUDr. Jaroslava Sragner was elected by the company's employees as a member of the Supervisory Board with effect from 14 October 2022. The term of office of members of the Supervisory Board is five years and they may be re-elected.

Jozef Tkáč
Chairperson 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 chairperson 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 – Chairperson, status: current

Geodezie Brno, a.s. in liquidation
Id. No. 46345906
Brno, Dornych 47, Postal Code 602 00
Supervisory Board – Chairperson, 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

J&T SERVICES ČR, a.s.
Id. No. 28168305
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, status: current

Equity Holding, a.s.
Id. No. 10005005
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Board of Directors – Chairperson, status: current

Nadace J&T
Id. No. 27162524
Praha 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, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Supervisory Board – Chairperson, status: current

365.bank, a.s.
Id. No. 31340890
Bratislava, Dvořákovo nábrežie 4, Postal Code 811 02, Slovakia
Supervisory Board – Member, status: current

Ivan Jakabovič
Vice-Chairperson 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-Chairperson 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-Chairperson, status: current

J&T CAPITAL PARTNERS, a.s.
Id. No. 10942092
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, status: current

J&T EQUITY PARTNERS, a.s.
Id. No. 17201373
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, 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

KOLIBA REAL, a.s.
Id. No. 35725745
Bratislava, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Board of Directors – Member, status: current

J & T Securities, s.r.o. (in liquidation)
Id. No. 31366431
Bratislava, Dvořákovo nábrežie 8, Postal Code 811 02, Slovakia
Executive Director, status: current

Energetický a průmyslový holding, a.s.
Id. No. 28356250
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairperson, status: outdated

EP Energy, a.s.
Id. No. 29259428
Prague 1 – Josefov, Pařížská 130/26, Postal Code 110 00
Supervisory Board – Chairperson 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-Chairperson, 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 – Chairperson, 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, 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 – Chairperson, status: current

GLOBDATA a.s.
Id. No. 05642361
Praha 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 2 – Vinohrady, Bělehradská 381/126, Postal Code 120 00
Supervisory Board – Chairperson, status: current

JTZE a.s.
Id. No. 08839662
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Supervisory Board – Chairperson, 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

J & T REAL ESTATE ENGINEERING s.r.o.
Id. No. 14319535
Prague 8 – Karlín, Sokolovská 700/113a, Postal Code 186 00
Executive Director, status: current

MS Trnitá 3 a.s.
Id. No. 05783216
Brno – Černá Pole, třída Kpt. Jaroše 1922/3, Postal Code 602 00
Supervisory Board – Member, status: outdated

Skytoll CZ s.r.o. (in liquidation)
Id. No. 03344584
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Executive Director, status: outdated

Invictus development s.r.o.
Id. No. 07295049
Prague 4 – Chodov, Stýblova 2352/30a, Postal Code 149 00
Supervisory Board – Chairperson, status: outdated

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

GLOBDATA a.s.
Id. No. 01527525
Prague 1 – Staré Město, Na Příkopě 393/11, Postal Code 110 00
Supervisory Board – Member, status: outdated

Příkopy Property Development, a.s.
Id. No. 27957799
Prague 1 – Nové Město, Nekázanka 858/5, Postal Code 110 00
Board of Directors – Member, status: outdated

Stadion Eden, a.s.
Id. No. 24128295
Prague 10 – Vršovice, U Slavie 1540/2a, Postal Code 100 00
Board of Directors – Member, status: outdated

ŽĎAS, a.s.
Id. No. 46347160
Žďár nad Sázavou, Strojírenská 675/6, Postal Code 591 01
Board of Directors – Member, status: outdated

KARMELITSKÁ HOTEL s.r.o.
Id. No. 27566196
Prague 1, Nebovidská 459/1, Postal Code 118 00
Executive Director, status: outdated

První zpravodajská a.s.
Id. No. 27204090
Prague 8 – Karlín, Pobřežní 297/14, Postal Code 186 00
Supervisory Board – Chairperson, 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: 30 September 2022

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, práv. spol., a.s.
Id. No. 53859111
Bratislava, Dvořákovo nábrežie 8, Postal Code 811 02
Board of Directors – Member, status: current

Jaroslava Sragner
Member of the Supervisory Board

Appointed to the Supervisory Board on: 14 October 2022
Term of office to: 14 October 2027

She graduated from the Faculty of Law in Košice and has worked in the field of law (enforcement office, ZSE, Lidl, Prima banka) since 2007. Since 1 January 2018, she has been with J&T BANKA, a.s., currently as the Manager of the Legal Unit.

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

REPRESENTATIONS

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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, ALCO had the following members:
- Kováč Igor, Chairperson of the ALCO, Member of the Board of Directors
- Tkáč Patrik, Member of the ALCO, Chairperson 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
- Kotek Jan, Member of the ALCO, 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the IC had the following members:
- Míšek Radoslav, Chairperson 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 CC's main objective and purpose 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the CC had following members:
- Klimíček Tomáš, Chairperson 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, Member of the Board of Directors

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 ECCR's main objective and purpose is to ensure operational and procedural 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the ECCR had the following members:
- Klimíček Tomáš, Chairperson 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, Member of the Board of Directors
- Kottink 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 BCCR's main objective and purpose 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the SCCR had the following members:
- Tkáčová Alena, Chairperson 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

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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the PC had the following members:
- Rokos Ladislav, Chairperson 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, Member of the Board of Directors
- Kottink Pavel, Member of the PC, Manager of the Information Systems Unit
- Jech Konstantin, Member of the PC, Manager of the Security 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the SC had the following members:
- Jech Konstantin, Chairperson 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
- Macálka Vladimír, Member of the SC, Manager of the Compliance Department
- Kottink Pavel, Member of the SC, Manager of the Information Systems Unit
- Janík Tomáš, Member of the SC, Manager of the Slovak Operations Division
- Morávek Martin, Member of the SC, Slovak senior business consultant
- 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the ORDC had the following members:
- Husár Marian, Chairperson of the ORDC, Manager of the Legal 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 Business Architecture Department
- Macálka Vladimír, Member of the ORDC, Manager of the Compliance Department
- Briaková 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; 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; approves recalibration of the model pro valuation of financial instruments within Level 3; co-ordinates and monitors the valuation approaches applied for the individual members of the regulatory consolidated unit and at the consolidated level. The VC's chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the VC had the following members:
- Míšek Radoslav, Chairperson 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 Economic Unit
- 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the IIC had the following members:
- Vodička Petr, Chairperson 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
- Macálka Vladimír, Member of the IIC, Manager of the Compliance Department
- Kotek Jan, Member of the IIC, Member of the Board of Directors

Recovery and Resolution Committee
The Recovery and Resolution Committee (the "RRC") has been established by the Bank's Board of Directors. The RRC's main objective and purpose is to discuss recovery and resolution planning. A further goal of the RRC is to discuss matters related to the Resolution Planning and the Recovery Plans, propose to the Bank's Board of Directors measures to remedy any shortcomings found, and ensure the implementation of measures adopted by the Bank's Board of Directors. The RRC's chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the RRC had the following members:
- Míšek Radoslav, Chairperson of the RRC, Manager of the Risk Management Department
- Kešnerová Mária, Member of the RRC, Manager of the Economic Unit
- Veselá Monika, Member of the RRC, PR Manager
- Husár Marian, Member of the RRC, Manager of the Legal Unit
- Macálka Vladimír, Member of the RRC, Manager of the Compliance Department
- Tomeš Libor, Member of the RRC, Manager of the Business Architecture Department
- Broschinski Petr, Member of the RRC, Cyber Security Architect

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 ECSR's main objective and purpose 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 projects of the Bank's Slovak branch 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the ECSR had the following members:
- Macaláková Anna, Chairperson 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
- Matulík Roman, 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 BCSR's main objective and purpose 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 chairperson and members are appointed and removed by the Bank's Board of Directors.

As at 31 December 2022, the SCSR had the following members:
- Macaláková Anna, Chairperson of the SCSR, Member of the Board of Directors
- Matulík Roman, 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 chairperson and members are appointed and removed by the Bank's Supervisory Board.

As at 31 December 2022, the RC had the following members:
- Jakabovič Ivan, Chairperson of the RC, Vice-Chairperson 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 chairperson and members are appointed and removed by the Bank's General Meeting.

As at 31 December 2022, the AC had the following members:
- Závitkovský Pavel, Chairperson 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-Chairperson of the Board of Directors of J&T FINANCE GROUP SE

ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS OF J&T BANKA

Office of the Chairman of the Board of Directors

- Top Management
- Bank Management Department
- Safety Department
- Cyber Security Section
- Personnal Security Section
- Physical Safety and Health and Safety Section
- Safety Section SR
- Digital Experience Department CR
- Marketing Department CR
- Compliance Department
- Compliance Section SR
- AML Department
- AML Section SR
- Internal Audit and Inspection Department
- Advisors Department
- Advisors Section 1.
- Advisors Section 2.
- Advisors Section 3.
- Advisors Section 4.

Unit Sale CR

Unit Sales CR Support Department

Division Sales CR

- Bankers – senior Section
- Business Development Section
- Private Banking CR Department
- Private Banking Section 1
- Private Banking Section 2.
- Private Banking Section 3.
- Private Banking Section 4.
- Corporate Center Section
- CIS Desk Section
- Tied Agents Section
- Back office Section
- Premium Banking Department CR
- Branch Brno
- Branch Ostrava
- Client Center Department CR
- External Sale Department CR
- External Sale Front Office Section
- External Sale Support Section

Unit Operation CR

Unit Operation CR Business Support Section

- Proces Management Department
- Project Office Department
- Business Architecture Department

Division Operation CR

- Banking Operations Department CR
- Front office Section
- Payment Systems Section
- Banking Operations Back Office Department CR
- Financial Markets Back Office Department CR
- New Issues Department

Unit Slovak Republic (SR)

Unit SR Management Department

- Magnus Department
- Digital Experience Department SR

Division Sales SR

- Division Sales SR Business Support Section
- Private Banking Department SR
- Comfort Department SR
- Business Call Centrum Section
- Comfort line Section
- Marketing and Comunication Department SR

Division Operation SR

- The High Tatra Exposition
- The Košice Exposition
- Division Operations SR Business Support Department
- Project Management Section
- Product and Process Management Section
- Reporting and Analysis Section
- Banking Operation Department SR
- Front Office Section
- Payment Cards and Internet Banking Section
- Back Office Department SR
- Back Office Comfort Section
- Back Office PB Section
- Financial Markets Back Office Department SR
- Human Resources Department SR
- Logistics and Services Department SR

	Unit Lending Business	Unit Financial Markets	Unit Financial	Unit Legal	Unit information systems	Unit Risk Management	
Division IT SR	Lending Business Back Office Section	**Division Financial Markets**	**Division Financial**	Legal Department CR	**Division information systems**	Workout Department	**Division Risk Management and Credit And Loans Administration**
Customs Systems Department SR	Lending Business Analysis Section	Division Operation CR Business Support Section	Division Finance Business Support Section	Legal Department SR	CIO Office Department		Section Division Risk Manag. and Credit and Loans Administration Business Support
Digital Channels Section	Large Corporates Department	Financial Markets Department CR – Other Persons Account	Financial Analysis Department		Testing Section		Risk Management Department
Supporting Applications Section	SME CR Department	Financial Markets Department CR – Own Account	Economy Department CR		Project Preparation and Small Changes Delivery		Credit Risk Management Department
Banking Systems Department SR	SME SR Department	Liquidity Management Section	IFRS Reporting and Methodology Section		Architecture Section		Credit and Loans Administration Department CR
Bank and information System Section		Financial Markets Department SR	COREP Reporting and Banking Regulation Methodology Section		Analysis Section		Credit and Loans Back Office Section
Financial and Securities Systems Section		Client Portfolio Management Department	FINREP and Bank Reporting Section		Development Department		Credit and Loans Administration Department SR
IT Operations Department SR		Financial Markets Services Department	Accouting Section		Frontend Systems Section		
		Research Section	Economy Department SR		Backend Systems Section		
		Investment Center Section	Accouting Section		Integration platforms Section		
		Middle Office Department	Reporting Section		IT Operations Department		
					IT Infrastructure Section		
					User Support Section		
					Application Support Section		
					Business Intelligence Department		
					DWH Section		
					Reporting Section		
					Consolidation Section		

REPORT OF THE SUPERVISORY BOARD

In 2022, 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. Since Ing. Tomáš Janík, who was elected by the Company's employees, resigned as a member of the Supervisory Board as at 30 September 2022, JUDr. Jaroslava Sragner was elected by the company's employees as a member of the Supervisory Board with effect from 14 October 2022. 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 2022, the Supervisory Board held a total of four ordinary meetings. 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 at 31 December 2022 audited by the Bank's external auditor, KPMG Česká republika Audit, s.r.o. According to the auditor's report issued on 17 April 2023, 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 at 31 December 2022 and expenses, income and the results of its operations and cash flows for the year 2022 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 2022 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 2022 and with the settlement of the profit/loss, i.e. the distribution of profit of J&T BANKA, a.s. for 2022 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

Raiffeisen Bank International AG
Vienna, Austria
SWIFT: RZBA AT WW
Currency: AUD, CAD, CHF, EUR, GBP, HUF, JPY, NOK, PLN, RON, RUB, SEK, TRY, USD

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: CNY, HKD, MXN

Ping An Bank Co., Ltd.
Shenzen, China
SWIFT: SZDB CN BS
Currency: CNY

J&T Banka d.d.
Varazdin, Croatia
SWIFT: VBVZ HR 22
Currency: HRK (until 31 December 2022), EUR (from 1 January 2023)

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"):

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 CNB, 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.

Name of the certificate	ISIN	Issue date	Currency	Interest rate	Nominal value
J&T BANKA 10% PERP	CZ0003704249	30 June 2014	CZK	10.00% p.a.	CZK 100,000
J&T BK II 9% PERP	CZ0003704413	21 September 2015	CZK	9.00% p.a.	CZK 100,000
J&T BK III 9% PERP	CZ0003704421	14 December 2015	EUR	9.00% p.a.	EUR 5,000
J&T BK 6.50% PERP	CZ0003706517	23 August 2021	CZK	6.50% p.a.	CZK 100,000
J&T BK 7.00% PERP	CZ0003707275	29 June 2022	EUR	7.00% p.a	EUR 1,000

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 2022 amounted to CZK 8,868 million (as compared to CZK 3,897 million in 2021).

As at 31 December 2022, 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.

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 Financial 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 MANAGEMENT AND GOVERNANCE STATEMENT

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"), which is available on the Bank's website in the Mandatory Disclosure section. 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 2022 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. Both bodies perform their activities in compliance with applicable law, in particular the Business Corporations Act, the Act on Banks and the Bank's Articles of Association. 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 (Suitability Assessment 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. Further information on diversity policy is given in the chapter Human Resources.

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 2022 was calculated on the basis of CZK 1,306.7 million (as compared to CZK 1,263.5 million in 2021). The contribution for 2022 was CZK 26.1 million (as compared to CZK 25.3 million in 2021). In 2022, 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 Financial Report.

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

In 2022, the Issuer and the Group spent financial means for audit and other services in a volume as follows:

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") and Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council.

in CZK thousand	Charged to the Issuer in 2022	Charged to the Issuer in 2021	Charged to other companies in the Group in 2022	Charged to other companies in the Group in 2021
Statutory audit of the financial statements	11,287	8,439	2,389	3,387
Other verification services	–	2,257	90	4,909
Tax consultancy	1,560	843	2,671	1,973
Other non-audit services	150	158	–	–
Total	**12,997**	**11,697**	**5,150**	**10,269**

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

The key concepts of the remuneration policy, regulated in the Employee Remuneration Rules, include, in particular, transparency and predictability, compliance with regulatory requirements, fairness and alignment with shareholders' interests. 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 remuneration principles are reviewed once a year and submitted to the General Meeting for approval. 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.

Risk takers

This group of employees includes persons who have an influence on the Bank's risk profile in accordance with the requirements of European legislation and Czech legal regulations. As part of the Bank's risk management strategy, risk appetite statement and ICAAP, the Bank has identified key risk categories and analysed individual bodies and business units in terms of their ability (or power) to influence exposure to each of the risk categories above. The result is a group of persons who have a significant influence on the Bank's risk profile.

People falling into the Risk Takers group are identified based on qualitative and quantitative indicators. The analysis used for the selection of these persons is prepared by the HR Department, submitted to the Remuneration Committee and approved by the Board of Directors and the Supervisory Board. The selection analysis is carried out regularly once a year and may be extended or narrowed in case of personnel changes. The analysis is subject to internal audit once a year.

In 2022, the following persons were identified as Risk Takers:
- members of the Board of Directors and Supervisory Board;
- governing bodies of companies within the J&T Group;
- key employees (Managers of the Bank's units – Operations, Risk Management, Administration, Trade, Slovak Unit, Financial Markets, Credit Operations, Economic Unit, IT, HR, Security);
- senior employees in control functions;
- members of selected committees.

Remuneration of members of the Board of Directors and Supervisory Board

The conditions for remuneration of members of the Board of Directors are set out in their Agreement on Discharge of Office and Employment Contract. 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 to the Supervisory Board and the General Meeting 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.

Remuneration of Employees

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 CNB 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.

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 represent planned values of profit (weight 35%), regulatory and strategic goals (weight 35%) and risk factors (weight 30%). 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 Banky.

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 decrease 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

1. Employees with a significant influence on the Bank's overall risk profile (from the qualitative viewpoint).
The payment of the variable remuneration component to these employees is postponed if their remuneration exceeds EUR 50 thousand, more than 1/3 of the annual income. The variable remuneration component is split into halves, which are paid in cash and by issuing a non-cash instrument. The monetary part is paid in that 60% of the remuneration is paid immediately after the employee assessment process has been completed and remuneration has been awarded; half of the awarded remuneration is paid in a non-cash instrument. The payment of the remaining 40% is postponed and will be paid during the next five years in the ratios of 8% – 8% – 8% – 8% – 8%; however, the Bank has the right not to pay this portion for objective reasons. The issue of the non-monetary part is postponed by one year and is credited in the following years in the ratios of 60% – 10% – 10% – 10% – 10%.

2. Employees with high and very high remuneration
These employees have a significant influence on the Bank's overall risk profile from the quantitative viewpoint. The payment of the variable remuneration component to these employees is postponed if they meet any of the following conditions:
- in the previous accounting period – total remuneration in the amount of EUR 750,000;

- more than 1,000 employees and the employees belong to 0.3% of employees who received the highest total remuneration in the previous accounting period;
- total remuneration for the previous accounting period equals EUR 1,000,000;
- total remuneration equals EUR 500,000 and, at the same time, at least the average remuneration of members of the governing body and top management.

The remuneration is paid as follows: 60% of the remuneration is paid immediately after the employee assessment process has been completed and remuneration has been awarded; half of the awarded remuneration is paid in a non-cash instrument. The payment of the remaining 40% is postponed and will be paid during the next five years in the ratios of 8% – 8% – 8% – 8% – 8%, half of which is always provided in a non-cash instrument; however, the Bank has the right not to pay this portion for objective reasons.

Definition of a very high remuneration is provided by the Board of Directors every year. Employees who exceed the amount have their remuneration postponed as follows: 40% of the remuneration is paid immediately after the employee assessment process has been completed and remuneration has been awarded; half of the awarded remuneration is paid in a non-cash instrument. The payment of the remaining 60% is postponed and will be paid during the next five years in the ratios of 12% – 12% – 12% – 12% – 12%, half of which is always provided in a non-cash instrument; 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.

Non-cash instrument

The Bank does not have any shares or other securities representing an interest in the Bank. It has therefore created a synthetic instrument – a perpetual investment certificate, the value of which is based on the adjusted value of equity; this brings the characteristics of this instrument closer to those required for a non-cash instrument. The certificate is issued/assigned gradually in accordance with the above rules for postponing the variable remuneration component and is redeemable on the anniversary of the issue.

Remuneration of persons holding executive powers

The remuneration of persons holding executive powers for 2022 amounted to CZK 169.3 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 2022, members of the Board of Directors received remuneration in the amount of CZK 107.5 million in the form of salaries and CZK 3.1 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 8.7 million. Other persons holding executive powers received remuneration in money in the form of salaries amounting to CZK 49.7 million. Furthermore, members of the Supervisory Board received remuneration for the discharge of their office in the amount of CZK 0.16 million. In 2022, 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 2022. No severance pay was paid or awarded and no remuneration exceeding EUR 1 million was paid in 2022. Neither the Bank nor its subsidiaries contribute to supplementary pension insurance schemes or any other similar schemes. The Bank declares that members of the administrative, management and supervisory bodies of the Bank and its subsidiaries do not enjoy any special advantages connected with the termination of activity.

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 2022 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 Financial 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 2022 are disclosed in the Notes to the financial statements. Contracts entered into between the Group members are given in a separate part of the Consolidated Annual Financial 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.

3.38 billion CZK

THE GROUP´S CONSOLIDATED PROFIT AFTER TAX

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 17 April 2023 on the statutory consolidated financial statements included in the annual financial 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 annual financial report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory annual financial 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 annual financial report with the statutory and legally binding annual financial report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying annual financial 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 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated flow 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 2022, 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

Loans and other advances to customers at amortised cost amounted to CZK 110 948 million as at 31 December 2022 (31 December 2021: CZK 97 338 million)

Expected credit losses for loans and other advances to customers at amortised cost amounted to CZK 4 799 million as at 31 December 2022 (31 December 2021: CZK 4 184 million).

Refer to Note 3 (Accounting policies), Note 10 (Loans and advances to customers at amortised cost), Note 11 (Expected credit losses) and Note 12 (Gross carrying amount of financial assets) in the notes to the consolidated financial statements.

Key audit matter

Impairment allowances represent the Management Board's best estimate of the expected credit losses ("the Expected Credit Losses", "ECLs") within loans and advances (together, "loans" or "exposures") to customers at the reporting date. We focused on this area as the measurement of impairment allowances requires the Management Board to make complex and subjective judgements and assumptions. 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;
- credit conversion factor (CCF) for off-balance sheet exposures;
- application of selected forward-looking information (FLI) based on several macroeconomic scenarios; and
- adjustments to ECLs by means of management overlays.

PD parameter is determined based on annualized migration matrix resulting from the external market data adjusted for FLI, with probability-weighted 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 current economic and geopolitical volatility, measurement of ECLs in respect of retail loans required our increased attention in the audit and as such was determined to be a key audit matter.

How the audit matter was addressed

Assisted, where relevant, by our own credit risk and information technology (IT) specialists, we performed, among other things, the procedures outlined below:

We assessed the Group's credit and 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 relevant financial reporting standards and industry practice. As part of the above, we also 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 and calculating days past due. 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 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 parameters (incl. checking the realizable value of underlying collateral) were applied to on-balance and off-balance sheet exposures in determining the related ECLs. As part of the procedure, we specifically focused on the robustness of the Group's financial analysis of the borrower, the repayment pattern for the loan and the collateral provided.

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 also independently recalculated ECL balance and assessed their overall reasonableness.

We examined whether the loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately address 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 financial report ("the annual report") other than the separate and the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.
Our opinion on the separate and consolidated financial statements does not cover the other information. In connection with our audit of the separate and 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 the 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 the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process. The Audit Committee is responsible for monitoring the Group's financial reporting process.

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

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

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

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

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

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

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

Report on 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 separate statement of financial position as at 31 December 2022, and the separate statement of comprehensive income, the statement of changes in equity and the

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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 2022, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Expected credit losses for loans and advances to customers at amortised cost

Loans and other advances to customers at amortised cost amounted to CZK 107 168 million as at 31 December 2022 (31 December 2021: CZK 91 521 million).

Expected credit losses for loans and other advances to customers at amortised cost amounted to CZK 3 524 million as at 31 December 2022 (31 December 2021: CZK 3 256 million).

Refer to Note 3 (Accounting policies), Note 10 (Loans and advances to customers at amortised cost), Note 11 (Gross carrying amount of financial assets) and Note 12 (Expected credit losses to financial instruments, including guarantees and commitments) in the notes to the consolidated financial statements.

Key audit matter

Impairment allowances represent the Management Board's best estimate of the expected credit losses ("the Expected Credit Losses", "ECLs") within loans and advances (together, "loans" or "exposures") to customers at the reporting date. We focused on this area as the measurement of impairment allowances requires the Management Board to make complex and subjective judgements and assumptions.

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;
- credit conversion factor (CCF) for off-balance sheet exposures;
- application of selected forward-looking information (FLI) based on several macroeconomic scenarios; and
- adjustments to ECLs by means of management overlays.

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PD parameter is determined based on annualized migration matrix resulting from the external market data adjusted for FLI, with probability-weighted 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 current economic and geopolitical volatility, measurement of ECLs in respect of retail loans required our increased attention in the audit and as such was determined to be a key audit matter.

How the audit matter was addressed

Assisted, where relevant, by our own credit risk and information technology (IT) specialists, we performed, among other things, the procedures outlined below:

We assessed the Company's credit and 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 relevant financial reporting standards and industry practice. As part of the above, we also 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 and calculating days past due. 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 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 parameters (incl. checking the realizable value of underlying collateral) were applied to on-balance and off-balance sheet exposures in determining the related ECLs. As part of the procedure, we specifically focused on the robustness of the 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 also independently recalculated ECL balance and assessed their overall reasonableness.

We examined whether the loan impairment and credit risk-related disclosures in the separate financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework.

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company and the Group by the General Meeting of Shareholders on 17 September 2020 and our uninterrupted engagement has lasted for 22 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 13 April 2023 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

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

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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 annual report were prepared in the applicable XHTML format;
- the disclosures in the consolidated financial statements as specified in the ESEF Regulation were marked up, with all mark-ups meeting the following requirements:
  - the XBRL mark-up language was used;
  - the elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
  - the mark-ups complied with the common rules on mark-ups specified in the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion
In our opinion, the Company's financial statements for the year ended 31 December 2022 included in the annual report are, in all material respects, in compliance with the ESEF Regulation.

Other Matter
Given the possible technical limitations of the tools used in preparing the consolidated financial statements in compliance with the requirements of the ESEF Regulation, the content of some block tags in the machine-readable format of the notes to these consolidated financial statements may not be reproducible in the same form as in the human-readable layer of the audited consolidated financial statements.

Statutory Auditor Responsible for the Engagement
Jindřich Vašina is the statutory auditor responsible for the audit of the separate and consolidated financial statements of J&T BANKA, a.s. as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
17 April 2023

Signed by

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

Signed by

Jindřich Vašina
Partner
Registration number 2059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

in millions of CZK	Note	31/12/2022	31/12/2021
Assets			
Cash and cash equivalents	5	76,982	68,011
Due from banks and other financial institutions	6	1,173	5,933
Positive fair value of derivatives	7	6,889	1,140
Financial assets for trading	8a	6,627	3,998
Financial assets mandatorily at fair value through profit or loss	8b	9,046	8,715
Financial assets at fair value through other comprehensive income	8c	6,682	6,800
Financial assets at amortised cost	8d	4,801	4,759
Of which pledged as collateral (repurchase agreements)		4,330	4,346
Loans and advances to customers at amortised cost	10	106,149	93,154
Loans and advances to customers at fair value through profit or loss	10	–	14
Investment in associates and joint ventures	50	10	939
Goodwill	15	131	37
Investment property	13	829	830
Property, plant and equipment	14	3,072	2,351
Intangible assets	15	238	182
Current income tax receivable	27	3	174
Deferred tax asset	28	511	326
Disposal groups held for sale	18	35	114
Other assets	17	4,075	5,774
Total assets		**227,253**	**203,251**
Liabilities			
Deposits and loans from banks	20	10,530	5,272
Deposits from customers	21	164,022	154,330
Negative fair value of derivatives	7	3,935	1,699
Financial liabilities at fair value through profit or loss	23	3	459
Financial liabilities at amortised costs	19	301	–
Subordinated debt	22	256	73
Provisions	24	1,508	1,404
Current income tax liability	27	1,101	30
Deferred tax liability	28	61	82
Other liabilities	23	9,680	13,679
Total liabilities		**191,397**	**177,028**
Share capital	25	10,638	10,638
Retained earnings and other reserves	25	16,337	10,228
Other equity instruments	25	8,868	3,897
Equity		**35,843**	**24,763**
Non-controlling interest	26	13	1,460
Total equity		**35,856**	**26,223**
Total equity and liabilities		**227,253**	**203,251**

The accompanying notes, set out on pages 84 to 181, are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

in millions of CZK	Note	2022	2021
Interest income calculated using effective interest rate method	29	11,306	5,980
Other interest income	29	357	219
Interest expense	30	(4,625)	(1,734)
Net interest income		**7,038**	**4,465**
Fee and commission income	31	2,215	1,953
Fee and commission expense	32	(324)	(348)
Net fee and commission income		**1,891**	**1,605**
Net income from trading and investments	33	2,154	(133)
Other operating income	34	436	207
Operating income		**11,519**	**6,144**
Personnel expenses	35	(1,723)	(1,348)
Other operating expenses	36	(1,764)	(1,387)
Depreciation and amortisation	14, 15	(268)	(188)
Operating expenses		**(3,755)**	**(2,923)**
Profit before allowances, provisions and income tax		**7,764**	**3,221**
Net loss from changes of loans and other receivables	11	(115)	–
Net change in loss allowances for financial instruments	11	(3,032)	(572)
Profit before tax, excluding profit from equity accounted investees		**4,617**	**2,649**
Profit/Loss from equity accounted investees, net of tax	52	142	654
Profit before tax		**4,759**	**3,303**
Income tax	27	(1,379)	(499)
Profit for the period		**3,380**	**2,804**

in millions of CZK	Note	2022	2021
Attributable to:			
Shareholders of the parent company		3,270	2,277
Non-controlling interest		110	527
Profit for the period		**3,380**	**2,804**
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		(745)	(98)
Revaluation recycled to profit or loss		20	–
Expected credit losses		647	(11)
Related tax		47	21
Foreign currency translation differences		353	(39)
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		(104)	91
Related tax		22	(19)
Other comprehensive income for the period, net of tax		**240**	**(55)**
Total comprehensive income for the period		**3,620**	**2,749**
Attributable to:			
Shareholders of the parent company		3,510	2,222
Non-controlling interest		110	527
Total comprehensive income for the period		**3,620**	**2,749**

The accompanying notes, set out on pages 84 to 181, are an integral part of these consolidated financial statements.

The Board of Directors approved these financial statements on 17 April 2023.

Signed on behalf of the Board:

Štěpán Ašer, MBA
Member of the Board of Directors

Igor Kováč
Member of the Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

in millions of CZK	Share capital	Capital funds
Balance as at 1 January 2022	**10,638**	**59**
Total comprehensive income for the period		
Profit for the period	–	–
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	–	–
Revaluation reserve – financial assets at fair value through other comprehensive income – debt instruments		
Remeasurement to fair value	–	–
Revaluation recycled to profit or loss	–	–
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	–	–
Other comprehensive income	**–**	**–**
Total comprehensive income for the period	**–**	**–**
Transactions recognised directly in equity		
Dividends	–	–
Issue of investment certificates and payment of earnings	–	–
Payment to other capital funds	–	2,913
Establishment of special-purpose fund for payment of revenue from inv. certificates	–	–
Transfer of statutory reserve fund	–	5
Effect of changes in ownership interests and new companies within the Group	–	–
Balance as at 31 December 2022	**10,638**	**2,977**

Further information about equity instruments is disclosed in note 25.

	Translation and revaluation reserve	Retained earnings	Perpetuity fund	Other equity instruments	Total	Noncontrolling interest	Total equity
	(1,871)	**11,866**	**174**	**3,897**	**24,763**	**1,460**	**26,223**
	–	3,270	–	–	3,270	110	3,380
	353	–	–	–	353	–	353
	(745)	–	–	–	(745)	–	(745)
	20	–	–	–	20	–	20
	647	–	–	–	647	–	647
	47	–	–	–	47	–	47
	(104)	–	–	–	(104)	–	(104)
	22	–	–	–	22	–	22
	240	**–**	**–**	**–**	**240**	**–**	**240**
	240	**3,270**	**–**	**–**	**3,510**	**110**	**3,620**
	–	–	–	–	–	(488)	(488)
	–	–	(319)	4,971	4,652	–	4,652
	–	–	–	–	2,913	–	2,913
	–	(326)	326	–	–	–	–
	–	(5)	–	–	–	–	–
	–	5	–	–	5	(1,069)	(1,064)
	(1,631)	**14,810**	**181**	**8,868**	**35,843**	**13**	**35,856**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

in millions of CZK	Share capital	Capital funds
Balance as at 1 January 2021	**10,638**	**56**
Total comprehensive income for the period		
Profit for the period	–	–
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation 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	–	–
Other comprehensive income	**–**	**–**
Total comprehensive income for the period	**–**	**–**
Transactions recognised directly in equity		
Dividends	–	–
Issue of investment certificates and payment of earnings	–	–
Establishment of special-purpose fund for payment of revenue from inv. certificates	–	–
Transfer of statutory reserve fund	–	3
Effect of changes in ownership interests and new companies within the Group	–	–
Balance as at 31 December 2021	**10,638**	**59**

The accompanying notes, set out on pages 84 to 181, are an integral part of these consolidated financial statements.

Translation and revaluation reserve	Retained earnings	Perpetuity fund	Other equity instruments	Total	Noncontrolling interest	Total equity
(1,816)	**9,820**	**162**	**2,597**	**21,457**	**1,080**	**22,537**
–	2,277	–	–	2,277	527	2,804
(39)	–	–	–	(39)	–	(39)
(98)	–	–	–	(98)	–	(98)
(11)	–	–	–	(11)	–	(11)
21	–	–	–	21	–	21
91	–	–	–	91	–	91
(19)	–	–	–	(19)	–	(19)
(55)	**–**	**–**	**–**	**(55)**	**–**	**(55)**
(55)	**2,277**	**–**	**–**	**2,222**	**527**	**2,749**
–	–	–	–	–	(4)	(4)
–	–	(230)	1,300	1,070	–	1,070
–	(242)	242	–	–	–	–
–	(3)	–	–	–	–	–
–	14	–	–	14	(143)	(129)
(1,871)	**11,866**	**174**	**3,897**	**24,763**	**1,460**	**26,223**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

in millions of CZK	Note	2022	2021
Cash flows from operating activities			
Profit before tax from continuing operations		4,759	3,303
Adjustments for:			
depreciation and amortisation	14, 15	268	188
Net loss from changes of loans and other receivables	11	115	–
Net change in loss allowances for financial instruments	11	3,032	572
Profit/(loss) from sold intangible assets and property, plant and equipment		(51)	56
Profit/(loss) from equity accounted investees		(142)	(654)
Unrealised foreign exchange gains/(losses), net		292	43
Change in revaluation of financial assets at fair value through profit or loss		349	401
(Increase) / decrease in operating assets:			
Due from banks and other financial institutions		4,758	(3,578)
Loans and other advances to customers		(16,190)	5,244
Financial assets at fvtpl		(3,184)	4,166
Prepayments, accrued income and other assets		1,361	(4,200)
Disposal groups held for sale		79	405
Increase / (decrease) in operating liabilities:			
deposits and loans from banks		5,233	2,637
Deposits from customers		9,973	15,710
Other liabilities		(3,885)	4,909
Financial liabilities at fair value through profit or loss		(456)	429
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		(3,513)	858
Tax effect			
Income tax expenses paid		(315)	(479)
Net cash flows from operating activities		**2,483**	**30,010**
Cash flows from investing activities			
Acquisition of property plant and equipment and intangible assets		(244)	(234)
Acquisition of subsidiaries (excl. cash acquired)	52	(1,171)	(21)
Disposal of subsidiaries (ex.cash disposed)	52	701	–
Financial assets at amortized cost – proceeds		12	11
Financial assets at amortized cost – acquisition		–	(4,523)
Financial assets measured at fvoci – proceeds		2,599	3,606
Financial assets measured at fvoci – acquisition		(4,075)	(3,168)
Net cash flows used in investing activities		**(2,178)**	**(4,329)**

in millions of CZK	Note	2022	2021
Cash flows from financing activities			
Proceeds from capital contribution		2,913	–
Issue of other equity instruments		4,971	1,300
Proceeds from bond issue		300	–
Dividends paid		(43)	–
Distribution of income from other equity instruments		(319)	(230)
Repayment of subordinated debt		–	(143)
Proceeds from subordinated debt issue		185	–
Lease liabilities paid		(47)	(48)
Net cash flows from financing activities		**7,960**	**879**
Increase in cash and cash equivalents		**8,265**	**26,560**
Cash and cash equivalents at beginning of period	5	68,011	41,519
Effects of exchange rate fluctuations on cash held		706	(68)
Cash and cash equivalents at end of period	5	76,982	68,011
Cash flows from operating activities include:			
Interest received		11,155	5,652
Interest paid		3,768	1,290
Interest paid / lease liabilities		13	2

The accompanying notes, set out on pages 84 to 181, are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 940 employees in 2022 (2021: 875). 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.

A German branch of the Bank was established on 21 September 2022, and was registered in the Commercial Register of the District Court of Frankfurt am Main as the organizational unit "J&T BANKA, a.s. Zweigniederlassung Deutschland", Franklinstraße 56, 60486 Frankfurt am Main, and with the identification number HRB 128706. The branch in Germany starts its banking activities in 2023.

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%).

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 2022 (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	0.06	100%	Full	Investment act.
AMISTA consulting, s.r.o.	CR	0.70	80%	Full	Advisory activities
AMISTA investiční společnost, a.s.	CR	9	80%	Full	Investment act.
ATLANTIK finanční trhy, a.s.	CR	38	100%	Full	Investment act.
J&T Bank, a.o.	Russia	1,980	99.95%	Full	Banking activities
– Interznanie OAO	RU	62	50%	Full	Investment property
– Leasing-Medicine Ltd	RU	1	100%	Full	Financing activities
J&T banka d.d.	Croatia	1,047	100%	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
– J&T VENTURES I otevřený podílový fond	CR	–	5.95%	Full	Investment act.
– FVE Holding, s.r.o.	CR	–	100%	Full	Asset management

→

– FVE Čejkovice s.r.o.	CR	4	100%	Full	Electricity production
– FVE Napajedla s.r.o.	CR	0.20	100%	Full	Advisory activities
– FVE Němčice s.r.o.	CR	0.20	100%	Full	Advisory activities
– FVE Slušovice s.r.o.	CR	0.20	100%	Full	Advisory activities
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
J&T ADVANCED SOLUTION SICAV	Malta	–	99.97%	Full	Investment act.
J&T ORBIT SICAV, a.s.	CR	0.10	100%	Full	Investment act.
J&T RFI I., s.r.o.	CR	0.20	100%	Full	Advisory activities
J&T VENTURES I otevřený podílový fond	CR	–	94.05%	Full	Investment act.
Rustonka Development II s.r.o.	CR	0.09	100%	Full	Investment property
TERCES MANAGEMENT LIMITED	Cyprus	0.06	99%	Full	Investment act.
– Interznanie OAO	RU	62	50%	Full	Investment property

The Group 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 14 January 2022, the Group acquired 100% share in J&T ORBIT SICAV, a.s. On 1 November 2022 the Group increased its share in the fund through a contribution with a total nominal value of EUR 0.4 million (CZK 9.6 million) in excess of contributions made by the shareholders in the registered capital.

On 8 February 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 was paid to the Bank as the only shareholder.

On 7 April 2022, the Group established FVE Holding, s.r.o. that holds share in FVE Čejkovice, s.r.o., FVE Napajedla, s.r.o., FVE Němčice, s.r.o. and FVE Slušovice, s.r.o. since 13 April 2022.

On 27 April 2022, the Group increased share capital in J&T banka d.d. by HRK 20 million (CZK 65 million) and increased its share in the entity up to 85.15%. On 30 September 2022, the Group acquired share of 11.12% in J&T banka d.d. from ALTERNATIVE UPRAVLJANJE d.o.o. The Group squeezed out the minorities interest during the year 2022 and reached 100% share in J&T banka d.d.

On 10 June 2022 and 8 November 2022, J&T VENTURES I otevřený podílový fond proceeded compulsory purchases of its shares and decreased the number of allotment certificates in the fund.

On 3 August 2022, the Group acquired 100% share in J&T RFI I, s.r.o. On 17 August 2022 the Group increased its share in the fund through a contribution with a total nominal value of EUR 1.5 million (CZK 37 million) in excess of contributions made by the shareholders in the registered capital.

On 29 September 2022, the Group increased its share in J&T Leasingová společnost, a.s. through a contribution with a total nominal value of CZK 70 million in excess of contributions made by the shareholders in the registered capital.

On 24 October 2022, based on Decision on payment of capital reserves of the ALTERNATIVE UPRAVLJANJE d.o.o., the Group decreased its share on share capital by HRK 8.8 million (CZK 29 million). The Group still owns share of 100% in ALTERNATIVE UPRAVLJANJE d.o.o.

On 18 November 2022, the Group proceeded sale of its total share of 52.63% in Colorizo Investment, a.s.

On 30 November 2022, the Group achieved 80% share in AMISTA investiční společnost, a.s.

On 27 December 2022 the Group proceeded sale of its total share of 53.08% in J&T REALITY o.p.f.

During 2022, no restrictions applied to the ownership rights held over subsidiaries in EU. The Group operates in the Russian market through its subsidiary J&T Bank, a.o. As a result of Russian invasion to Ukraine on 24 February 2022, the number of sanctions were expanded to Russian individuals and legal entities. The Group has still control over its subsidiary but as a result of restrictions presents cash and cash equivalents deposited at J&T Bank, a.o. as restricted cash in the other assets. For detail statement of the Group to the conflict in Ukraine see note 4.

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
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%	Full	Investment act.
– Interznanie OAO	RU	50	50%	Full	Investment property

The Group 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.

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 2022 to 31 December 2022 ("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.

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 2022, and have not been applied in preparing these financial statements:

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.

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 decommissioning 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.

Standards and interpretations effective for annual periods beginning after 1 January 2023 but not yet endorsed by the EU

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 2024.

The amendments clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

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

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback
Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:
- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

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"), which is the Banks functional currency, 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 a 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 Group '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;
- contractually-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 amortisation 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

In order to be classified as FVOCI, the asset either:

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

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

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.

Equity instruments not held for trading where the FVOCI option was elected. Under this treatment ECL are not calculated, as these assets are already measured at fair value and changes in fair value are recognized in other comprehensive income (OCI) and will not be reclassified to profit or loss upon disposal. FX differences are recognized in OCI as part of the revaluation reserve. When the equity instrument is sold, the corresponding gain or loss remains in equity. Dividends from these financial assets are recognized in profit or loss

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 Group'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 Group 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 (except for FX for monetary assets) 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 when originated.

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).

All non-trading financial liabilities, originated loans and receivables and securities at amortised costs 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. For more details about level hierarchy see note 4 and 50.

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 (except for FX for monetary 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 risks 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 Group commits to sell the assets.

Financial securities at amortised costs 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 instrument 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.

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.

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. 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 reporting date.

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 amortised costs, i.e. from the gross carrying amounts ("GCA") decreased by ECLs.

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. Collateral 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 (Effective interest rate) 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 increase of PD to determine the transition to Stage 2 in such a way as to guarantee that the threshold value of PD for progressing to Stage 2 is not higher for any rating class than three times the mean value of PD of the given rating class (for this can happen to a specific exposure, but only if the corresponding PD is lower than the median PD of the best rating class at the time of its origination);
  - at the same time, the value of the thresholds increases with higher ratings, so that for high ratings with a high PD the SICR triggering multiple is less than a threefold increase in PD, all significant changes in SICR are therefore captured.

Qualitative 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;
- the Group negotiates with the debtor about the restructuring of the debt (based on the request of the debtor or the Group);
- negative information about the debtor from external sources;
- significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- significant change in collateral value, which is expected to increase risk of default.

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. debt collection process and its proceeding, overdue period of receivable, 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 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%.
- a situation where, during forced restructuring, the financial obligation is reduced by more than 1% of the value of the given claim; or in case of forced restructuring, the financial obligation will be reduced by 1% of the value of the given claim or less, while:
  - 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).

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 (scenario weights are determined from historical realized loan losses as a relative frequency in a given category) 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)

To derive the PIT and TTC matrices, the Group uses the migration matrices listed in the publicly available materials of Moody's, mainly due to the insufficient granularity of the portfolio and the length of time of its own observed data. The Group uses a procedure that is based on Merton's one-factor model. Macroeconomic influence in the model is represented by the Z component. Regression is used to find the functional relationship between macroeconomic variables and the Z component, to estimate the model for the Z component of the maximization of the likelihood.

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 for the previous year, which is based on TTC PD adjusted for macroeconomic developments;
- calculation of multi-annual (cumulative) PDs, within which the multiplication of one-year transition matrices, modified according to the macro forecast for the respective year, is applied.

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.

For the consolidated financial statements purposes, the Group divides the internal ratings into the following risk categories having also its external rating equivalent based on PD intervals from Moody’s annual reports.

In case of existence of external rating of the exposure, this rating is used directly and the following mapping matrix is not used.

PD from	mid PD from annual Moodys reports	PD to	Internal rating	External rating equivalent	Risk category
0.0000%	0.0438%	0.0786%	1	A / A2	Very low risk
0.0786%	0.1409%	0.1782%	2	BBB / Baa2	Low risk
0.1782%	0.2254%	0.3102%	3	BBB- / Baa3	Low risk
0.3102%	0.4267%	0.5438%	4	BB+ / Ba1	Medium risk
0.5438%	0.6929%	0.9555%	5	BB / Ba2	Medium risk
0.9555%	1.3162%	1.6157%	6	BB- / Ba3	Medium risk
1.6157%	1.9819%	2.4564%	7	B+ / B1	Medium risk
2.4564%	3.0411%	3.3897%	8	B / B2	Medium risk
3.3897%	3.7767%	4.1636%	9	B- / B3	Medium risk
4.1636%	4.5883%	6.4120%	10	CCC+ / Caa1	High risk
6.4120%	8.8930%	13.6007%	11	CCC / Caa2	High risk
13.6007%	20.2466%	99.9999%	12	CCC- / Caa3	High risk
100.0000%	100.0000%	100.0000%	13	D	Default

For debits and reverse repurchase agreements, the collateral is required to be a security traded on an active 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 TTC cycle is subsequently adjusted according to macroeconomic developments to reflect the appropriate phases of the economic cycle.

Individual risk management departments of the Group are responsible for the calculation and update of relevant PDs. The entities in the Group primarily determine rating for non-derivative financial assets with fixed or determinable payments that are not quoted on active market. Furthermore, the entities determine rating 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 determines four generated PD scenarios generated on 5%, 12.5 %, 25% and 50% quantile of GDP forecast for each country.

The four PD sets are equally outweighed by 25 % weight.

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 substantial, the financial asset is derecognised and a new financial asset is recognised at fair value, including transaction costs. The gross value of cash flows is discounted using a new effective interest rate, which is also used for a calculation of interest revenues.

The change is classified as substantial based on the quantitative factor, i.e. if the difference between the 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 qualitative factor such as the change of the loan currency, change of the interest type from fix to variable and vice-versa, change of the debtor in case of merger etc.

If the change in the terms of the contract is not classified as substantial 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 written-off 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 derecognises the gross carrying amount of a financial asset and corresponding loss allowance. Write-offs do not affect profit or loss, as the written-off amounts are included in loss allowances. 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 measured at amortised 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.

An embedded derivative is accounted for separately from the host instrument if:
- the host contract is not a financial assets 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 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 income from trading and investments.

(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.

The Group 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.

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
Property, plant and equipment 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 and are stated at the present value of minimum lease payments and unguaranteed 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 lease commencement date. 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 Group, an estimate of costs to be incurred by the Group 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.
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 income from trading and investments, 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. 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.

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

(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;
- leasing;
- 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. 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.

(q) Disposal groups held for sale

Disposal groups classified as held for sale are measured at the lower of their carrying amount 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 income from trading and investments in profit or loss;
- for equity instruments designated at FVOCI, dividend income is presented in net income from trading and investments 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 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 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 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 profit;
- retained earnings;
- other equity components that the Bank is authorised to distribute to its shareholders.

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.

(u) Revenues from the sale of goods and services

The revenues reflect the value of goods or services transferred to the customer for the consideration received. This basic principle is based on a five-step model according to IFRS 15: (1) Identification of the contract(s) with the customer, (2) identification of the contractual obligations in the contract, (3) determination of the transaction price, (4) allocation of the transaction price to the contractual obligations in the contract, (5) reporting revenues at the time of fulfillment of the contractual obligation. In the case of a contract that allows for the return of goods, revenue is not recognized if it is highly probable that a significant amount of those goods will be returned.

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.

4.1. 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 Group 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.

4.2. Assessment of control over investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager.

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 2022:

- J&T ORBIT SICAV, a.s. – the fund consolidated based on the ownership interest and control over the fund via subsidiary AMISTA investiční společnost, a.s.,
- J&T VENTURES I otevřený podílový fond - the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.

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 otevřený podílový fond - the fund consolidated based on the ownership interest and control over the fund via subsidiary J&T INVESTIČNÍ SPOLEČNOST, a.s.

4.3. Changes in PD, LGD, FLI, SICR

In 2022, the Group performed standard updates relating to PD, 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

In order to estimate the forward-looking probability of default based on macroeconomic factors, the Group uses a model based on transition matrices estimated by the external rating agency Moody's on historical data covering the period 1983-2021, i.e., so-called through-the-cycle (TTC) estimates of default rates (covering the entire economic cycle) as well as point-in-time estimates for a given year.

In accordance with IFRS 9, the TTC estimate of default rates was transformed to so-called point-in-time (PiT) forward-looking estimate, which considers the influence of current and expected macroeconomic development on the default rate.

The PiT PD estimate model consists of two parts: Z-component estimate, which represents the economic cycle and an estimate of correlation between macroeconomic units and the z-component. The base of the z-component estimate is Merton's one-factor model, which dissects counterparty credit risk to two parts: idiosyncratic risk and systematic risk.

For the estimation of the Z component, the following variables were taken into account - real GDP growth (annual percent change), inflation rate (annual percent change), unemployment rate (percent), current account balance (percent of GDP), general government gross debt (percent of GDP), Z-spreads and ItraxxCDO – risk-neutral PD. It turned out that, among other things, inflation, unemployment or Z-spreads do not contribute to improve the predictive ability of the model, in contrast to changes in real GDP.

Using the estimated Z-component and the relationship between the Z-component and variable factors, one can estimate point-in-time forward-looking (PiT FL) transition matrices by derivating a TTC matrix by the Z-component. The Z-component model and future GDP scenarios are used for those estimates. The future GDP scenario considers historical real GDP growth in given country and either a projection of real GDP growth in given country or a global macroeconomic development forecast (IMF). PiT FL transition matrices are estimated for the time period of 5 years. Beyond this time stamp, an assumption is made that the Z-component equals 0, therefore the TTC matrice is used.

PD variants:

Standard PD: There are now four generated PD scenarios generated on 5%, 12.5%, 25% and 50% quantile of GDP forecast for each country. The four PD sets are equally outweighed by 25% weight.

Crisis PD: There are independent PDs generated for expositions found in fields struck by crisis (selected NACE sectors).

Russia/Ukraine: Independent PDs were generated for exposures in Russia and Ukraine, which reflect increased risk.

The Group's highest share of expositions on its credit portfolio to are Czech Republic (51%), Slovakia (14%), Germany (11%) and Croatia (7%) as at 31 December 2022. We mention GDP growth for those four countries only, because shares in other countries are insignificant.

Used real GDP growth (%):

Country	Year	National Bank	Forecast of the National Bank	Estimated values 5% quantile	Estimated values 12,5% quantile	Estimated values 25% quantile	Estimated values 50% quantile
CZE	2022	CNB	0.81	-0.9	-0.23	0.43	1.32
CZE	2023	CNB	3.64	-1.86	-0.73	0.43	2.09
CZE	2024	CNB		-3.55	-1.98	-0.29	2.09
CZE	2025	CNB		-3.52	-1.86	-0.29	2.12
CZE	2026	CNB		-3.63	-1.95	-0.29	2.15
SVK	2022	NBS	1.4	-1	-0.13	0.71	1.94
SVK	2023	NBS	1.9	-2.67	-1.48	-0.35	1.26
SVK	2024	NBS	3.5	-1.54	-0.48	0.52	2
SVK	2025	NBS		-3.58	-1.61	0.33	3
SVK	2026	NBS		-3.61	-1.67	0.26	3
HRV	2022	HNB	4.1	-2.62	-1.12	0.47	2.58
HRV	2023	HNB		-6.59	-4.2	-1.89	1.28
HRV	2024	HNB		-6.16	-4.09	-1.92	1.13
HRV	2025	HNB		-6.34	-4.02	-1.92	1.13
HRV	2026	HNB		-6.41	-4.2	-2	1.02
DEU	2022	DBB	1.9	0.78	1.27	1.78	2.44
DEU	2023	DBB	2.4	-1.24	-0.37	0.54	1.81
DEU	2024	DBB	1.8	-1.84	-0.85	0.08	1.39
DEU	2025	DBB		-2.94	-1.65	-0.35	1.51
DEU	2026	DBB		-3.1	-1.67	-0.4	1.43

Data sources:

Country	National Bank	Data Source
CZE	Czech National Bank (CNB)	Monetary Policy Report
HRV	Hrvatska narodna banka (HNB)	Macroeconomic Developments and Outlook
DEU	Deutsche Bundesbank (DBB)	Outlook for the German Economy
SVK	National Bank Slovakia (NBS)	Economic and Monetary Developments

PD curves are updated continuously, whenever forecast of the country's National Bank changes by more than 1 percentage point.

4.4. ECL model („management overlays")

A significant management overlay is that economic/industry sectors of the borrowers were divided based on the expert assessment of the Group's chief economist and the director of credit risk department, who divided the sectors (according to NACE) into two groups, namely into sectors (ordinary PD) where they expect the development in the given sector to correspond to the expected development of GDP, and sectors (Crisis PD) where development is at risk due to current risk factors on the market (mainly the effects of covid, inflation, interest rates, energy crisis, problems in supply-customer chains, etc.). The division of sectors was approved by the relevant bank committee. PD for Ukraine and Russia are determined separately, given the increased geopolitical risk.

For selected NACE sectors below, the Group sees potential ongoing risks associated with COVID-19 and current geopolitical situation, including inflation, impaired supply chain, rise in commodity prices and other economic factors.

20 – Manufacture of chemicals and chemical products
23 – Manufacture of other non-metallic mineral products
24 – Manufacture of basic metals
25 – Manufacture of fabricated metal products, except machinery and equipment
29 – Manufacture of motor vehicles, trailers and semi-trailers
30 – Manufacture of other transport equipment
41 – Construction of buildings
46 – Wholesale trade, except motor vehicles and motorcycles
47 – Retail trade, except motor vehicles and motorcycles
51 – Air transport
55 – Accommodation
56 – Food and beverage service activities
64 – Financial service activities, except insurance and pension funding
65 – Insurance, reinsurance and pension funding, except compulsory social security
68 – Real estate activities
79 – Travel agency, tour operator and other reservation related activities
93 – Sports activities and amusement and recreation activities

The impact of the above management adjustments was as follows:

As at 31/12/2022

in millions of CZK	Loans	Debt securities at FVOCI
Loss allowances and provisions without management adjustments	3,824	190
Impact of management adjustments	1,384	601
Final amount of loss allowances and provisions after management adjustments	5,208	791

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 management adjustments	456	101
Final amount of loss allowances and provisions after management adjustments	4,288	132

4.5. Environmental sustainability, social responsibility and corporate management (ESG)

A significant source of insecurities are insecurities even in the field of climate risks, social responsibility, and corporate management. All of those are considered when determining accounting estimates, such as business combinations, decrease in asset values, reserve accounting or determining useful life of assets.

The Group concludes loan agreements for projects supporting ESG either directly or through mutual funds or venture capital, to invest in innovative projects. The Group is fully aware of its responsibility in this area and, also due to increasing regulatory requirements, it is gradually incorporating into its core and operational activities and risk management solutions enabling it to collect, process and use ESG data.

Risks related to ESG are categorized into two categories – risk of transition and physical risk.

Transition risk

With the world transforming into low-carbon economy, there is a risk associated with significant and fast changes in expectations of the concerning parties, which reflects in politics, changes in law and legislation. New regulations, innovative technology, change of mood on the market and social preferences can result in increase of costs and lower demand for non-green products and services.

Risks associated with transitioning into low-carbon economy are specific for each industry and can even differ in fields inside of one industry. The rate of adaptation to transition to low-carbon economy is directly related to the level of risks faced.

Assessment of exposure of the Group to transition risk on its own operations is rated low. This assessment is supported by appropriate financial strategy, risk management, solid capitalization and unceasing monitoring of the market and legislation.

Physical risk

Physical risks come from climate change associated with specific events and long-term climate development. The nature and timing of extreme meteorological events (floods, heat waves, storms, hurricanes etc.) are unsure, yet the number of said events, as well as their power is increasing, therefore their impact on economy is expected to be more significant in the future. Possible impacts can be decreased growth of GDP, shortage of material and products, significant change in prices, increase in operating costs, decrease in asset values, increase in write-offs and amortization.

Given the Group's geographic focus on Europe, which is less affected by physical risks, we have considered this risk to be insignificant for the group.

We assessed how climate risks could affect our financial position in the financial statements for the year ended 31 December 2022. As part of the assessment, we considered a number of areas of the statement of financial position, such as ECL, reserves, financial instruments, long-term assets as well as long-term viability and business sustainability. After careful consideration, we have concluded that these risks do not have a material impact on our financial statements ending 31 December 2022.

Credit risk and impact on ECL

The Group has incorporated environmental sustainability, social responsibility and corporate governance (ESG) risks into the ECL measurement process. The Group did not identify any impact on the amount of ECL in 2022 or 2021 and therefore did not include specific adjustments considering ESG risks in the ECL calculation. Given the prudent approach to the current situation, the Group believes that the ECL represents the best estimate of expected credit losses as at 31 December 2022 (as at 31 December 2021).

Evaluating the rating of new clients or assessing the credit risk of transactions also considers the Group's growing commitments in the field of environmental sustainability, social responsibility, and corporate governance (ESG). The group is aware of the importance of the ESG topic, which is why it is preparing to collect ESG data from clients through a questionnaire, which will then be used for their rating. The group is currently in the phase of implementing ESG risks to the evaluation of client ratings and the approval process for significant exposures in the loan portfolio.

4.6. Conflict in Ukraine

The Group operates its business in the Russian market through its subsidiary J&T Bank, a.o. and is also exposed to the development of the economic environment and financial markets in Ukraine. In February 2022, after recognizing the self-proclaimed Donetsk People's Republic and Luhansk People's Republic by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of the country.

The course of the military conflict had a significantly negative impact on the political and economic environment in Ukraine, and significantly limited the ability of many entities to continue their normal activities. In response to the hostile actions of the Russian Federation against Ukraine, a number of countries, including the United States, the United Kingdom, and the European Union member states, introduced and/or expanded economic sanctions against selected Russian individuals and legal entities. Among the sanctions are, among other things, freezing of assets, restrictions on trade and movement of capital, or travel bans.

Many foreign companies have limited or completely ceased their business operations in the Russian market. Further expansion of sanctions cannot be ruled out. The sanctions already in place have had or are expected to have a further damaging impact on economic uncertainty in Russia, including more volatile stock markets, weakening of the Russian ruble, reduced inflow of local and foreign direct investments, and significantly tighter credit availability. As a result, Russian entities are having difficulty accessing international equity and debt markets and may become increasingly dependent on state support for their operations. The long-term impacts of the imposed and any additional sanctions are difficult to determine.

Below is the total exposure of the Group to the Russian and Ukrainian markets as at 31 December 2022.

in millions of CZK	
Cash and cash equivalents	8
Loans and advances to customers	1,036
Securities	1,836
Investment property	325
Other assets	986
Deposits and loans from banks	145
Deposits from customers	2,953
Other liabilities	132

The Group reported in the consolidated financial statements as at 31 December 2022, net revenues from Russian and Ukrainian customers totalling CZK 113 million (2021: CZK 193 million).

Considering the above events, the Bank has taken the following measures:
- the Group has ceased to provide new financing with risk in Ukraine and Russia;
- the Group has thoroughly analysed exposures from sectors potentially affected by the impact of the current situation and created higher provisions for them;
- the Group is taking steps to gradually phase out activities in the Russian market. The Group is processing activities to sale subsidiaries operating in Russia.

The management of the Group has analysed the impact of this event and concluded that, as of the date of approval of these consolidated financial statements, the going concern assumption is still appropriate, and this event does not have a significant impact on the consolidated financial statements as at 31 December 2022.

5. CASH AND CASH EQUIVALENTS

in millions of CZK	31/12/2022	31/12/2021
Cash in hand	233	236
Current accounts with central banks	702	751
Loans to central banks – reverse repurchase agreements	73,091	66,128
Term deposits in central bank to 3 months	2,557	–
Current accounts with banks	399	692
Loans to other financial institutions – reverse repurchase agreements	–	191
Other cash and cash equivalents	–	14
Expected credit losses (note 11)	–	(1)
Total	**76,982**	**68,011**

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

in millions of CZK	31/12/2022	31/12/2021
Obligatory minimum reserves in central banks	756	4,875
Term deposits and loans over 3 months	–	27
Subordinated loans to banks	193	199
Other receivables due from banks	227	833
Expected credit losses (note 11)	(3)	(1)
Total	**1,173**	**5,933**

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 3% of non-residential corporate deposits denominated in RUB, 5% of non-residential corporate deposits in foreign currency, 3% of deposits of individuals - residents denominated in RUB, 5% of deposits of individuals - residents in foreign currency, 3% of other liabilities in RUB, and 5% of other liabilities in foreign currency reduced by the average balances of deposits and accrued interest multiplied by a coefficient of 0.9.

The obligatory minimum reserve for J&T Banka d.d. is calculated on average daily balances of deposits and loans, issued debt securities, subordinated instruments and financial liabilities excluding balances with specified banks. The obligatory reserve is calculated as 1% of the above.

The obligatory minimum reserves in 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 2022 and 31 December 2021.

The contractual weighted average interest rate on deposits and loans with other banks was 4.11% p.a. (2021: 1.20%).

7. DERIVATIVES

in millions of CZK	31/12/2022 Notional amount buy	31/12/2022 Notional amount sell	31/12/2022 Positive fair value	31/12/2022 Negative fair value
FX derivatives	189,900	(186,034)	6,021	(3,527)
Cross currency derivatives	6,090	(6,129)	169	(195)
Other derivatives	12,305	(12,302)	699	(213)
Total	**208,295**	**(204,465)**	**6,889**	**(3,935)**

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	108,043	(105,886)	946	(1,473)
Cross currency derivatives	10,058	(10,079)	175	(153)
Other derivatives	2,844	(2,905)	19	(73)
Total	**120,945**	**(118,870)**	**1,140**	**(1,699)**

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
31/12/2022	58%	35%	2%	4%	1%
31/12/2021	55%	33%	3%	7%	2%

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

Short position	CZK	EUR	GBP	USD	Other
31/12/2022	34%	51%	4%	10%	1%
31/12/2021	36%	41%	6%	15%	2%

8. SECURITIES

(a) Financial assets for trading

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– domestic	738	369
– foreign	205	40
Bonds		
– domestic	3,553	2,383
– foreign	1,311	1,198
Allotment certificates		
– domestic	816	4
– foreign	4	4
Total	**6,627**	**3,998**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– listed	943	409
Bonds		
– listed	4,864	3,581
Allotment certificates		
– listed	816	2
– not listed	4	6
Total	**6,627**	**3,998**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– financial institutions	376	173
– corporate	565	235
– insurance companies	2	1
Bonds		
– government	2,554	1,447
– financial institutions	1,378	879
– corporate	932	1,255
Allotment certificates		
– financial institutions	820	8
Total	**6,627**	**3,998**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– Level 1	906	401
– Level 2	35	4
– Level 3	2	4
Bonds		
– Level 1	3,098	1,761
– Level 2	466	787
– Level 3	1,300	1,033
Allotment certificates		
– Level 1	816	–
– Level 2	4	8
Total	**6,627**	**3,998**

Foreign bonds as at 31 December 2022 mainly include non-government bonds of CZK 1,206 million (2021: CZK 1,079 million) issued by companies from the following states and in the following amounts: Slovakia of CZK 766 million (2021: CZK 655 million), Malta of CZK 280 million (2021: CZK 244 million), Cyprus of CZK 89 million (2021: CZK 92 million), the USA of CZK 59 million (2021: CZK 16 million) and Luxembourg of CZK 12 million (2021: CZK 72 million).

Foreign government bonds of CZK 105 million (2021: CZK 119 million) include Romanian government bonds of CZK 51 million (2021: CZK 53 million), Polish government bonds of CZK 49 million (2021: CZK 55 million) and Turkish government bonds of CZK 5 million (2021: CZK 11 million).

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

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– foreign	65	59
Allotment certificates		
– domestic	5,154	4,000
– foreign	3,827	4,656
Total	**9,046**	**8,715**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– listed	65	59
Allotment certificates		
– listed	472	439
– not listed	8,509	8,217
Total	**9,046**	**8,715**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– financial institutions	65	59
Allotment certificates		
– financial institutions	8,981	8,648
– corporate	–	8
Total	**9,046**	**8,715**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– Level 3	65	59
Allotment certificates		
– Level 1	472	–
– Level 2	3,114	6,092
– Level 3	5,395	2,564
Total	**9,046**	**8,715**

Foreign allotment certificates include Maltese allotment certificates of CZK 3,055 million (2021: CZK 4,387 million) and Luxembourg allotment certificates of CZK 772 million (2021: CZK 10 million).

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

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares and other equity instruments		
– domestic	649	419
– foreign	385	377
Bonds		
– domestic	307	303
– foreign	5,341	5,701
Total	**6,682**	**6,800**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares and other equity instruments		
– listed	754	469
– not listed	280	327
Bonds		
– listed	4,842	5,202
– not listed	806	802
Total	**6,682**	**6,800**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares and other equity instruments		
– financial institutions	455	139
– corporate	579	657
Bonds		
– government	1,151	1,929
– financial institutions	1,328	1,320
– corporate	3,169	2,755
Total	**6,682**	**6,800**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares and other equity instruments		
– Level 1	585	272
– Level 2	270	337
– Level 3	179	187
Bonds		
– Level 1	1,332	3,165
– Level 2	–	469
– Level 3	4,316	2,370
Total	**6,682**	**6,800**

Foreign shares and other equity instruments in the portfolio as at 31 December 2022 included mainly the shares of Slovak companies of CZK 101 million (2021: CZK 171 million), Russian companies of CZK 101 million (2021: CZK 139 million), Swiss companies of CZK 69 million (2021: CZK 51 million), Croatian companies of CZK 22 million (2021: CZK 0 million) and Estonian companies of CZK 49 million (2021: CZK 0).

Foreign bonds as at 31 December 2022 included the bonds of Russian companies of CZK 1,297 million (2021: CZK 2,442 million), Slovak companies of CZK 3,166 million (2021: CZK 2,150 million), Maltese companies of CZK 499 million (2021: CZK 469 million), Croatian companies of CZK 300 million (2021: CZK 429 million), the bonds of Dutch companies of CZK 47 million (2021: CZK 55 million) and Belgian companies of CZK 32 million (2021: CZK 66 million).

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	2022 Fair value	2022 Dividends received	2021 Fair value	2021 Dividends received
Defence industry	331	(13)	–	–
Energy and manufacturing industry	322	(18)	323	(18)
Financial services	194	–	169	–
Travel and tourism	100	–	147	–
IS/IT	85	–	116	(1)
Other	2	–	41	(2)
Total	**1,034**	**(31)**	**796**	**(21)**

In 2022, other equity instruments of CZK 29 million (2021: CZK 27 million) from the portfolio of the Group's financial assets were sold. Cumulative losses from this sale were CZK 37 million (2021: gains CZK 11 million).

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	Default	Total
Stage 1	378	675	867	–	1,920
Stage 2	–	–	2,384	–	2,384
Stage 3	–	–	–	1,344	1,344
Total as at 31/12/2022	**378**	**675**	**3,251**	**1,344**	**5,648**
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**

More detailed information on bonds as at 31 December 2022 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	4,532	(2)	–	–	–	4,530
– foreign/listed/government	238	–	–	(10)	–	228
Promissory notes						
– foreign/listed/corporate	44	–	–	(1)	–	43
Total as at 31/12 /2022	**4,814**	**(2)**	**–**	**(11)**	**–**	**4,801**
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**

Foreign bonds include Russian bonds of CZK 238 million (2021: CZK 187 million). Bond are classified in Stage 3, the expected credit losses on these bonds amount to CZK 10 million. Bonds mature in 2023. All these bonds are in Level 3.

Domestic bonds include Czech government bonds with a gross value of CZK 4,532 million (2021: CZK 4,523 million). The bonds are classified in Stage 1, the expected credit losses on these bonds amount to CZK 2 million. Bonds mature in 2025. For estimated fair value of these bonds see note 50.

(e) Financial assets valued at Level 3

The Group regularly monitors the classification of securities into the fair value hierarchy. The Group 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.

Gains or losses from revaluation of financial assets for trading and financial instruments mandatorily at fair value through profit or loss for the period are stated in line item "Net income from trading and investments". Gains or losses from revaluation of financial assets at fair value through other comprehensive income are stated in line item "Remeasurement to fair value" in part of "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".

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	01/01/2022	Revaluation to OCI	Revaluation to profit or loss	Transfer from Level 2	Additions	Disposals/ Decrease	FX movement	Interest income	31/12/2022
Financial assets for trading									
shares	4	–	(2)	–	–	–	–	–	2
bonds	1,033	–	(51)	208	523	(409)	(27)	23	1,300
Financial instruments mandatorily at fair value through profit or loss									
shares	59	–	3	–	–	–	3	–	65
allotment certificates	2,564	–	(319)	2,155	2,349	(1,221)	(133)	–	5,395
Financial assets at fair value through other comprehensive income									
shares	187	–	–	–	99	(98)	(9)	–	179
bonds	2,370	(117)	–	1,813	1,213	(934)	(86)	57	4,316
Total	**6,217**	**(117)**	**(369)**	**4,176**	**4,184**	**(2,662)**	**(252)**	**80**	**11,257**

in millions of CZK	01/01/2021	Revaluation to OCI	Revaluation to profit or loss	Transfer from Level 2	Additions	Disposals/ Decrease	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)	–	–	222	(27)	2	–	187
bonds	2,324	(25)	–	–	383	(138)	(193)	19	2,370
Total	**5,201**	**(52)**	**50**	**24**	**1,753**	**(556)**	**(244)**	**41**	**6,217**

The following table sets out information about significant unobservable inputs used as at 31 December 2022 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 31/12/2022	Range of estimates	FV sensitivity to unobservable inputs
bonds	discounted CF	Credit spread		-1.5%–2.5%	A significant increase may result in lower fair value
		Risk-free rate	5,616	1.5%–5%	
shares	discounted CF/ historical cost	Discount rates		9%–12.6%	A significant increase may result in lower fair value
		EBITDA growth coefficient	246	2%–4%	A significant increase may result in higher fair value
allotment certificates	net asset value	Expected CF from fund	5,395	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 1,126 million higher or lower than the carrying amount recognised as at 31 December 2022 (2021: CZK 622 million).

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 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	3,403	-1%–5%	
shares	discounted CF	Discount rates		9%–12.6%	A significant increase may result in lower fair value
		EBITDA growth coefficient	250	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

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 2022				
change in risk-free rates by 1%	(45)	47	(161)	184
change in credit markups by 1%	(45)	47	(269)	290
Shares 2022				
change in discount rates by 1%	(1)	2	–	–
change in EBITDA by 5%	–	–	–	–
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%	–	–	–	–

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 serving as collateral is transferred from the entity to which a loan is provided. Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2022 and 31 December 2021, 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	Repuchase price
Loans to central banks (note 5)	71,871	73,091	up to 1 month	73,197
Loans and other advances to customers (note 10)	4,297	2,490	up to 3 months	2,513
Total as at 31 December 2022	**76,168**	**75,581**		**75,710**

in millions of CZK	Fair value of assets held as collateral	Carrying amount of receivable	Repurchase date	Repuchase 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**

(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 serving as collateral is transferred to 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	Repuchase price
Loans from banks (note 20)	3,947	3,602	up to 3 years	3,575
Total as at 31 December 2022	**3,947**	**3,602**		**3,575**
Loans from banks (note 20)	24	21	up to 1 month	21
Loans from banks (note 20)	4,047	3,732	up to 3 years	3,685
Total as at 31 December 2021	**4,071**	**3,753**		**3,706**

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	POCI	Net carrying amount
Loans and advances to customers and overdraft	89,143	(946)	(421)	(3,260)	30	84,546
Receivables from reverse repurchase agreements with customers	2,490	–	–	–	–	2,490
Margin lending (debits)	16,078	–	–	–	–	16,078
Receivables from provided finance leases	1,107	(10)	(3)	(36)	–	1,058
Other receivables	2,130	(25)	–	(116)	(12)	1,977
Total as at 31 December 2022	**110,948**	**(981)**	**(424)**	**(3,412)**	**18**	**106,149**

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	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**

The contractual weighted average interest rate on loans to customers was 6.40% (2021: 5.25%).

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	POCI	Total
Total as at 1 January 2022	**2**	**–**	**–**	**–**	**2**
Net change in credit risk	3	–	–	–	3
Financial assets derecognised during the period	(2)	–	–	–	(2)
Total as at 31 December 2022	**3**	**–**	**–**	**–**	**3**

in millions of CZK	Stage 1	Stage 2	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**

b) Loans and advances to customers at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**371**	**479**	**3,282**	**52**	**4,184**
Transfers:					
– transfers to Stage 1	34	(34)	–	–	–
– transfers to Stage 2	(102)	140	(38)	–	–
– transfers to Stage 3	(113)	(46)	159	–	–
Net change in credit risk	315	(32)	1,899	(70)	2,112
Changes due to modification without derecognition	84	3	83	–	170
New financial assets originated or purchased	426	–	–	–	426
Unwind of discount	–	–	36	–	36
Financial assets derecognised during the period	(20)	(25)	(554)	–	(599)
Use of allowances	–	(42)	(645)	–	(687)
Disposal of subsidiaries	–	–	(646)	–	(646)
Foreign exchange rate movements	(14)	(19)	(164)	–	(197)
Total as at 31 December 2022	**981**	**424**	**3,412**	**(18)**	**4,799**

in millions of CZK	Stage 1	Stage 2	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)
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**

Use of allowances for the year ended 31 December 2022 amounted to CZK 687 million (2021: CZK 258 million), mainly comprising the use of an allowance for loans of CZK 584 million (2021: CZK 86 million), to which allowances of CZK 610 million (2021: CZK 171 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	POCI	Total
Total as at 1 January 2022	**51**	**81**	**–**	**–**	**132**
Transfers:					
– transfers to Stage 2	(75)	75	–	–	–
– transfers to Stage 3	(5)	–	5	–	–
Net change in credit risk	(11)	(41)	627	–	575
New financial assets originated or purchased	77	–	–	–	77
Financial assets derecognised during the period	(1)	–	(2)	–	(3)
Foreign exchange rate movements	(1)	(3)	1	–	(3)
Total as at 31 December 2022	**35**	**112**	**631**	**–**	**778**

in millions of CZK	Stage 1	Stage 2	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**

d) Financial assets at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**2**	**–**	**–**	**–**	**2**
Transfers:					
– transfers to Stage 3	(1)	–	1	–	–
Net change in credit risk	1	–	11	–	12
Foreign exchange rate movements	–	–	(1)	–	(1)
Total as at 31 December 2022	**2**	**–**	**11**	**–**	**13**

in millions of CZK	Stage 1	Stage 2	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**

e) Financial commitments and guarantees

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**22**	**3**	**79**	**–**	**104**
Transfers					
– transfers to Stage 1	1	(1)	–	–	–
– transfers to Stage 2	(25)	32	(7)	–	–
– transfers to Stage 3	(45)	–	45	–	–
Net change in credit risk	(70)	(27)	(21)	–	(118)
New financial assets originated or purchased	178	–	–	–	178
Financial assets derecognised during the period	(1)	–	(1)	–	(2)
Foreign exchange rate movements	(1)	–	(3)	–	(4)
Total as at 31 December 2022	**59**	**7**	**92**	**–**	**158**

in millions of CZK	Stage 1	Stage 2	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**

f) Other assets

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**–**	**24**	**–**	**–**	**24**
Transfers:					
– transfers to Stage 3	–	(16)	16	–	–
Net change in credit risk	–	1	259	–	260
Financial assets derecognised during the period	–	–	(4)	–	(4)
Write-offs/Use of allowances	–	(4)	(4)	–	(8)
Foreign exchange rate movements	–	1	(22)	–	(21)
Total as at 31 December 2022	**–**	**6**	**245**	**–**	**251**

in millions of CZK	Stage 1	Stage 2	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**

12. GROSS CARRYING AMOUNT OF FINANCIAL ASSETS

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**80,293**	**9,746**	**6,876**	**423**	**97,338**
Transfers:					
– transfers to Stage 1	3,833	(3,833)	–	–	–
– transfers to Stage 2	(6,082)	6,082	–	–	–
– transfers to Stage 3	(4,984)	(942)	5,926	–	–
Partial repayment of the principal / drawing of loan during the reporting period (-/+)	8,377	1,019	11	(129)	9,278
Movement in interest – accrued less paid (except for full repayment)	536	41	131	1	709
Increase due to origination and acquisition – gross	52,056	–	–	123	52,179
Financial assets derecognised during the period	(38,805)	(2,083)	(4,018)	(2)	(44,908)
Write-offs and sale of receivables	–	(43)	(651)	–	(694)
Changes due to modification without derecognition (net)	84	3	83	–	170
Acquisitions through business combinations	17	–	–	–	17
Disposal of subsidiaries	(42)	–	(1,763)	–	(1,805)
Foreign exchange rate movements	(1,063)	(281)	17	(9)	(1,336)
Total as at 31 December 2022	**94,219**	**9,709**	**6,613**	**407**	**110,948**

“Increase due to origination and acquisition – gross” for POCI amounting to CZK 123 million (2021: CZK 26 million) represents loans with significant modifications.

Gross carrying amount of debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**4,436**	**1,568**	**–**	**–**	**6,004**
Transfers:					
- transfers to Stage 2	(974)	974	–	–	–
- transfers to Stage 3	(3,072)	–	3,072	–	–
Fair value adjustment to OCI	(67)	(70)	(608)	–	(745)
Movement in interest – accrued less paid (except for full repayment)	53	12	90	–	155
Increase due to origination and acquisition – gross	2,671	–	–	–	2,671
Financial assets derecognised during the period	(1,069)	(50)	(1,524)	–	(2,643)
Foreign exchange rate movements	(58)	(50)	314	–	206
Total as at 31 December 2022	**1,920**	**2,384**	**1,344**	**–**	**5,648**

Gross carrying amount of securities at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**4,761**	**–**	**–**	**–**	**4,761**
Transfers:					
– transfers to Stage 3	(238)	–	238	–	–
Movement in interest – accrued less paid (except for full repayment)	9	–	45	–	54
Financial assets derecognised during the period	–	–	(12)	–	(12)
Foreign exchange rate movements	–	–	11	–	11
Total as at 31 December 2022	**4,532**	**–**	**282**	**–**	**4,814**

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	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)
Write-offs 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 POCI amounting to CZK 26 million (2020: CZK 31 million) represents loans with significant modifications.

Gross carrying amount of debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	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	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**

13. INVESTMENT PROPERTY

Investment property as at 31 December 2022 primarily include a building of Interznanie OAO totalling CZK 325 million (2021: CZK 308 million) and a building of Rustonka Development II s.r.o. totalling CZK 481 million (2021: CZK 504 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 2022:

Type of asset	Valuation technique	Significant unobservable input	FV as at 31/12/2022	Range of estimates	FV sensitivity to unobservable inputs
Investment property	The sales comparison approach	Price per sq. m	829	CZK/m^2 84,742 – 127,346	A significant movement may increase/decrease the FV of an instrument

As at 31 December 2021:

Type of asset	Valuation technique	Significant unobservable input	FV as at 31/12/2021	Range of estimates	FV sensitivity to unobservable inputs
Investment property	The sales comparison approach	Price per sq. m	830	CZK/m^2 79,790 – 129,630	A significant movement may increase/decrease the FV of an instrument

in millions of CZK	2022	2021
1 January	**830**	**793**
Transfer to assets	–	15
Additions	–	16
Revaluation (note 33)	(6)	29
Effects of movements in foreign exchange	5	(23)
Total as at 31 December	**829**	**830**

Investment property was fully insured as at 31 December 2022 and as at 31 December 2021.

Rental income from investment property of CZK 31 million (2021: CZK 31 million) was reported in Other operating income. Operating expenses directly attributable to investment property of CZK 9 million (2021: CZK 4 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 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
31/12/2021	**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)	–	(3)	–	(5)
31/12/2021	**84**	**80**	**104**	**16**	**284**
Acquisition cost					
1 January 2022	**2,052**	**256**	**303**	**24**	**2,635**
Additions	1	21	25	4	51
Additions from acquisitions	223	708	–	–	931
Disposals	–	(9)	–	(11)	(20)
Effects of movements in foreign exchange	(50)	(3)	(9)	–	(62)
31/12/2022	**2,226**	**973**	**319**	**17**	**3,535**
Accumulated depreciation					
1 January 2022	**84**	**80**	**104**	**16**	**284**
Additions	68	89	45	5	207
Disposals	(7)	(6)	–	(11)	(24)
Effects of movements in foreign exchange	(1)	(1)	(2)	–	(4)
31/12/2022	**144**	**162**	**147**	**10**	**463**
Net book value					
31/12/2021	**1,968**	**176**	**199**	**8**	**2,351**
31/12/2022	**2,082**	**811**	**172**	**7**	**3,072**

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				
01/01/2021	**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)
31/12/2021	**777**	**146**	**385**	**1,308**
Amortisation and impairment losses				
01/01/2021	**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	–
31/12/2021	**607**	**134**	**348**	**1,089**
Acquisition cost				
01/01/2022	**777**	**146**	**385**	**1,308**
Additions	178	7	–	185
Additions from acquisitions	4	1	94	99
Disposals	(77)	–	–	(77)
Effects of movements in foreign exchange	(2)	–	12	10
31/12/2022	**880**	**154**	**491**	**1,525**
Amortisation and impairment losses				
01/01/2022	**607**	**134**	**348**	**1,089**
Additions	64	3	–	67
Additions from acquisitions	4	1	–	5
Disposals	(16)	–	–	(16)
Effects of movements in foreign exchange	(1)	–	12	11
31/12/2022	**658**	**138**	**360**	**1,156**
Carrying amount				
31/12/2021	**170**	**12**	**37**	**219**
31/12/2022	**222**	**16**	**131**	**369**

In 2022, the value of goodwill increased due to the purchase of a 80% share in AMISTA, investiční společnost, a.s. in the form of a business combination in accordance with IFRS 3.

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 (see note 49).

Based on impairment testing, no impairment losses on goodwill were accounted for in 2022 and 2021 (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 2022 and 2021, 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	31/12/2022	31/12/2021
Up to one year	41	46
Total	**41**	**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	31/12/2022
Gross amount of a finance lease receivable	
Up to one year	850
1 year to 2 years	332
2 years to 3 years	70
3 years to 4 years	27
4 years to 5 years	6
Over 5 years	–
	1,285
Unrealized revenue	(178)
Present value of future lease payments	**1,107**
Expected credit losses	(176)

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
	901
Unrealized revenue	(94)
Present value of future lease payments	**807**
Expected credit losses	(48)

17. OTHER ASSETS

in millions of CZK	31/12/2022	31/12/2021
Other trade receivables	399	403
Receivables from customers from securities trading	1,948	3,986
Restricted cash	798	–
Advance paid on profit share	–	445
Other receivables	436	162
Prepayments and accrued income	664	742
Advance payments – other	79	56
Other tax receivables	2	4
Allowances for impairment of other assets	(251)	(24)
Total	**4,075**	**5,774**

As at 31 December 2022, other trade receivables include fees for the issue of bonds and promissory notes of CZK 44 million (2021: CZK 75 million) and a large number of low-value items that are separately immaterial.

Receivables from customers from securities trading decreased in 2022 due to lower volume of customer trades around the year-end compared with the end of 2021.

All restricted cash is assigned to Stage 3 and is allocated at company J&T Bank, a.o. in Russia with the gross carrying amount of CZK 798 million and impairment of CZK 121 million.

Most other assets are measured at amortised cost; the gross carrying amount is CZK 4,326 million. The amount of CZK 3,188 million is included in Stage 2 (2021: CZK 5,344 million). The amount of CZK 1,048 million (2021: CZK 5 million) is assigned to Stage 3 and presents other assets towards J&T Bank, a.o. in Russia. Expected credit loss to this position is of CZK 239 million. Changes in allowances for other assets are disclosed in note 11.

18. DISPOSAL GROUPS HELD FOR SALE

in millions of CZK	31/12/2022	31/12/2021
J&T Ostravice Active Life UPF	25	64
Property, plant and equipment	10	50
Total	**35**	**114**

In 2021, a vote of J&T Ostravice Active life UPF shareholders took place. The shareholders approved the redemption of allotment certificates, which was proceeded in 2022. The redemption of the allotment certificates reduced the Group's interest in the fund. Actually, the last phase of the project is under processing and when it's finalised, the fund's activities are planned to be terminated.

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. FINANCIAL LIABILITIES AT AMORTISED COSTS

in millions of CZK	31/12/2022	31/12/2021
Bonds issued	301	–
Total	**301**	**–**

On 13 December 2022, the Group issued 30 pieces of bonds with nominal value of CZK 10 million per piece. These unsecured non-convertible financial instruments were issued in CZK, interest is paid annually. Bonds mature in 2027. For the estimated fair value of issued bonds see note 50.

20. DEPOSITS AND LOANS FROM BANKS

in millions of CZK	31/12/2022	31/12/2021
Deposits from banks	6,928	1,519
Loans from banks – repurchase agreements (note 9)	3,602	3,753
Total	**10,530**	**5,272**

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 2022 was 0.76% (2021: 0.50%).

21. DEPOSITS FROM CUSTOMERS

in millions of CZK	31/12/2022	31/12/2021
Current accounts	29,579	44,501
Term deposits and escrow accounts	134,261	109,645
Other liabilities	182	184
Total	**164,022**	**154,330**

The contractual weighted average interest rate on liabilities to customers was 3.08% (2021: 0.66%).

22. SUBORDINATED DEBT

in millions of CZK	31/12/2022	31/12/2021
Subordinated debt – term deposits	256	73
Total	**256**	**73**

in millions of CZK	2022	2021
Interest expense for subordinated debt:	6	6
of which interest paid	3	3

The subordinated debt – term deposits from customers with a maturity up to 2027 bear an interest rate between 6.10% p.a. and 7.50% p.a. for contracts opened till 31 December 2021 for contracts opened after 01 January 2022 is maturity up to 2027 bear an interest rate 7.5%.

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

23. OTHER LIABILITIES AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Other liabilities

in millions of CZK	31/12/2022	31/12/2021
Payables to clients from securities trading	8,207	12,164
Estimated payables, accruals and deferred income	404	233
Trade payables	363	188
Payables to employees	65	52
Social security liabilities	28	22
Lease liabilities	183	208
– up to one year	44	45
– over 1 year	139	163
Other tax liabilities	98	66
Advance received on dividends	–	439
Other liabilities	332	307
Total	**9,680**	**13,679**

Payables to clients from securities trading decreased at the end of 2022 due to lower volume of customer trades around the year-end compared with the end of 2021.

Financial liabilities at fair value through profit or loss

in millions of CZK	31/12/2022	31/12/2021
Financial liabilities at fair value through profit or loss	3	459
Total	**3**	**459**

Financial liabilities at fair value through profit or loss include liabilities from short sales, settled in January 2023.

24. PROVISIONS

in millions of CZK	31/12/2022	31/12/2021
Provision for employee bonuses	1,312	1,261
Other provisions	2	4
Provision for loyalty programmes – customers	28	28
Provision for off-balance sheet items (loan commitments and guarantees)	158	104
Stage 1	59	22
Stage 2	7	3
Stage 3	92	79
Provision for loyalty programmes – employees	8	7
Total	**1,508**	**1,404**

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 01/01/2022	Additions/ Creation	Use/ Release	Foreign exchange differences	Balance as at 31/12/2022
Employee bonuses	1,261	593	(535)	(7)	1,312
Other provisions	4	3	(5)	–	2
Loyalty programmes – customers	28	–	–	–	28
Off-balance sheet items	104	178	(120)	(4)	158
Loyalty programmes – employees	7	6	(5)	–	8
Total	**1,404**	**780**	**(665)**	**(11)**	**1,508**

25. EQUITY

in millions of CZK	31/12/2022	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/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 2022, retained earnings amounted to CZK 14,810 million (2021: CZK 11,866 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.

During the year 2022 parent company J&T FINANCE GROUP SE contributed the payment to other capital funds amounted to CZK 2,913 million.

As at 31 December 2022, capital funds amounted to CZK 2,977 million (2021: CZK 59 million).

Translation and revaluation reserve
Translation and revaluation reserve comprises items arisen from the following:
- changes in the fair value of financial assets measured at FVOCI;
- 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 2022, amounting to CZK 1,631 million (2021: CZK -1,871 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.

On 15 June 2022, the Czech National Bank approved the issue prospectus for revenue certificates with the total nominal amount of EUR 200 million and interest revenue of 7% p.a.

As at 31 December 2022, the volume of issued certificates was CZK 8,868 million (2021: CZK 3,897 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 2022, the Bank transferred another CZK 326 million (2021: CZK 242 million) within the distribution of profit for 2021. 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 2022, proceeds of CZK 319 million (2021: CZK 230 million) was distributed from this fund. As at 31 December 2022, the special-purpose capital fund for the payment of revenue from certificates amounted to CZK 181 million (2021: CZK 174 million).

26. NON-CONTROLLING INTEREST

in millions of CZK	2022	2021
J&T Bank, a.o.	–	1
Interznanie, OAO	(3)	(3)
TERCES MANAGEMENT LIMITED	5	5
J&T REALITY, o.p.f.	–	513
J&T banka d.d.	–	(10)
Colorizo Investment, a.s.	–	949
J&T VENTURES I o.p.f.	–	5
AMISTA investiční společnost, a.s.	11	–
Total	**13**	**1,460**

During the year 2022 the Group achieved 100% interest of company J&T banka d.d. and J&T VENTURES I o.p.f. J&T REALITY, o.p.f. and Colorizo Investments, a.s. was sold in 2022.

Colorizo Investments, a.s. paid dividends to non-controlling interest holder amounted of CZK 488 million. The non-controlling interest of AMISTA investiční společnost, a.s. represents 20%.

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%.

27. INCOME TAX

Income tax for 2022 was calculated in accordance with Czech tax regulations at the rate of 19% (2021: 19%). The corporate income tax rate for 2023 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% (2021: 21%). In 2023, 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 2022 is 20% (2021: 20%). The corporate income tax rate in Croatia for 2022 is 18% (2021: 18%).

The management believes that it has adequately provided for the tax liabilities in the accompanying consolidated financial statements.

Reconciliation of effective tax rate:

in millions of CZK	2022	2021
Profit before tax	4,759	3,303
Income tax using income tax rate (19%)	904	627
Reconciliation:		
Effect of tax rates in foreign jurisdictions	11	5
Non-taxable income	(123)	(277)
Non-deductible expenses	596	144
Other	(9)	–
Total income tax	**1,379**	**499**
Effective tax rate	29.0%	15.1%
of which:		
Income tax – deferred	178	(28)
Income tax – current	(1,557)	(471)

The increase in non/deductible expenses in 2022 mainly consist of the additional creation of adjustment items for receivables of the J&T Bank, a.o.

28. DEFERRED TAX ASSET

The following deferred tax assets and liabilities have been recognised:

Deferred tax asset

in millions of CZK	31/12/2022	31/12/2021
Difference between the carrying and tax value of property, plant and equipment and intangible assets	7	–
Financial assets at fair value through other comprehensive income	41	19
Financial assets at FVTPL	–	(4)
Investment property	(58)	(58)
Allowances for credit receivables	197	33
Tax losses	–	1
Provision for bonuses and untaken holidays	232	220
Other temporary differences	31	33
Net deferred tax asset	**450**	**244**

Total deferred tax of CZK 450 million (31 December 2021: CZK 244 million) comprises a net deferred tax liability of CZK 61 million (31 December 2021: CZK 82 million) and a net deferred tax asset of CZK 511 million (31 December 2021: CZK 326 million) arising at the level of the Bank and other companies of the Group.

The deferred tax asset or liability is calculated using the 2022 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 (2021: 19%, 20%, 18% and 21%).

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax assets in 2022.

in millions of CZK	31/12/2022	31/12/2021
Deferred tax liability, net as at 31 December	244	283
Deferred tax expense/revenue in the period (see note 26)	178	(28)
Deferred tax recognised in equity	32	(5)
Additions from business combination	5	–
Foreign exchange differences	(9)	(6)
Deferred tax asset	**450**	**244**

Deferred tax assets were not recognised for:

in millions of CZK	2022	2021
Tax losses carried forward	476	106

Expiration of unrecognised tax losses is as follows:

in millions of CZK	2022	After 2022
Tax loss for 2021	18	88
Tax loss for 2022	–	476

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.

29. INTEREST INCOME

in millions of CZK	2022	2021
Interest income from:		
Due from financial institutions	214	66
Loans and advances to customers	5,751	4,949
Reverse repurchase transactions	4,969	678
Bonds and other fixed income securities	729	506
Total	**11,663**	**6,199**

Interest income from “Loans and advances to customers” includes fees associated with the provision of loans of CZK 130 million (2021: CZK 289 million) that are part of effective interest rate.

Interest income by asset classes:

in millions of CZK	2022	2021
Interest income from:		
Financial assets at fair value through profit or loss:		
– financial assets held for trading	222	147
– finance lease	135	72
Other interest income	**357**	**219**
Financial assets at FVOCI	391	310
Financial assets at amortised cost	115	49
Loans and other advances at amortised cost	10,800	5,621
– of which:		
unpaid interest on impaired loans	203	250
unpaid interest on loans with forbearance	20	14
Interest income calculated using effective interest rate	**11,306**	**5,980**
Total	**11,663**	**6,199**

30. INTEREST EXPENSE

in millions of CZK	2022	2021
Interest expense on:		
Deposits and loans from banks	(104)	(54)
Deposits from customers	(4,312)	(1,641)
Lease liabilities	(6)	(4)
Repurchase transactions	(203)	(35)
Total	**(4,625)**	**(1,734)**

Interest expense by liability classes:

in millions of CZK	2022	2021
Interest expense on:		
Financial liabilities at amortised cost	(4,625)	(1,734)
Total	**(4,625)**	**(1,734)**

31. 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 from:

31/12/2022

in millions of CZK	Banking CR	Banking SR	Banking RU	Banking HR	Asset management	Real estate	Total
issuance and administration of securities	474	39	–	–	–	–	513
trading with financial instruments	204	60	–	–	–	–	264
assets management	72	–	–	–	–	–	72
assets administration and custody	139	1	–	–	–	–	140
management and other fees from funds	110	7	–	–	764	–	881
lending activities	162	13	2	–	–	–	177
foreign exchange services	75	38	–	–	–	–	113
others	34	5	12	4	–	–	55
Total	**1,270**	**163**	**14**	**4**	**764**	**–**	**2,215**

31/12/2021

in millions of CZK	Banking CR	Banking SR	Banking RU	Banking HR	Asset management	Real estate	Total
issuance and administration of securities	478	44	–	–	–	–	522
trading with financial instruments	244	57	1	–	–	–	302
assets management	84	–	–	–	–	–	84
assets administration and custody	135	1	–	–	–	–	136
management and other fees from funds	143	13	–	–	533	1	690
lending activities	94	11	5	–	–	–	110
foreign exchange services	40	18	–	–	–	–	58
others	31	3	11	6	–	–	51
Total	**1,249**	**147**	**17**	**6**	**533**	**1**	**1,953**

32. FEE AND COMMISSION EXPENSE

in millions of CZK	2022	2021
Fee and commission expense on:		
transactions in financial instruments	(211)	(247)
administration, custody and safekeeping of valuables	(60)	(51)
mediation of payment transactions	(32)	(26)
other	(21)	(24)
Total	**(324)**	**(348)**

33. NET INCOME/(LOSS) FROM TRADING AND INVESTMENTS

in millions of CZK	2022	2021
Realised/unrealised gains/(losses) on securities	(84)	(293)
Net gains/(losses) on derivative operations	3,413	(406)
Net gains/(losses) from foreign currency translation	(1,244)	(264)
Dividend income	69	830
Total	**2,154**	**(133)**

The decrease of dividend income in 2022 is due to the significant decrease of dividends on financial assets mandatorily at fair value of CZK 1 million (2021: CZK 771 million).

in millions of CZK	2022	2021
Financial assets and liabilities at fair value through profit or loss:		
– those held for trading	3,192	(545)
– financial assets mandatorily at fair value	270	634
Financial assets at fair value through other comprehensive income	(64)	42
Foreign exchange differences	(1,244)	(264)
Total	**2,154**	**(133)**

34. OTHER OPERATING INCOME

in millions of CZK	2022	2021
Revenues from services and consulting	57	66
Rental income from investment property	31	31
Gains/(losses) from revaluation of investment property (note 33)	(6)	29
Income from rendered operating leases	3	4
Rental income	4	6
Profit from disposal of fixed assets	–	6
Revenue from the sale of electricity	249	–
Other income	98	65
Total	**436**	**207**

Other income of CZK 98 million as at 31 December 2022 (2021: CZK 65 million) comprises a high number of low-value items that are separately immaterial.

35. PERSONNEL EXPENSES

in millions of CZK	2022	2021
Wages and salaries	(1,093)	(796)
Remuneration paid to key management personnel	(169)	(172)
Compulsory social security contributions	(331)	(283)
Other social expenses	(130)	(97)
Total	**(1,723)**	**(1,348)**
Average number of employees during the reporting period	**940**	**875**

As at 31 December 2022, the board of directors of the Group's parent company had 6 members (2021: 5).

36. OTHER OPERATING EXPENSES

in millions of CZK	2022	2021
Rental expense	(154)	(145)
of which recognition exemption applied under IFRS 16		
– lease of low-value assets	(58)	(53)
– short-term leases	(36)	(32)
– variable rent payments	(51)	(51)
Contributions to Deposit Insurance Fund	(64)	(52)
Contributions to Crisis Resolution Fund	(122)	(91)
Taxes and charges	(57)	(31)
Operating costs:		
Outsourcing	(521)	(392)
Advertising expenses and promotion	(243)	(190)
Repairs and maintenance – IS, IT	(45)	(42)
Audit, legal and tax consulting	(76)	(65)
– statutory audit of the annual financial statements	(25)	(22)
– other assurance services	–	(6)
– tax advisory	(4)	(3)
– other services	(47)	(35)
Expenses related to rented premises	(17)	(16)
Consulting expenses	(70)	(80)
Sponsorship and gifts	(58)	(29)
Communication expenses	(26)	(22)
Materials	(22)	(16)
Transport and accommodation, travel expenses	(13)	(8)
Expenses related to investment property	(15)	(5)
Other operating expenses	(261)	(203)
Total	**(1,764)**	**(1,387)**

Other operating expenses of CZK 261 million as at 31 December 2022 (2021: CZK 203 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 47 million (2021: CZK 48 million), monetary payments of the interest part of the lease liability amounted to CZK 6 million (2021: 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.

37. ANALYSIS OF CHANGES IN LIABILITIES FROM FINANCIAL CASH FLOWS

in millions of CZK	Subordinated debt	Lease liabilities	Own debentures at amortised costs
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**	**–**
Balance as at 1 January 2022	**73**	**208**	**–**
Changes in financial cash flows			
Issue of debt	185	–	300
Lease liabilities paid	–	(47)	–
Total changes in financial cash flows	**185**	**(47)**	**300**
Foreign exchange differences	**(3)**	**(6)**	**–**
Other changes	**–**	**28**	**–**
Related changes			
Interest expense	6	6	1
Interest paid	(5)	(6)	–
Total related changes and liabilities	**1**	**–**	**1**
Balance as at 31 December 2022	**256**	**183**	**301**

Other changes in the lease liability include new lease contracts (note 14) and the effects of lease adjustments.

38. FINANCIAL COMMITMENTS AND CONTINGENCIES

in millions of CZK	Stage 1	Stage 2	Stage 3	Total 2022
Unused credit lines	4,638	147	608	5,393
Granted guarantees	3,058	320	90	3,468

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

39. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

in millions of CZK	31/12/2022	31/12/2021
Assets under management		
Assets under management in own-managed funds	65,858	38,491
Assets under investment management with right of disposal	38,799	9,119
Assets under administration		
Other administrative assets	76,141	76,790
Total	**180,798**	**124,400**

Assets under management
Assets under management represent the total market value of investments that the Group manages on behalf of clients. These assets are actively managed by fund managers and portfolio managers with fiduciary responsibility and authority to make investment decisions on behalf of investors.

Assets under management in own-managed funds represent assets of all investment funds of the Group.

Securities, value rights, precious metals and other fiduciary investments from third parties under investment management, where the Group has right of disposal. The amount comprises of both assets deposited with the Group companies and of assets deposited with third parties, for which the Group companies hold right of disposal.

Assets under administration
Assets under administration are total assets for which the Group provides only administrative services and consultancy for a fee. Assets are owned and managed by clients who have entered into an agreement with the Group as the provider of assets administration. The Group has no right to make investments decisions on behalf of clients.

40. SEGMENT INFORMATION

(a) Business segments

Information on business segments is disclosed in note 3 (o).

31/12/2022

in millions of CZK	Banking CR	Banking SR	Banking RU	Banking HR	Asset management	Real estate	Leasing	Other	Total
Net interest income	6,658	(148)	307	50	62	(13)	134	(12)	7,038
Inter-segment	(626)	768	(7)	(4)	–	5	(75)	(60)	1
Net fee and commission income	976	150	4	2	759	–	–	–	1,891
Inter-segment	287	–	–	12	(285)	–	(8)	(1)	5
Net income/(loss) from trading and investments	1,914	(24)	213	5	1	99	1	(55)	2,154
Inter-segment	(428)	16	–	27	–	(6)	26	–	(365)
Other operating income	(93)	1	30	9	(6)	148	25	322	436
Inter-segment	(82)	89	(27)	–	(6)	27	–	7	8
Operating income	**9,445**	**(21)**	**554**	**66**	**816**	**234**	**160**	**255**	**11,519**
Other significant non-cash items									
Net change in loss allowances for financial instruments	(837)	(26)	(2,039)	(47)	(60)	–	(8)	(15)	(3,032)
Net loss from changes of loans and other receivables	(106)	(9)	–	–	–	–	–	–	(115)
Profit from interests in joint ventures and investments in associates	–	–	–	–	–	140	–	2	142
Profit before tax	**5,988**	**(461)**	**(1,704)**	**(63)**	**583**	**254**	**99**	**63**	**4,759**
Asset segment	**209,975**	**4,343**	**3,388**	**2,094**	**797**	**3,013**	**2,279**	**1,364**	**227,253**
Liability segment	**158,458**	**25,583**	**3,151**	**1,733**	**156**	**1,070**	**206**	**1,038**	**191,395**

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in millions of CZK	Banking CR	Banking SR	Banking RU	Banking HR	Asset management	Real estate	Leasing	Other	Total
Net interest income	4,055	(114)	287	84	89	(13)	72	5	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 income/(loss) from trading and investments	(27)	2	(17)	9	4	(6)	–	(98)	(133)
Inter-segment	(4)	–	–	–	–	7	13	–	4
Other operating income	(83)	1	27	19	(5)	180	11	57	207
Inter-segment	(35)	44	(27)	–	(8)	27	–	3	4
Operating income	**4,876**	**24**	**307**	**116**	**613**	**161**	**83**	**(36)**	**6,144**
Other significant non-cash items									
Net change in loss allowances for financial instruments	(519)	67	(15)	13	(86)	–	(36)	4	(572)
Profit from interests in joint ventures and investments in associates	–	–	–	–	–	653	–	1	654
Profit before tax	**2,463**	**(293)**	**83**	**13**	**417**	**709**	**(7)**	**(82)**	**3,303**
Asset segment	**182,071**	**4,709**	**5,942**	**2,652**	**1,759**	**4,532**	**1,363**	**223**	**203,251**
Liability segment	**142,309**	**26,341**	**3,872**	**2,012**	**89**	**2,256**	**30**	**116**	**177,028**

Basic ratios of entities within the Group are as follows:

31/12/2022

in millions of CZK	Average no. of employees	Total assets	Income	Profit/loss before tax	Tax
ALTERNATIVE UPRAVLJANJE d.o.o.	–	9	39	9	–
AMISTA investiční společnost, a.s.	44	88	155	29	(6)
ATLANTIK finanční trhy, a.s.	5	48	17	(7)	–
FVE Čejkovice s.r.o.	–	195	43	17	(4)
FVE Holding, s.r.o.	–	1,050	650	577	–
FVE Napajedla s.r.o.	–	520	82	32	1
FVE Němčice s.r.o.	–	325	58	21	(4)
FVE Slušovice s.r.o.	–	421	78	28	(3)
Interznanie OAO	17	477	54	9	(3)
J&T Bank, a.o.	158	3,880	381	(2,294)	(36)
J&T BANKA, a.s. (branch)	155	26,349	1,163	415	(99)
J&T banka d.d.	50	2,126	88	(57)	–
J&T IB and Capital Markets, a.s.	6	446	282	186	(14)
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	5	33	49	9	(2)
J&T INVESTIČNÍ SPOLEČNOST, a.s.	35	432	707	296	(56)
J&T Leasingová společnost, a.s.	20	2,293	162	42	–
J&T ORBIT SICAV, a.s.	1	17	–	(2)	–
J&T RFI I., s.r.o.	–	64	1	–	–
J&T VENTURES I otevřený podílový fond	–	96	–	(4)	2
Rustonka Development II s.r.o.	–	2,550	123	118	(31)
TERCES MANAGEMENT LIMITED	–	539	(3)	(4)	–

* Figures for XT-card a.s. 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. A German branch of the Bank (as the organizational unit "J&T BANKA, a.s. Zweigniederlassung Deutschland") was established on 21 September 2022, its business activities starts in 2023. AMISTA investiční společnost, a.s. and J&T ORBIT SICAV, a.s. were included to the consolidation scope from December 2022. Their average number of employees represents average for the whole year 2022 and therefore it was not included into calculation of average number of employees of the Group.

31/12/2021

in millions of CZK	Average no. of employees	Total assets	Income	Profit/loss before tax	Tax
ALTERNATIVE UPRAVLJANJE d.o.o.	–	30	–	–	–
ATLANTIK finanční trhy, a.s.	4	111	294	2	–
Colorizo Investment, a.s.	–	1,678	676	667	(4)
Interznanie, OAO	19	430	52	11	(2)
J&T Bank, a.o.	155	6,490	489	115	(21)
J&T BANKA, a.s. (branch)	140	27,284	835	228	(36)
J&T banka d.d.	58	2,688	132	10	–
J&T IB and Capital Markets, a.s.	8	340	65	(79)	16
J&T INVESTIČNÍ SPOLEČNOST, a.s.	28	478	525	258	(49)
J&T Leasingová společnost, a.s.	22	1,373	86	(13)	(2)
J&T REALITY o.p.f.	–	1,127	79	(11)	–
J&T VENTURES I otevřený podílový fond	–	228	–	(1)	(1)
Rustonka Development II s.r.o.	–	2,605	159	59	(15)
TERCES MANAGEMENT LIMITED	–	526	–	(1)	–

* 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.

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 2022:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Cash, cash equivalents and due from banks and other financial institutions	74,040	3,195	911	9	78,155
Securities and positive fair value of derivatives	16,584	4,075	11,459	1,927	34,045
Loans and other advances to customers	28,836	9,754	56,725	10,834*	106,149
Total	**119,460**	**17,024**	**69,095**	**12,770**	**218,349**
Deposits and loans from banks	2,126	343	7,916	145	10,530
Deposits from customers	110,821	24,936	24,535	3,730	164,022
Negative fair value of derivatives	1,546	10	2,297	82	3,935
Issued bonds	301	–	–	–	301
Subordinated debt	205	51	–	–	256
Total	**114,999**	**25,340**	**34,748**	**3,957**	**179,044**

* The position covers especially expositions in Switzerland, Great Britain and USA.

Exposures to Russia and Ukraine mainly represent securities and positive fair value of derivatives in the amount of CZK 1,749 million and loans and other receivables from clients in the amount of CZK 570 million. Among liabilities to these countries, the largest item is deposits from clients in the amount of CZK 2,995 million.

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
Loans and other advances to customers	29,090	5,907	50,333	7,838*	93,168
Total	**109,724**	**12,664**	**58,623**	**11,513**	**192,524**
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
Total	**96,495**	**24,853**	**35,223**	**4,803**	**161,374**

* The position covers especially expositions in Switzerland, Great Britain and USA.

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.

Statement of comprehensive income for the year ended 31 December 2022:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Net interest income	3,635	312	2,287*	804	7,038
Net fee and commission income	1,118	348	422	3	1,891
Net income/(loss) from trading and investments	(1,631)	(52)	4,870**	(1,033)	2,154
Other operating income	316	41	27	52	436
Operating income	**3,438**	**649**	**7,606**	**(174)**	**11,519**
Personnel expenses	(1,353)	(166)	(46)	(158)	(1,723)
Other operating expenses	(1,344)	(236)	(57)	(127)	(1,764)
Depreciation and amortisation	(217)	(28)	(12)	(11)	(268)
Profit before allowances, provisions and income tax	**524**	**219**	**7,491**	**(470)**	**7,764**
Net loss from changes of loans and other receivables	–	(9)	(106)	–	(115)
Net change in loss allowances for financial instruments	(208)	261	(1,091)	(1,994)	(3,032)
Profit before tax, excluding profit from equity accounted investees	**316**	**471**	**6,294**	**(2,464)**	**4,617**
Profit from equity accounted investees, net of tax	142	–	–	–	142
Profit before tax	**458**	**471**	**6,294**	**(2,464)**	**4,759**

* The item mainly includes a position against the Cyprus in the amount of CZK 998 million and Luxemburg in the amount of CZK 709 million.
** The item mainly includes a position against the Germany in the amount of CZK 3,430 million, Ireland in the amount of CZK 2,766 million and Cyprus in the negative amount of CZK 839 million.

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 income/(loss) from trading and investments	653	414	(321)	(879)*	(133)
Other operating income	87	27	58	35	207
Operating income	**2,848**	**954**	**2,478**	**(136)**	**6,144**
Personnel expenses	(891)	(267)	(60)	(130)	(1,348)
Other operating expenses	(1,011)	(185)	(70)	(121)	(1,387)
Depreciation and amortisation	(133)	(27)	(19)	(9)	(188)
Profit before allowances, provisions and income tax	**813**	**475**	**2,329**	**(396)**	**3,221**
Net change in loss allowances for financial instruments	(306)	(559)	330	(37)	(572)
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.

41. RELATED PARTIES: GENERAL

The outstanding balances and transactions with related parties of the Group 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 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 Group 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 31/12/2022 in millions of CZK	I.	II.	III.	IV.	V.	Total
Receivables	96	159	1,526	160	1,604	3,545
Liabilities	505	51	1,251	20	759	2,586
Granted guarantees	–	–	–	–	6	6
Received guarantees	–	–	153	–	–	153
Provided loan commitments	1,375	1	97	–	207	1,680
Received collateral	–	95	–	160	70	325
Profit / loss items for period ended 31/12/2022						
Expenses	(2,593)	–	(2,543)	(1)	(143)	(5,280)
Income	2,544	8	1,946	30	468	4,996

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

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	2022	2021
Provided loans	81	23
Deposits received	271	183

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 2022 amounted to CZK 178 million (2021: CZK 95 million). The loans provided to key management personnel were provided on the arm's length basis.

42. 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.

43. 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 31/12/2022

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Performing exposures	104,190	(1,371)	102,819
– of which performing exposures forborne	6,527	(152)	6,375
Non-performing exposures	6,758	(3,428)	3,330
– of which non-performing exposures forborne	2,162	(939)	1,223
Total	**110,948**	**(4,799)**	**106,149**

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**

in millions of CZK	2022	2021
Share of exposures forborne in the total loans provided to customers	7.16 %	9.01 %
Share of non-performing exposures in total loans to customers	3.14 %	4.26 %

(b) Concentration of loans to customers by economic sector

as at 31/12/2022

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Not forborne			
Non-financial institutions	57,688	(2,717)	54,971
Financial institutions	42,639	(796)	41,843
Households	1,933	(195)	1,738
Total	**102,260**	**(3,708)**	**98,552**
Forborne			
Non-financial institutions	5,773	(766)	5,007
Financial institutions	2,808	(248)	2,560
Households	107	(77)	30
Total	**8,688**	**(1,091)**	**7,597**

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**

(c) Concentration of loans to customers by industry

in millions of CZK	2022	2021
Real estate activities	21,989	23,562
Cultural, sports, entertainment and recreation activities	11,525	8,965
Construction	11,183	7,050
Financial activities	11,135	9,523
Manufacturing	10,237	4,537
Wholesale and retail	8,498	11,868
Transportation and storage	8,461	1,396
Production and distribution of electricity, gas and heat	7,703	7,841
Accommodation and food service activities	5,181	5,424
Information communication technilogies	3,566	4,510
Private households and employed persons	1,193	1,190
Water supply, services relating to water, waste management and redevelopment	1,170	611
Administrative and support service activities	843	1,960
Professional, scientific and technological activities	789	1,178
Healthcare and social work	804	669
Mining, quarrying and agriculture	754	1,156
Agriculture, forestry and fishing	235	68
Education	115	83
Other	768	1,563
Total	**106,149**	**93,154**

(d) Concentration of loans to customers by location

in millions of CZK	2022	2021
Czech Republic	28,836	29,076
Cyprus	23,374	17,285
Luxembourg	18,402	15,026
Slovakia	9,754	5,907
Germany	4,982	6,699
Switzerland	4,716	2,970
Croatia	4,516	3,464
USA	2,068	–
Great Britain	1,912	1,874
Poland	1,659	1,272
Austria	1,330	3,010
Cayman Islands	1,040	871
France	918	973
Malta	733	613
Russia	570	1,694
Maldives	302	328
Belgium	287	–
The Netherlands	224	1,695
Guernsey – Channel Islands	224	–
Ireland	148	183
Other	154	214
Total	**106,149**	**93,154**

(e) Concentration of loans to customers by location of project implementation and collateral

in millions of CZK	2022	2021
Czech Republic	48,897	44,002
Slovakia	11,453	6,568
Germany	8,999	6,404
Great Britain	8,784	3,909
Croatia	6,256	6,694
USA	3,503	3,037
Spain	3,451	2,602
Cyprus	2,473	488
Slovenia	1,687	1,362
Poland	1,659	1,272
Austria	1,555	3,269
The Netherlands	1,536	430
France	1,199	3,602
Hungary	1,142	871
Moldova	990	991
Russia	669	1,694
Tanzania	610	499
Luxembourg	338	1,724
Maldives	302	329
Ukraine	186	1,899
Greece	77	136
China	5	1,274
Other	378	98
Total	**106,149**	**93,154**

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 2022

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	4,826	73,091	85,360	18,568
Expected credit losses	(3)	–	(1,405)	–
Stage 1 and 2 – collectively				
Gross amount				
Expected credit losses				
Stage 3 – individually				–
Gross amount	9	–	6,613	–
Expected credit losses	–	–	(3,412)	–
POCI – individually				
Gross amount	–	–	407	–
Expected credit losses	–	–	18	–
Total	**4,832**	**73,091**	**87,581**	**18,568**
Stage 1 and 2 – by maturity				
– to maturity date	4,823	73,091	83,922	18,568
– up to 1 month past due	–	–	31	–
– 1-3 months past due	–	–	1	–
– 3-6 months past due	–	–	1	–
Stage 3 – by maturity				
– to maturity date	9	–	2,287	–
– up to 1 month past due	–	–	2	–
– 1-3 months past due	–	–	22	–
– 6-12 months past due	–	–	32	–
– more than 12 months past due	–	–	858	–
POCI – by maturity				
– to maturity date	–	–	400	–
– more than 12 months past due	–	–	25	–
Total	**4,832**	**73,091**	**87,581**	**18,568**

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 – individually				
Gross amount	–	–	6,876	–
Expected credit losses	–	–	(3,282)	–
POCI – individually				
Gross amount	–	–	423	–
Expected credit losses	–	–	(52)	–
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	–
– 3-6 months past due	–	–	–	–
Stage 3 – by maturity				
– to maturity date	–	–	2,796	–
– up to 1 month past due	–	–	1	–
– 1-3 months past due	–	–	4	–
– 3-6 months past due	–	–	127	–
– 6-12 months past due	–	–	161	–
– more than 12 months past due	–	–	505	–
POCI – by maturity				
– to maturity date	–	–	347	–
– more than 12 months past due	–	–	24	–
Total	**7,389**	**66,318**	**72,851**	**20,303**

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.

Risk category

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	1,255	–	–	–	1,255
Low risk	2,051	–	–	–	2,051
Medium risk	69,580	7,564	–	–	77,144
High risk	2,766	2,144	–	–	4,910
Default	–	–	6,613	407	7,020
Debits and reverse repurchase agreements – without rating	18,568	–	–	–	18,568
ECL	(981)	(424)	(3,412)	18	(4,799)
Total as at 31 December 2022	**93,238**	**9,284**	**3,201**	**425**	**106,149**

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
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
Default	–	–	6,876	423	7,299
Debits and reverse repurchase agreements – without rating	20,303	–	–	–	20,303
ECL	(372)	(479)	(3,283)	(50)	(4,184)
Balance as at 31 December 2021	**79,921**	**9,267**	**3,593**	**373**	**93,154**

(g) Sensitivity analysis for expected credit losses

The Group performs various sensitivity analyses of expected credit losses. One set of sensitivity analysis represents change in ECL by changing in LGD and GDP parameters as follows:

The optimistic and pessimistic scenario reflects the amount of expected credit losses on a change of LGD by a factor of 10% and a change of GDP by 1 percentage point.

in millions of CZK	Optimistic	Base	Pessimistic
Change in LGD			
ECL 2022	(4,327)	(4,799)	(5,251)
ECL 2021	(3,836)	(4,184)	(4,477)
Change in GDP			
ECL 2022	(4,777)	(4,799)	(4,815)
ECL 2021	(4,092)	(4,184)	(4,319)

The Group also pursues sensitivity analysis for expected credit losses for PD change scenarios arising at 5%, 12.5%, 25% and 50% quantiles of GDP predictions, with each set of PDs equally weighted at 25%. The ECL values below represent the amount of expected credit losses as at 31 December 2022 if the Group applied a 100% weighting to the PD set for that quantile, while the PD sets for the other GDP prediction scenarios would have a 0% weighting. For Stage 1 and 2, the impacts are calculated only for loans that are not subject to management adjustments for crisis scenarios (see point 4.4).

in millions of CZK	Base ECL 2022	ECL per quantile 5%	ECL per quantile 12,5%	ECL per quantile 25%	ECL per quantile 50%
Loans to customers	(4,799)	(4,834)	(4,816)	(4,796)	(4,751)
from this Stage 1 and 2	(789)	(824)	(806)	(786)	(741)
Bonds FVOCI	(778)	(781)	(779)	(778)	(775)
from this Stage 1 and 2	(105)	(108)	(106)	(105)	(102)

(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	Carrying amount of collateral Stage 3
To maturity date:	**115,688**	**122,037**	**1,755**	**4,571**
– Guarantees	3,347	4,482	–	–
– Promissory notes	360	878	–	–
– Real estate	13,334	17,443	1,136	2,017
– Cash deposits	2,715	2,716	26	26
– Securities	17,852	17,878	175	788
– Other	1,912	2,472	418	1,740
– Securities received under reverse repurchase agreements	76,168	76,168	–	–
Past due:	**23**	**37**	**119**	**305**
– Real estate	23	37	48	69
– Other	–	–	71	236

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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	Carrying amount 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

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 a 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 rating 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	2022	2021
Decrease of the trading portfolio value due to a rating migration by one credit class	24	160

(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.

44. 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 2022:

The table shows the liquidity risk based on remaining contractual maturity dates.

in millions of CZK	Gross carring 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	78,158	78,342	78,074	12	256	–	–
Securities (excl. derivatives)	27,169	28,987	257	1,098	14,428	1,361	11,843
Loans and advances to customers	110,948	129,494	26,380	25,627	71,297	6,190	–
Total	**216,275**	**236,823**	**104,711**	**26,737**	**85,981**	**7,551**	**11,843**
Off balance							
Bank commitments	5,393	5,393	3,667	283	1,343	100	–
Bank guarantees	3,468	3,468	3,468	–	–	–	–
Liabilities							
Deposits and loans from banks	10,530	10,977	4,940	241	5,336	460	–
Deposits from customers	164,022	169,166	109,848	31,995	25,569	1,091	663
Issued bonds	301	420	–	24	396	–	–
Subordinated debt	256	319	45	9	265	–	–
Lease liabilities	183	222	13	35	114	60	–
Total	**175,292**	**181,104**	**114,846**	**32,304**	**31,680**	**1,611**	**663**
Net liquidity position	**40,983**	**55,719**	**(10,135)**	**(5,567)**	**54,301**	**5,940**	**11,180**
Cumulative liquidity position			**(10,135)**	**(15,702)**	**38,599**	**44,539**	**55,719**

The contractual maturities above illustrate that, on contractual basis, the Group funds its long-term assets with shorter-term liabilities. However, the actual maturity of deposits from customers is much longer than their contractual maturity, and deposits from customers have been and continue to be a stable source of funding. In this respect, the Group's funding model is in line with industry standards.

The Group's liquidity position is monitored on daily basis, and it is substantially above limit for both regulatory (LCR, NSFR) and internal liquidity risk indicators. Moreover, the Group's liquidity position is enhanced by the fact that a large part of deposits from customers is formed by deposits redeemable upon notice (with notice period ranging from 1 day to 6 months) and by term deposits (with weighted average maturity of over 1 year at the end of 2022).

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	Net carrying amount	Expected 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	106,149	127,102	24,939	26,626	69,617	5,903	17
Liabilities							
Deposits from customers	164,022	169,821	100,465	30,063	31,627	7,003	663
Subordinated debt	256	319	45	9	265	–	–

Liquidity risk as at 31 December 2021:

The table shows the liquidity risk based on remaining contractual maturity dates.

in millions of CZK	Gross 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	73,946	74,075	73,819	9	247	–	–
Securities (excl. derivatives)	24,274	27,130	264	1,058	12,930	2,950	9,928
Loans and advances to customers	97,352	108,970	28,845	21,492	48,434	10,161	38
Total	**195,572**	**210,175**	**102,928**	**22,559**	**61,611**	**13,111**	**9,966**
Off balance							
Bank commitments	11,162	11,162	4,431	1,352	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	**35,689**	**48,304**	**6,009**	**(5,462)**	**25,803**	**12,645**	**9,309**
Cumulative liquidity position	**–**	**–**	**6,009**	**547**	**26,350**	**38,995**	**48,304**

Expected maturity

in millions of CZK	Net carrying amount	Expected 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	84,515	27,298	37,418	7,007	657
Subordinated debt	73	87	4	1	82	–	–

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	From 1 to 5 years
Derivative financial assets					
Foreign exchange					
– inflow	6,021	6,840	2,308	1,324	3,208
– outflow	–	(819)	(819)	–	–
Cross currency derivatives					
– inflow	169	3,165	–	1,414	1,751
– outflow	–	(2,941)	–	(1,287)	(1,654)
Other derivatives					
– inflow	699	704	4	28	672
Total	**6,889**	**6,949**	**1,493**	**1,479**	**3,977**
Derivative financial liabilities					
Foreign Exchange					
– inflow	–	–	–	–	–
– outflow	(3,527)	(3,527)	(1,071)	(946)	(1,510)
Cross currency derivatives					
– inflow	–	3,556	–	1,900	1,656
– outflow	(195)	(3,814)	–	(2,068)	(1,746)
Other derivatives					
– outflow	(213)	(215)	1	1	(217)
Total	**(3,935)**	**(4,000)**	**(1,070)**	**(1,113)**	**(1,817)**

31/12/2021

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
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)**

45. 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 46 and 47, 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 2022 and 31 December 2021 are as follows:

in millions of CZK	2022	2021
VaR market risk overall	179	111
VaR interest rate risk	83	85
VaR FX risk	100	29
VaR equity risk	87	20
VaR commodity risk	1	1

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	2022	2021
Short-term scenario	(204)	(297)
Medium-term scenario	(468)	(297)
Long-term scenario	(660)	(297)

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 („EVE") and net interest income („NII") would be as follows:

in millions of CZK			2022	2021
Increase/decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	EVE	upward	843	(520)
		downward	(1,274)	(1,344)
	NII	upward	(992)	(601)
		downward	901	1,084

46. 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 no-interest-bearing are grouped together in the "maturity undefined" category.

Interest rate risk exposure as at 31 December 2022 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	76,943	–	–	1,212	78,155
Securities and positive fair value of derivatives	4,953	16,031	1,205	11,856	34,045
Loans and other advances to customers	99,445	2,107	229	4,368	106,149
Total	**181,341**	**18,138**	**1,434**	**17,436**	**218,349**

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	2,086	3,649	–	4,795	10,530
Deposits from customers	123,300	26,494	662	13,566	164,022
Negative fair value of derivatives	2,117	1,818	–	–	3,935
Subordinated debt	51	205	–	–	256
Issued bonds	–	1	–	300	301
Total	**127,554**	**32,167**	**662**	**18,661**	**179,044**
Net interest rate risk	**53,787**	**(14,029)**	**772**	**(1,225)**	**39,305**
Cumulative interest rate risk	**53,787**	**39,758**	**40,530**	**39,305**	

Interest rate risk is reflected in the value of the portfolio primarily through the shape of the yield curve.

The yield curves arise from liquid interbank interest rates and 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.

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
Loans and other advances to customers	85,600	4,617	295	2,656	93,168
Total	**156,593**	**15,347**	**2,034**	**18,550**	**192,524**

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
Total	**90,929**	**42,304**	**367**	**27,774**	**161,374**
Net interest rate risk	**65,664**	**(26,957)**	**1,667**	**(9,224)**	**31,150**
Cumulative interest rate risk	**65,664**	**38,707**	**40,374**	**31,150**	

47. 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 2022 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	73,943	80	3,570	8	554	78,155
Securities and positive fair value of derivatives	21,709	180	10,174	1,455	527	34,045
Loans and other advances to customers	10,210	12,026	78,888	570	4,455*	106,149
Total	**105,862**	**12,286**	**92,632**	**2,033**	**5,536**	**218,349**

*The item mainly includes a position in GBP of CZK 3 985 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	1,524	–	8,846	145	15	10,530
Deposits from customers	105,552	2,002	52,880	2,663	925	164,022
Negative fair value of derivatives	3,935	–	–	–	–	3,935
Issued bonds	301	–	–	–	–	301
Subordinated debt	205	–	51	–	–	256
Total	**111,517**	**2,002**	**61,777**	**2,808**	**940**	**179,044**
Long position of off-balance sheet instruments:						
items from derivative transactions	118,995	8,142	62,378	–	6,135	195,650
items from spot transactions with equity instruments	3	416	–	–	–	419
Short position of off-balance sheet instruments:						
items from derivative transactions	67,197	19,135	94,263	819	10,408	191,822
items from spot transactions with equity instruments	5	415	–	–	–	420
Open position asset/(liability)	**46,141**	**(708)**	**(1,030)**	**(1,594)**	**323**	**43,132**

Foreign exchange risk exposure as at 31 December 2021 was as follows:

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Aktiva						
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
Loans and other advances to customers	13,316	12,887	62,130	1,494	3,341*	93,168
Total	**95,856**	**13,354**	**74,166**	**4,574**	**4,574**	**192,524**

*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
Total	**90,168**	**2,733**	**64,017**	**3,083**	**1,373**	**161,374**
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)	**29,764**	**116**	**1,708**	**884**	**605**	**33,077**

48. 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.

49. 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, 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 208 million (31 December 2021: CZK 41 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.

As at 31 December 2022, the Group decided not to apply article 473a of Regulation (EU) 2017/2395 of the European Parliament and of the Council and therefore no longer includes in Common Equity Tier 1 (CET1) capital the amounts that corresponds 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. At the same time, the Group no longer 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 2022 and 31 December 2022 are as follows:

in %	Minimum requirement	Capital conservation buffer	Countercyclical buffer	Total requirement
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.68%	7.68%
Tier 1 capital	6%	2.5%	0.68%	9.18%
Total regulatory capital 2022	**8%**	**2.5%**	**0.68%**	**11.18%**
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%**

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 2022 and 31 December 2021, providing a complete reconciliation of individual items of regulatory capital to equity items.

As at 31 December 2022

in millions of CZK	Regulatory capital	Equity
Paid-up share capital registered in the Commercial Register	10,638	10,638
Retained earnings	13,841	11,430
Profit for the period	–	3,380
Accumulated other comprehensive income	(1,698)	(1,631)
Reserve funds	34	3,158
Non-controlling interest	–	13
(-) Additional value adjustments (AVA)	(33)	–
(-) Intangible assets other than goodwill	(238)	–
(-) 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	8	–
(-) Goodwill	(131)	–
(-) Insufficient coverage for defaulted exposures	(288)	–
Transitional adjustments to CET1 instruments	–	–
Paid-in AT1 instruments, share premium	8,868	8,868
Total Tier 1 capital	**31,001**	**n/a**
Total Tier 2 capital	208	–
Total regulatory capital/equity	**31,209**	**35,856**

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 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**

Risk weighted assets (RWA) and capital ratios

in millions of CZK	31/12/2022	31/12/2021
Central governments or central banks	3,132	1,627
Institutions	2,097	774
Corporates	73,860	57,821
Retail	47	46
Secured by mortgages on immovable property	7,690	9,985
Exposures in default	2,607	5,118
Items associated with particular high risk	30,563	26,014
Covered bonds	–	50
Receivables from institutions and companies with short - term credit ratings	206	164
Collective investments undertakings (CIU)	10,972	9,943
Shares	1,051	1,677
Other exposures	4,456	3,807
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**136,681**	**117,026**
Traded debt instruments	3,540	3,379
Shares	1,888	890
Position risk in collective investment undertakings (CIUs)	3,280	21
Foreign exchange	2,980	2,872
Total risk exposure amount for position, foreign exchange and commodity risks	**11,688**	**7,162**
Operational risk	12,028	11,417
Total risk exposure amount for credit valuation adjustment	742	243
Total risk exposure amount	**161,139**	**135,848**

Capital adequacy ratios

in millions of CZK	31/12/2022	31/12/2021
Common Equity Tier 1 capital (CET 1)	13.74%	13.31%
Tier 1 capital	19.24%	16.18%
Total regulatory capital	**19.37%**	**16.21%**

The Czech National Bank, as a local authority for crisis resolution, defines the most appropriate strategies for crisis resolution of institutions and determines the minimum requirement for capital and eligible liabilities of these institutions (MREL). Indicative targets based on risk-weighted assets prescribed by the CNB (excluding combined capital reserves) were set only for the Bank. The set targets for the Bank are 13.3% as of January 1, 2022, 14.8% as of January 1, 2023 and 16.1% as of January 1, 2024. As of December 31, 2022, the Bank reports an MREL without a combined reserve at the level of 17.6%.

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.

50. 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 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 charged on issuance.

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:

31/12/2022

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	–	78,152	–	78,152	78,155
Financial assets at amortised cost	–	–	4,400	4,400	4,801
Loans and other advances to customers	–	–	109,769	109,769	106,149
Financial liabilities					
Deposits and loans from banks	–	10,373	–	10,373	10,530
Deposits from customers	–	165,005	–	165,005	164,022
Financial liabilities at amortised costs	–	–	305	305	301
Subordinated debt	–	324	–	324	256

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

51. 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 2022

in millions of CZK	Date of acquisition	Acquisition cost	Cash outflow
FVE Čejkovice s.r.o.	13.04.2022	168	168
FVE Napajedla s.r.o.	13.04.2022	445	445
FVE Němčice s.r.o.	13.04.2022	250	250
FVE Slušovice s.r.o.	13.04.2022	304	304
J&T RFI I., s.r.o.	03.08.2022	–	–
J&T ORBIT SICAV, a.s.	14.01.2022	10	10
AMISTA investiční společnost, a.s.	30.11.2022	137	110
J&T Leasingová společnost, a.s.	29.9.2022	–	–
ATLANTIK finanční trhy, a.s.	8.2.2022	–	–
J&T Banka d.d.	26.4.–29.9.2022	–	–
J&T INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	27.6.2022	–	–
Total		**1,313**	**1,268**

Acquisitions of subsidiaries and contributions to subsidiaries' capital in 2021

in millions of CZK	Date of acquisition	Acquisition cost	Cash outflow
J&T Leasingová společnost, a.s.	23.7.2021	–	–
Leasing-Medicine Ltd	28.5.2021	27	27
Total		**27**	**27**

New joint ventures in 2021

in millions of CZK	Date of acquisition	Acquisition cost	Cash outflow
Industrial Center CR 11 s.r.o.	8.12.2021	–	–
Total		**–**	**–**

b) Formation/establishment of subsidiaries and joint ventures

New subsidiaries in 2022

in millions of CZK	Date of acquisition	Acquisition cost	Cash outflow
FVE Holding, s.r.o.	7.4.2022	–	–
Total	**–**		**–**

The Group did not form/establish any new subsidiaries and joint ventures in 2021.

The Group did not increase the capital of joint ventures in 2022 and 2021.

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:

in millions of CZK	2022
Cash and cash equivalents	115
Derivative financial instruments	1
Investment securities at fair value through profit or loss	111
Loans and advances to customers	16
Property, plant and equipment	930
Other intangible assets	1
Current tax asset	2
Deferred tax asset	5
Prepayments, accrued income and other assets	150
Total assets	1,330
Amounts owed to financial institutions	25
Amount owed to customers	11
Current tax liabilities	4
Accruals, provisions and other liabilities	61
Total liabilities	102
Fair value of net identifiable assets and liabilities	**1,228**
Non-controlling interest	11
Goodwill on acquisition of new subsidiaries	**94**
Consideration transferred, paid in cash	(1,286)
Contingent consideration	(27)
Cash acquired	**115**
Profit or loss since the date of acquisition	89
Profit or loss of acquired companies per the all year 2022	126
Income of acquired companies per the all year 2022	428

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
Fair value of 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

It is the acquisition of a 100% share in Leasing-Medicine, which is a business combination in accordance with IFRS 3, see note 51a.

d) Disposals of subsidiaries

Disposal of subsidiaries in 2022

in millions of CZK	Date of disposal	Net assets disposed less NCI	Total cash inflow
Colorizo Investment, a.s.	18.11.2022	141	141
J&T REALITY otevřený podílový fond	27.12.2022	579	579
Total		**720**	**720**

The Group did not dispose of any subsidiary in 2021.

Effect of disposal of subsidiaries

in millions of CZK	2022
Cash and cash equivalents	(19)
Loans and advances to customers	(1,159)
Investment in equity accounted investees	(632)
Prepayments, accrued income and other assets	(363)
Total assets	**(2,174)**
Accruals, provisions and other liabilities	(578)
Total liabilities	**(578)**
Net identifiable assets and liabilities	**1,595**
Thereof: Non-controlling interest	876
Subtotal	719
Consideration paid, satisfied in cash	720
Cash and cash equivalents disposed of	(19)
Net cash outflow / inflow	**701**

e) Disposals of associates and joint ventures

The Group disposed joint venture from OAMP Holding s.r.o. group, CI Joint Venture s.r.o. and Industrial Center CR 11 s.r.o. through disposal of Colorizo Investment, a.s. during 2022.

The Group did not dispose of any associates and joint ventures in 2021.

52. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

The following table shows a break-down of individual investments in equity accounted investees.

31/12/2022

in millions of CZK	XT-card a.s. Associate
Group's share in the consolidated fair value of equity at the date of acquisition	6
The Group's share of post-acquisition profit / (loss) to year 2021	2
Group's share in the post-acquisition profit / (loss) 2022	2
Total	**10**

31/12/2021

in millions of CZK	XT-card a.s. Associate	SkupinaOAMP 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.

Summary financial information for equity accounted investees as at 31 December 2022:

in millions of CZK	XT–card a.s. Associate	OAMP Group Joint venture	Total
Assets	33	–	33
Liabilities	9	–	9
Net assets	**24**	**–**	**24**
Income	52	–	52
Expenses	(46)	–	(46)
Profit / (loss)	**6**	**–**	**6**
Group's share	32%	–	
Group's share in profit / (loss)	**2**	**140**	**142**

OAMP Group includes Group's share in profit for the year 2022 until the sale dates for OAMP Holding s.r.o., OAMP Distribution s.r.o., OAMP Infrastructure s.r.o., CI Joint Venture s.r.o. and Industrial Center CR 11 s.r.o. held as Joint Ventures by Colorizo Investment, a.s.

Summary financial information for equity accounted investees as at 31 December 2021:

	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. Joint venture	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.

53. MATERIAL SUBSEQUENT EVENTS

Croatia adopted the Euro as its currency on 1 January 2023 at a conversion rate of 1 euro for 7.53450 Croatian kuna.

On 17 January 2023, ALTERNATIVE UPRAVLJANJE d.o.o. was liquidated and deleted from the court register in Croatia. Residual capital reserves of EUR 371 ths were paid to the Bank as the sole shareholder on 19 January 2023.

German branch of the Bank operates under the brand J&T Direktbank, as a fully digital bank since 27 February 2023. The Bank primarily offers deposit products for the German market. Germany becomes the fourth market within which the Bank operates.

The Group is proceeding strategy to terminate its business operations in Russia and negotiating sales of its subsidiaries in this country.

During the first quarter 2023, the Bank’s subsidiary J&T Leasingová společnost, a.s. recorded a significant increase in the credit risk for a significant customer representing approximately 52 % of the subsidiary's total assets as at 31 March 2023 leading to the increase of expected credit losses. In March 2023, the Bank's parent company provided the subsidiary with unfunded credit participation to partially cover credit losses. As a result of the situation, the Group created expected credit losses in the amount of CZK 426 million.

35.86 billion CZK

THE GROUP´S
EQUITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

in millions of CZK	Note	31/12/2022	31/12/2021
Assets			
Cash and cash equivalents	5	76,056	66,579
Due from banks and other financial institutions	6	1,235	6,041
Positive fair value of derivatives	7	6,783	1,149
Financial assets for trading	8a	6,408	3,896
Financial assets mandatorily at fair value through profit or loss	8b	8,978	8,645
Financial assets at fair value through other comprehensive income	8c	4,681	3,308
Financial assets at amortised cost	8d	4,529	4,522
Of which pledged as collateral (repurchase agreements)	9	4,330	4,322
Loans and advances to customers at amortised cost	10	103,644	88,265
Loans and advances to customers at fair value through profit or loss	10	–	14
Ownership interests	1	2,636	4,386
Property, plant and equipment	13	1,653	1,722
Intangible assets	14	204	153
Current income tax receivable	24	–	164
Deferred tax asset	25	481	300
Other assets	16	2,884	4,990
Total assets		**220,172**	**194,134**
Liabilities			
Deposits and loans from banks	17	8,520	4,298
Deposits from customers	18	159,575	149,306
Negative fair value of derivatives	7	3,940	1,645
Financial liabilities at fair value through profit or loss	21	3	459
Financial liabilities at amortised costs	19	301	–
Subordinated debt	20	256	73
Provisions	22	1,416	1,297
Current income tax liabilities	24	1,051	–
Other liabilities	21	10,056	13,579
Total liabilities		**185,118**	**170,657**
Share capital	23	10,638	10,638
Retained earnings and other reserves	23	15,548	8,942
Other equity instruments	23	8,868	3,897
Total equity		**35,054**	**23,477**
Total equity and liabilities		**220,172**	**194,134**

The accompanying notes set out on pages 192 to 270 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

in millions of CZK	Note	2022	2021
Interest income calculated using effective interest rate method	26	10,737	5,378
Other interest income	26	219	144
Interest expense	27	(4,315)	(1,562)
Net interest income		**6,641**	**3,960**
Fee and commission income	28	1,727	1,551
Fee and commission expense	29	(313)	(337)
Net fee and commission income		**1,414**	**1,214**
Dividends from ownership interests		235	107
Net income from trading and investments	30	2,294	(112)
Other operating income	31	40	40
Operating income		**10,624**	**5,209**
Personnel expenses	32	(1,354)	(1,002)
Other operating expenses	33	(1,441)	(1,167)
Depreciation and amortisation	13,14	(212)	(201)
Operating expenses		**(3,007)**	**(2,370)**
Profit before allowances, provisions and income tax		**7,617**	**2,839**
Net loss from changes of loans and other receivables	12	(115)	–
Net change in loss allowances for financial instruments	12, 6	(1,525)	(435)
Net change in allowances for ownership interests	1	(630)	(525)
Profit before tax		**5,347**	**1,879**
Income tax	24	(1,227)	(420)
Profit for the period		**4,120**	**1,459**
Attributable to:			
Shareholders of the Bank		4,120	1,459
Profit for the period		**4,120**	**1,459**

in millions of CZK	Note	2022	2021
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		(117)	(20)
Expected credit losses		23	(10)
Related tax		22	4
Foreign currency translation differences		–	(5)
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		(45)	112
Related tax		9	(21)
Other comprehensive income for the period, net of tax		**(108)**	**60**
Total comprehensive income for the period		**4,012**	**1,519**

The accompanying notes set out on pages 192 to 270 are an integral part of these financial statements.

The Board of Directors approved these financial statements on 17 April 2023.

Signed on behalf of the Board:

Štěpán Ašer, MBA
Member of the Board of Directors

Ing. Igor Kováč
Member of the Board of Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

in millions of CZK	Registered capital
Balance as at 1 January 2021	**10,638**
Total comprehensive income for the period	
Profit for the period	–
Issue of investment certificates	–
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:	
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**
Balance as at 1 January 2022	**10,638**
Total comprehensive income for the period	
Profit for the period	–
Issue of investment certificates	–
Contribution to other capital funds	–
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:	–
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	–
Related tax	–
Balance as at 31 December 2022	**10,638**

Further information about equity instruments is disclosed in note 23.

The accompanying notes set out on pages 192 to 270 are an integral part of these financial statements.

Retained earnings and capital funds	Perpetuity fund	Other equity instruments	Revaluation reserve	Total
7,450	**162**	**2,597**	**41**	**20,888**
1,459	–	–	–	1,459
–	–	1,300	–	1,300
–	(230)	–	–	(230)
(242)	242	–	–	–
–	–	–	(5)	(5)
–	–	–	(20)	(20)
–	–	–	(10)	(10)
–	–	–	4	4
–	–	–	112	112
–	–	–	(21)	(21)
8,667	**174**	**3,897**	**101**	**23,477**
8,667	**174**	**3,897**	**101**	**23,477**
4,120	–	–	–	4,120
–	–	4,971	–	4,971
2,913	–	–	–	2,913
–	(319)	–	–	(319)
(326)	326	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	(117)	(117)
–	–	–	23	23
–	–	–	22	22
–	–	–	(45)	(45)
–	–	–	9	9
15,374	**181**	**8,868**	**(7)**	**35,054**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

in millions of CZK	Note	2022	2021
Cash flows from operating activities			
Profit before tax		5,347	1,879
Adjustments for:			
Depreciation and amortisation	13, 14	212	201
Net change in loss allowances for loans	12	1,437	447
Net change in provisions for off-balance sheet items		61	(9)
Foreign exchange differences from losses resulting from impairment of loans	12	(85)	(4)
Net book value of sold intangible assets and property, plant and equipment		68	51
Change in other provisions		71	(153)
Change in revaluation of financial assets at fair value through profit or loss		(49)	214
Ownership interests – remeasurement of hedged item / FV hedge		313	40
Creation of allowances for ownership interests	1	631	525
Realized profit/loss from transfer of FI with control and sign.infl.		58	–
Securities measured at FVOCI – losses from sale		8	117
Impairment of financial assets measured at FVOCI	8c	26	(4)
Net unrealised foreign exchange gains /(losses)		362	(115)
(Increase) / decrease in operating assets:			
Compulsory minimum reserves in central banks		3,972	(3,000)
Due from banks and other financial institutions		257	(749)
Loans and other advances to customers		(16,141)	4,654
Financial assets for trading and mandatorily at fair value through profit or loss		(2,796)	3,726
Prepayments, accrued income and other assets		2,106	(3,632)
Increase / (decrease) in operating liabilities:			
Deposits and loans from banks		4,222	2,893
Deposits from customers		10,269	16,878
Financial liabilities at fair value through profit or loss		(456)	429
Deferred income, accrued expenses and other liabilities (without provisions)		(3,418)	5,032
Income tax paid		(164)	(430)
Net increase / (decrease) in fair values of derivatives			
Fair value of derivative instruments		(3,339)	768
Net cash flows from operating activities		**2,972**	**29,758**

in millions of CZK	Note	2022	2021
Cash flows from financing activities			
Proceeds from the capital contribution		2,913	–
Issue of other equity instruments		4,971	1,300
Distribution of income from other equity instruments		(319)	(242)
Proceeds from the bond issue		300	–
Proceeds from subordinated debt issue		185	–
Repayment of subordinated debt		–	(128)
Lease liabilities paid		(105)	(87)
Net cash flows from financing activities		**7,945**	**843**
Cash flows from investing activities			
Acquisition of property plant and equipment and intangible assets		(262)	(359)
Ownership interests – contribution to capital		(302)	(117)
Proceeds related to ownership interest		728	–
Financial assets at fair value through other comprehensive income – proceeds		958	1,797
Financial assets at fair value through other comprehensive income – repayments		(2,519)	(1,010)
Debt securities at amortized cost – purchase		–	(4,522)
Net cash flows used in investing activities		**(1,397)**	**(4,211)**
Increase in cash and cash equivalents		**9,520**	**26,390**
Cash and cash equivalents at beginning of period	5	66,579	40,192
Effects of exchange rate fluctuations on cash held		(43)	(3)
Cash and cash equivalents at end of period	5	76,056	66,579
Cash flows from operating activities include:			
Interest received		10,414	5,035
Interest paid		(3,443)	(1,092)
Interest paid / lease liabilities		2	1
Dividends received		299	917

The accompanying notes set out on pages 192 to 270 are an integral part of these financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 and Germany) had the average of 644 employees in 2022 (2021: 581). The Bank operates in the Czech Republic and the Slovak Republic. The branch in Germany starts its banking activities in 2023.

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.

A German branch of the Bank was established on 21 September 2022, and was registered in the Commercial Register of the District Court of Frankfurt am Main as the organizational unit "J&T BANKA, a.s. Zweigniederlassung Deutschland", Franklinstraße 56, 60486 Frankfurt am Main, and with the identification number HRB 128706.

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%).

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 at 31/12/2022 in millions of CZK

Company	Net balance	Impairment	Share capital	% shareholding	Principal activities	Country of incorporation
ALTERNATIVE UPRAVLJANJE d.o.o.	9	(10)	0.06	100	Investment act.	Croatia
AMISTA consulting, s.r.o.	1	–	0.70	80	Advisory activities	CR
AMISTA investiční společnost, a.s.	110	–	9	80	Investment act.	CR
ATLANTIK finanční trhy, a.s.	40	(192)	38	100	Investment act.	CR
J&T Bank, a.o.	241	(2,358)	1,980	99.95	Banking activities	Russia
J&T banka d.d.	306	(626)	1,047	100	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 INVESTIČNÁ SPOLOČNOSŤ, správ. spol., a.s.	8	–	3	100	Investment act.	SR
J&T Leasingová společnost, a.s.	470	–	32	100	Financing activities	CR
J&T ADVANCED SOLUTION SICAV	–	–	–	99.97	Investment act.	Malta
J&T ORBIT SICAV	10	–	0.10	100	Investment act.	CR

→

J&T RFI I., s.r.o.	36	–	0.20	100	Advisory activities	CR
J&T VENTURES I otevřený podílový fond	83	–	–	94.05	Investment act.	CR
Rustonka Development II s.r.o.	904	–	0.09	100	Investment property	CR
TERCES MANAGEMENT LIMITED	267	(255)	0.06	99.00	Investment act.	Cyprus
Total	**2,636**	**(3,441)**				

On 14 January 2022, the Bank acquired 100% share in J&T ORBIT SICAV, a.s. On 1 November 2022 the Group increased its share in the fund through a contribution with a total nominal value of EUR 0.4 million (CZK 9.6 million) in excess of contributions made by the shareholders in the registered capital.

On 8 February 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 was paid to the Bank as the only shareholder.

On 27 April 2022, the Bank increased share capital in J&T banka d.d. by HRK 20 million (CZK 65 million) and increased its share in the bank up to 85.15%. On 30 September 2022, the Bank acquired share of 11.12% in J&T banka d.d. from ALTERNATIVE UPRAVLJANJE d.o.o. The Bank squeezed out the minorities interest during the year 2022 and reached 100% share in J&T banka d.d.

On 10 June 2022 and 8 November 2022, J&T VENTURES I otevřený podílový fond proceeded compulsory purchases of its shares and decreased the number of allotment certificates in the fund.

On 3 August 2022, the Bank acquired 100% share in J&T RFI I, s.r.o. On 17 August 2022 the Bank increased its share in the fund through a contribution with a total nominal value of EUR 1.5 million (CZK 36 million) in excess of contributions made by the shareholders in the registered capital.

On 29 September 2022, the Bank increased its share in J&T Leasingová společnost, a.s. through a contribution with a total nominal value of CZK 70 million in excess of contributions made by the shareholders in the registered capital.

On 24 October 2022, Based on Decision on payment of capital reserves of the ALTERNATIVE UPRAVLJANJE d.o.o., the Bank decreased its share on share capital by HRK 8.8 million (CZK 29 million). The Bank still owns share of 100% in ALTERNATIVE UPRAVLJANJE d.o.o.

On 30 November 2022, the Bank achieved 80% share in AMISTA investiční společnost, a.s.

On 27 December 2022 the Group proceeded sale of its total share of 53.08% in J&T REALITY o.p.f.

In 2022, the Bank created allowances for ownership interests of CZK 630 million.

A year-on-year change in total loss allowances for ownership interests of 1,560 million was affected by additions to loss allowances in 2022 and by a negative foreign exchange difference of CZK 930 million from the translation of allowances for ownership interests in currencies other than Czech crowns, especially denominated in RUB.

During 2022, no restrictions applied to the ownership rights held over subsidiaries in EU.

The Bank operates in the Russian market through its subsidiary J&T Bank, a.o. As a result of Russian invasion to Ukraine on 24 February 2022, the number of sanctions were expanded to Russian individuals and legal entities. The Bank has still control over its subsidiary but as a result of restrictions presents cash and cash equivalents deposited at J&T Bank, a.o. as restricted cash in the other assets. For detail statement of the Bank to the conflict in Ukraine see note 4.

Balance 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 otevřený podílový fond	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.

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 2022 to 31 December 2022 ("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 2022, and have not been applied in preparing these financial statements:

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.

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.

Standards and interpretations effective for annual periods beginning after 1 January 2023 but not yet endorsed by the EU

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 2024.

The amendments clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

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

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:
- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

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 and the functional currency of the Headquarter, the Czech crown ("CZK"), rounded to the nearest million. Functional currency of the Slovak and German 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

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

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

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.

Equity instruments not held for trading where the FVOCI option was elected. d Under this treatment ECL are not calculated, as these assets are already measured at fair value and changes in fair value are recognized in other comprehensive income (OCI) and will not be reclassified to profit or loss upon disposal. FX differences are recognized in OCI as part of the revaluation reserve. When the equity instrument is sold, the corresponding gain or loss remains in equity. Dividends from these financial assets are recognized in profit or loss.

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).

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. For more details about level hierarchy see note 4 and 47.

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 except for FX for monetary 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 risks 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 securities at amortised costs and and provided loans and receivables are derecognised on the date the Bank 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.

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 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.

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 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 Group uses a maximum of three times the increase of PD to determine the transition to Stage 2 in such a way as to guarantee that the threshold value of PD for progressing to Stage 2 is not higher for any rating class than three times the mean value of PD of the given rating class (for this can happen to a specific exposure, but only if the corresponding PD is lower than the median PD of the best rating class at the time of its origination)
  - 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.

Qualitative 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.;
- the Bank negotiates with the debtor about the restructuring of the debt (based on the request of the debtor or the Bank);
- negative information about the debtor from external sources;
- significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- significant change in collateral value, which is expected to increase risk of default.

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. the debt collection process and its proceeding, overdue period of receivable, 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 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%.
- a situation where, during forced restructuring, the financial obligation is reduced by more than 1% of the value of the given claim; or in case of forced restructuring, the financial obligation will be reduced by 1% of the value of the given claim or less, while:
  - 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).

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)

To derive the PIT and TTC matrices, the Bank uses the migration matrices listed in the publicly available materials of Moody's, mainly due to the insufficient granularity of the portfolio and the length of time of its own observed data. The Bank uses a procedure that is based on Merton's one-factor model. Macroeconomic influence in the model is represented by the Z component. Regression is used to find the functional relationship between macroeconomic variables and the Z component, to estimate the model for the Z component of the maximization of the likelihood.

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 for the previous year, which is based on TTC PD adjusted for macroeconomic developments;
- calculation of multi-annual (cumulative) PDs, within which the multiplication of one-year transition matrices, modified according to the macro forecast for the respective year, is applied.

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.

For the consolidated financial statements purposes, the Bank divides the internal ratings into the following risk categories having also its external rating equivalent based on PD intervals from Moody's annual reports.

In case of existence of external rating of the exposure, this rating is used directly and the following mapping matrix is not used.

PD from	mid PD from annual Moodys reports	PD to	Internal rating	External rating equivalent	Risk category
0.0000%	0.0438%	0.0786%	1	A / A2	Very low risk
0.0786%	0.1409%	0.1782%	2	BBB / Baa2	Low risk
0.1782%	0.2254%	0.3102%	3	BBB- / Baa3	Low risk
0.3102%	0.4267%	0.5438%	4	BB+ / Ba1	Low risk
0.5438%	0.6929%	0.9555%	5	BB / Ba2	Medium risk
0.9555%	1.3162%	1.6157%	6	BB- / Ba3	Medium risk
1.6157%	1.9819%	2.4564%	7	B+ / B1	Medium risk
2.4564%	3.0411%	3.3897%	8	B / B2	Medium risk
3.3897%	3.7767%	4.1636%	9	B- / B3	Medium risk
4.1636%	4.5883%	6.4120%	10	CCC+ / Caa1	High risk
6.4120%	8.8930%	13.6007%	11	CCC / Caa2	High risk
13.6007%	20.2466%	99.9999%	12	CCC- / Caa3	High risk
100.0000%	100.0000%	100.0000%	13	D	Default

For debits and reverse repurchase agreements, the collateral is required to be a security traded on an active, liquid market. Therefore:
- for Stage 1, no internal rating is assigned to the counterparty;
- 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 TTC 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 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 determines four generated PD scenarios generated on 5%, 12.5%, 25% and 50% quantile of GDP forecast for each country. The four PD sets are equally outweighed by 25% weight.

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.

The change is classified as significant based on the quantitative factor, i.e. if 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 qualitative factor such as the change of the loan currency, change of the interest type from fix to variable and vice-versa, change of the debtor in case of merger etc.

If the change in the terms of the contract is not classified as significant 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 written-off 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 derecognises the gross carrying amount of a financial asset and the corresponding loss allowance. Write-offs do not affect profit or loss, as the written-off amounts are included in loss allowances. 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 measured 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.

An embedded derivative is accounted for separately from the host instrument if:
- the host contract is not a financial asset 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 income from trading and investments.

Hedge accounting – Fair Value Hedge

The Bank decided to continue to apply hedge accounting 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 lease commencement date. 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.

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

(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.

4.1. 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.

4.2. Changes in PD, LGD, FLI, SICR

In 2022, 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

In order to estimate the forward-looking probability of default based on macroeconomic factors, the bank uses a model based on transition matrices estimated by the external rating agency Moody's on historical data covering the period 1983-2021, i.e., so-called through-the-cycle (TTC) estimates of default rates (covering the entire economic cycle) as well as point-in-time estimates for a given year.

In accordance with IFRS 9, the TTC estimate of default rates was transformed to so-called point-in-time (PiT) forward-looking estimate, which considers the influence of current and expected macroecenomic development on the default rate.

The PiT PD estimate model consists of two parts: Z-component estimate, which represents the economic cycle and an estimate of correlation between macroeconomic units and the z-component. The base of the z-component estimate is Merton's one-factor model, which dissects counterparty credit risk to two parts: idiosyncratic risk and systematic risk.

For the estimation of the Z component, the following variables were taken into account - real GDP growth (annual percent change), inflation rate (annual percent change), unemployment rate (percent), current account balance (percent of GDP), general government gross debt (percent of GDP), Z-spreads and ItraxxCDO – risk-neutral PD. It turned out that, among other things, inflation, unemployment or Z-spreads do not contribute to improve the predictive ability of the model, in contrast to changes in real GDP.

Using the estimated Z-component and the relationship between the Z-component and macroeconomic units, one can estimate point-in-time forward-looking (PiT FL) transition matrices by derivating a TTC matrice by the Z-component. The Z-component model and future GDP scenarios are used for those estimates. The future GDP scenario considers historical real GDP growth in given country and either a projection of real GDP growth in given country or a global macroeconomic development forecast (IMF). PiT FL transition matrices are estimated for the time period of 5 years. Beyond this time stamp, an assumption is made that the Z-component equals 0, therefore the TTC matrice is used.

PD variants:

Standard PD: There are now four generated PD scenarios generated on 5%, 12.5%, 25% and 50% quantile of GDP forecast for each country. The four PD sets are equally re-evaluated by 25% weight.

Crisis PD: There are independent PDs generated for expositions found in fields struck by crisis (selected NACE sectors).

Russia/Ukraine: Independent PDs were generated for expositions in Russia and Ukraine, which reflect increased risk.

The Bank's highest share of expositions on its credit portfolio to are Czech republic (51%) and Slovakia (14%) as of December 31st, 2022. We mention GDP growth for those two countries only, because shares in other countries are insignificant.

Used real GDP growth (%):

Country	Year	National Bank	Forecast of the National Bank	Estimated values 5 % quantile	Estimated values 12,5 % quantile	Estimated values 25 % quantile	Estimated values 50 % quantile
CZE	2022	CNB	0.81	-0.9	-0.23	0.43	1.32
CZE	2023	CNB	3.64	-1.86	-0.73	0.43	2.09
CZE	2024	CNB		-3.55	-1.98	-0.29	2.09
CZE	2025	CNB		-3.52	-1.86	-0.29	2.12
CZE	2026	CNB		-3.63	-1.95	-0.29	2.15
SVK	2022	NBS	1.4	-1	-0.13	0.71	1.94
SVK	2023	NBS	1.9	-2.67	-1.48	-0.35	1.26
SVK	2024	NBS	3.5	-1.54	-0.48	0.52	2
SVK	2025	NBS		-3.58	-1.61	0.33	3
SVK	2026	NBS		-3.61	-1.67	0.26	3

Data sources:

Country	National Bank	Data source
SVK	National Bank Slovakia (NBS)	Economic and Monetary Developments
CZE	Czech National Bank (CNB)	Monetary Policy Report

PD curves are updated continuously, whenever forecast of the country's National Bank changes by more than 1%.

4.3 ECL model („management overlays")

A significant management overlay is that the economic/industry sectors of the borrowers were divided based on the expert assessment of the Bank's chief economist and the director of credit risk department, who divided the sectors (according to NACE) into two groups, namely into sectors (ordinary PD) where they expect the development in the given sector to correspond to the expected development of GDP, and sectors (Crisis PD) where development is at risk due to current risk factors on the market (mainly the effects of covid, inflation, interest rates, energy crisis, problems in supply-customer chains, etc.). The division of sectors was approved by the relevant bank committee. PD for Ukraine and Russia are determined separately, given the increased geopolitical risk. For expositions in Russia and Ukraine, the bank has further used a prudent overlay in the form of creating allowance in the value of 50% of the assessed exposure.

For selected NACE sectors below, the Bank sees potential ongoing risks associated with COVID-19 and current geopolitical situation, including inflation, impaired supply chain, rise in commodity prices and other economic factors.

20 – Manufacture of chemicals and chemical products
23 – Manufacture of other non-metallic mineral products
24 – Manufacture of basic metals
25 – Manufacture of fabricated metal products, except machinery and equipment
29 – Manufacture of motor vehicles, trailers and semi-trailers
30 – Manufacture of other transport equipment
41 – Construction of buildings
46 – Wholesale trade, except motor vehicles and motorcycles
47 – Retail trade, except motor vehicles and motorcycles
51 – Air transport
55 – Accommodation
56 – Food and beverage service activities
64 – Financial service activities, except insurance and pension funding
65 – Insurance, reinsurance and pension funding, except compulsory social security
68 – Real estate activities

79 – Travel agency, tour operator and other reservation related activities
93 – Sports activities and amusement and recreation activities

The impact of the above management adjustments was as follows:

As at 31/12/2022

in millions of CZK	Loans	Debt securities at FVOCI
Loss allowances and provisions without management adjustments	3,639	105
Impact of management adjustments	623	46
Final amount of loss allowances and provisions after management adjustments	4,262	151

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 management adjustments	456	101
Final amount of loss allowances and provisions after management adjustments	3,360	126

4.4. Environmental sustainability, social responsibility and corporate management (ESG)

A significant source of insecurities are insecurities even in the field of climate risks, social responsibility, and corporate management. All of those are considered when determining accounting estimates, such as business combinations, decrease in asset values, reserve accounting or determining useful life of assets.

The Bank concludes loan agreements for projects supporting ESG either directly or through mutual funds or venture capital, to invest in innovative projects. The Bank is fully aware of its responsibility in this area and, also due to increasing regulatory requirements, it is gradually incorporating into its core and operational activities and risk management solutions enabling it to collect, process and use ESG data.

Risks related to ESG are categorized into two categories – risk of transition and physical risk.

Transition risk

With the world transforming into low-carbon economy, there is a risk associated with significant and fast changes in expectations of the related parties, which reflects in politics, changes in law and legislation. New regulations, innovative technology, change of mood on the market and social preferences can result in increase of costs and lower demand for non-green products and services.

Risks associated with transitioning into low-carbon economy are specific for each industry and can even differ in fields inside of one industry. The rate of adaptation to transition to low-carbon economy is directly related to the level of risks faced.

Assessment of exposure of the Bank to transition risk is rated low. This assessment is supported by appropriate financial strategy, risk management, solid capitalization and unceasing monitoring of the market and legislation.

Physical risk

Physical risks come from climate change associated with specific events and long-term climate development. The nature and timing of extreme meteorological events (floods, heat waves, storms, hurricanes etc.) are unsure, yet the number of said events, as well as their power is increasing, therefore their impact on economy is expected to be more significant in the future. Possible impacts can be decreased growth of GDP, shortage of material and products, significant change in prices, increase in operating costs, decrease in asset values, increase in write-offs and amortization.

Given the Bank's geographic focus on Europe, which is less affected by physical risks, we have considered this risk to be insignificant for the group.

We assessed how climate risks could affect our financial position in the financial statements for the year ended 31 December 2022. As part of the assessment, we considered a number of areas of the statement of financial position, such as ECL, reserves, financial instruments, long-term assets as well as long-term viability and business sustainability. After careful consideration, we have concluded that these risks do not have a material impact on our financial statements ending 31 December 2022.

Credit risk and impact on ECL

The Bank has incorporated environmental sustainability, social responsibility and corporate governance (ESG) risks into the ECL measurement process. The Bank did not identify any impact on the amount of ECL in 2022 or 2021 and therefore did not include specific adjustments considering ESG risks in the ECL calculation. Given the prudent approach to the current situation, the Bank believes that the ECL represents the best estimate of expected credit losses as at 31 December 2022 (as of 31 December 2021).

Evaluating the rating of new clients or assessing the credit risk of transactions also considers the Bank's growing commitments in the field of environmental sustainability, social responsibility, and corporate governance (ESG). The Bank is aware of the importance of the ESG topic, which is why it is preparing to collect data from ESG clients through a questionnaire, which will then be used for their rating. The Bank is currently in the phase of implementing ESG risks to the evaluation of client ratings and the approval process for significant exposures in the loan portfolio.

4.5. Conflict in Ukraine

The Bank operates its business in the Russian market through its subsidiary J&T Bank, a.o. and is also exposed to the development of the economic environment and financial markets in Ukraine. In February 2022, after recognizing the self-proclaimed Donetsk People's Republic and Luhansk People's Republic by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of the country.

The course of the military conflict had a significantly negative impact on the political and economic environment in Ukraine, and significantly limited the ability of many entities to continue their normal activities. In response to the hostile actions of the Russian Federation against Ukraine, a number of countries, including the United States, the United Kingdom, and the European Union member states, introduced and/or expanded economic sanctions against selected Russian individuals and legal entities. Among the sanctions are, among other things, freezing of assets, restrictions on trade and movement of capital, or travel bans.

Many foreign companies have limited or completely ceased their business operations in the Russian market. Further expansion of sanctions cannot be ruled out. The sanctions already in place have had or are expected to have a further damaging impact on economic uncertainty in Russia, including more volatile stock markets, weakening of the Russian ruble, reduced inflow of local and foreign direct investments, and significantly tighter credit availability. As a result, Russian entities are having difficulty accessing international equity and debt markets and may become increasingly dependent on state support for their operations. The long-term impacts of the imposed and any additional sanctions are difficult to determine.

Below is the total exposure of the Group to the Russian and Ukrainian markets:

in millions of CZK	Country	Netto 31/12/2022
Loans	Ukraine	186
Bonds	Ukraine	54
Loans	Russia	100
Ownership interest	Russia	508
Total		**848**

The Bank reported in the separate financial statements as at 31 December 2022, net revenues from Russian and Ukrainian customers totalling CZK 5 million (2021: CZK 14 million).

Considering the above events, the Bank has taken the following measures:

- the Bank has ceased to provide new financing with risk in Ukraine and Russia,
- the Bank has thoroughly analysed exposures from sectors potentially affected by the impact of the current situation and created higher provisions for them,
- the Bank is taking steps to gradually phase out activities in the Russian market. The Bank is processing activities to sale subsidiaries operating in Russia.

The management of the Bank has analysed the impact of this event and concluded that, as of the date of approval of these separate financial statements, the going concern assumption is still appropriate, and this event does not have a significant impact on the separate financial statements as at 31 December 2022.

5. CASH AND CASH EQUIVALENTS

in millions of CZK	31/12/2022	31/12/2021
Cash on hand and current accounts with central banks	226	166
Term deposits with central banks within 3 months	2,556	–
Loans to central banks – reverse repurchase agreements	73,091	66,128
Current accounts with banks or payable within 3 months	182	285
Total	**76,056**	**66,579**

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

in millions of CZK	31/12/2022	31/12/2021
Compulsory minimum reserves in central banks	748	4,720
Term deposits and loans over 3 months	–	149
Other receivables due from banks	798	833
Subordinated loans to banks	266	340
Expected credit losses for loans	(577)	(1)
Total	**1,235**	**6,041**

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 768 million (2021: CZK 758 million).

Exposures classified as cash and cash equivalents, balances with central banks and due from financial institutions are classified at amortised cost, generally categorised in Stage 1, financial assets with low credit risk.

Subordinated loans to banks have expected credit losses of CZK 5 million as at 31 December 2022 (2021: CZK 1 million). A receivable of 572 mil CZK due from the bank J&T bank a.o. is presented as other receivables due from banks, categorised in Stage 3 and fully impaired due to the conflict in Ukraine.

There were no overdue receivables from banks as at 31 December 2022 and 31 December 2021.

The contractual weighted average interest rate on deposits and loans with other banks was 1.87% p.a. (2021: 1.35%).

7. DERIVATIVES

(a) Derivatives held for trading

in millions of CZK	31/12/2022 Notional amount buy	31/12/2022 Notional amount sell	31/12/2022 Positive fair value	31/12/2022 Negative fair value
FX derivatives	186,793	(183,111)	5,867	(3,527)
Cross currency derivatives	6,090	(6,129)	169	(195)
Other derivatives	13,258	(13,258)	608	(218)
Total	**206,142**	**(202,498)**	**6,644**	**(3,940)**

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	106,783	(104,638)	851	(1,428)
Cross currency derivatives	10,058	(10,079)	175	(154)
Other derivatives	2,252	(2,252)	19	(20)
Total	**119,093**	**(116,969)**	**1,045**	**(1,602)**

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.

FX derivatives, generally forward currency contracts, are commitments to either purchase or to sell a designated currency at a specified date for a specified price. These 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:

Long position	CZK	EUR	USD	Other
31/12/2022	58%	35%	4%	3%
31/12/2021	55%	33%	6%	6%

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

Short position	CZK	EUR	USD	Other
31/12/2022	34%	51%	10%	5%
31/12/2021	35%	42%	15%	8%

(b) Derivatives held for hedging

in millions of CZK	Notional amount Long position	Notional amount Short position	Fair value Positive	Fair value Negative
Currency derivatives – hedging for ownership interests	**–**	**–**	**139**	**–**
– Payable between 3 months and 1 year	2,273	(2,103)	–	–
Total as at 31 December 2022	**2,273**	**(2,103)**	**139**	**–**
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**	**(43)**

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 2022, the carrying amount of hedged ownership interests in foreign currency was CZK 1,592 million (2021: CZK 2,870 million).

The objective of this hedge is to cover the 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	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– domestic	737	369
– foreign	206	40
Bonds		
– domestic	3,397	2,333
– foreign	1,248	1,146
Allotment certificates		
– domestic	816	4
– foreign	4	4
Total	**6,408**	**3,896**
Shares		
– listed	943	409
Bonds		
– listed	4,645	3,479
Allotment certificates		
– listed	816	2
– not listed	4	6
Total	**6,408**	**3,896**
Shares		
– financial institutions	376	173
– corporate	565	235
– insurance companies	2	1
Bonds		
– government	2,554	1,447
– financial institutions	1,194	879
– corporate	897	1,153
Allotment certificates		
– financial institutions	820	8
Total	**6,408**	**3,896**
Shares		
– Level 1	906	401
– Level 2	35	4
– Level 3	2	4
Bonds		
– Level 1	3,097	1,761
– Level 2	416	733
– Level 3	1,132	985
Allotment certificates		
– Level 1	816	–
– Level 2	4	8
Total	**6,408**	**3,896**

Foreign bonds as at 31 December 2022 mainly include non-government bonds of CZK 1,143 million (2021: CZK 1,027 million) issued by companies from the following states and in the following amounts: Slovakia of CZK 721 million (2021: CZK 655 million), Malta of CZK 262 million (2021: CZK 192 million), Cyprus of CZK 89 million (2021: CZK 92 million), USA of CZK 59 million (2021: CZK 16 million) and Luxembourg of CZK 12 million (2021: CZK 72 million).

Foreign government bonds of CZK 105 million (2021: CZK 119 million) include Romanian government bonds of CZK 51 million (2021: CZK 53 million), Polish government bonds of CZK 49 million (2021: CZK 55 million) and Turkish government bonds of CZK 5 million (2021: CZK 11 million).

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

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Allotment certificates		
– domestic	5,163	4,001
– foreign	3,815	4,644
Total	**8,978**	**8,645**
Allotment certificates		
– listed	472	439
– not listed	8,506	8,206
Total	**8,978**	**8,645**
Allotment certificates		
– financial institutions	8,978	8,645
Total	**8,978**	**8,645**
Allotment certificates		
– Level 1	472	–
– Level 2	3,111	6,068
– Level 3	5,395	2,556
Total	**8,978**	**8,645**

Foreign allotment certificates include the Malta certificates of CZK 3,043 million (2021: CZK 4,375 million) and Luxembourg allotment certificates of CZK 772 million (2021: CZK 10 million).

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

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
- domestic	585	272
- foreign	169	198
Bonds		
- domestic	308	303
- foreign	3,619	2,535
Total	**4,681**	**3,308**

in millions of CZK	31/12/2022 Fair value	31/12/2021 Fair value
Shares		
– listed	754	470
Bonds		
– listed	3,619	2,037
– not listed	308	801
Total	**4,681**	**3,308**
Shares		
– financial institutions	331	–
– corporate	423	470
Bonds		
– financial institutions	1,235	967
– corporate	2,692	1,871
Total	**4,681**	**3,308**
Shares		
– Level 1	585	272
– Level 2	169	198
Bonds		
– Level 1	955	–
– Level 2	–	468
– Level 3	2 972	2,370
Total	**4,681**	**3,308**

Foreign shares comprise Slovak shares of CZK 100 million (2021: CZK 147 million) and Swiss shares of CZK 69 million (2021: CZK 51 million).

Foreign bonds comprise Slovak bonds of CZK 3,120 million (2021: CZK 2,066 million) and Maltese bonds of CZK 499 million (2021: CZK 469 million).

In 2022 and 2021, 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	2022 Fair value	2022 Dividends received	2021 Fair value	2021 Dividends received
Defence industry	331	(13)	–	–
Energy and manufacturing industry	323	(18)	323	(16)
Travel and tourism	100	–	147	–
Total	**754**	**(31)**	**470**	**(16)**

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.

Risk category

in millions of CZK	Very low risk	Low risk	Medium risk	Total
Stage 1	–	676	867	1,543
Stage 2	–	–	2,384	2,384
Total 2022	**–**	**676**	**3,251**	**3,927**
Stage 1	498	–	772	1,270
Stage 2	–	–	1,568	1,568
Total 2021	**498**	**–**	**2,340**	**2,838**

More detailed information on bonds as at 31 December 2022 including expected credit losses and gross carrying amounts are disclosed in note 11 and 12.

(d) Financial assets at amortized cost

in millions of CZK	31/12/2022	31/12/2021
Bonds		
– domestic/listed/government	4,529	4,522
Total	**4,529**	**4,522**

Financial assets carried at amortised cost comprise Czech government bonds of CZK 4,531 million gross. Bonds are classified as Stage 1; expected credit losses on these bonds amount to CZK 2 million. Bonds mature in 2025. For the estimated fair value of bonds at amortised cost see note 47.

(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.

Gains or losses from revaluation of financial assets for trading and financial instruments mandatorily at fair value through profit or loss for the period are stated in line item "Net income from trading and investments". Gains or losses from revaluation of financial assets at fair value through other comprehensive income are stated in line item "Remeasurement to fair value" in part of "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".

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	01/01/2022	Revaluation to OCI	Revaluation to profit or loss	Transfer from/(to) Level 2	Additions	Disposals	FX movement	Interest income	31/12/2022
Financial assets for trading									
shares	4	–	(2)	–	–	–	–	–	2
bonds	985	–	(56)	173	389	(353)	(28)	22	1,132
Financial instruments mandatorily at fair value through profit or loss									
allotment certificates	2,556	–	(319)	2,155	2,349	(1,221)	(125)	–	5,395
Financial assets at fair value through other comprehensive income									
bonds	2,370	(117)	–	469	1,213	(934)	(86)	57	2,972
Total	**5,915**	**(117)**	**(377)**	**2,797**	**3,951**	**(2,508)**	**(239)**	**79**	**9,501**

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**

The following table sets out information about significant unobservable inputs used as at 31 December 2022 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 31/12/2022	Range of estimates	Fair value measurement sensitivity to unobservable inputs
bonds	discounted CF	Credit Spread	4,104	-1.5%–2.5%	A significant increase may result in lower fair value
		Risk-free rate		1.5%–7.5%	
shares	discounted CF	Discount rates	2	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	5,395	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 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	3,355	0.5%–5.5%	A significant increase may result in lower fair value
		Risk-free rate		-1%–5%	
shares	discounted CF	Discount rates	4	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	2,556	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 950 million higher or lower than the carrying amount recognised as at 31 December 2022 (2021: CZK 592 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 2022				
change in risk-free rates by 1%	(39)	41	(111)	127
change in credit markups by 1%	(39)	41	(185)	199
Shares 2022				
change in discount rates by 1%	(1)	2	–	–
change in EBITDA by 5%	–	–	–	–
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%	–	–	–	–

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 serving as collateral is transferred from the entity to which a loan is provided. Reverse repurchases are entered into as a facility to provide funds to customers. As at 31 December 2022 and 31 December 2021 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	Repuchase date	Repuchase price
Loans to central banks (note 5)	71,871	73,091	up to 1 month	73,197
Loans and other advances to customers (note 10)	2,572	1,450	up to 1 month	1,456
Loans and other advances to customers (note 10)	1,725	1,040	up to 3 months	1,057
Total as at 31 December 2022	**76,168**	**75,581**		**75,710**

in millions of CZK	Fair value of assets held as collateral	Carrying amount of receivable	Repuchase date	Repuchase 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**

(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 serving as collateral is transferred to 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)	3,947	3,602	up to 3 years	3,575
Total as at 31 December 2022	**3,947**	**3,602**		**3,575**
Loans from banks (note 17)	4,047	3,732	up to 3 years	3,685
Total as at 31 December 2021	**4,047**	**3,732**		**3,685**

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	POCI	Net carrying amount
Loans to customers	86,471	(959)	(413)	(2,029)	30	83,100
Receivables from reverse repurchase agreements with customers	2,490	–	–	–	–	2,490
Margin lending (debits)	16,078	–	–	–	–	16,078
Other receivables from customers	2,129	(26)	–	(115)	(12)	1,976
Total as at 31 December 2022	**107,168**	**(985)**	**(413)**	**(2,144)**	**18**	**103,644**

in millions of CZK	Gross carrying amount	ECL Stage 1	ECL Stage 2	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**

Loans and advances to customers at fair value through profit or loss

in millions of CZK	2022	2021
Loans and advances to customers at fair value through profit or loss	–	14

The contractual weighted average interest rate on loans to customers was 6.43% (2021: 5.05%).

Details of changes in gross carrying amounts of loans, including movements in ECLs for 2022 are disclosed in note 11 a 12.

For further information about loans and advances to customers refer to note 40.

11. GROSS CARRYING AMOUNT OF FINANCIAL ASSETS

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**76,897**	**9,447**	**4,752**	**425**	**91,521**
Transfers:					
– transfers to Stage 1	3,813	(3,813)	–	–	–
– transfers to Stage 2	(6,035)	6,035	–	–	–
– transfers to Stage 3	(988)	(855)	1,843	–	–
Increase due to origination and acquisition – gross	48,436	–	–	123	48,559
Movement in interest – accrued less paid (except for full repayment)	559	40	73	1	673
Partial repayment of the principal / drawing of loan during the reporting period	9,430	1,028	13	(129)	10,342
Financial assets derecognised during the period	(38,470)	(1,983)	(1,685)	(2)	(42,140)
Changes due to modification without derecognition (net)	131	3	83	–	217
Write-off and sale of receivables	–	(40)	(560)	–	(600)
Foreign exchange rate movements	(1,041)	(277)	(77)	(9)	(1,404)
Total as at 31 December 2022	**92,732**	**9,585**	**4,442**	**409**	**107,168**

“Increase due to origination and acquisition - gross” comprises an increase CZK 18,568 million in receivables from reverse repurchase agreements with customers and debits; “financial assets derecognized during the period” of CZK 20,302 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 POCI amounting to CZK 123 million represents loans with significant modifications. “Write-off and sale of receivables” as at 31 December 2022 totalling CZK 600 million (2021: CZK 151 million) mainly represents the sale of receivables in the gross amount of CZK 536 million (2021: CZK 0 million).

Gross carrying amount of loans

in millions of CZK	Stage 1	Stage 2	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 POCI amounting to CZK 30 million represents loans with significant modifications. 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	POCI	Total
Total as at 1 January 2022	**1,270**	**1,568**	**-**	**-**	**2,838**
Transfers:					
– transfers to Stage 2	(974)	974	–	–	–
Movement in interest – accrued less paid (except for full repayment)	53	12	–	–	65
Increase due to origination and acquisition – gross	2,186	–	–	–	2,186
Financial assets derecognised during the period	(884)	(50)	–	–	(934)
Fair value revaluation to OCI	(67)	(70)	–	–	(137)
Foreign exchange rate movements	(41)	(50)	–	–	(92)
Total as at 31 December 2022	**1,543**	**2,384**	**–**	**–**	**3,927**

in millions of CZK	Stage 1	Stage 2	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**

12. EXPECTED CREDIT LOSSES TO FINANCIAL INSTRUMENTS, INCLUDING GUARANTEES AND COMMITMENTS

ECL to loans

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**319**	**459**	**2,426**	**52**	**3,256**
Transfers:					
– transfers to Stage 1	33	(33)	–	–	–
– transfers to Stage 2	(100)	135	(35)	–	–
– transfers to Stage 3	(82)	(38)	120	–	–
Net change in credit risk	332	(32)	665	(70)	895
Changes due to modification without derecognition	131	3	83	–	217
New financial assets originated or purchased	380	–	–	–	380
Unwind of discount	–	–	34	–	34
Financial assets derecognised during the period	(15)	(24)	(538)	–	(577)
Use of allowances	–	(39)	(557)	–	(596)
Foreign exchange rate movements	(13)	(18)	(54)	–	(85)
Total as at 31 December 2022	**985**	**413**	**2,144**	**(18)**	**3,524**

in millions of CZK	Stage 1	Stage 2	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)
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**

Use of allowances for the year ended 31 December 2022 amounted to CZK 596 million (2021: CZK 151 million), mainly comprising the use of an allowance to loss coverage from sold receivables of CZK 532 million (2021: CZK 0 million). The impact of modification with derecognition of CZK 15 million was recognised in profit or loss.

ECL to financial guarantees and commitments

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**22**	**3**	**79**	**–**	**104**
Transfers					
– transfers to Stage 1	1	(1)	–	–	–
– transfers to Stage 2	(25)	32	(7)	–	–
– transfers to Stage 3	(45)	–	45	–	–
Net change in credit risk	(69)	(27)	(21)	–	(117)
New financial assets originated or purchased	179	–	–	–	179
Financial assets derecognised during the period	–	–	(1)	–	(1)
Foreign exchange rate movements	(1)	–	(3)	–	(4)
Total as at 31 December 2022	**62**	**7**	**92**	**–**	**161**

in millions of CZK	Stage 1	Stage 2	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**

ECL to debt securities at FVOCI

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**45**	**81**	**–**	**–**	**126**
Transfers					
– transfers to Stage 2	(74)	74	–	–	–
Net change in credit risk	(11)	(41)	–	–	(52)
New financial assets originated or purchased	77	–	–	–	77
Foreign exchange rate movements	–	(2)	–	–	(2)
Total as at 31 December 2022	**37**	**112**	**–**	**–**	**149**

in millions of CZK	Stage 1	Stage 2	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**

ECL to financial assets at amortised cost

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Total as at 1 January 2022	**1**	**–**	**–**	**–**	**1**
Net change in credit risk	1	–	–	–	1
Total as at 31 December 2022	**2**	**–**	**–**	**–**	**2**

in millions of CZK	Stage 1	Stage 2	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**

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 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)
31/12/2021	**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)
31/12/2021	**19**	**38**	**240**	**14**	**311**
Acquisition cost					
1 January 2022	28	71	1,911	23	2,033
Additions	–	15	75	3	93
Disposals	–	(4)	–	(10)	(14)
Change due to modification of IFRS 16	–	–	–	–	–
Foreign exchange differences	–	–	(5)	–	(5)
31/12/2022	**28**	**82**	**1,981**	**16**	**2,107**
Accumulated depreciation					
1 January 2022	19	38	240	14	311
Depreciation	3	2	147	5	157
Disposals	–	(4)	–	(10)	(14)
31/12/2022	**22**	**36**	**387**	**9**	**454**
Net book value					
31/12/2021	**9**	**33**	**1,671**	**9**	**1,722**
31/12/2022	**6**	**46**	**1,594**	**7**	**1,653**

The Bank did not record any property, plant and equipment under construction as at the end of 2022 and 2021.

Property is insured against theft and natural disaster.

14. INTANGIBLE ASSETS

in millions of CZK	Software	Other	Total
Acquisition cost			
01/01/2021	606	3	609
Additions	141	4	145
Disposals	(52)	(1)	(53)
31/12/2021	**695**	**6**	**701**
Amortisation and impairment losses			
01/01/2021	503	1	504
Amortisation for the year	46	–	46
Disposals	(2)	–	(2)
31/12/2021	**547**	**1**	**548**
Acquisition cost			
01/01/2022	695	6	701
Additions	164	5	169
Disposals	(79)	(1)	(80)
31/12/2022	**780**	**10**	**790**
Amortisation and impairment losses			
01/01/2022	547	1	548
Amortisation for the year	55	–	55
Foreign exchange differences	(17)	–	(17)
31/12/2022	**585**	**1**	**586**
Carrying amount			
31/12/2021	**149**	**4**	**153**
31/12/2022	**195**	**9**	**204**

The Bank did not record any intangible assets under construction as at the end of 2022 and 2021.

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 2022 and 2021.

16. OTHER ASSETS

in millions of CZK	31/12/2022	31/12/2021
Prepayments and accrued income	260	346
Receivables from customers from securities trading	1,936	3,986
Other trade receivables	291	427
Restricted cash (note 1)	34	–
Receivables from fees for portfolio management	81	88
Other receivables	198	24
Advance payments – other	59	55
Other assets	25	64
Total	**2,884**	**4,990**

Most assets are carried at acquisition cost and categorised in Stage 2. Expected credit losses were insignificant at the end of 2022 (2021: CZK - million).

17. DEPOSITS AND LOANS FROM BANKS

in millions of CZK	31/12/2022	31/12/2021
Deposits from banks	4,918	566
Loans from banks – repurchase agreements (note 9)	3,602	3,732
Total	**8,520**	**4,298**

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% (2021: -0.16%).

18. DEPOSITS FROM CUSTOMERS

in millions of CZK	31/12/2022	31/12/2021
Current accounts	28,371	43,320
Term deposits and escrow accounts	131,204	105,986
Total	**159,575**	**149,306**

The contractual weighted average interest rate on liabilities to banks was 3.1% (2021: 1.2%).

19. FINANCIAL LIABILITIES AT AMORTISED COSTS

in millions of CZK	31/12/2022	31/12/2021
Proceeds from bonds issued	301	–
Total	**301**	**–**

On 13 December 2022, the Bank issued 30 pieces of bonds with nominal value of CZK 10 million per piece. These unsecured non-convertible financial instruments were issued in CZK, interest is paid annually. Bonds mature in 2027. For the estimated fair value of issued bonds see note 47.

20. SUBORDINATED DEBT

in millions of CZK	31/12/2022	31/12/2021
Subordinated debt – term deposits	256	73
Total	**256**	**73**

in millions of CZK	2022	2021
Interest expense for subordinated debt:	6	6
of which interest paid	3	3

The subordinated debt – term deposits from customers with a maturity up to 2027 bear an interest rate between 6.10% p.a. and 7.50% p.a. for contracts opened before 31 December 2021, for contracts opened after 01 January 2022 is maturity up to 2027 and bear an interest rate 7.5%. The Czech National Bank approved the subordinated debt as a part of the capital for regulatory purposes.

21. OTHER LIABILITIES AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Other liabilities

in millions of CZK	31/12/2022	31/12/2021
Payables to clients from securities trading	8,205	12,073
Trade payables	155	155
Accruals and deferred income	335	164
Other tax liabilities	75	54
Payables to employees	49	43
Social security liabilities	22	18
Lease liabilities	898	943
– Up to 1 year	35	37
– Over 1 year	863	906
Other liabilities	317	129
Total	**10,056**	**13,579**

Financial liabilities at fair value through profit or loss

in millions of CZK	31/12/2022	31/12/2021
Financial liabilities at fair value through profit or loss	3	459
Total	**3**	**459**

Financial liabilities at fair value through profit or loss present payables from short sales, settled in January 2023.

22. PROVISIONS

in millions of CZK	31/12/2022	31/12/2021
Provision for employee bonuses	1,192	1,127
Provision for off-balance sheet items	161	104
Stage 1	62	22
Stage 2	7	3
Stage 3	92	79
Provision for loyalty programmes – customers	27	27
Provision for untaken holiday	29	30
Provision for loyalty programmes – employees	6	6
Other provisions	1	3
Total	**1,416**	**1,297**

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 the 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 161 million (2021: CZK 104 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 01/01/2022	Additions/ Creation	Use / Release	Foreign exchange difference	Balance as at 31/12/2022
Provision for employee bonuses	1,127	529	(456)	(8)	1,192
Provision for off-balance sheet items – financing activities	104	179	(118)	(4)	161
Provision for loyalty programmes – customers	27	–	–	–	27
Provision for untaken holiday	30	26	(27)	–	29
Provision for loyalty programmes – employees	6	5	(5)	–	6
Other provisions	3	3	(5)	–	1
Total	**1,297**	**742**	**(611)**	**(12)**	**1,416**

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**

23. EQUITY

in millions of CZK	31/12/2022
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 2022 and 2021 the Bank did not pay out dividends from retained earnings for 2021 and 2020.

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 2022, retained earnings amounted to CZK 12,461 million (2021: CZK 8,667 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.

On 19 December 2022 parent company J&T FINANCE GROUP SE contributed the payment to other capital funds amounted to CZK 2,913 million.

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 2022, a provision for the revaluation of these financial assets was negative, amounting to CZK 7 million (2021: positive CZK 101 million).

b) Other revaluation reserves
Other revaluation reserves present FX differences from the translation of the Slovak branch's statements, as at 31 December 2022 equalled CZK 0 million (2021: CZK 5 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.

On 15 June 2022, the Czech National Bank approved the issue prospectus for revenue certificates with an expected total nominal amount of EUR 200 million and interest revenue of 7% p.a.

As at 31 December 2022, the volume of issued certificates was CZK 8,868 million (2021: CZK 3,897 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 2022, the Bank transferred another CZK 326 million (2021: CZK 242 million) within the distribution of profit for 2021. 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 2022, revenue of CZK 319 million (2021: CZK 230) was distributed from this fund. As at 31 December 2022, the special-purpose capital fund for the payment of revenue from certificates amounted to CZK 181 million (2021: CZK 174 million).

24. INCOME TAX

Income tax for 2022 was calculated in accordance with Czech tax regulations at the rate of 19% (2021: 19%). The corporate income tax rate for 2023 will be 19%.

The Slovak branch pays tax in accordance with Slovak tax regulations. The income tax rate in Slovakia is 21% In 2023, 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	2022	2021
Profit before tax	5,347	1,879
Statutory income tax rate	19%	19%
Income tax	1,016	357
Non-taxable income	(62)	(176)
Non-deductible expenses	273	239
Total income tax	**1,227**	**420**
Effective tax rate	22.9%	22.4%
of which:		
Income tax expense/(benefit) – deferred	(151)	50
Income tax expense/(benefit) – current	1,378	370

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.

25. DEFERRED TAX ASSET

The Bank has the following deferred tax assets and liabilities:

Deferred tax asset

in millions of CZK	31/12/2022	31/12/2021
Difference between the carrying and tax value of property, plant and equipment and intangible assets	(7)	(3)
Financial assets at fair value through other comprehensive income	36	5
Provision for off-balance sheet items	20	12
Allowances for loan receivables	200	66
Provision for bonuses and untaken holidays	232	220
Net deferred tax asset	**481**	**300**

The deferred tax asset or liability is calculated using the 2022 corporate income tax rate, i.e. 19% (2021: 19%).

The following table shows the reconciliation between the deferred tax charge and the change in deferred tax assets in 2022.

in millions of CZK	31/12/2022	31/12/2021
Net deferred tax asset/(liability) as at 31 December	300	373
Deferred tax recognised in profit or loss (note 23)	151	(50)
Change in deferred tax recognised in equity	31	(17)
FX difference (Slovak branch)	(1)	(6)
Deferred tax asset at the end of the period	**481**	**300**

26. INTEREST INCOME

in millions of CZK	2022	2021
Interest income from:		
Due from financial institutions	219	70
Loans and advances to customers	5,307	4,418
Reverse repurchase transactions	4,957	677
Bonds and other fixed income securities	473	357
Total	**10,956**	**5,522**

Interest income from "Loans and advances to customers" includes accrued fees associated with the provision of loans of CZK 130 million (2021: CZK 289 million) that are part of effective interest rate.

Interest income by asset classes:

in millions of CZK	2022	2021
Interest income from:		
Financial instruments at fair value through profit or loss:		
– financial assets held for trading	219	144
Other interest income	**219**	**144**
Financial assets at FVOCI	189	180
Financial assets (securities) at amortised cost	65	33
Loans and other advances at amortised cost	10,483	5,156
– of which:		
unpaid interest on impaired loans	144	168
forbearance	20	14
Interest income calculated using effective interest rate	**10,737**	**5,378**
Total	**10,956**	**5,522**

27. INTEREST EXPENSE

in millions of CZK	2022	2021
Interest expense on:		
Deposits and loans from banks	(45)	(15)
Deposits from customers	(4,061)	(1,515)
Lease liabilities	(13)	(15)
Repurchase transactions	(194)	(17)
Subordinated bonds	(1)	–
Issued bonds	(1)	–
Total	**(4,315)**	**(1,562)**

Interest expense by liability classes:

in millions of CZK	2022	2021
Interest expense on:		
Financial liabilities at amortised cost	(4,315)	(1,562)
Total	**(4,315)**	**(1,562)**

28. FEE AND COMMISSION INCOME

in millions of CZK	2022	2021
Fee and commission income from:		
issuance and administration of securities	513	522
trading with financial instruments	264	301
assets management	72	84
assets administration and custody	140	136
management and other fees from funds	403	311
lending activities	182	105
foreign exchange services	113	58
others	40	34
Total	**1,727**	**1,551**

All fee and commission income is recognised in compliance with IFRS 15 Revenue from Contracts with Customers.

29. FEE AND COMMISSION EXPENSE

in millions of CZK	2022	2021
Fee and commission expense on:		
transactions in financial instruments	(208)	(242)
administration, custody and safekeeping of valuables	(57)	(49)
processing of payment transactions	(24)	(19)
other	(24)	(27)
Total	**(313)**	**(337)**

30. NET INCOME/(LOSS) FROM TRADING AND INVESTMENTS

in millions of CZK	2022	2021
Net income/(loss) from trading and investments includes:		
Net gains/(losses) on securities – from revaluation and settlement	17	(217)
Net gains/(losses) on derivative operations	3,481	(546)
Net gains/(losses) from foreign currency translation	(1,267)	(159)
Net gains/(losses) on hedging derivative operations	(1)	–
Dividend income – financial assets	64	810
Total	**2,294**	**(112)**

The decrease of dividend income in 2022 is due to the significant decrease of dividends on financial assets mandatorily at fair value of CZK 1 million (2021: CZK 771 million).

in millions of CZK	2022	2021
Net income/(loss) from trading and investments includes:		
Financial assets and liabilities at FVTPL:		
– those held for trading	3,258	(618)
– financial assets mandatorily at fair value	270	643
Financial assets at FVOCI	33	22
Foreign exchange differences	(1,267)	(159)
Total	**2,294**	**(112)**

31. OTHER OPERATING INCOME

in millions of CZK	2022	2021
Outsourcing income	10	11
Rental income	1	1
Gain on the disposal of subsidiaries and assets held for sale	22	18
Other income	7	10
Total	**40**	**40**

Other income includes many sundry items that are not significant on an individual basis.

32. PERSONNEL EXPENSES

in millions of CZK	2022	2021
Wages and salaries	(807)	(524)
Remuneration paid to key management personnel	(169)	(172)
Compulsory social security contributions	(258)	(223)
Other social expenses	(120)	(83)
Total	**(1,354)**	**(1,002)**
Average number of employees during the reporting period	**644**	**581**

There were 6 members of the Bank's Board of Directors as at 31/12/2022 (2021: 5).

33. OTHER OPERATING EXPENSES

in millions of CZK	2022	2021
Rental expense	(136)	(120)
of which recognition exemption applied under IFRS 16		
– lease of low-value assets	(52)	(48)
– short-term leases	(11)	(8)
– variable rent payments	(51)	(51)
Contributions to Deposit Insurance Fund	(49)	(39)
Contributions to Crisis Resolution Fund	(122)	(91)
Operating costs:		
Outsourcing	(516)	(385)
Advertising expenses and promotion	(206)	(184)
Repairs and maintenance – IS, IT	(42)	(38)
Sponsorship and gifts	(58)	(30)
Expenses associated with leased premises	(9)	(9)
Audit, legal and tax consulting	(38)	(45)
– statutory audit of the annual financial statements	(11)	(8)
– other assurance services	–	(7)
– tax advisory	(2)	(1)
– other services	(25)	(29)
Consulting expenses	(57)	(59)
Communication expenses	(20)	(16)
Transport and accommodation, travel expenses	(11)	(7)
Materials	(14)	(10)
Repairs and maintenance – other	(4)	(2)
Other operating expenses	(159)	(132)
Total	**(1,441)**	**(1,167)**

Other operating expenses of CZK 159 million as at 31 December 2022 (2021: CZK 132 million) include many sundry items that are not significant on an individual basis.

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.

34. ANALYSIS OF CHANGES IN LIABILITIES FROM FINANCIAL CASH FLOWS

in millions of CZK	Subordinated debt	Lease liabilities	Own debentures at amortised costs
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**	**–**

in millions of CZK	Subordinated debt	Lease liabilities	Own debentures at amortised costs
Balance as at 1 January 2022	**73**	**942**	**–**
Changes in financial cash flows			
Issue of debt	185	–	300
Lease liabilities paid	–	(105)	–
Total changes in financial cash flows	**185**	**(105)**	**300**
Foreign exchange differences	**(2)**	**(26)**	**–**
Other changes	**–**	**87**	**–**
Related changes			
Interest expense	6	13	1
Interest paid	(5)	(13)	–
Total related changes and liabilities	**–**	**–**	**1**
Balance as at 31 December 2022	**256**	**898**	**301**

35. FINANCIAL COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies comprise:

in millions of CZK	Stage 1	Stage 2	Stage 3	2022
Unused credit lines	4,996	147	206	5,349
Granted guarantees	3,056	141	60	3,257

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

36. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

in millions of CZK	31/12/2022	31/12/2021
Assets under management		
Assets under investment management with right of disposal	8,518	10,154
Assets under administration		
Other administrative assets	102,074	106,689
Total	**110,592**	**116,843**

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

Assets under management
Assets under management represent the total market value of investments that the Bank manages on behalf of clients. These assets are actively managed by fund managers and portfolio managers with fiduciary responsibility and authority to make investment decisions on behalf of investors.

Securities, value rights, precious metals and other fiduciary investments from third parties under investment management, where the Bank has right of disposal. The amount comprises of both assets deposited with the Bank companies and of assets deposited with third parties, for which the Bank companies hold right of disposal.

Assets under administration
Assets under administration are total assets for which the Bank provides only administrative services and consultancy for a fee. Assets are owned and managed by clients who have entered into an agreement with the Bank as the provider of assets administration. The Bank has no right to make investments decisions on behalf of clients.

37. 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 2022:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Cash, cash equivalents and due from banks and other financial institutions	73,867	3,181	243	–	77,291
Securities and positive fair value of derivatives	16,282	3,977	10,978	142	31,379
Ownership interests	1,805	8	582	241	2,636
Loans and other advances to customers	28,121	9,667	55,592	10,264*	103,644
Total	**120,075**	**16,833**	**67,395**	**10,647**	**214,950**
Negative fair value of derivatives	1,552	10	2,297	81	3,940
Deposits and loans from banks	226	343	7,934	17	8,520
Deposits from customers	110,966	24,887	22,885	837	159,575
Subordinated debt	205	51	–	–	256
Issued bonds	301	–	–	–	301
Total	**113,250**	**25,291**	**33,116**	**935**	**172,592**

* The position covers especially expositions in Switzerland, Great Britain and USA.

Statement of financial position as at 31 December 2021:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other c ountries	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
Total	**109,999**	**12,485**	**56,323**	**7,998**	**186,805**
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
Total	**95,475**	**24,809**	**33,707**	**1,331**	**155,322**

* The position covers especially expositions in Switzerland, Great Britain and USA.

Statement of comprehensive income for the year ended 31 December 2022:

in millions of CZK	Czech Republic	Slovakia	Other EU countries	Other countries	Total
Net interest income	3,591	314	2,201	535	6,641
Net fee and commission income	729	323	363	(1)	1,414
Dividends from ownership interests	235	–	–	–	235
Net income from trading and investments	(2,340)	(51)	4,854	(169)	2,294
Other operating income	29	116	(106)	1	40
Operating income	**2,244**	**702**	**7,312**	**366**	**10,624**
Personnel expenses	(1,198)	(156)	–	–	(1,354)
Other operating expenses	(1,167)	(337)	78	(15)	(1,441)
Depreciation and amortisation	(184)	(28)	–	–	(212)
Profit before allowances, provisions and income tax	**(305)**	**181**	**7,390**	**351**	**7,617**
Net loss from changes of loans and other receivables	–	(9)	(106)	–	(115)
Net change in loss allowances for financial instruments	(193)	272	(941)	(663)	(1,525)
Net change in loss allowances for ownership interests	–	–	(95)	(535)	(630)
Profit before tax	**(498)**	**444**	**6,248**	**(847)**	**5,347**

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 loss from trading and investments	676	414	(303)	(899)*	(112)
Other operating income	20	2	18	–	40
Operating income	**2,435**	**938**	**2,285**	**(449)**	**5,209**
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	**591**	**465**	**2,252**	**(469)**	**2,839**
Net change in loss allowances for financial instruments	(149)	(591)	318	(13)	(435)
Net change in loss allowances for ownership interests	–	–	–	(525)	(525)
Profit before tax	**442**	**(126)**	**2,570**	**(1,007)**	**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.

38. 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 2022 in millions of CZK	I.	II.	III.	IV.	V.	Total
Receivables	96	159	1,438	160	1,503	3,356
Liabilities	505	51	1,246	20	759	2,581
Granted guarantees	–	–	–	–	6	6
Received guarantees	–	–	153	–	–	153
Provided loan commitments	1,375	1	97	–	207	1,680
Received collateral	–	95	–	160	70	325
Profit/loss items for period ended 31/12/2022						
Expenses	(2,593)	–	(2,524)	(1)	(143)	(5,261)
Income	2,544	8	1,903	30	167	4,652

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

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	31/12/2022	31/12/2021
Provided loans	81	23
Deposits received	271	183

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 2022 amounted to CZK 160 million (2021: CZK 94 million).

The loans provided to key management personnel were provided on the arm's length basis.

39. 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.

40. 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 31/12/2022

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Performing exposures	102,579	(1,364)	101,215
– of which performing exposures forborne	6,504	(149)	6,356
Non-performing exposures	4,589	(2,160)	2,429
– of which non-performing exposures forborne	1,992	(822)	1,171
Total	**107,168**	**(3,524)**	**103,644**

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**

in millions of CZK	2022	2021
Share of exposures forborne in the total loans provided to customers	7.26%	8.08%
Share of non-performing exposures in total loans to customers	2.34%	3.06%

(b) Concentration of loans to customers by economic sector

as at 31/12/2022

in millions of CZK	Gross carrying amount	ECL	Net carrying amount
Not forborne			
Non-financial institutions	53,577	(2,096)	51,481
Financial institutions	43,388	(453)	42,935
Households	1,705	(4)	1,701
Others	1	–	1
Total	**98,671**	**(2,553)**	**96,118**
Forborne			
Non-financial institutions	5,649	(679)	4,970
Financial institutions	2,742	(216)	2,526
Households	106	(76)	30
Total	**8,497**	**(971)**	**7,526**

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	(168)	29,548
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)	1,126
Households	118	(79)	39
Total	**8,821**	**(1,686)**	**7,135**

(c) Concentration of loans to customers by industry

in millions of CZK	2022	2021
Real estate activities	21,571	22,987
Financial services	12,094	9,083
Culture, sports, entertainment and recreation activities	11,514	8,952
Construction	11,007	6,760
Manufacturing	9,962	4,186
Transportation and storage	8,460	1,385
Wholesale and retail	8,224	11,510
Production and distribution of electricity, gas and heat	7,703	7,840
Accommodation and food service activities	5,102	5,287
Information and Communication Technologies	2,053	3,825
Private households and employed persons	1,185	1,178
Water supply, services relating to water, waste management and redevelopment	1,170	611
Administrative and support service activities	843	1,932
Professional, scientific and technological activities	781	1,151
Mining and quarrying	754	1,155
Agriculture, forestry and fishing	225	62
Healthcare and social work	191	226
Other	805	135
Total	**103,644**	**88,265**

(d) Concentration of loans to customers by location

in millions of CZK	2022	2021
Czech Republic	28,121	27,408
Cyprus	22,956	16,797
Luxembourg	18,334	14,947
Slovakia	9,667	5,836
Germany	4,899	6,618
Switzerland	4,716	2,970
Croatia	4,121	2,959
USA	2,068	–
Great Britain	1,912	1,874
Poland	1,660	1,272
Austria	1,262	2,944
Cayman Islands	1,040	871
France	918	973
Malta	733	613
Maldives	302	328
Belgium	287	–
Guernsey – Channel Islands	224	–
The Netherlands	160	1,269
Ireland	148	176
Russia	–	196
Other	116	214
Total	**103,644**	**88,265**

(e) Concentration of loans to customers by location of project implementation and collateral

in millions of CZK	2022	2021
Czech Republic	48,164	42,333
Slovakia	11,355	6,497
Germany	8,944	6,322
Great Britain	8,784	3,909
Croatia	5,861	6,188
USA	3,503	3,037
Spain	3,451	2,602
Cyprus	2,055	–
Slovenia	1,687	1,362
Poland	1,659	1,272
Austria	1,487	3,203
Netherlands	1,472	5
France	1,199	3,602
Hungary	1,142	871
Moldova	990	1,017
Tanzania	610	499
Maldives	302	329
Luxembourg	271	1,645
Ukraine	186	1,899
Russia	100	196
Greece	77	136
Romania	28	–
China	5	1,274
Other	312	67
Total	**103,644**	**88,265**

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 2022

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	3,993	73,091	83,749	18,568
Expected credit losses	(5)	–	(1,398)	–
Stage 3				
Gross amount	572	–	4,442	–
Expected credit losses	(572)	–	(2,144)	–
POCI				
Gross amount	–	–	409	–
Expected credit losses	–	–	18	–
Total	**3,988**	**73,091**	**85,076**	**18,568**
Stage 1 and 2 – by maturity				
– to maturity date	3,988	73,091	82,325	18,568
– up to 1 month past due	–	–	26	–
Stage 3 – by maturity				
– to maturity date	–	–	1,301	–
– 6 to 12 months past due	–	–	34	–
– more than 12 months past due	–	–	963	–
POCI – by maturity				
– to maturity date	–	–	402	–
– more than 12 months past	–	–	25	–
Total	**3,988**	**73,091**	**85,076**	**18,568**

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	–	–	4,752	–
Expected credit losses	–	–	(2,426)	–
POCI				
Gross amount	–	–	425	–
Expected credit losses	–	–	(52)	–
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	–	–	1,535	–
– 1 to 3 months past due	–	–	–	–
– 3 to 6 months past due	–	–	130	–
– 6 to 12 months past due	–	–	160	–
– more than 12 months past due	–	–	502	–
POCI – by maturity				
– to maturity date	–	–	349	–
– 1 to 3 months past due	–	–	24	–
Total	**6,331**	**66,128**	**67,963**	**20,302**

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.

Risk category

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	559	–	–	–	559
Low risk	1,972	–	–	–	1,972
Medium risk	68,947	7,441	–	–	76,388
High risk	2,687	2,144	–	262	5,093
Default	–	–	4,442	147	4,589
Debits and reverse repurchase agreements – without rating	18,567	–	–	–	18,567
ECL	(985)	(413)	(2,144)	18	(3,524)
Total as at 31 December 2022	**91,747**	**9,172**	**2,298**	**427**	**103,644**

in millions of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
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
Default	–	–	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**

(g) Sensitivity analysis for expected credit losses

The Bank performs various sensitivity analyses of expected credit losses. One set of sensitivity analysis represents change in ECL by changing in LGD and GDP parameters as follows:

The optimistic and pessimistic scenario reflects the amount of expected credit losses on a change of LGD by a factor of 10% and a change of GDP by 1 percentage point.

in millions of CZK	Optimistic	Base	Pessimistic
Change in LGD			
ECL 2022	(3,164)	(3,524)	(3,854)
ECL 2021	(2,929)	(3,256)	(3,547)
Change in GDP			
ECL 2022	(3,502)	(3,524)	(3,541)
ECL 2021	(3,165)	(3,256)	(3,389)

The Bank also pursues sensitivity analysis for expected credit losses for PD change scenarios arising at 5%, 12.5%, 25% and 50% quantiles of GDP predictions, with each set of PDs equally weighted at 25%. The ECL values below represent the amount of expected credit losses as at 31 December 2022 if the Bank applied a 100% weighting to the PD set for that quantile, while the PD sets for the other GDP prediction scenarios would have a 0% weighting. For Stage 1 and 2, the impacts are calculated only for loans that are not subject to management adjustments for crisis scenarios (see point 4.3).

in millions of CZK	Base ECL 2022	ECL per quantile 5%	ECL per quantile 12,5%	ECL per quantile 25%	ECL per quantile 50%
Loans to customers	(3,524)	(3,549)	(3,536)	(3,520)	(3,489)
from this Stage 1 and 2	(738)	(763)	(750)	(734)	(703)
Bonds FVOCI	(151)	(154)	(152)	(151)	(148)
from this Stage 1 and 2	(105)	(108)	(106)	(105)	(102)

(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.

31/12/2022

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:	**115,471**	**121,820**	**668**	**717**
– Guarantees	3,250	4,385	–	–
– Promissory notes	360	878	–	–
– Real estate	13,282	17,391	611	660
– Cash deposits	2,647	2,648	26	26
– Securities	17,852	17,878	–	–
– Other	1,912	2,472	31	31
- Securities received under reverse repurchase agreements	76,168	76,168	–	–
Past due:	**23**	**37**	**93**	**107**
– Real estate	23	37	44	58
– Other	–	–	49	49

31/12/2021

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

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:

	31/12/2022	31/12/2021
Decrease of the trading portfolio value due to a rating migration by one credit class*	24	36

*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.

41. 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 2022:

in millions of CZK	Gross 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							
Cash, cash equivalents and due from banks and other financial institutions	77,868	78,055	77,140	14	329	–	572
Securities (excl. derivatives)	24,598	25,919	222	577	13,463	162	11,495
Loans and other advances to customers	107,168	124,905	25,343	25,105	68,549	5,908	–
Total	**209,634**	**228,879**	**102,705**	**25,696**	**82,341**	**6,070**	**12,067**
Off balance							
Bank commitments	5,349	5,349	3,640	270	1,338	101	–
Bank guarantees	3,257	3,257	3,257	–	–	–	–
Liabilities							
Deposits and loans from banks	8,520	8,493	4,918	–	3,575	–	–
Deposits from customers	159,575	164,566	107,853	30,203	25,419	1,091	–
Lease liabilities	898	966	27	79	360	500	–
Issued bonds	301	420	–	24	396	–	–
Subordinated debt	256	319	45	9	265	–	–
Total	**169,550**	**174,764**	**112,843**	**30,315**	**30,015**	**1,591**	**–**
Net liquidity position	**40,084**	**54,115**	**(10,138)**	**(4,619)**	**52,326**	**4,479**	**12,067**
Cumulative liquidity position			**(10,138)**	**(14,757)**	**37,569**	**42,048**	**54,115**

The contractual maturities above illustrate that, on contractual basis, the Bank funds its long-term assets with shorter-term liabilities. However, the actual maturity of deposits from customers is much longer than their contractual maturity, and deposits from customers have been and continue to be a stable source of funding. In this respect, the Bank's funding model is in line with industry standards.

The Bank's liquidity position is monitored on daily basis, and it is substantially above limit for both regulatory (LCR, NSFR) and internal liquidity risk indicators. Moreover, the Bank's liquidity position is enhanced by the fact that a large part of deposits from customers is formed by deposits redeemable upon notice (with notice period ranging from 1 day to 6 months) and by term deposits (with weighted average maturity of over 1 year at the end of 2022).

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	Net carrying amount	Expected 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	103,644	121,381	24,064	24,466	67,145	5,689	17
Liabilities							
Deposits from customers	159,575	165,053	98,295	28,273	31,481	7,004	–
Subordinated debt	256	319	45	9	265	–	–

Liquidity risk as at 31 December 2022 – derivatives – non-discounted cash flows

in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	From 1 to 5 years
Derivative financial assets					
FX derivatives – inflow	6,006	6,006	1,474	1,324	3,208
Cross currency derivatives	169	–	–	–	–
– inflow	–	3,165	–	1,414	1,751
– outflow	–	(2,941)	–	(1,287)	(1,654)
Other – inflow	608	608	–	3	605
Total	**6,783**	**6,838**	**1,474**	**1,454**	**3,910**
Derivative financial liabilities					
FX derivatives – outflow	3,527	3,527	1,070	947	1,510
Cross currency derivatives	195	–	–	–	–
– inflow	–	3,556	–	1,900	1,656
– outflow	–	(3,814)	–	(2,068)	(1,746)
Other – outflow	218	218	–	2	216
Total	**3,940**	**3,487**	**1,070**	**781**	**1,636**

31/12/2021

in millions of CZK	Gross 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							
Cash, cash equivalents and due from banks and other financial institutions	72,620	72,760	72,354	13	393	–	–
Securities (excl. derivatives)	20,372	21,291	137	865	10,645	112	9,532
Loans and advances to customers	91,535	102,445	27,939	19,137	45,532	9,837	–
Total	**184,527**	**196,496**	**100,430**	**20,015**	**56,570**	**9,949**	**9,532**
Off balance							
Bank commitments	10,134	10,134	4,525	281	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**	**–**
Net liquidity position	**29,907**	**40,101**	**5,434**	**(5,785)**	**21,939**	**8,981**	**9,532**
Cumulative liquidity position			**5,434**	**(351)**	**21,588**	**30,569**	**40,101**

Expected maturity

in millions of CZK	Net carrying amount	Expected 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	88,265	99,176	26,362	18,475	44,706	9,633	–
Liabilities							
Deposits from customers	149,306	151,055	82,053	25,124	36,879	6,999	–
Subordinated debt	73	87	4	1	82	–	–

Derivative financial assets

in millions of CZK	Carrying amount	Contractual cash inflows/ (outflows)	Up to 3 months	3 months to 1 year	From 1 to 5 years
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**

42. 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 and Investment Committee.

The decision-making power is given by internal rules to the Board of Directors and Investment Committee.

The VaR statistics as of 31 December 2022 and 31 December 2021 are as follows:

in millions of CZK	31/12/2022	31/12/2021
VaR market risk overall	153	43
VaR interest rate risk	83	36
VaR FX risk	39	42
VaR equity risk	87	20
VaR commodity risk	1	1

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	31/12/2022	31/12/2021
Short-term scenario	(416)	(224)
Medium-term scenario	(411)	(224)
Long-term scenario	(278)	(224)

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') as for CZK, EUR, USD yield curve. The Bank distinguishes between internal and stress scenarios, within which various parallel and non-parallel movements are made.

The change in the present value of the investment portfolio in percentage points of equity and net interest income („NII") would be as follows:

(% Tier 1 + Tier 2)			31/12/2022	31/12/2021
Increase/decrease in the present value of the investment portfolio due to a sudden change in interest rates by 200 bp	Equity	upward	3,434	1,242
		downward	(2,414)	(617)
	NII	upward	(241)	(78)
		downward	122	562

43. 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 2022 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	76,096	–	–	1,195	77,291
Securities and positive fair value of derivatives	4,380	15,350	156	11,493	31,379
Ownership interests	–	–	–	2,636	2,636
Loans and other advances to customers	98,551	678	45	4,370	103,644
Total	**179,027**	**16,028**	**201**	**19,694**	**214,950**
Liabilities					
Deposits and loans from banks	100	3,602	–	4,818	8,520
Deposits from customers	119,417	26,417	662	13,079	159,575
Negative fair value of derivatives	2,108	1,832	–	–	3,940
Subordinated debt	51	205	–	–	256
Issued bonds	–	1	–	300	301
Total	**121,676**	**32,057**	**662**	**18,197**	**172,592**
Net interest rate risk	**57,351**	**(16,029)**	**(461)**	**1,497**	**42 358**
Cumulative interest rate risk	**57,351**	**41,322**	**40,861**	**42 358**	**–**

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
Total	**153,091**	**11,316**	**108**	**22,290**	**186,805**
Liabilities					
Deposits and loans from banks	372	3,732	–	194	4,298
Deposits from customers	83,965	37,479	357	27,505	149,306
Negative fair value of derivatives	860	778	–	7	1,645
Subordinated debt	52	21	–	–	73
Total	**85,249**	**42,010**	**357**	**27,706**	**155,322**
Net interest rate risk	**67,842**	**(30,694)**	**(249)**	**(5,416)**	**31,483**
Cumulative interest rate risk	**67,842**	**37,148**	**36,899**	**31,483**	**–**

Interest rate risk is reflected in the value of the portfolio primarily through the shape of the yield curve.

The yield curves arise from liquid interbank interest rates and 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.

44. 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 2022 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	73,822	73	3,350	–	46	77,291
Securities and positive fair value	22,637	8	8,560	–	174	31,379
Ownership interests	854	267	959	241	315	2,636
Loans and other advances to customers	9,348	12,026	78,038	–	4,232*	103,644
Total	**106,661**	**12,374**	**90,907**	**241**	**4,767**	**214,950**

* The item mainly includes a position in GBP of CZK 3,985 million and other currencies in individually insignificant amounts.

in millions of CZK	CZK	USD	EUR	RUB	Other	Total
Liabilities						
Deposits and loans from banks	567	15	7,920	–	18	8,520
Deposits from customers	105,592	1,653	51,786	206	338	159,575
Negative fair value of derivatives	3,940	–	–	–	–	3,940
Subordinated debt	205	–	51	–	–	256
Issued bonds	301	–	–	–	–	301
Total	**110,605**	**1,668**	**59,757**	**206**	**356**	**172,592**
Long position of off-balance sheet instruments:						
items from derivative transactions	118,995	7,744	61,942	–	6,135	194,816
items from spot transactions with equity instruments	3	416	–	–	–	419
Short position of off-balance sheet instruments:						
items from derivative transactions	67,197	19,135	94,263	–	10,408	191,003
items from spot transactions with equity instruments	4	416	–	–	–	420
Open position asset/(liability)	**47,853**	**(685)**	**(1,171)**	**35**	**138**	**46,170**

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
Total	**96,184**	**13,294**	**75,178**	**1,476**	**3,673**	**186,805**

*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
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	–	52	–	–	73
Total	**90,367**	**1,866**	**61,892**	**389**	**808**	**155,322**
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)	**29,894**	**348**	**2,635**	**221**	**317**	**33,415**

45. 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.

46. 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, 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 208 million (31 December 2021: CZK 42 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.

As at 31 December 2022, the Bank decided not to apply Article 473a of Regulation (EU) 2017/2395 of the European Parliament and of the Council, and do not 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. Respectively, the Bank also did not modify the method of calculating specific adjustments for credit risk.

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 2022 and 31 December 2021 are as follows:

in millions of CZK	Minimum requirement	Capital conservation buffer	Countercyclical buffer	Total requirement
Common Equity Tier 1 capital (CET1)	4.5%	2.5%	0.72%	7.72%
Tier 1 capital	6%	2.5%	0.72%	9.22%
Total regulatory capital 2022	**8%**	**2.5%**	**0.72%**	**11.22%**
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%**

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 2022 and 31 December 2021, providing a complete reconciliation of individual items of regulatory capital to equity items.

As at 31 December 2022

in millions of CZK	Regulatory capital	Equity
Paid-up share capital registered in the Commercial Register	10,638	10,638
Retained earnings	10,766	11,254
Profit for the period	–	4,120
Accumulated other comprehensive income	(9)	(7)
Reserve funds	–	181
(-) Additional value adjustments (AVA)	(31)	–
(-) Intangible assets	(196)	–
(-) Insufficient coverage for non-performing exposures	(288)	–
Transitional adjustments to CET1 instruments	–	–
Paid-in AT1 instruments, share premium	8,868	8,868
Total Tier 1 capital	**29,748**	**n/a**
Total Tier 2 capital	208	–
Total regulatory capital/equity	**29,956**	**35,054**

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**

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	31/12/2022	31/12/2021
Central governments or central banks	1,222	718
Institutions	1,744	848
Corporates	66,134	51,258
Retail	47	43
Secured by mortgages on immovable property	7,467	10,232
Exposures in default	3,203	4,923
Items associated with particular high risk	31,046	24,111
Covered bonds	-	49
Deposits from institutions and corporates with short-term credit rating	206	164
Collective investments undertakings (CIU)	10,964	9,924
Shares	1,826	3,597
Other exposures	2,042	2,096
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**125,901**	**107,963**
Traded debt instruments	3,334	3,230
Shares	1,888	890
Position risk in collective investment undertakings (CIUs)	3,280	20
Foreign exchange	2,111	1,079
Total risk exposure amount for position, foreign exchange and commodity risks	**10,613**	**5,219**
Operational risk	9,914	9,731
Total risk exposure amount for credit valuation adjustment	682	230
Total risk exposure amount	**147,110**	**123,143**

Capital adequacy ratios

in %	31/12/2022	31/12/2021
Common Equity Tier 1 capital (CET 1)	14.19	14.45
Tier 1 capital	20.22	17.62
Total regulatory capital	**20.36**	**17.65**

The Czech National Bank, as a local authority for crisis resolution, defines the most appropriate strategies for crisis resolution of institutions and determines the minimum requirement for capital and eligible liabilities of these institutions (MREL). Indicative targets based on risk-weighted assets prescribed by the CNB (excluding combined capital reserves) were set for the Bank. The set targets for the Bank are 13.3% as of January 1, 2022, 14.8% as of January 1, 2023 and 16.1% as of January 1, 2024. As of December 31, 2022, the Bank reports an MREL without a combined reserve at the level of 17.6%.

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 and internal 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.

47. 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:

31/12/2022

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	–	77,287	–	77,287	77,291
Loans and other advances to customers	–	–	107,445	107,445	103,644
Financial assets (securities) at amortised costs	–	–	4,128	4,128	4,529
Financial liabilities					
Deposits and loans from banks	–	8,412	–	8,412	8,520
Deposits from customers	–	160,560	–	160,560	159,575
Financial liabilities at amortised costs	–	–	305	305	301
Subordinated debt	–	324	–	324	256

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 assets (securities) at amortised costs	–	–	4,234	4,234	4,522
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

48. MATERIAL SUBSEQUENT EVENTS

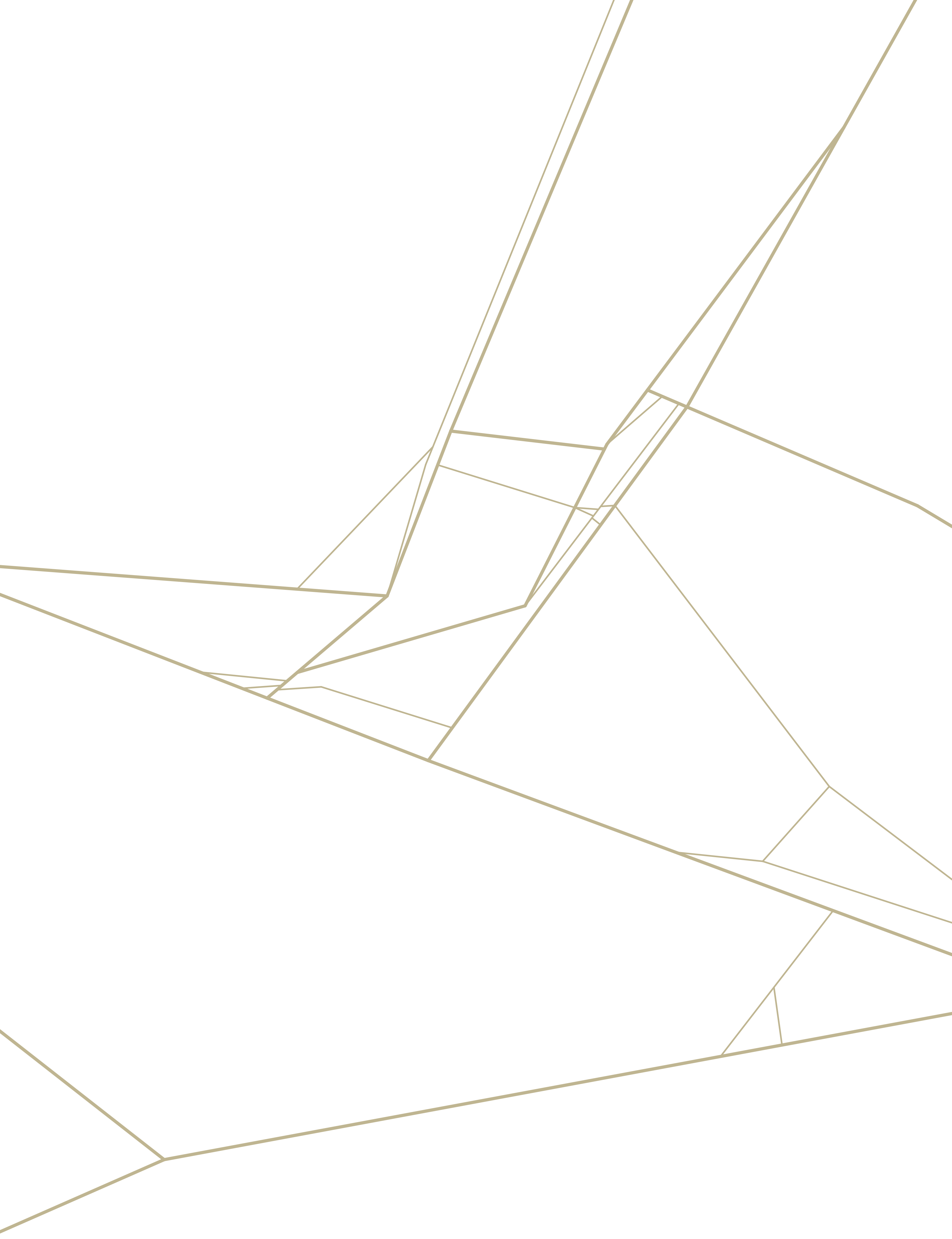
Croatia adopted the Euro as its currency on 1 January 2023 at a conversion rate of 1 euro for 7.53450 Croatian kuna.

On 17 January 2023, ALTERNATIVE UPRAVLJANJE d.o.o. was liquidated and deleted from the court register in Croatia. Residual capital reserves of EUR 371 ths were paid to the the Bank as the sole shareholder on January 19, 2023.

German branch of the Bank operates under the brand J&T Direktbank, as a fully digital bank since 27 February 2023. The Bank primarily offers deposit products for the German market. Germany becomes the fourth market within which the Bank operates.

The Bank is proceeding strategy to terminate its business operations in Russia and negotiating sales of its subsidiaries in this country.

During the first quarter 2023, the Bank’s subsidiary J&T Leasingová společnost, a.s. recorded a significant increase in the credit risk for a significant customer representing approximately 52% of the subsidiary's total assets as at 31 March 2023 leading to the increase of expected credit losses. In March 2023, the Bank's parent company provided the subsidiary with unfunded credit participation to partially cover credit losses. As a result of the situation, the Bank created impairment to the ownership interest in J&T Leasingová společnost, a.s. in the amount of CZK 470 million.



227.25 billion CZK

THE GROUP´S ASSETS

REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITIES AND THE CONTROLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITYFOR THE ACCOUNTING PERIOD OF 2022

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 2022 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 2022 to 31 December 2022, 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 2022 to 31 December 2022, 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:

LEONARDO III MARINE LIMITED
0000C68484, with its registered office at Ground Floor, Palace Court, Church Street, St. Julian's STJ 3049, Malta

LEONARDO III YACHT LIMITED
0000C79912, with its registered office at Ground Floor, Palace Court, Church Street, St. Julian's STJ 3049, Malta

SERTENA INVESTMENT LIMITED
00HE375099, with its registered office at Klimentos, 41-43 KLIMENTOS TOWER, 2nd floor, Flat/Office 23, Nicosia, Cyprus

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.

In addition, Ing. Jozef Tkáč owns shares in the following companies:

MARLEK LIMITED
ID# 00HE375126, with its registered office at Klimentos, 41-43, KLIMENTOS TOWER, 2nd floor, Flat 23, 1061 Nicosia, Cyprus

The Board of Directors of J&T BANKA, a.s. is aware that during the period from 1 January 2022 to 31 December 2022, 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

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., (until 28th December 2022)

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 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.

ART FOND – Stredoeurópsky fond súčasného umenia, a. s.
ID# 47979160, with its registered office at Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by 365.bank, 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, with its registered office at 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.

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

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
ID# 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

CHATEAU TEYSSIER (formerly STE CIVILE D'EXPLOITATION DU CHATEAU TEYSSIER)
ID# 316 809 391, with its registered office at 33330 VIGNONET, Saint Emilion, France, controlled by J&T Wine Holding SE

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.

Hotel Kadashevskaya, LLC
ID# 1087746708642, with its registered office at Kadashevskaya Nabereznaya 26, Moscow, Russia, controlled by J&T FINANCE LLC.

J&T Global Finance VIII., s.r.o. in liquidation
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

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

J&T Global Finance XIII., s.r.o. (formerly 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 INTEGRIS GROUP LIMITED (until 11th May 2022 controlled by J&T FINANCE GROUP SE)

J&T Global Finance XIV., s. r. o.
ID# 54 627 753, with its registered office Dvořákovo nábrežie 8, Bratislava 811 02, Slovakia, controlled by J&T FINANCE GROUP SE (since 19th May 2022)

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.

J&T RFI I., s.r.o.
ID# 17164028, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE, (since 21st May 2022 until 3rd August 2022, continuously since 3rd August 2022 controlled by J&T BANKA, a.s.)

J&T RFI II., s.r.o.
ID# 17164044, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 21st May 2022 until 2nd September 2022)

J&T RFI III., s.r.o.
ID# 17591287, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 30th September 2022)

J&T RFI IV., s.r.o.
ID# 17843791, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 16th December 2022)

J&T RFI V., s.r.o. (formerly ATENOM, s.r.o.)
ID# 17259380, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 8th December 2022)

Colorizo Investment, a.s.
ID# 07901241, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T MINORITIES PORTFOLIO LTD

CI Joint Venture, s. r. o.
ID# 07899327, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by Colorizo Investment, a.s.

OAMP Distribution, s. r. o.
ID# 09381333, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by Colorizo Investment, a.s.

OAMP Infrastructure, s. r. o.
ID# 09381325, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by Colorizo Investment, a.s.

OAMP Holding s. r. o.
ID# 09381341, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by Colorizo Investment, a.s.

OAMP Hall 2, s.r.o.
ID# 07899505, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by OAMP Holding, s. r. o. (until 17th October 2022)

OAMP Hall 4, s.r.o.
ID# 07899670, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by OAMP Holding, s. r. o. (until 28th April 2022)

OAMP Hall 5, s.r.o.
ID# 07899726, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by OAMP Holding, s. r. o.

OAMP Hall 6, s.r.o.
ID# 07899751, with its registered office at 28. října 3346/91, Moravská Ostrava, 702 00 Ostrava, Czech Republic, controlled by OAMP Holding, s. r. o.

Industrial Center CR 11 s.r.o.
ID# 05649765, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Praha 1, controlled by Colorizo Investment, 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 365.bank, a.s.

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.

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

J&T AGRICULTURE SICAV, a.s.
ID# 17856400, with its registered office at Sokolovská 700/113a, 186 00 Praha 8, Czech Republic, controlled by J&T FINANCE GROUP SE (since 22nd December 2022)

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 2022 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 2022:
- 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 2022 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.
- General consignment agreement for the brokerage of purchase and sale of securities dated 10 April 2008, as further amended, based on which, in 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, and J&T FINANCE GROUP SE undertook to provide adequate consideration in the form of payment.
- Administrator contract dated 17 March 2016, along with a Special arrangement to this contract, based on which, in 2022, 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.
- Administrator contract dated 14 September 2020, along with a Special arrangement to this contract, based on which, in 2022, 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.
- Cooperation agreement in the field of personnel and payroll administration dated 1 June 2022, based on which, in 2022, J&T FINANCE GROUP SE, organizačná zložka provided the following performance of payroll and personnel administration activities, in exchange for adequate consideration in the form of payment.
- Share transfer agreement dated 3 August 2022, based on which J&T FINANCE GROUP SE transferred a share in the company J&T RFI I., s.r.o. to J&T BANKA, a.s. in exchange for adequate consideration in the form of payment.
- Agreement on provision of collateral dated 4 February 2021, based on which J&T FINANCE GROUP SE provided collateral in 2022, to J&T BANKA, a.s. in exchange for adequate consideration in the form of payment.
- Agreement on consideration and a method of payment of consideration for share transfer dated 3 August 2022.
- Contribution contract of a shareholder's additional payment outside of the company's share capital dated 19 December 2022.
- Personal data processing agreement dated 1 June 2022.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Safety deposit box 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.
- 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 2022:
- Agreement on private banking services dated 24 November 2015, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2022, 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 LEONARDO III MARINE LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 LEONARDO III YACHT LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Credit agreement No. EUR 45/OAO/2017 dated 16 November 2017 as amended later, based on which J&T BANKA, a.s. undertook to provide funds - credit to the related party, and LEONARDO III YACHT LIMITED undertook to repay the credit, pay interest and other fees in accordance with the agreed-on terms and conditions.
- Internet banking service agreement dated 20 April 2022.
- 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 SERTENA INVESTMENT LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2022:

- Consignment agreement dated 10 December 2020 regarding the provision of stock brokerage services, based on which, in 2022, J&T BANKA, a.s. provided stock brokerage services, in exchange for adequate consideration in the form of payment.
- General on trading in financial markets dated 10 December 2020.
- 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 2022:

- Agreement on private banking services dated 15 March 2012, based on which J&T BANKA, a.s. provided services pursuant to this agreement in 2022, 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.
- Notice deposit account.

With MARLEK LIMITED:

Contracts in force entered into between related parties:

Contracts in force entered into between related parties based on which performance was provided in 2022:

- General agreement on the provision of services for legal entities and individuals – entrepreneurs of the private banking segment dated 21 December 2021, based on which J&T BANKA, a.s. pobočka zahraničnej banky provided services pursuant to this contract in 2022, 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 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 2022:

- Consignment agreement dated 18 December 2008, based on which J&T BANKA, a.s. provided the related party with stock brokerage services in 2022, 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 2022, 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 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 2022:
- Contract for cooperation dated 13 July 2009, as further amended, based on which J&T BANKA, a.s., in 2022, 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.
- Loan agreement dated 13 July 2022, based on which J&T BANKA, a.s. provided the services of creditor, arranger, loan agent and collateral agent in the context of providing a loan for Realitný o.p.f.-365.invest, správ. spol., a.s. and the company 365.invest, administration. spol., a.s. acts as a manager of a special mutual fund.

With PB Servis, a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Notice deposit account.

With 365.fintech, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, in exchange for adequate consideration in the form of payment.
- Notice deposit account.
- 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 ART – FOND – Stredoeurópsky fond súčasného umenia, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- General agreement on the provision of services for legal entities dated 11 December 2015, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2022, 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 NOVA Hotels SICAV, a.s.:

Contracts in force entered into between related parties:
- Contract for account for shared capital 26 October 2020.
- Agreement on internet banking services dated 29 October 2020, as further amended.
- 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 2022:
- Contract for the custody of securities dated 20 December 2022.
- 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 BHP Tatry, s. r. o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Corporate agreement 2022 dated 3 January 2022, based on which, in 2022, BHP Tatry, s. r. o. provided performance of accommodation services for employees and clients of the Bank, in exchange for adequate consideration in the form of payment.

With Cards&Co, a. s.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, in exchange for adequate consideration in the form of payment.
- Agreement on the termination of the general agreement on the provision of services for legal entities dated 19 December 2022.

With RDF International, spol. s r. o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, 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.
- Agreement on the terms and conditions of provision of outsourcing services dated 4 January 2021.
- Contract for provision of services dated 31 December 2014 regarding logistics, operational services and technical administration for J&T BANKA, a.s. pobočka zahraničnej banky.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, and J&T BANKA, a.s. undertook to provide adequate consideration in the form of payment for the services.
- Overdraft facility agreement No. CZK95/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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, in exchange for adequate consideration in the form of payment for the services.
- Contract for business lease of movable assets dated 1 September2020, based on which, in 2022, 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 2022, 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.
- Declaration made by the contracting parties regarding the Contract for provision of services dated 2 January 2022, based on which J&T BANKA a.s., pobočka zahraničnej banky and J&T SERVICES ČR a.s. agreed on that, in 2022, there will be no performance provided according to this contract.
- Contract for cooperation dated 1 September 2022, based on which J&T SERVICES ČR, a.s. provided J&T BANKA, a.s.pobočka zahraničnej banky concierge services, in exchange for adequate consideration in the form of payment.
- Contract for cooperation in providing employee benefit services dated 30 June 2022, based on which J&T SERVICES ČR, a.s. provided uniform payment of expenses for health care services provided to the Bank’s employees, in exchange for adequate consideration in the form of payment.
- Assignment of contract for work – creating an analysis dated 21 November 2022
- 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 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.
- Agency contract dated 3 April 2013.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, 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.

- Agreement on terminating the mandate contract for payroll and personnel services dated 31 May 2022.
- Contract for cooperation in the field of payroll and personnel services dated 1 June 2022 with J&T BANKA, a.s. pobočka zahraničnej banky, as further amended, based on which, in 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, J&T SERVICES SR, s.r.o. leased to the Bank motor vehicles, in exchange for adequate consideration in the form of lease payment.
- Termination of Contract for lease for a motor vehicle dated 25 March 2022, based on which J&T SERVICES SR, s.r.o. terminated stated contract.
- 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 2022, 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.
- Termination of mandate contracts for payroll and personnel services and contracts for provision of services dated 25 March 2022, based on which J&T SERVICES SR, s.r.o. terminated stated contracts.
- Contract for provision of services dated 1 June 2022 with J&T BANKA, a.s. pobočka zahraničnej banky, based on which, in 2022, 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 2022, 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.
- 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 2022, in exchange for adequate consideration in the form of payment.
- Purchase contract on sale of movable property dated 31 March 2022, based on which, in 2022, J&T Banka, a.s. pobočka zahraničnej banky provided following performance sale of computing tech, in exchange for adequate consideration in the form of payment.
- Purchase contract on sale of movable property dated 1 June 2022, based on which, in 2022, J&T SERVICES SR, s.r.o.provided following performance sale of movable property, in exchange for consideration in the form of payment of the purchase price.
- Purchase contract on sale of movable property dated 1 July 2022, based on which, in 2022, J&T SERVICES SR, s.r.o. provided following performance sale of movable property, in exchange for consideration in the form of payment of the purchase price.
- Contract for cooperation in the field of payroll and personnel services dated 1 June 2022 based on which, in 2022, 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 processing of personal data dated 1 July 2022.
- 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 OUTSIDER LIMITED:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, 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 2022:
- 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 2022:
- Contracts in force entered into between related parties based on which performance was provided in 2022:

With Wine Resort Pouzdřany, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022:
- 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 based on which performance was provided in 2022:
- Agreement on assignment of the right to performance dated 15 November 2022, 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.
- Purchase agreement on sale of movable property dated 14 November 2022, based on which, in 2022, J&T BANKA, a.s. provided following performance of sale of movable property, 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.
- 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:
- Agreement on the issue of Mastercard international debit payment card dated 17 December 2021.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022:
- Consignment agreement for the brokerage of purchase and sale of investment instruments dated 13 August 2012 based on which, in 2022, 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:
- Consignment agreement No. 19181 for the brokerage of purchase and sale of securities, dated 20 August 2010.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- 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 2022, 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 2022:
- 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 2022:
- 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 2022:
- 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 2022, 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 2022, 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 2022:
- Administrator contract dated 14 November 2018, along with a Special arrangement to this contract, based on which, in 2022, 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:
- Bond placement agreement dated 30 June 2021.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Administrator contract dated 30 June 2021, along with a Special arrangement to this contract, based on which, in 2022, 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 2022, 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:
- Bond placement agreement dated 7 July 2021.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Administrator contract dated 8 July 2021, along with a Special arrangement to this contract, based on which, in 2022, 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 2022, 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 XIII., s.r.o. (formerly J&T Credit Participation, s.r.o.):

Contracts in force entered into between related parties based on which performance was provided in 2022:
- General agreement on the provision of services for legal entities and natural persons – entrepreneurs (self-employed) in the private banking sector, dated 17 February 2021, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2022, in exchange for adequate consideration in the form of payment.
- Bond placement agreement dated 9 June 2022, based on which J&T BANKA, a.s. arranged a bond issue in 2022, in exchange for adequate consideration in the form of payment.
- Administrator contract dated 9 June 2022, along with a Special arrangement to this contract, based on which, in 2022, 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 XIV., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Bond placement agreement dated 3 August 2022, based on which J&T BANKA, a.s. arranged a bond issue in 2022, in exchange for adequate consideration in the form of payment.
- Administrator contract dated 3 August 2022, along with a Special arrangement to this contract, based on which, in 2022, 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 27 May 2022, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2022, 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 2022:
- 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 2022, 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 2022, 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.
- Consignment agreement dated 14 April 2022, based on which J&T BANKA, a.s. provided investment services, in exchange for adequate consideration in the form of payment.
- Current account maintenance in accordance with the Bank's business terms and conditions.
- Safety deposit box 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 2022:
- 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.

With J&T RFI I., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Agreement on the provision of additional payment outside the company's share capital dated 17 August 2022.
- Overdraft facility agreement No. EUR18/KTK/2022 dated 24 August 2022, 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 RFI I., s.r.o. undertook to repay the loan, and pay the interest and other fees in accordance with the agreed terms and conditions.
- Contract for the provision of services for legal entities and natural persons – entrepreneurs (self-employed) in the private banking sector, dated 7 June 2022, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2022, 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 RFI II., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Contract for the provision of services for legal entities and natural persons – entrepreneurs (self-employed) in the private banking sector, dated 7 June 2022, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2022, 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 RFI III., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Contract for the provision of services for legal entities and natural persons – entrepreneurs (self-employed) in the private banking sector, dated 13 October 2022, based on which J&T BANKA, a.s. provided services pursuant to this contract in 2022, 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 RFI V., s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- General agreement on trading in financial market dated 27 June 2022.
- Consignment agreement dated 27 June 2022.
- Contract on the provision of banking services for legal entities and entrepreneurs dated 27 June 2022.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With Colorizo Investment, a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Contract for current account dated 24 April 2019.
- Contract for current account dated 30 June 2021.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With CI Joint Venture, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Current account maintenance in accordance with the Bank's business terms and conditions.

With OAMP Holding, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Current account maintenance in accordance with the Bank's business terms and conditions.

With OAMP Hall 5, s.r.o.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Contract on the provision of banking services for legal entities and entrepreneurs dated 20 October 2020.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With JTFG FUND I SICAV, a.s.:

Contracts in force entered into between related parties:
- Contract for account for shared capital 12 January 2021.
- 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.

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Contract for the custody of securities dated 28 April 2022.
- Current account maintenance in accordance with the Bank's business terms and conditions.

With J&T AGRICULTURE SICAV a.s.:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Contract for account for shared capital 19 December 2022.

With J&T FINANCE LLC:

Contracts in force entered into between related parties based on which performance was provided in 2022:
- Acts on the return of a part of the remuneration dated 9 February 2021, relating to the Intermediation Agreement No. 01-01/14 of 17 January 2014, as amended by the later Amendments and in accordance with the provisions of the Agreement on the Termination of Intermediation Agreement No. 01- 01/2014 dated 31 December 2016.

IV.
Assessment of advantages and disadvantages arising from relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity, including a statement on whether advantages or disadvantages prevail and what are the risks arising from this fact for the controlled entity. Indication of whether, in what manner and in what period any damage has been or will be settled according to Section 71 or 72 Act on Corporations.

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 affected 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. The Bank was not harmed according to Section 71 and 72 of the Act on Corporations.

V.
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 2022 to 31 December 2022, all information known as of the date of its signing.

Prague, 31 March 2023
Board of Directors
J&T BANKA, a.s.

J&T BANKA

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